Delta Galil Industries Ltd.

2022 Periodic Report

February 14, 2023

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Preface

The Company, Delta Galil Industries Ltd., hereby submits this report to provide a comprehensive overview of the company's business operations as of December 31, 2022. This report includes a detailed account of the company's structure and the progression of its business activities throughout the year 2022 ("**the Reported 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. In some cases, the report contains additional descriptive information 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 Corporation," "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

Part 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 historical activities as of February 14, 2023.

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"). Each ADS represents a single ordinary Company share of 1 NIS (New Israeli Shekel) par value. ADSs may be traded on the United States OTC (Over the Counter) market or 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 canceled its ADS program.

1.2 In July 2019, the Company acquired Bogart Group, a vertical manufacturer engaged in developing and marketing 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 that manufacture apparel products and raw materials (lace and pads) used by the Bogart Group and sold to external customers.

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. Bare Necessities markets branded intimate apparel and offers over 160 leading brands and 6,400 styles across the categories of intimate apparel, swimwear, shapewear, sleepwear, and socks.

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 In July 2022, the company acquired the Organic Basics online brand. See Section 1.3.3 in the Board of Directors Report, in Part B of this periodic report.

1.5 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 were 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).

1.6 Effect of the COVID-19 Pandemic

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.

1.7 The Group's sales are divided as follows:

1.7.1 Sales of Branded Products

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, KN Karen Neuburger, Eminence, Athena, Liabel, Delta, Fix, and Organic Basics.

The products sold within this framework primarily consist of intimate apparel, socks, children's wear, leisurewear, 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, Kaufhof, Galeria, Karstadt, Leclerc, and Carrefour and leading online retailers such as Amazon, Zalando, and others.

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, Adidas, Wolford, and others. During 2023, the company will commence selling Ralph Lauren Polo under a license agreement.

The products sold within the framework of license agreements largely consist of intimate apparel, socks, children's wear, leisurewear, and activewear. The Company pays royalties to the license holder in return for using the brand name.

1.7.2 Sale of Products bearing the Private Label of the Customers

Sales of products bearing the customer's private labels are made to leading customers such as Nike, Skims, Walmart, Target, Victoria's Secret, Spanx, TJ Maxx, Costco, Amazon, PVH Group, and others.

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

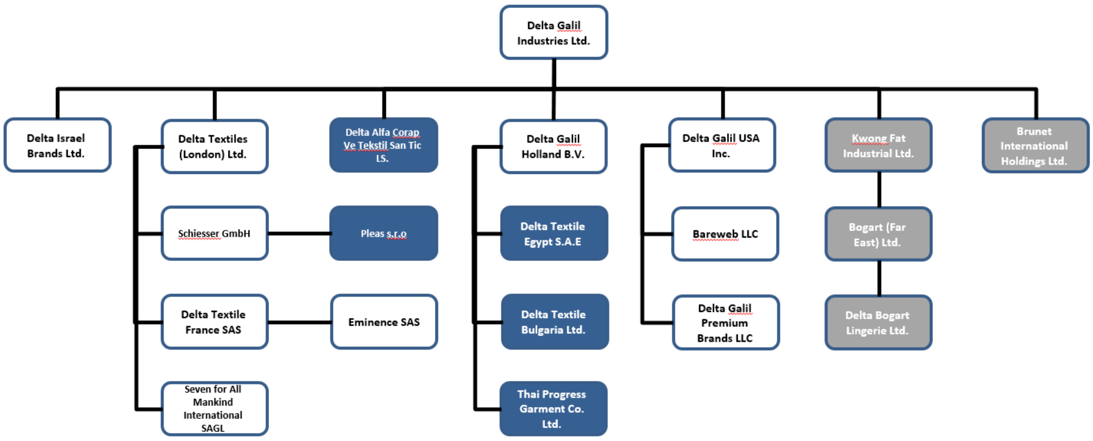
These products are sold to the customer who owns the brand. The customer then sells them to consumers through their distribution channels.

1.8 Marketing, Development, and Manufacturing Activity

The Company markets its products in the geographic regions in which it is active in retail marketing, through the retail chains in its possession and online – 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 through subcontracting and in its factories in the Middle East, Europe, Central America, and the Far East.

The following is an organizational chart of the Company's holdings in the key companies as of December 31st, 2022. All of the stakes in the following countries are 100%, with the exception of Delta Israel Brands Ltd., in which the stake is 80%.



Some of the companies in the Bogart Group

Manufacturing Companies

(1) These companies hold all the stakes in subsidiaries conducting manufacturing operations in China, Thailand, Vietnam, and Myanmar.

2. The Corporation's Operating Segments

For the past decade, the Company has had five main operating segments, as defined in the IFRS 8 standard: Delta USA, Global Upper Market, Delta European Brands, Delta Premium Brands, and Delta Israel (each hereinafter: "Previous Segment(s)"). These Previous Segments were included in the Company's financial statements for the past decade, including in its financial statements as of March 31, 2021.

Since the beginning of the second quarter of 2021, the Company has changed its organizational structure, remuneration plan, and internal financial reporting methods as part of its strategic plan to market its products.
Starting with the Company's financial statements for the second quarter of 2021, the Company changed its reported operating segments to reflect the above changes. The Company's operations were divided into the following: Brands, Private Label, 7 for All Mankind, Delta Israel, and Online Trading. Since the third quarter of 2022 and in these financial statements, the name of the Online Trading segment has been changed to "Others." This Others segment includes the activities of Bare Necessities and Organic Basics, which are not material in a way that requires their presentation as a reportable segment.

Following is concise information about the current Segments as they now appear in the Company's financial statements:

Brands Segment – This segment includes the operations of Schiesser and Eminence, the activity of the PJ Salvage and Splendid brands, as well as activity under brands in license agreements such as Tommy Hilfiger, Columbia, Adidas, Wolford, Polo Ralph Lauren, and others in the categories of lingerie, leisure wear, and sleepwear.

Private Label Segment – This segment includes the operations of private labels in all sales markets in which the company operates, including the operations of the Bogart Group in lingerie, leisure, and sleepwear. Customers in this segment include Nike, Victoria's Secret, Walmart, Target, and others.

7 for All Mankind Segment – This segment includes the operations of the Seven jeans brand. 7 for All Mankind operates in the Premium Denim category for women, men, and children and has significantly different characteristics from the Company's other branded products, primarily operating in the lingerie and leisure clothing categories. Operational and market differences between the 7 for All Mankind brand and the Company's other branded products include variations in production processes, selling prices, suppliers and competitors, marketing and advertising efforts, and others. Considering the above, the Company presents this activity separately from the other brands it manages.

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

Starting in 2022, the activity of this segment includes the operations of the Panta Rei and Victoria's Secret brands. See Section 17.2.3 below.

Other Segment - This segment includes the Bare Necessities activity and the operation of the Organic Basics brand, which was acquired during the year, as stipulated above.

This segment's operations fundamentally differ from those carried out on the company's online websites in its other segments. For brands within this segment, the company primarily purchases ready-made branded products, mainly in lingerie and swimwear, and sells them to end customers through the websites.

On the other hand, its online sites in the other sectors constitute an additional sales channel through which the company's brands are sold to end customers.

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. During that time, the Corporation is unaware of any other material transaction of 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 light of the Company's financial results and financial and other needs, subject to the provisions of the law.

4.2 In 2022 and 2021, the Company distributed dividends, with no need for court approval, as follows:

Decision Date	Sum Distributed (in USD)	Distribution Date
February 14, 2022	Approximately 10 million	March 8, 2022
May 15, 2022	Approximately 6.0 million	May 31, 2022
August 14, 2022	Approximately 6.0 million	September 6, 2022
November 24, 2022	Approximately 6.0 million	December 6, 2022

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, 2023, the Company's Board of Directors decided to distribute a dividend of 31.2 cents per share, or approximately $ 8 million, which will be distributed on March 14, 2023

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 $503.6 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 bonds (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.

Part 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

6.1 Economic Environment and the Effects of External Entities on the Company [1]

The following factors in the group's macroeconomic environment have had, and may continue to have, an impact on its activities:

The Company primarily targets the USA, Europe, and Israel as its main markets. According to macroeconomic sources, 2022 saw negative growth rates in Europe and low, single-digit growth rates in the US and Israel. This contrasts the double-digit growth rates in 2021, a record year characterized by high demand across all sales markets due to the recovery from the COVID-19 pandemic. However, growth rates in 2022 significantly slowed down in most target markets, particularly in the year's second half. This slowdown was due to several key factors, including the war in Ukraine, increased inflation and interest rates, and logistical issues following the COVID-19 pandemic. These logistical problems led to prolonged delivery times, resulting in inventory build-up at some of the Company's customers and subsequent order cancellations or rejections.

a. The Effects of the Increase in the Inflation Rate and Interest Rates

The past few years until 2020 were characterized by a low inflationary environment – a negative annual change of up to 1.5% in the company's main target markets. In 2021, inflation began to rise (the Consumer Price Index increased by 7% in the US, by about 5% in Europe, and by 2.8% in Israel) and accelerated significantly with inflation levels between 5% and 9% in 2022. According to various forecasts, the inflation rate in 2023 will vary between 2% and 4% in the markets in which the company operates.
The company is immaterially affected by the inflation rate mainly due to the rental income from properties it rents since these leases contain provisions for rent increases linked to changes in the Consumer Price Index.
It would be prudent to note that most of the leases that the company is a party to in the US and Europe are not linked to the Index, while the leases in Israel include such provisions.
The effect of linkage to the index in 2022 and that expected for 2023, under existing inflation estimates, is not material to the company's results.

In addition, the inflationary pressures in the countries where the company manufactures and / or buys the products it sells cause wage increases and increases in energy costs and other production costs.

As the inflation rate rose, central banks in the US, Europe, and Israel started to raise interest rates incrementally. For instance, the average interest rate in the US increased from about 2% in 2021 to approximately 4.5% in 2022, with rates projected to reach around 6.5% in 2023. In Israel, rates rose from an average level of 1.5% in 2021 to 3.2% in 2022 and are expected to continue to rise to 5.5% in 2023.

[1] This section, which includes, in part, forecasts regarding the increase in the rate of inflation, interest and transport, constitutes forward-looking information as defined in the Securities Law. This information is uncertain information that refers to a future event and is based, inter alia, on publications by various professional parties, as of the date of the report; The actual results may differ substantially from those predicted in the above stated forward-looking information, as a result of a large number of factors and are therefore subject to risks and uncertainties.

The Company finances its operations from cash reserves, cash flows from current operations, short-term and long-term bank guarantees, and bonds. As stated in section 2.3.3.3 below, most of the company’s debt carries a fixed interest rate. Therefore, the increase in interest rates so far has not had a material effect on the company’s financial expenses.

b. Fluctuations in the Currency Exchange Rate

Throughout the Reported Period, the countries where the Company operates experienced significant fluctuations in their foreign currency exchange rates compared to the US dollar, which is the Company's functional currency. The overall movement of these fluctuations resulted in a significant weakening of most currencies' exchange rates against the dollar.

In 2022, the euro depreciated against the dollar by roughly 11%, the shekel by around 4%, the Egyptian pound by about 20%, and the Turkish lira by nearly 90%. This depreciation of foreign currencies resulted in a decrease in production costs, when measured in dollar terms, which was more significant than the increase in wage and production expenses in the countries where the Company operates, primarily in Southeast Asia, Egypt, and Turkey. Concurrently, the Company negotiates with its customers to raise wholesale prices when substantial currency fluctuations occur. Therefore, in the Company's assessment, these currency changes did not materially impact its financial results during the Reported Period.

However, if the inflationary environment persists without a corresponding increase in retail prices charged to consumers, it could pose a risk to the Company's future earnings.

c. The Effects of the Change in Freight Costs

The Group sources a significant portion of its products from its factories or from suppliers located in Far East countries. When sales are not based on delivery at the port of origin, the Company is responsible for the transportation costs of these products to the USA, Europe (Germany and France), and Israel. From the second quarter of 2021 to the third quarter of 2022, there was a gradual increase in these transportation costs, peaking in the second quarter of 2022. This rise in costs reduced the Company's gross profitability by approximately 1.4% during the first three quarters of 2022, compared to the same period in 2021.

Starting from the fourth quarter of 2022, transportation costs worldwide began to decrease gradually, and by the end of 2022, they had returned to levels similar to those seen before the price increase at the end of 2020. As a result, there was no reduction in gross profitability in the fourth quarter of 2022 compared to the same quarter of the previous year. The Company anticipates that freight prices in 2023 will remain at levels similar to those at the end of 2022. The Company expects this stability to positively impact gross profits in 2023 compared to 2022.

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

Below 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 segment regarding matters where business characteristics differ 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 is 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 Segment

Changes in global trade laws and the effects of the Corona crisis have increased competition in the 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, Paragraph 1.3.2 of Chapter B of this periodic report.

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

The primary target markets of the Company's products in the above 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 Segment and Changes Therein

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

7.4.1 Innovation – investing resources in design and development departments while constantly focusing on domestic and global developments in the field of intimate apparel and customer preferences and in developing and designing fashion collections.

7.4.2 Maintaining long-term relations 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 core.

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 array 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 high-quality finished products.

7.4.7 Upholding an independent manufacturing infrastructure through subcontractors, which will be robust, reliable, and flexible and will enable competitiveness and meeting short supply 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 from each model manufactured, helps reduce manufacturing costs.

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

The Company estimates that these success factors have been reinforced in light of the changes in its business environment, expressed in increased competition, the erosion of sales prices, and in shortening of the required delivery times.

7.5 Main Entry and Exit Barriers

According to the Company's estimates, the main entry barriers for the areas or activity are as follows:

7.5.1 Familiarity and understanding of the fashion industry’s requirements and preferences of the end consumer tastes

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

7.5.3 Innovation in the development and design of fashion products.

7.5.4 Large customers usually require a commitment on behalf of the manufacturer to uphold the compliance process, testing the fitness of the plant 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 array. Failure to meet the quality requirements and standards set by customers may lead to the end of the engagement with them.

7.5.5 The existence of efficient operational arrays, chains of supply, 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 segment..

7.6 Alternatives for Products of the Segment

There are many alternatives for the Company’s products, offered both by wholesalers and manufacturers marketing products similar in quality to those of the Company. The Company is acting to reinforce and preserve its products’ advantage over alternative products by differentiating itself and making itself more prominent in terms of innovation, cutting-edge fashion, quality, and developing special fabrics.

8. Customers in the Segment

8.1 As of the date of this report and in 2022 and 2021, he Group has no material customers, defined as customers to whom sales constitute 10% or more of the Group's total consolidated sales.

Important Group customers in the segment include Target, Walmart, Kohl's, Ross Stores, Macy's, Skims, Victoria's Secret, Calvin Klein, Tommy John, Lulu Lemon, Nike, Hema, Spanx, Athleta, and Wacoal. Bogart customers include Hanes Australia & Europe, Jockey, Adore Me, 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, 2022 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 generally regulated by a general framework agreement and the customer's purchase orders from the Group. The framework agreement includes general provisions pertaining to the relations between the customer and the Group, including the 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 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 in Europe and the United States, while a second selling and marketing group is responsible for customers in the United States low-end market. The Company has sales departments located in the USA, the UK, Hong King, and Israel, and these set its marketing strategy in coordination with the Company HQ. The Company's sales offices are operated by professional staff who maintain long-term relationships with customers, keep direct ongoing contact, and provide an immediate and direct response to the customers' 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. Backlog in the Segment

The Company uses 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 withdraws the merchandise and issues purchase orders immediately before the withdrawal date. 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 7, 2023	**Order Book as of December 31, 2022**
First quarter	124.0	131.5
Second quarter	114.0	87.5
Third quarter	17.8	5.9
Fourth quarter	1.3	0.8
Total	257.1	225.7

11. Competition in the 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 field 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 significant sums 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 The 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 Segment

In recent years, retail chains have trended away from outsourcing the 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 Segment and Market Size

11.4 The operating segment has dozens of competitors, mainly private companies from the United States and the 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, MAS Holdings, Clover, Regina Miracle, Brandix Lanka Limited, Renfro Corporation, Fillnet, Gildan Active Wear 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.

11.5 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 undergarment and swimwear sales with existing customers. In addition, the Company invests in establishing new plants and joint ventures in order to strengthen its connection with its customer and improve its level of service.

12. Production Capabilities in the Segment

12.1 43% of sales in the operating segment are of products purchased from subcontractors, and about 57% 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. To the best of the Company's estimates, such preparations do not take an extended amount of time in a manner limiting the ability for an increase in the scope of activity.

12.2 The Company has manufacturing plants 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 Vietnam and in Egypt.

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

13. Intangible Assets in the Segment

The intangible assets attributed to the segment as of December 31, 2022, mainly include $66.6 million for goodwill and $ 47.6 million for customer relationships.

13.1 Goodwill

13.2 The Company’s goodwill balance was 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.

13.3 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.

13.4 Customer Relationships

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

The balance of customer relationships is amortized over a period of 20 years and, as of December 31, 2022, amounted to approximately $47.6 million.

14. Raw Materials and Suppliers in the Segment

14.1 Main Raw Materials Used in the 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 activities 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 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, the Company's 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 Relations 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 Plants

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 some 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 for the manufacture of its products, mainly from international and domestic suppliers, and 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.

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 occasionally 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. The products are manufactured in the Company plants in Vietnam and Egypt and through subcontractors in China.

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 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 Segment

Below are details regarding the average inventory used by the operating segment and inventory days for 2022 and 2021:

	2022	**2021**
Average inventory (million USD)	165.8	103.6
Inventory days (average)	98	66

The increase in the average inventory in 2022 compared to 2021 was due to a significant increase in operations and an increase in purchase and freight costs. Additionally, there was an increase in inventory in December 2022. This was due to some customers in the segment accumulating inventory, resulting in a portion of the orders being postponed to 2023.

For information regarding working capital, see section 33 below.

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

16.1 Legality in the Countries in which the Company is Active

The Company is subject to the relevant laws in the countries in which it operates, including general laws pertaining to imports, quotas, intellectual property, consumer protection, product labeling (if relevant), licensing, and labor laws (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 7% of total segment sales in 2022. The balance of sales, which constitutes about 93% of 2021 total sales, and which is not included above, is 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 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 other operating segments.

17.1 Structure of the Segments and Changes Occurring Therein

17.1.1 Brands Segment

This 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 in 2016, P.J. Salvage, which was acquired in 2015, and activity under licensed brands.

In this 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 manufactured and marketed intimate apparel under the licensed brand name Marc O’Polo. This agreement expired at the end of 2022

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 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 segments. 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 43% of 2022 operating segment sales were in the women’s underwear category, and about 37% were in the men’s underwear category. The rest of the operating segment’s sales were in the children’s and socks categories.

In this segment, approximately 87% of the Company's sales are of products purchased from subcontractors in the Far East, Eastern Europe, and North Africa, while the balance (approximately 13%) is produced at the Company's own production sites in the Czech Republic and France.

17.1.2 7 for All Mankind Segment

Within the framework of this operating segment, the Group engages in developing, designing, marketing, distributing, and selling premium products under the "7 For All Mankind" label.

The “7 For All Mankind” label is a leading global denim brand. The products of this 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 sale in the United States and Europe. In the retail sector, 7 For All Mankind sells its products through 82self-operated stores, of which 52 are in the United States, 21 in Europe, 7 in Brazil, and 2 in Mexico (as of December 31, 2022), as well as through the brand’s e-commerce site.

About 60% 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 at the mid-market segment.

Within this operating segment, the manufacture of the products is largely carried out by subcontractors in Italy, Turkey, and Eastern Europe.

17.1.3 Delta Israel 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 retail 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 the report date, there are 205 stores active in this operating segment, including 173 Delta stores, 29 Fix stores, and 3 Panta Rei stores. 169 of these are operated by the Company, and 36 are operated by third parties who bear the costs of leasing the stores. As stated in section 1.5 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 Segments and their Profitability

17.2.1 Brands Segment

Sales in this segment are mainly for wholesale customers in Europe and in the USA. 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.

Furthermore, the company signed global license agreements with the adidas and Wolford brands, under which sales commenced in 2022, and Polo Ralph Lauren, under which sales are expected in 2023.

17.2.2 7 for All Mankind 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, Europe, and Brazil; through the brand's websites; and through wholesale activity to leading retailers. In the course of 2022, the Company opened five stores (1 in Europe, 2 in Brazil, and 2 in Mexico) and closed one store 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 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 of 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. In 2022, the chain of Panta Rei stores was launched, as well as an e-commerce website for the Victoria's Secret brand.

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

At the beginning of 2021, Delta Israel announced the planned opening of a new sportswear chain under the name "Panta Rei" 3 stores were opened in 2022 as well as a separate website. An additional store was opened after the report date.

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 ten years until the beginning of 2032. Delta Israel estimates that over the next five years, it will invest approximately $22M (NIS 70 million) of its capital in opening stores, establishing a dedicated website, and funding working capital. The company launched the website during the Reported Period.

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 was held by Delta Galil (60%) and Amarla (40%).

Due to disagreements concerning the agreement, discussions were initiated between the involved parties. These discussions successfully resolved the disagreements by mutual consent. Consequently, Amarla is no longer a shareholder in the joint company, and their holdings have been transferred to the Company.

As of the date of this report, the joint company is no longer relevant. Delta Israel is exploring the possibility of directly engaging with the owner of the Bath & Body Works® brand for any future contracts, bypassing the joint company.

It would be prudent to clarify that the above-stated is forward-looking information as defined in the Securities Law, 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.

As of the report date, it's uncertain whether a contractual relationship with the owner of the BBW label will be established. If such a relationship does develop, it will be directly with Delta Brands and will depend on the progression of negotiations and the terms agreed upon, if any, with the brand owner.

17.2.3.4 Negotiations for a Possible Acquisition of AK Golf Group shares by Delta Brands

On February 14, 2023, the company reported that its subsidiary, Delta Israel Brands Ltd. ("Delta Brands"), has reached a (non-binding) agreement in principle with the AK Golf Group. Ltd. ("Golf") – subject to the completion of due diligence and the signing of a binding agreement – that it will purchase all of Golf's shares, by way of a reverse triple merger, at a price of NIS 425 million, plus a payment of NIS 25 million (subject to Golf's future financial results) in a cash transaction, utilizing the high cash balance in its possession.

If the negotiations conclude successfully and a binding agreement is signed, it will be subject to several conditions. These include the completion of a final agreement with the partner, the brand owner's agreement, and the necessary approvals required by law or from third parties. Additionally, the agreement will need to be approved by the relevant authorities of both parties, which includes the approval of Golf's shareholders.

At the time of this report, there is no certainty that the contracts will progress and lead to the signing of a binding agreement.

17.3 Developments in Markets of the 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, inflation, reduction in consumption, and pressure to reduce prices, 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 today more often than in the past, leading to an increase in the number of product collections needed.

17.4 Critical Success Factors in the Segment 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 the Company brands through constant investment in advertising and e-commerce channels 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 retail stores and strategic location selection.

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 <u>Main Entry and Exit Barriers in the Segment and Changes Occurring Therein</u>

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 <u>Alternatives for the Products of the Segment and Changes Occurring Therein</u>

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. <u>Customers in the Segment: Brands, 7 for All Mankind, and Delta Israel</u>

18.1 <u>Brands Segment</u>

The Company’s customers in the operating segment include wholesale customers and retail customers through its chain stores attributed to this segment in Western Europe and the United States. Sales of the operating segment in 2022 amounted to approximately $637.2 million, compared to about $650.3 million in 2021. The decrease in sales in the Brands segment was mainly due to a decrease in the sales of sleepwear products and "Stay at home categories" in the USA. Sales were also negatively impacted by the weakening of the euro against the dollar, which affected sales in Europe in dollar terms. The increase in sales in 2021 compared to 2020 resulted mainly from an increase in the Schiesser, Splendid, and PJ Salvage brands.

Approximately 75% of the 2022 sales were made through the wholesale channel through department stores, supermarkets, and hypermarkets, and 25% of sales were through the retail chain and the Schiesser, Eminence, Splendid, and PJ Salvage websites. The United States, Germany, and France constitute the largest markets of the operating segment, and sales therein constituted approximately 40%, 28%, and 12%, respectively, of 2022 sales. The remaining sales were in other Western European countries, mainly Switzerland, Belgium, Italy, and the Netherlands.

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

18.2 <u>7 for All Mankind Segment</u>

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

Sales for the segment in 2022 amounted to $ 217.4 million, of which about 60% were in the United States, 34% in Europe, and 6% in other regions.

Sales for the segment in 2021 and 2020 amounted to $198.3 million and $143.5 million, respectively.

The increase in sales in 2022 compared to 2021 was due to an increase in sales in the US and Europe and was achieved despite the weakening of the euro exchange rate against the dollar.

The increase in sales in the segment in 2021 compared to 2020 was due to an increase in retail and wholesale sales in all sales 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 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," "Fix," and "Panta Rei" retail stores and through branded e-commerce.

The Company's wholesale customers in Israel include department stores, supermarkets, and fashion chains.

The total sales of the operating segment in Israel in 2022, 2021, and 2020 amounted to approximately $273.4 million, $281.2 million, and $215.8 million, respectively.

Out of total sales in 2022, about 14% of sales were through the wholesale channel, meaning through department stores, supermarkets, and private stores, and about 86% of sales were through the retail channel, meaning through the Company's stores and through the Company's e-commerce websites.

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

19. Marketing and Distribution in the Segments: Brands, 7 for All Mankind and Delta Israel

The Company markets its products in the operating segment through the following two marketing channels: wholesale marketing and retail, through its retail outlets and e-commerce website.

19.1 Wholesale Marketing

19.1.1 Brands Segment

The wholesale channel is the largest sales channel in the operating channel. About 75% of 2022 sales were carried out through the wholesale channel. Customers in the wholesale 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 of the companies 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 for primary customers, while Eminence does not use this approach.

19.1.2 7 For All Mankind Segment

Approximately 42% 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 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, and 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 supply times are set in the purchase orders and change from order to order.

19.2 Retail Marketing

19.2.1 Brands 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 2022, Schiesser's chain of stores included 103 stores, including 24 retail stores (of which 21 are in Germany) and 79 factory outlet stores (of which 62 are stores in Germany and 17 are in other Western European countries).

The Eminence Group operates eight stores (of which six are in France and 2 in Italy), and Splendid operates 17 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.

The Company also sells to customers through each brand's e-commerce site and has targeted an increase in sales in the medium term.

19.2.2 7 for All Mankind Segment

The operating segment sells products in this channel through 82 branded retail stores—as of the end of 2022—in North America, Europe and Brazil, and Mexico. 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 sales in the same stores, see section 2.3.5 of the Board of Directors' Report in Chapter B of this periodic report.

19.2.3 Delta Israel 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 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 Segment

The United States distribution center for the operating segment is located in Los Angeles.

In Europe, the operating segment utilizes distribution centers in the Netherlands and the United Kingdom that are managed by a third party.

19.3.3 Delta Israel 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, wholesale customers, and 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. Backlog in Segments: Brands, 7 for All Mankind, Delta Israel

The Backlog 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 the sales in this operating segment are direct to retail customers through retail stores and websites.

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

21.1 Brands 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 of department stores. The main competitors of the Splendid operation in the US 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 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 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[2]. 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.

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.

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 in 2021 show that the Delta brand is the most well-known brand in Israel 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 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 Segments: Brands, 7 for All Mankind and Delta Israel

22.1 Brands Segment

Approximately 13% of sales in this operating segment are manufactured in factories owned by the Group - in the Czech Republic, France, and Egypt- and the remaining products are purchased from various suppliers in Asia, Eastern Europe, and North Africa. The Company estimates that it is capable of increasing its production capacity in its factories.

22.2 7 for All Mankind Segment

The products of the 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 of its suppliers, and it has no imitations on manufacturing that would make it difficult to supply products in the event of increased demand.

22.3 Delta Israel 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 segment.

23. Intangible Assets in the Segments: 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 United States subsidiary as well as Eminence for approximately $ 77.4 million, customer relationships, franchise agreements capitalized following the acquisition of Eminence, and brand names acquired as part of the acquisitions of Schiesser and Eminence.

[2] 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.

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, and Macau, as these rights were sold to a local company marketing the Schiesser products in these regions.

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

The book value of the rest of the brand names and trademarks owned by the Company amounts to $68.1 million as of December 31, 2022.

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 held a license for the *Marc O'Polo*brand, which expired at the end of 2022 and holds licenses for children's products, such as *Lilifree*, "*Capt'n Shark'y*, and *EMOJY*.

Furthermore, the company holds a license for the adidas, Wolford, and Polo Ralph Lauren labels.

The balance of customer relationships under the operating segment in the Company's books as of December 31, 2022, amounted to approximately $25.1 million and is amortized linearly over 20 years.

In 2022, the Company impaired the value of the brand name and other intangible assets of *Liabel* by $ 2.2 million.

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 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 the Brands operating segment, the Company enters from time to time into agreements to obtain usage rights for international labels such as Columbia, Converse, Wilson, Tommy Hilfiger, adidas, Wolford, Polo Ralph Lauren, Calvin Klein, Ted Baker, Spalding.

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. Such agreements also usually contain a stipulation of minimum royalties determined by the minimum sales level.

These agreements regulate the obligations of the Company as a recipient of the license concession to manufacture branded products, including the use of brand names, design and development of the products, and the transfer of annual sales plans to the license issuer.

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 $20.8, $16.9, and $15 million in 2022, 2021, and 2020, respectively.

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 Segment

The carrying value of 7 For All Mankind's brand in the Company's books amounted to $44.6 million as of December 31, 2022. The brand's life span is not defined and is examined each year for impairment. The *7 For All Mankind* brand is material to the success of this operating segment and constitutes 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 $ 2.9 million as of December 31, 2022.

23.4 Delta Israel Segment

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

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

The license agreements are generally for a period of 2 to 3 years (with the exception of Victoria's Secret, see below) and include the payment of royalties to the licensor of between 5% and 14% of sales. As a result of the relatively short agreement periods, the balance of the amortized cost of the license agreements in question is not material.

In early 2022, Delta Israel entered into an agreement with Intimate Apparel Management. Under this agreement, Delta Israel was granted an exclusive license to set up and operate physical stores and an e-commerce website in Israel for selling lingerie and cosmetics under the Victoria's Secret brand. The initial term of the agreement is set for ten years, lasting until the beginning of 2032.

The Company estimates that the brands and license agreements are very important for 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 2022, royalty expenses at Delta Israel amounted to $8.8 million, compared to $9.3 and $7.7 million in 2021 and 2020, respectively. The decrease in royalty expenses in 2022 compared to 2021 was mainly due to a decrease in sales under the license agreements as well as the weakening of the Shekel against the United States dollar.

24. Raw Materials and Suppliers in the Segments: Brands, 7 for All Mankind and Delta Israel

As stipulated above, 13% of sales in the operating segment are self-manufactured. The raw materials and accessories serving 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 Segments: Brands, 7 for All Mankind and Delta Israel

25.1 Brands Segment

Below are details regarding the average inventory used by the segment and inventory days in 2022 and 2021:

	2022	2021
Average inventory (million $)	180.3	142.0
Inventory days (average)	173	144

The increase in inventory balance in 2022 compared to 2021 is due to an increase in purchasing and freight costs, the purchase of inventory due to new license agreements, and the relatively low level of inventory at the end of 2021 during the Coronavirus pandemic.

25.2 7 for All Mankind Segment

Below are details regarding the average inventory used by the operating segment and inventory days for 2022 compared with 2021:

	2022	2021
Average inventory (million USD)	50.4	40.7
Inventory days (average)	225	185

The increase in inventory and in the average inventory days in 2022 compared to 2021 was due to an increase in the cost of purchases, expansion of operations in Europe, Mexico, and Brazil, as well as strategic preparation for anticipated sales growth in the upcoming year.

25.3 Delta Israel Segment

Below are details regarding the average inventory used by the operating segment and inventory days in 2022 and 2021 in the operating currency of the segment:

	2022	**2021**
Average inventory (million $)	59.3	46.7
Inventory days (average)	188	173

The increase in average inventory and inventory days in 2022 compared to 2021 was due to an increase in the cost of purchases as well as strategic preparation for anticipated sales growth in the upcoming year.26.

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

26.1 Brands 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 taxation environment in those countries, including in the matter of corporations, antitrust law, product liability, product marking, 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 is likely to 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.

The e-commerce operations of the operating segment are subject to the laws of privacy protection in various countries.

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

26.2 7 for All Mankind Segment

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

The e-commerce website operations of the operating segment are subject to the laws of privacy protection in various countries.

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

26.3 Delta Israel Segment

Operations in Israel are subject to Israeli law on matters of imports, quotas, consumer protection, product marking, 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 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.

The e-commerce website operations of the operating segment are subject to the laws of privacy protection in various countries. The website operations of the segment are subject to the laws of privacy protection in various countries.

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.

Others Segment

27. General Information Regarding the Segment

The Others operating segment includes the Bare Necessities and Organic Basics brands which were acquired during the third quarter of 2022. Because the operations of the two brands are not material in a way that requires their presentation as a reportable segment, the brands' results are presented together under "Others."

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 and Organic Basics.com e-commerce websites.

27.1 The Structure of the Segment and the Changes Occurring Therein

The Others operating segment is mainly based on the activity of Bare Necessities and Organic Basics, which were acquired by the Company in 2020 and 2022, respectively. Bare Necessities and Organic Basics are digital e-commerce platforms that sell products primarily in the lingerie, intimate apparel, loungewear, and swimwear categories.

As part of this activity, the company offers for sale a very wide range of products from different brands,

In 2022, the company launched a new private label, Bare ™ by Bare Necessities.

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 benefit of the Group's other e-commerce activities.

27.2 Changes in the Scope of the 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 Bare Necessities and the Organic Basics e-commerce websites, entry into additional categories, and expansion into additional geographic markets.

27.3 Developments in Markets of the 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 over time and at any point in time.

27.4 Critical Success Factors in the 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 brands through constant investment in advertising to highlight differentiation and benefits.

27.4.2. Ease of use of the platform.

27.4.3. Strengthening the relationship with the customer 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. The existence of an operational system, supply chain, and distribution system that provide full and efficient support for sales needs and compliance with delivery times.

27.5 Main Entry and Exit Barriers of the 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 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 launching an exclusive private label.

28. Customers in the Segment

The company's customers in the operating segment are mainly women aged 30 and above. The operating segment’s sales in 2022 totaled about $ 102.9 million, compared to about $112.7 million in 2021. 2022 operating segment sales included the Organic Basics sales as of September 1, 2021.

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

29. Marketing and Distribution in the Segment

The Company markets its products in the operating segment through e-commerce websites and delivers them to the customer’s home.

The operating segment has a self-operated warehouse and distribution center located in New Jersey, USA, and another operated by a third party near Copenhagen, Denmark.

30. Backlog in the 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 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 consumer 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, Heroom, 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 Segment

The operating segment’s 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 restriction that will make it difficult to supply 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 Segment

Intangible assets in the operating segment include goodwill created at the acquisition of Bare Necessities and Organic Basics of an amount of $1.2 million and $0.2 million, respectively, and a brand name of an amount of $1.5 million and $2.5 million, respectively. The domain and the brand are essential to the operating segment since most of the marketing and advertising activity is aimed at promoting the domain and brand name.

In 2021, the Company impaired the carrying value of the *Brayola* brand name, acquired through the Bare Necessities merger, by an amount of approximately $ 1.0 million.

34. Raw Materials and Suppliers in the Segment

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

35. Working Capital in the Segment

Below are details regarding the average inventory used in the operating segment and the inventory days in 2022 and 2021:

	2022	2021
Average Inventory ($ Millions)	26.9	20.8
Inventory Days	193	144

The increase in the average balance of inventory and in the days of inventory in 2022 compared to 2021 was due to the launch of the "Bare" private label, the purchase of inventories to meet anticipated demand, which did not materialize, and the acquisition of the Organic Basics label.

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

The operating segment operations are conducted mainly in the United States and Europe and are influenced by the laws and tax environments in those countries, including in corporate affairs, antitrust matters, product liability, product labeling, prohibition of discriminating activity, trademarks, and consumer protection.

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

Part D – Additional Information at the Corporate Level

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

37. General Information on the 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 segments and applies these technologies, when possible, to its production processes. Technological developments pertaining to the yarns from which the fabric is woven an indirect impact on the segments, as they allow the manufacture of finished products characterized by innovation, such as products allowing 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 other 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.

For details regarding the sales of the company by product category, see note 5d of the financial reports, Part C of this periodic report

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 sales in the first half due to increased consumer purchases in the "back to school" period and during –the holiday period.

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

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
2022 sales - $	483,873	491,251	512,002	544,415	2,031,541
2022 sales - %	23.8%	24.2%	25.2%	26.8%	100%
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* - $	332,683	270,947	382,878	459,679	1,446,187
2020 sales* - %	23.0%	18.7%	26.5%	31.8%	100%

* The data includes, in the relevant years, the Bare Necessities and Organic Basics sales which were first consolidated in the fourth quarter of 2020 and in the third quarter of 2022, respectively.

Sales in the second quarter of 2020 and their share of total annual sales were lower than usual due to the Coronavirus pandemic.

39.2 Below is a breakdown of the Group's pro-forma sales on a quarterly basis in 2022, 2021, and 2020, which include the companies that were purchased for the entire year (in thousands of dollars):

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
2022 sales - $	486,727	494,238	512,002	544,415	2,037,382
2022 sales - %	23.9%	24.3%	25.1%	26.7%	100%
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%

40. Fixed Assets, Real Estate, and Facilities

40.1 Real Estate and Facilities

The Group has manufacturing facilities in Egypt, Bulgaria, Thailand, Vietnam, China, Myanmar, the Czech Republic, Turkey, and France.

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 competitive ability.

As of this periodic report, the Company owns real estate 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 2023 and 2036. In general, the Company believes that under current market conditions, it will be able to renew most of these rental agreements under terms similar to those in effect today.

The Group rents warehouses, shops, and offices in the United States, Europe, and China. The rental periods in these agreements are expected to expire between 2023 and 2033. In general, the Company believes that under current market conditions, it will be able to renew these rental agreements under terms similar to 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.

40.2 Real Estate Assets Intended for Sale

As of the date of this report, the Company has no real estate assets designated for sale.

40.3 Following is a table concentrating material real estate properties owned by the Group or rented by it as of this periodic report:

Country	Town	Area in sqm	Primary use	Rented/ owned	Amortized Cost in the Financial Statements as of December 31st, 2022 In Millions of Dollars	Annual rental fees in 2022 In Millions of Dollars
Israel	Carmiel	14,014 structure 24,000 land	Fabric development and dyeing, offices, and warehouses	Ownership	5.2	
	Caesarea	About 9,500	Logistics center	Rental	2.4	1.0
		About 5,000	Offices	Rental	9.0	0.7
	Chain stores**	About 30,465	Delta, Fix, and Panta Rei stores – national retail chain	Rental	9.0	16.9
Egypt	Cairo	29,125	Knitting, cutting, and sewing plant, offices, and warehouses	Rental	2.3	0.3
	El-Meina	10,000	Knitting, cutting, and sewing plant, offices, and warehouses	Ownership	6.7	
Turkey	Duzce	9,400	Sock manufacturing plant	Rental	0.9	0.4
Vietnam	Binh Dinh Province	49,000	Intimate apparel (Bogart) manufacturing plant	Ownership and rental	3.0	0.1
	Phuong Thao	43,700	Intimate apparel and socks manufacturing plant	Ownership	11.2	
USA	New Jersey	2,800	Offices	Rental	0.6	0.5

Country	Town	Area in sqm	Primary use	Rented/ owned	Amortized Cost in the Financial Statements as of December 31st, 2022 In Millions of Dollars	Annual rental fees in 2022 In Millions of Dollars
	New York	4,400	Offices	Rental	1.0	2.0
	Tifton, Georgia	46,000	Warehouse, logistics center, and offices	Ownership	3.1	
	Los Angeles	3,810	Offices	Rental	1.7	0.6
	Los Angeles Fontana	29,600	Distribution center	Rental	4.2	1.8
	Chain of stores (7 FAM / Splendid)	About 15,000	Retail chain	Rental	3.0	13.6
Bulgaria	Rousse	8,640	Socks manufacturing plant	Ownership and rental	1.7	0.1
Czech Republic	Havirska	148,000	Knitting, cutting, and sewing plant, warehouses, and offices	Ownership	6.4	
Germany	Radolfzell	70,547	Warehouse, logistics center, and offices	Ownership and rental	13.3	0.8
	7 for all Mankind and Schiesser Chain of Stores	about 35,000	Chain of stores	Rental	2.0	8.7
France	Aimargues & Sauve	27,975	Sewing, cutting plant, warehouses, offices, and a logistics center	Ownership	3.2	
Western Europe (Excluding Germany)	7 for all Mankind and Schiesser Chain of stores	About 10,000	Stores	Rental	2.2	4.7
Thailand	Ayutaya and Samut	51,633	Plant, offices and	Ownership and	4.7	

Country	Town	Area in sqm	Primary use	Rented/ owned	Amortized Cost in the Financial Statements as of December 31st, 2022 In Millions of Dollars	Annual rental fees in 2022 In Millions of Dollars
			warehouses	rental		
China	Panyu	76,182	Sewing-cutting warehouses and offices	Rental	0.2	0.2
Myanmar	Yangon	7,971	Sewing Plant	Rental	1.0	0.3
Hong Kong	Kowloon	2,124	Offices	Rental	0.1	0.9
Brazil	Chain of stores	856	Stores and an office	Rental	0.4	0.7

** Excluding stores operated and rented by third parties.

40.4 Equipment

The Company operates equipment and machinery in its possession in its various plants, 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 development and design 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 for the Company’s product categories.

The development and design teams are integrated with the Company’s selling 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 about $53 million and about $50 million in 2022 and 2021, respectively.

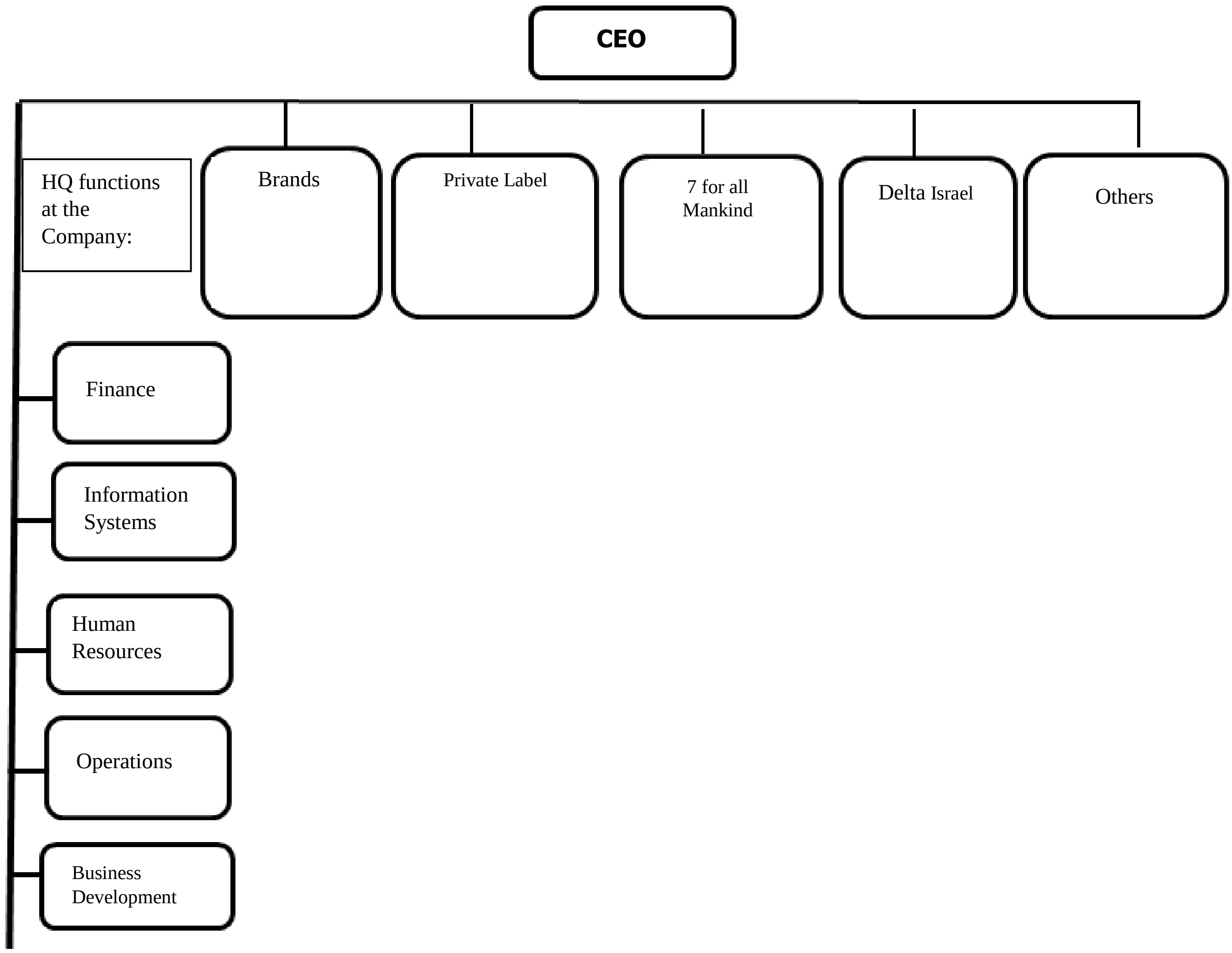
Development and design costs for 2023 are expected to amount to about $55 million and constitute about 2.7% of expected sales.[3]

3.The above information regarding the forecast of development, design and sales costs for 2023 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 segments:



42.2 Workforce:

As of December 31, 2022, the Company employs about 24,400 employees.

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

	As of December 31, 2022	As of December 31, 2021
Thailand (Private Label)	4,915	3,870
China (Private Label)	2,060	3,275
Myanmar (Private Label)	2,005	3,355
Vietnam (Private Label)	4,980	3,330
Egypt (Private Label)	4,120	4,650
U.S.A. (Brands, Private Label, 7 for All Mankind, and Others)	1,430	1,355
Israel (Private Label, Delta Israel, and HQ)	1,310	1,310
Germany (Brands)	975	815
Czech Republic (Brands)	565	550
France (Brands)	470	455
Bulgaria (Private Label)	480	560
Turkey (Private Label)	825	830
Others (Brands, 7 for All Mankind)	445	345
Total employees	24,400	24,700

As of December 31, 2022, 17,000 employees 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 number of employees in December 2022 remains at a level similar to that of December 2021. As a result of Bogart's restructuring plan, as stated in section 1.3.2 of the Board of Directors' report in part B of this periodic report. The company's factory in China (Shenzhen) was closed and the production activity was transferred to Vietnam and Thailand, as reflected in the table above.

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

For details regarding the remuneration plans for Company employees, see Note 14 b 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 in administrative areas. In addition, the company offers lectures for all employees on various 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 the Schiesser subsidiary in the Czech Republic 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 and 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 confidential information even after the end of their employment at 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 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 set, which 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 on December 23, 2020, and the report on the results of the meeting on January 28, 2021 (ref. no. 2020-01-131575 and 2021-01-011611, respectively), included in this report by way of reference.

Amendments to the compensation policy were approved at a special general meeting of the company’s shareholders on January 24, 2023. For further details, see the revised immediate report regarding the convening of the meeting dated January 19, 2023 (reference: 2023-01-009894) and the report on the results of the meeting dated January 24, 2023 (reference: 2023-01-011088), which are included by way of reference.

42.8.4 Severance Pay Liability

The Company's obligations resulting from the discontinuation of employer–employee relations 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 a 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 a composition of net operating working capital as of December 31, 2022, and 2021 on a consolidated basis, in millions of dollars:

	2022	2021
Current assets – as reported	**966.5**	**889.7**
Net of:		
Cash, restricted cash, derivative financial instrument, and short-term deposits	**(195.3)**	**(237.6)**
Current operating assets	**771.2**	**652.1**
Current liabilities – as reported	**611.3**	**547.6**
Net of:		
Short-term credit from banks, current maturities of long-term loans from banks, maturities of bonds, derivative financial instruments, and current maturities of liabilities due to leases	**(188.5)**	**(91.4)**
Current operating liabilities	**422.8**	**456.2**
Operating working capital, net	**348.4**	**195.9**
% of net operating working capital Net	**17.1%**	**10.0%**

Operating working capital is a financial metric that is not in accordance with generally accepted accounting practices, 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 other companies in the industry.

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 restructuring 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 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. Finance

44.1 Financial Covenants

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

For details regarding financial covenants included in deeds of trust for bonds (Series A and F), see Note 11 a (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 19 d 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 bonds, see the designated disclosure for bondholders 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 from current operations, bank credit frameworks, bank loans, and the proceeds from the issuance of bonds. 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 has bank liabilities, mainly to finance working capital and investments in fixed assets, to fund acquisitions, and 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 to maintain flexibility in financial management.

Furthermore, the Company has long-term loans from commercial banks. For more details, see Note 19 e 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 for 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 inter-creditor agreement asserting their pari passu status with respect to the loan collateral.

44.6 Liabilities to Bond Holders

For further details regarding liabilities to bondholders and the cash flow swap agreements for bonds, 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. Judicial Processes

The Group does not have any significant pending judicial processes or processes that concluded during the reporting year.

47 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.

47.1 General

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

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

47.2 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 and 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 allowed the Company 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 leapt from a total of $ 47 million in 1998, which constituted 16% of the Company's sales that year to about $1,067 million in 2022, constituting 53% of all sales.

In addition, the Company has targeted the European market as having large expansion potential, as expressed in 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 $ 554 million or 27% of total sales in 2022.

47.3 Rejecting the possibility of an IPO in the United States.

The Company rejects, at this stage, the possibility of an IPO to the American public due to market conditions.

47.4 Customers

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

47.4.1 Increasing Sales to Existing Customers

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

47.4.2 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 the Company's 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 the 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.

47.4.3 Developing Relations 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.

47.4.4 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, allow penetration of new categories, and preserve its competitive advantage.

47.4.5 Streamlining Production Processes and the Supply Chain

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

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

47.5 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 brand names. Accordingly, the Company intends to continue to act to acquire licenses for marketing under additional brand names, strengthening its position with the consumer.

47.6 Reinforcing and Expanding Branded Retail Activity

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

47.7 Strengthening and Expanding the Company's Innovation by Automating the Value Chain and Reinforcing E-Commerce Competencies

The Company aims to be at the forefront of technology in its areas of activity by implementing automation throughout its business value chain and strengthening its e-commerce sites. To this end, the Company worked with a retail innovation consulting firm in 2019 and, with its assistance, identified and communicated with 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, 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. and Organic Basics, a sustainability brand, in July 2022.

48. Financial Data on Geographic Regions

The Company does not report in its financial statements according to geographical regions.

Details on sales and non-current asset balances are included in Note 5c to the financial statements in Chapter C of this periodic report.

49. 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 factor 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.

49.1 Macro-Economic Risk Factors

49.1.1 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.

49.1.2 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 the 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 contracts period. For further details, see section 3.3 of the Board of Directors' Report, Chapter B of this periodic report.

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

49.1.4 Economic Situation in Target Markets

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

Company’s sales.

49.1.5 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, offices, and some of the manufacturing facilities which are located in Israel. Hostilities and 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 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 workforce 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 4% of the Company’s sales in 2022. 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 2022.

49.1.6. Health-related emergencies

Health-related emergencies can affect consumers' habits and consumption in the 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. For further details regarding the effect of the Coronavirus pandemic on the company’s operations, see section 1.3.1 of the Board of Directors’ report in Chapter B of this periodic report.

49.2 Industry Risk Factors

49.2.1 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 workforces, 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 shares 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.

49.2.2 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 sales in the last two quarters exceeded the Company’s sales in the first two quarters thanks to the 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.

49.2.3 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. The Company’s success is partially dependent on its ability to design and produce products its customers like and which withstand 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.

49.2.4 Online Trade

The garment and fashion industry is subject to rapid changes and market trends. In recent years, one such trend has been the increase in the share of products, particularly labeled 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 segment, mainly under the Delta, Fix, Panta Rei, Victoria’s Secret, Schiesser, 7 For All Mankind, Splendid, Eminence, Athena, Liabel and PJ Salvage labels.

Furthermore, the company operates additional e-commerce websites following the acquisition of Bare Necessities in October 2020 and the acquisition of Organic Basics in July 2022.

The percentage of online sales out of total sales of the segment in question, in particular, and out of total Delta sales in general, is relatively low but increasing. Online sales accelerated in the period 2020 - 2021 due to the Coronavirus pandemic crisis. See section 1.3.2 of the Board of Directors' Report in Part B of this periodic report.

In 2022, the portion of online sales out of total sales fell due to consumers returning to brick-and-mortar shops.

If any of the Company’s customers fail to open their own online sales channels and, as a result, their sales levels are negatively impacted, the magnitude of sales of Company products intended for that customer may be indirectly impacted.

49.2.5 Cyber Defense and Privacy Protection

The Group views cyber risks as a critical factor that may affect the continuity of business activity and the protection of the personal information of our customers and employees. We are committed to maintaining high standards of control and responsible information security conduct, and for this purpose, a multi-layered protection framework was built that includes the operation of an outsourced SIEM/SOC (Security Information and Event Management/ Security Operations Center) for monitoring and alerting the Company of information security events across all companies in the Group.

For infrastructures and systems defined as critical, the company operates a backup system at various sites whose purpose is to enable the restoration of the information systems when necessary.

The Group invests considerable resources and efforts to minimize the possibility of a cyber incident and, within this framework, operates programs to increase employee awareness of information and cyber security. These programs take place in all companies within the Group and in various languages.

In order to gauge the effectiveness of the strategy and work plans, the Group performs an annual measurement of our score in accordance with the

American National Institute of Technology (NIST), which created the Cyber Security Framework (CSF) so that we can more effectively address the prevention, detection, and response to cyber-attacks. At the same time, the Group works to implement the standard Information security (ISO 27001) at headquarters and subsidiaries.

The Delta Galil Group is insured against cyber risks and operates a dedicated cyber security team managed by an information security manager who reports to the VP of Global Information Systems.

The group has a privacy protection committee led by the VP of information systems with the participation of the information security manager, the

Group DPO, human resources representatives, and the company's internal auditor. The committee meets once a month to review procedures and work plans and create work tasks for the various positions.

The team builds and executes the security plans and is subject to independent annual audits. The team constantly monitors new risks and new regulations and updates our cyber security programs accordingly. The strategy, work plans, and budget for dealing with cyber threats were presented and discussed at the company's Board of Directors' meeting.

49.2.6 Changes in Raw Material Costs and Freight Prices

The Company has no control over changes in the prices of raw materials it uses or changes in freight prices. Increases in the cost of raw materials or freight 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 freight prices, are unstable due to variable supply and demand conditions and market factors over which the Company has no control. Recently, and in the wake of the Coronavirus pandemic, there has been a significant rise in maritime transport costs caused by the shortage of cargo ships carrying goods from the Far East. The Company might not be able to pass on these increases in costs to its customers. This situation affected and may continue to negatively impact the Company and its profitability.

49.2.7 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.

49.3 Risk Factors Unique to the Company

49.3.1 Dependence on Major Customers

A substantial part of the Company's sales is derived from sales to large customers. A reduction in orders from these customers may have a material negative impact on the Company's sales. 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.

49.3.2 Completion of Integration and Operation Proceedings with Subsidiaries

In recent years, the Group has acquired several companies and/or activities, including the Bogart Group, in July 2019, whose integration processes are still ongoing and require administrative resources. The Group is also investing in the integration and administrative processes of the newly established factory in Vietnam and new factories in Egypt. There is a risk that the Company may not successfully complete these integration and operational processes.

The Company is actively working on integrating these acquisitions with the goal of consolidating facilities, IT systems, and personnel of the acquired subsidiaries into the Company and enhancing the operational efficiency of the factory in Vietnam. This process requires a significant time commitment from the Company's senior management, particularly in the United States and Europe, leading to a substantial workload for the management team.

The completion of the integration process could be negatively affected by economic conditions, challenges in integrating economic and operational systems, reactions from competitors or customers, or regulatory developments, if any. The Company's inability to successfully complete the integration could have a negative impact on the Company's operations.

49.3.3 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.

49.3.4 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 its 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.

49.4 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	
Cyber Attack Risks		X	
Changes in Raw Material Costs and Freight costs	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.

Report of the Board of Directors on the State of the Corporation's Affairs As of December 31, 2022

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

For the Period Ending on December 31, 2022

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 fourth quarter and for the year ending December 31, 2022 (hereinafter: **"the Reporting Period"**), in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. The Board of Directors' Report is an integral part of the Periodic Report, in all its associated 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, children's wear, leisurewear, and activewear. 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, Panta Rei, Schiesser, 7 For All Mankind, Splendid, Eminence, Athena, Liabel, P.J. Salvage, KN Karen Neuburger, and Organic Basics. The products sold within this framework consist of undergarments, socks, children's wear, leisurewear, activewear, denim, and outerwear. These products are sold through retail stores owned by the Company as well as to leading retail chains such as Nordstrom, Galeria Karstadt Kaufhof, Leclerc, and Carrefour as well as to leading online retailers, such as Amazon, Zalando, and others.

b. Sale of brands for which the Group holds a license, where the Company pays a licensor royalties in return for use of the brand name. These brands include adidas, Converse, Wolford, Spalding, Wilson, Tommy Hilfiger, Columbia, Original Penguin, Calvin Klein, Disney, Victoria's Secret in Israel, and others. In 2023, the Company began another such agreements with Polo Ralph Lauren. Products sold within the framework of licenses agreements consist primarily of intimate apparel, socks, children's wear, leisurewear and activewear.

1.1.2 Sale of Products for Customer Private Label

Sales of products to the customer's private label are made to leading customers such as Nike, Skims, Wal-Mart, Target, Victoria's Secret, Spanx, TJ MAXX, Costco, Amazon, Calvin Klein, Tommy Hilfiger, Lululemon, Techstyle, Hanesbrands, American Eagle, and others. 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 own 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 Report Period

1.3.1 The Economic Environment and the Effects of External Entities on the Company.[1]

Listed below are macroeconomic factors that have influenced and may continue to influence the Group's operations:

The Company's main target markets are the United States, Europe, and Israel.

According to macroeconomic sources, 2022 was characterized by negative growth rates in Europe and low single-digit growth rates in the United States and Israel. This is in contrast to double-digit growth rates in 2021, which was a record year and was characterized by high demand in all sales markets as the Coronavirus pandemic eased.

The growth rates in 2022 slowed down significantly in most of the target markets in the second half of the year. Reasons for this slowing of growth include the war in Ukraine, increases in inflation and interest rates, and logistical problems that arose after the Corona virus pandemic crisis and caused extensions and delays in delivery times. These factors lead to an accumulation of inventory at some of the Company's customers and canceling or rejecting orders.

a. The Effects of the Increase in the Rate of Inflation and Interest Rates

The years leading up to 2020 were characterized by a low inflationary environment - a negative annual change of up to 1.5%, in the Company's main target markets.

Inflation began to rise across much of the globe in 2021 (the Consumer Price Index increased in the US by 7%, in Europe by about 5%, and in Israel by 2.8%), accelerating significantly and reaching levels of between 5% and 9% in 2022.

According to various forecasts, the inflation rate in 2023 will vary between 2% and 4% in the target markets in which the Company operates.

The Company is immaterially affected by the inflation rate mainly due to rent payments for some of the properties it rents, which are partly linked to changes in the Consumer Price Index. It would be prudent to note that most of the leases that the company is a party to in the United States and Europe are not linked to the Index, while the leases in Israel are. The effects of these lease provisions were not material to the Company's results in 2022 and are not expected to be in 2023.

Also, the inflationary pressures in the countries where the company manufactures and buys the products it sells cause wage increases and increases in energy costs and other production costs.

In parallel with the increase in the inflation rate, the central banks in the United States, Europe and Israel began to raise interest rates in several increments. For example, in the United States interest rates rose from an average level of about 2% in 2021 to an average level of about 4.5% in 2022 and are expected to climb to 6.5 % in 2023.

In Israel, rates rose from an average level of 1.5% in 2021 to an average level of 3.2% in 2022 and are expected to rise to 5.5% in 2023.

The company finances its activities from cash balances, positive cash flow from operations, short and long term bank guarantees, and bonds.

As stipulated in section 2.3.3.3 below, the majority of the Company's debt carries a fixed interest rate, therefore the increase in interest rates so far has not had a material effect on the

[1] This section, which includes in part forecasts regarding the increase in the rate of inflation and / or interest, constitutes forward - looking information as defined in the Securities Law. This information is uncertain information that refers to a future event and is based, inter alia, on publications by various professional parties, as of the date of the report; The actual results may differ substantially from those predicted in the above stated forward - looking information, as a result of a large number of factors and are therefore subject to risks and uncertainties

Company’s financing expenses.

b. Fluctuations in the Foreign Currency Exchange Rate

Throughout the Reported Period, the countries where the Company operates experienced significant fluctuations in their foreign currency exchange rates compared to the US dollar, which is the Company's functional currency. The overall movement of these fluctuations resulted in a significant weakening of most currencies' exchange rates against the dollar.

In 2022, the euro depreciated against the dollar by roughly 11%, the shekel by around 4%, the Egyptian pound by about 20%, and the Turkish lira by nearly 90%. This depreciation of foreign currencies resulted in a decrease in production costs, when measured in dollar terms, which was more significant than the increase in wage and production expenses in the countries where the Company operates, primarily in Southeast Asia, Egypt, and Turkey. Concurrently, the Company negotiates with its customers to raise wholesale prices when substantial currency fluctuations occur. Therefore, in the Company's assessment, these currency changes did not materially impact its financial results during the Reported Period.

However, if the inflationary environment persists without a corresponding increase in retail prices charged to consumers, it could pose a risk to the Company's future earnings.

c. The Effects of the Changes in Freight Costs

The Group sources a significant portion of its products from its factories or from suppliers located in Far East countries. When sales are not based on delivery at the port of origin, the Company is responsible for the transportation costs of these products to the USA, Europe (Germany and France), and Israel. From the second quarter of 2021 to the third quarter of 2022, there was a gradual increase in these transportation costs, peaking in the second quarter of 2022. This rise in costs reduced the Company's gross profitability by approximately 1.4% during the first three quarters of 2022, compared to the same period in 2021.

Starting from the fourth quarter of 2022, transportation costs worldwide began to decrease gradually, and by the end of 2022, they had returned to levels similar to those seen before the price increase at the end of 2020. As a result, there was no reduction in gross profitability in the fourth quarter of 2022 compared to the same quarter of the previous year. The Company anticipates that freight prices in 2023 will remain at levels similar to those at the end of 2022. The Company expects this stability to positively impact gross profits in 2023 compared to 2022.

1.3.2 Effect of the Sspread 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. The operations of the company’s factories in 2022 was not affected by the Coronavirus Pandemic.

As of December 2022, a renewed outbreak of the virus began in China, but at the time of this report, there has been no impact to the Company’s factories in China.

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 beginning of 2021 until February 21,

2021.
During 2022, the Company’s stores in all countries maintained full operational capacity. 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.

In 2022, the Company saw a decline in online sales after all stores were reopened and consumers shifted a greater portion of spending back to brick and mortar channels.

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. In 2022, these expenses returned to more typical levels as all Company sites reopened with full staffing and rents.
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 2022, the Company continued to implement the plan, having spent approximately $ 36.6 million by year-end.

The 2022 Restructuring Plan with Respect to Bogart

In the second quarter of 2022, as previously reported in the first quarter report dated May 15, 2022 (reference: 2022-01-057982), the Company made a strategic decision aimed at enhancing operational flexibility and efficiency, improving cost structure, and strengthening competitive advantage. This decision involved closing the Bogart subsidiary plant in Shenzhen, China, and initiating production activities at a new plant in Vietnam, which commenced operations in July 2022.

The plan's non-core cost, amounting to approximately $5.5 million, was reported as an expense in the second quarter report for 2022. This cost included compensation and other associated expenses due to the termination of employment for approximately 780 subsidiary employees. The implementation of this plan was fully completed within 2022..

1.3.3 The Acquisition of Organic Basics

In alignment with its global strategy to boost digital sales and emphasize sustainability, the Company acquired the Organic Basics online brand in July 2022. Organic Basics, a brand known for its sustainable underwear and activewear, was purchased for $4.5 million. The Company plans to introduce an expanded product line under this brand in 2023. The operational results of Organic Basics have been incorporated into the 'Others' segment of the Company's business activity breakdown. For more details, refer to section 2.3.5.2 below.

1.3.4 Credit Rating Report

On January 30, 2023, Midroog Ltd., a subsidiary of Moody’s, raised its credit rating of the Company from A1 with a positive outlook to an Aa3 rating with a stable outlook for the Series A and F bonds issued by the Company.

For further details, see the Immediate Report dated January 30, 2023 (Reference 2023-01-012609).

1.3.5 Private Offers

For details, see Note 14 of the Financial Statements of the Company, in Part C of this Periodic Report.

1.3.6 Deferment of the Possibility of an IPO in the USA.

At the current stage, the Company is postponing the potential issuance of its shares in the United States, due to the absence of suitable macro-economic and market conditions.

1.3.7 Shareholders Meeting

For details regarding shareholder meetings and resulting resolutions that took place in 2022, see regulation 29 in part D of this periodic report.

1.3.8 Income Tax and VAT Assessments

Additional details regarding the regulation of income tax and VAT assessments are included in Note 15 to the financial statements, in Part C of this periodic report.

1.3.9 Distribution of a Dividend

For details regarding the distribution of a dividend in 2022, see Section 4 of Part A of this periodic report.

1.3.10 Allocation of Options and Blocked Share Units to the Company Executive

On February 14, 2023, the Compensation Committee and the Board of Directors of the Company approved a non-material and non-unusual private offer. This offer involves the issuance of 6,857 options to office bearers and employees, and 2,704 blocked share units to senior office bearers within the Company.

1.3.11 17.2.3.4 Negotiations for a Possible Acquisition of AK Golf Group shares by Delta Brands

On February 14, 2023, the company reported that its subsidiary, Delta Israel Brands Ltd. ("Delta Brands") has reached a (non-binding) agreement in principle with the AK Golf Group. Ltd. ("Golf") – subject to the completion of due diligence and the signing of a binding agreement – that it will purchase all of Golf's shares, by way of a reverse triple merger, at a price of NIS 425 million, plus a payment of NIS 25 million (subject to Golf's future financial results) in a cash transaction, utilizing the high cash balance in its possession.

If the negotiations conclude successfully and a binding agreement is signed, it will be subject to several conditions. These include the completion of a final agreement with the partner, the brand owner's agreement, and the necessary approvals required by law or from third parties. Additionally, the agreement will need to be approved by the relevant authorities of both parties, which includes the approval of Golf's shareholders.

At the time of this report, there is no certainty that the contracts will progress and lead to the signing of a binding agreement.

Board of Directors' Explanation of the Corporate State of Affairs

2. Analysis of Financial Position

2.1 Statement of Financial Position

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

Item	December 31 2022	December 31 2021	Explanation of the Key Changes
Cash and Cash Equivalents and Restricted Cash	**194.9**	**236.0**	The decrease in the cash balance as of December 31, 2022, compared to December 2021, is primarily due to several factors. These include the redemption of bonds totaling approximately $17 million, investments in fixed assets and other assets, and the acquisition of Organic Basics for a total of $66 million. Additionally, the payment of dividends totaling $31 million and a negative cash flow from operating activities (net of the effects of IFRS 16) of approximately $19 million in 2022 contributed to the decrease. These expenditures were partially offset by securing a loan and net line of credit amounting to approximately $97 million.
Current Assets	**966.5**	**889.7**	The increase in current assets as of December 3,1, 2022, compared to December 31, 2021 mainly derives from an increase in the inventory and accounts receivable balances.
Non-Current Assets	**884.2**	**885.2**	The balance of non-current assets as of December 31, 2022, remains almost unchanged compared to December 31, 2021. Increase was recorded in the fixed assets balance mainly due to investments in the company's factories, which was offset by a decrease in derivative financial instrument balances and a decrease in intangible assets balance in Europe due to the weakening of the exchange rate of the Euro against the dollar and due to the reductions carried out in the fourth quarter of the year, see section 2.3.3.2 below.
Total Assets	**1,850.7**	**1,774.8**	The increase in total assets as of December 31, 2022 compared to December 31, 2021 mainly derives from the increase in the balance of current assets, as detailed above.
Current Liabilities	**611.3**	**547.6**	The increase in current liabilities as of December 31, 2022, compared to December 31, 2021, derives from an increase in bank credit balances and current foreclosures which were partially offset by a decrease in the accounts payable.
Non-Current Liabilities	**529.0**	**578.1**	The decrease in non-current liabilities as of December 31, 2022, compared to December 31, 2021, derives mainly from the current redemption of bonds and a decrease in the Earn Out fair value. See Section 2.3.3.2 below, which were partially offset by an increase in the balance of bank loans.
Equity	**710.3**	**649.2**	The increase in equity as of December 31, 2022, compared to December 31, 2021, derives mainly from the total profit in 2022 of approximately $ 90 million, less dividends of an approximately $ 31 million.
Total equity and liabilities	**1,850.7**	**1,774.8**	The increase in the total equity and liabilities as of December 31, 2022, compared to December 31, 2021, derives from the increase in the capital and current liabilities items, which was 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 2022 and 2021 where certain sections are arranged differently than in the financial statements in order to allow for analysis and comparison with corresponding reporting periods. An adaptation of the profit before non-core items is presented in 2.2.2 below. The data is presented in $ thousands (excluding per-share data):

	Year			**Quarterly Breakdown**			
	2022	**2021**	**Q4.2022**	**Q3.2022**	**Q2.2022**	**Q1.2022**	**Q4.2021**
	Audited			**Unaudited**			
Sales	**2,031,541**	1,950,958	**544,415**	512,002	491,251	483,873	577,986
Cost of sales	**1,246,354**	1,174,247	**328,096**	315,417	302,260	300,581	346,080
Gross profit	**785,187**	776,711	**216,319**	196,585	188,991	183,292	231,906
% of sales	**38.6%**	39.8%	**39.7%**	38.4%	38.5%	37.9%	40.1%
Selling and marketing expenses	**515,035**	491,604	**137,119**	125,094	125,712	127,110	139,633
% of sales	**25.4%**	25.2%	**25.2%**	24.4%	25.6%	26.3%	24.2%
General and Administrative Expenses	**86,695**	96,725	**20,557**	20,705	22,207	23,226	26,340
% of sales	**4.3%**	5.0%	**3.8%**	4.0%	4.5%	4.8%	4.6%
Other expenses (income), net and equity profits in Subsidiary	**(6,782)**	284	**1,716**	(4,339)	(2,921)	(1,238)	1,230
Operating Profit Before Non-core Items	**190,239**	188,098	**56,927**	55,125	43,993	34,194	64,703
% of sales	9.4%	9.6%	**10.5%**	10.8%	9.0%	7.1%	11.2%-
Non-core items, net See Section 2.3.3.2	**5,188**	-	**(279)**	-	5,467	-	-
Operating profit	**185,051**	188,098	**57,206**	55,125	38,526	34,194	64,703
Finance expenses, net	**37,271**	37,397	**9,769**	9,413	8,417	9,672	7,755
Profit before taxes on income	**147,780**	150,701	**47,437**	45,712	30,109	24,522	56,948

	Year			Quarterly Breakdown			
	2022	**2021**	**Q4.2022**	**Q3.2022**	**Q2.2022**	**Q1.2022**	**Q4.2021**
	Audited			**Unaudited**			
Income Tax Expenses	**32,402**	30,395	**9,771**	9,606	7,448	5,577	11,480
Profit for the period	**115,378**	120,306	**37,666**	36,106	22,661	18,945	45,468
Profit before inclusion of non-core items, net of tax for the period, see section 2.2.2	**120,566**	124,199	**37,387**	36,106	28,128	18,945	45,468
Attribution of profit for the period:							
For the Company shareholders	**109,476**	112,781	**35,531**	34,926	21,271	17,748	42,507
To holders of non-controlling interests	**5,902**	7,525	**2,135**	1,180	1,390	1,197	2,961
	115,378	120,306	**37,666**	36,106	22,661	18,945	45,468
Profit attributed to the shareholders before non-core items, net of tax for the period	**114,664**	116,674	**35,252**	34,926	26,738	17,748	42,507
Diluted earnings per share attributable to Company shareholders – in USD	**4.14**	4.29	**1.35**	1.32	0.80	0.67	1.60
Diluted earnings per share before non-core items net of tax, attributable to Company shareholders – in USD	**4.33**	4.44	**1.34**	1.32	1.01	0.67	1.60

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

	Fourth Quarter		**Year**	
	2022	2021	**2022**	2021
Sales	**544.4**	578.0	**2,031.5**	1,951.0
Operating Profit before non-core items	**56.9**	64.7	**190.2**	188.1
Operating Profit	**57.2**	64.7	**185.1**	188.1
EBITDA	**81.6**	91.0	**284.2**	286.8
Profit before non-core items net of tax	**37.4**	45.5	**120.6**	124.2
Profit before non-core items net of tax attributed to Company shareholders	**35.3**	42.5	**114.7**	116.7
Profit attributed to company shareholders	**35.5**	42.5	**109.5**	112.8
Cash flow from operating activity	**97.5**	72.0	**31.5**	166.5
Cash flow from current operations excluding the effects of IFRS 16 and non-core loss from the early redemption of bonds	**85.1**	57.8	**(19.3)**	120.8

Calculating EBITDA (1) in $ millions*:

	Fourth Quarter		**Year**	
	2022	2021	**2022**	2021
Profit for the period - as reported	**37.7**	45.5	**115.4**	120.3
Income Tax Expenses	**9.8**	11.5	**32.4**	30.4
Finance expense, net	**9.8**	7.8	**37.3**	37.4
Non-core items:				
Change in Fair Value of Earn Out	**(9.6)**	-	**(9.6)**	-
Impairment of non-financial assets	**9.3**	-	**9.3**	-
Restructuring expenses	**-**		**5.5**	-
Depreciation and amortization	**24.7**	26.3	**94.0**	98.7
EBITDA	**81.6**	91.0	**284.2**	286.8
EBIDTA excluding the effects of IFRS 16	**65.6**	75.0	**224.2**	223.0

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

(1) EBITDA is a benchmark which is not in accordance with GAAP, used by the Company to measure its results from continued operations; a method that allows a more accurate comparison of the operating results over time, while excluding non-core items that change between periods. To the best of the company's knowledge, the EBITDA is this is a benchmark commonly used by other companies in the Company's operating sectors.

EBITDA is calculated as follows: Profit plus taxes on income, net finance expense, depreciation and amortization, and excluding non-core items. The EBITDA excluding the impact of IFRS 16 excludes in addition to all that stated as well as 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		Year	
	2022	2021	**2022**	2021
Net profit for the period - as reported	**37.7**	45.5	**115.4**	120.3
Excluding:				
Change in Fair Value of Earn Out	**(9.6)**	-	**(9.6)**	-
Impairment of non-financial assets	**9.3**	-	**9.3**	-
Restructuring expenses		-	**5.5**	-
Non-core loss from the early redemption of bonds	-	-	-	5.0
Minus tax effect due to non-core items	-	-	-	(1.2)
Profit (loss) for the period before non-core items net of tax	**37.4**	45.5	**120.6**	124.2

* 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

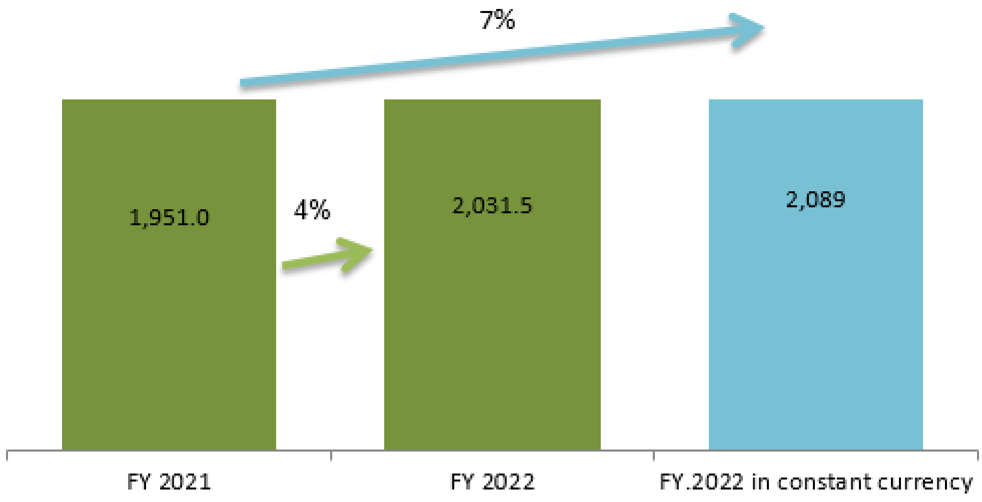
In 2022, sales increased by 4% in dollar terms and by 7% in terms of constant currency compared to 2021.

The sales in terms of constant currencies increased in 2022 in all geographic areas, compared to 2021.

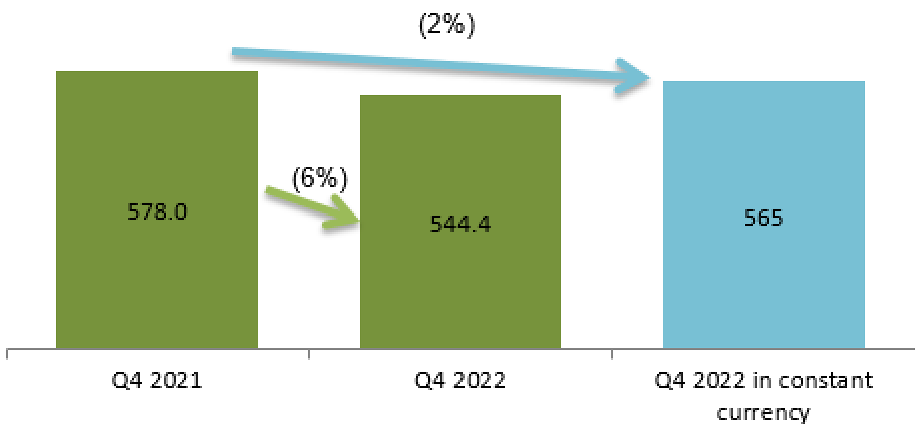
The Group's sales in the fourth quarter of 2022 decreased by 6% in dollar terms and by 2% in terms of constant currencies compared to the corresponding period the previous year.

The graphs below present the change in the Company’s organic sales during the reporting periods compared to the corresponding prior-year reporting periods:

Year



Fourth Quarter



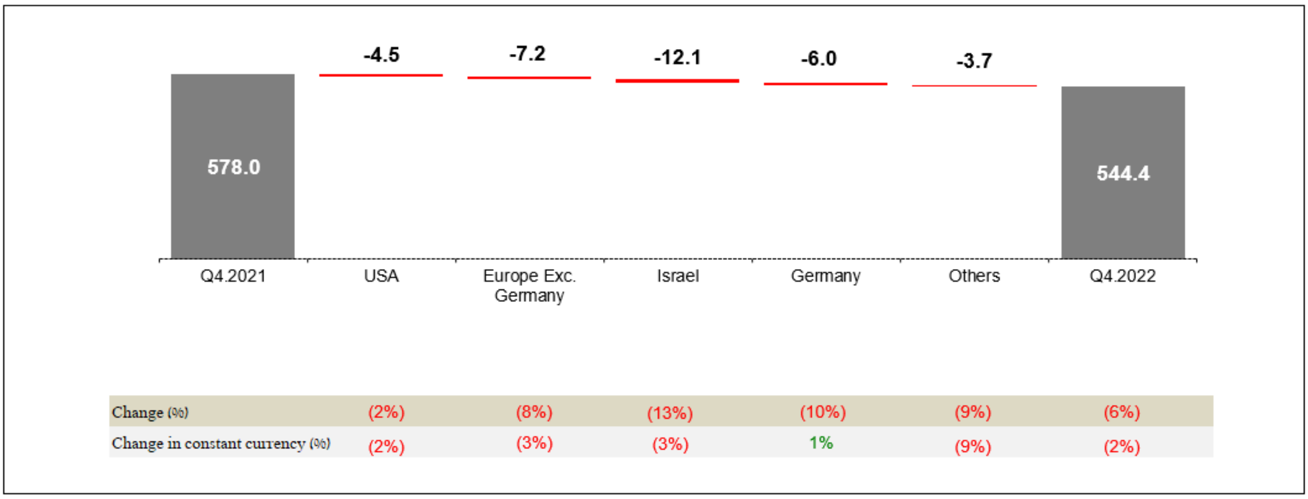
2.3.2 Below is the Breakdown of Company Sales by Geography, in $ millions*:*:

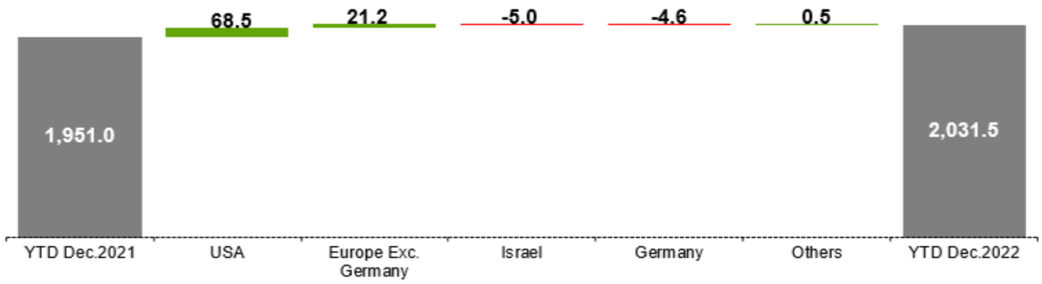
	Fourth Quarter						Year					
	% of change in constant currency	% of change	2022	% of total	2021	% of total	% of change in constant currency	% of change	2022	% of total	2021	% of total
USA	(2)	(2)	287.5	53	292.0	50	7	7	1,066.9	53	998.4	51
Europe (excluding Germany)	(3)	(8)	81.7	15	88.9	15	13	6	351.2	17	330.0	17
Israel	(3)	(13)	84.0	15	96.1	17	2	(2)	277.3	14	282.3	14
Germany	1	(10)	56.1	10	62.1	11	10	(2)	202.5	10	207.1	10
Others	(9)	(9)	35.1	6	38.8	7	0	0	133.6	7	133.1	7
Total	(2)	(6)	544.4	100%	578.0	100%	7	4	2,031.5	100%	1951.0	100%

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

The figures below show the change in the Company's sales in the various geographies for the fourth quarter and full year 2022 compared to corresponding prior year reporting periods, in $ millions

Fourth Quarter





	USA	Europe Exc. Germany	Israel	Germany	Others	YTD Dec.2022
Change (%)	7%	6%	(2%)	(2%)	0%	4%
Change in constant currency (%)	7%	13%	2%	10%	0%	7%

Full Year

United States

The decrease in sales in the fourth quarter of 2022 compared to the corresponding quarter the previous year was due to a decrease in sales in the Brands segment, which was partially offset by an increase in sales in Private Label and operating segments.

The increase in sales in the United States in the full year 2022 compared 2021, resulted from the increase in sales in the Private Label and 7 for All Mankind segments, which was partially offset by a decrease in sales in the Brands and Others segments.

Europe (Excluding Germany)

The decline in sales in Europe (excluding Germany) in the fourth quarter compared to the same quarter of the previous year was primarily due to a decrease in the Private Label and Brands segments. Nominal sales were also negatively impacted by the depreciation of the Euro against the dollar, which fell by about 11% compared to the same period the previous year. The factors were partially offset by an increase in sales in the 7 for All Mankind segment.

The rise in sales in Europe in 2022 compared to 2021 was primarily driven by an increase in sales in the private label and 7 for All Mankind segments. This increase was partially offset by a decrease in sales in the brands segment, which was influenced by an 11% depreciation of the Euro against the dollar. However, when adjusting for the effects of currency fluctuations, sales in Europe saw an approximate increase of approximately 13% in 2022.

Israel

Sales in Israel decreased by 3% in the fourth quarter of 2022 compared to the corresponding quarter the previous year and increased by about 2% in 2022 compared to 2021.

The decrease sales in the fourth quarter of this year was mainly due to unseasonably warm weather in December, which shifted part of the winter season's sales to January 2023.

Germany

The increase in sales in constant currency in Germany in the 2022 reporting period, compared to the corresponding reporting periods the previous year, was due to increased sales from retail stores and wholesale customers of Schiesser in the Brands segment, as well as growth in the 7 for All Mankind segments.

Others

The decrease in sales in other geographies in the fourth quarter of 2022 compared to the corresponding quarter the previous year, was due to a decrease in sales in the Private Label segment.

2.3.3 Analysis of Operating Results (in thousands of dollars):

		Fourth Quarter		Explanation of Key Changes
		2022	**2021**	
	% change	**Unaudited**		
Sales	*(6%)*	**544,415**	577,986	Sales in the fourth quarter of 2022 decreased by 6% in dollar terms and by 2% in terms of constant currency compared to the corresponding quarter. For further details, see Sections 2.3.1 and 2.3.2 above
Gross profit	*(7%)*	**216,319**	231,906	The decrease in gross profit in the fourth quarter of 2022 compared to the corresponding quarter the previous year resulted mainly from a decrease in sales and from erosion of the Euro exchange rate against the dollar by about 11%
% of sales		*39.7%*	*40.1%*	The decrease in the rate of gross profit from sales in the fourth quarter of the year compared to the correspondent quarter the previous year mainly derives from an increase in discounts and special offers in the majority of segments, the weakening of the Euro and the Shekel against the dollar, and a decrease in the profitability of the factories due to a decrease in the scope of production. These factors were partially offset by an improvement in the customer mix and a decrease in freight costs.
Selling and marketing expenses	*(2%)*	**137,119**	139,633	The decrease in selling and marketing expenses in the fourth quarter of the year is due mainly to a decrease in sales, a decrease in the provision for bonuses, and the weakening the Euro and Shekel against the dollar, which decreased costs in USD terms. These factors were partially offset by an increase in expenses related to launching the Panta Rei and Victoria's Secret brands in Israel and rising salaries and advertising expenses in the United States.
% of sales		**25.2%**	24.2%	
General and Administrative Expenses	*(22%)*	**20,557**	26,340	The decrease in general and administrative expenses in the fourth quarter of 2022 compared to the corresponding period the previous year was mainly due to the weakening of the Euro and the Shekel against the dollar, a decrease in expenses related to a possible IPO in the United States, and a reduction in provisions for bonuses.
% of sales		**3.8%**	4.6%	
Other expenses, net and equity profits in Subsidiary		**1,716**	1,230	Other net expenses in the reporting period included mainly losses from hedging transactions.
Operating profit before	*(12%)*	**56,927**	64,703	The decrease in operating profit before non-core items in the fourth quarter of the 2022 was due

		Fourth Quarter		Explanation of Key Changes
		2022	**2021**	
	% change	**Unaudited**		
non-core items				mainly to a decrease in gross profit due to a decrease in sales and an increase in other expenses which were partially offset by a decrease in selling, marketing, and general and administrative expenses.
% of sales		**10.5%**	11.2%	
Non-core items, net		**(279)**	-	See Details in Section 2.3.3.2
Operating profit		**57,206**	64,703	
Financing expenses, net	*26%*	**9,769**	7,755	See Details in Section 2.3.3.3
Profit before tax	*(17%)*	**47,437**	56,948	
Income Tax Expenses		**9,771**	11,480	The effective tax rate in the fourth quarter of 2022 of about 20%, remained the same as the fourth quarter of the previous year.
Profit for the period	*(17%)*	**37,666**	45,468	
Net profit before non-core items, net of tax	*(18%)*	**37,387**	45,468	The decrease innet profit before non-core items in the fourth quarter of 2022, was due mainly to a decrease in operating profit before non-core items and an increase in finance expenses which were partially offset by a decrease in tax expenses.

		Year		Explanation of Key Changes
		2022	**2021**	
	% change	**Audited**		
Sales	*4%*	**2,031,541**	1,950,958	Sales in dollars in 2022 increased by 4% and by 7% in terms of constant currency compared to 2021. For further details see sections 2.3.1 and 2.3.2 above.
Gross profit	*1%*	**785,187**	776,711	The increase in gross profit in 2022 compared to 2021 stemmed mainly from an increase in sales and from an improvement in the profitability of the Company's factories.
% of sales		***38.6%***	*39.8%*	The decrease in gross margin in 2022 resulted mainly from an increase in freight costs and from an increase in the pro rata share of sales in the Private label segment, which is characterized by a lower gross margin than the average rate in the company (but higher than average operating profit during the period.) Furthermore, The rate of gross profit in 2022 was reduced due to the weakening of the euro and the shekel by about 11% and 4% respectively, against the dollar, compared to 2021. This decrease was partially offset by an improvement in the customer mix and an increase in the profitability of the factories. The latter was also influenced by the fact that during the corresponding reporting period of the previous year, several of the Company's factories in Asia were under lockdown due to the coronavirus pandemic.
Selling and marketing expenses	*5%*	**515,035**	491,604	The rise in selling and marketing expenses in 2022, compared to 2021, can be attributed to increased sales and the expansion of retail store operations in Israel and Europe. This expansion primarily resulted in higher payroll and rental costs, in contrast to 2021 when operations were limited due to closures amid the coronavirus pandemic, and thus, were not part of these results. Additionally, the escalation in marketing and sales expenses was driven by an increase in distribution costs as well as the costs associated with advertising and website operations This increase in selling and marketing expenses was partially offset by a decrease in costs due to the weakening of the Euro and Shekel against the dollar, as stipulated above.
% of sales		25.4%	25.2%	
General and Administrative Expenses	*(10%)*	**86,695**	96,725	The decrease in general and administrative expenses in 2022 compared to 2021 was mainly due to the weakening of Euro and Shekel against the dollar and from a decrease in provisions for bonuses.
% of sales		4.3%	5.0%	

		Year		Explanation of Key Changes
		2022	**2021**	
	% change	**Audited**		
Other expenses (income), net and equity profits in Subsidiary		**(6,782)**	284	Other net income this year included mainly capital gains from the sale of real estate in the United States and Europe and profits from hedging activities, offset by other expenses In 2021 other expenses includedan impairment of debit balances totaling about $3.0 million, which was partially offset by the termination contractual license agreements of $2.5 million.
Operating profit before non-core items	*1%*	**190,239**	188,098	The increase in operating profit before non-core items in 2022 was due mainly to an increase in gross profit due to an increase in sales, a reduction in general and administrative expenses ,and an increase in other income. These factors were partially offset by an increase in selling and marketing expenses, as described above.
% of sales		**9.4%**	9.6%	
Non-core items, net		**5,188**		See details in section 2.3.3.2
Operating profit	*(2%)*	**185,051**	188,098	
Finance expense, net		**37,271**	37,397	See details in section 2.3.3.3
Profit before tax	*(2%)*	**147,780**	150,701	
Income Tax Expenses		**32,402**	30,395	The increase the effective tax rate in 20022 compared to 2021 resulted mainly from restructuring expenses at Bogart and losses in the United States for which a savings in tax was not recorded.
Profit for the period	*(4%)*	**115,378**	120,306	
Net profit before non-core items, net of tax	*(3%)*	**120,566**	124,199	The decrease in the profit before non-core items, in 2022 compared to 2021 was due mainly to a decrease in operating profit andan increase in tax expenditure.

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		**Year**	
	2022	**2021**	**2022**	**2021**
Brands	**47.9**	51.7	**176.3**	179.3
% of total Brand sales	**24.5%**	25.9%	**27.7%**	27.6%
Private Label	**14.6**	16.5	**63.5**	59.3
% of total Private Label sales	**7.3%**	8.1%	**7.6%**	8.2%
Delta Israel	**31.5**	32.6	**112.8**	103.8
% of total Delta Israel sales	**37.8%**	34.1%	**41.3%**	36.9%
7 for All Mankind	**30.3**	25.1	**107.3**	90.8
% of Total 7 for All Mankind Sales	**47.9%**	40.4%	**49.3%**	45.8%
Others	**12.7**	13.8	**55.0**	58.6
% of total Others Sales	**62.8%**	62.5%	**53.5%**	52.0%
Total selling and marketing expenses	**137.1**	139.6	**515.0**	491.6
% of selling and marketing expenses out of total sales	**25.2%**	24.2%	**25.4%**	25.2%

The decrease in selling and marketing expenses in the Brands segment during the fourth quarter of the year was mainly due to the weakening of the Euro compared to the dollar, by about 11%.

The increase in the rate of selling and marketing expenses in the Delta Israel segment in the fourth quarter of 2022 is due to expenses for the opening of Panta Rei retail stores and the cost of operating the Victoria's Secret e-commerce website

The increase in selling and marketing expenses in the 7 for all Mankind segment during the reporting periods is mainly due to an increase in the costs of payroll, distribution, advertising, e-commerce website operation, and the expansion of the activity in Brazil and Mexico.

The increase in selling and marketing expenses in 2022 compared to 2021 was due to the fact that some stores in Europe and Israel were closed during the first half of 2021 due to the Coronavirus pandemic

2.3.3.2 Non-core Items

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

Nature of Expense	Segment	Fourth Quarter		Year	
		2022	2021	2022	2021
		$ Millions		$ Millions	
Bogart restructuring expenses	**Private Label**	**-**	-	**5.5**	-
Changes in fair value of earn out liability	**Private Label**	**(9.6)**	-	**(9.6)**	-
Impairment of non-financial assets	**Brands**	**4.1**	-	**4.1**	-
Impairment of non-financial assets	**7 for All Mankind**	**2.8**	-	**2.8**	-
Impairment of non-financial assets	**Others**	**1.2**	-	**1.2**	-
Total non-core items as part of Operating Profit		**(0.3)**	-	**5.2**	-
Non-core loss from the early redemption of bonds included in finance expenses		**-**	-	**-**	5.0

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

2.3.3.3 Finance Expenses, Net

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

	Fourth Quarter		Year	
	2022	2021	**2022**	2021
Interest and commission expenses, net	**6.6**	5.2	**23.8**	19.9
Exchange rate expenses (income)	**2.4**	(1.0)	**2.9**	(1.8)
Capitalization component of assets and liabilities	**(0.8)**	1.1	**2.8**	4.2
IFRS 16 Effect	**1.6**	2.5	**7.7**	10.0
Non-core loss from the early redemption of bonds –	**-**	-	**-**	5.0
Total finance expense – as reported	**9.8**	7.8	**37.3**	37.4
Total finance expense excluding non-core loss from the early redemption of bonds	**9.8**	7.8	**37.3**	32.3

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

The increase in financing expenses, excluding a non-core loss from the early redemption of bonds in the reporting periods of 2022, was mainly due to an increase in interest expenses due to an increase in the level of bank credit employed as well as interest and linkage differencesof $1.5 million resulting from VAT payments and income tax assessments in Israel.

In addition, financing expenses increased during the reporting period due to an increase in expenses related to exchange rate discrepancies.

Most of the Company's financial debt (the two series of bonds and most of the long-term loans) is at a fixed interest rate so that the increase in the interest rate during the reporting period had an immaterial effect on financing expenses.

2.3.4 Below is a summary of the Company's consolidated business results, split into the four operating segments for the fourth quarter and full year 2022 and 2021, in $ thousands:

Fourth Quarter ending on December 31							
Unaudited							
	Sales				**Operating profit (loss)**		**Non-Core Items**
	2022	2021	**% change**	**% change in terms of constant currency**	**2022**	2021	**2022**
Brands	**195,571**	199,473	*(2%)*	*3%*	**15,969**	24,406	**4,133**
% of sales					*8%*	*12%*	
Private Label	**199,610**	203,434	*(2%)*	*(2%)*	**25,216**	18,991	**(9,621)**
% of sales					*13%*	*9%*	
Delta Israel	**83,302**	95,671	*(13%)*	*(4%)*	**14,582**	21,254	
% of sales					*18%*	*22%*	
7 for All Mankind	**63,202**	62,151	*2%*	*6%*	**5,337**	7,538	**2,759**
% of sales					*8%*	*12%*	
Others	**20,236**	22,093	*(9%)*	*(9%)*	**(4,021)**	(2,619)	**1,230**
% of sales					*(20%)*	*12%*	
Intersegment Sales	**(17,506)**	(4,836)					
Other adjustments					**(156)**	(4,867)	**1,220**
Total sales and operating profit before non-core items	**544,415**	577,986	(6%)	(2%)	**56,927**	64,703	**(279)**
Changes in fair value of earn out liability					**9,621**	-	
Impairment of non-financial and other assets					**(9,342)**	-	
Operating profit					**57,206**	64,703	

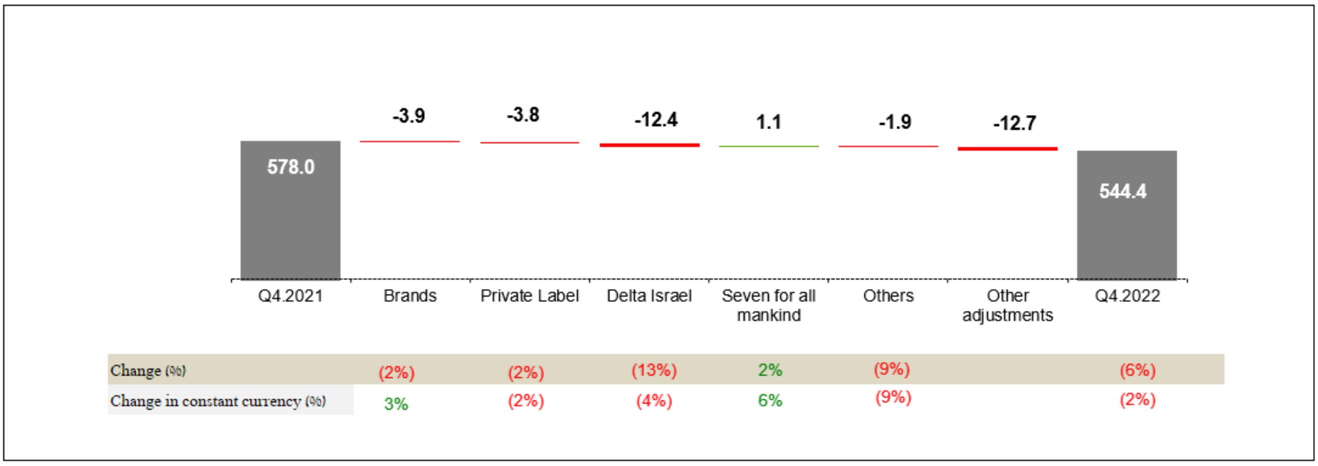
* Some of the data in the table above were rounded.

Year Ended on December 31 Audited							
	Sales				Operating profit (loss) before non-core items		Non-Core Items
	2022	2021	**% of change**	**% of change in constant currency**	**2022**	2021	**2022**
Brands	**637,247**	650,332	*(2%)*	*4%*	**53,896**	75,979	**4,133**
% of sales					*8%*	*12%*	
Private Label	**840,874**	722,594	*16%*	*16%*	**91,677**	59,005	**(4,154)**
% of sales					*11%*	*8%*	
Delta Israel	**273,411**	281,156	*(3%)*	*1%*	**43,803**	58,635	
% of sales					*16%*	*21%*	
7 for All Mankind	**217,428**	198,330	*10%*	*14%*	**15,628**	10,424	**2,759**
% of sales					*7%*	*5%*	
Others	**102,903**	112,700	*(9%)*	*(9%)*	**(8,651)**	(4,614)	1,230
% of sales					*(8%)*	*(4%)*	
Intersegment sales	**(40,322)**	(14,154)					
Other adjustments					**(6,114)**	(11,331)	**1,220**
Total sales and operating profit before non-core items	**2,031,541**	1,950,958	4%	7%	**190,239**	188,098	**5,188**
Non-core items:							
Changes in fair value of earn out liability					**9,621**		
Impariment of non-financial and other assets					**(9,342)**		
Restructuring expenses due to Bogart					**(5,467)**		
Operating profit					**185,050**	188,098	

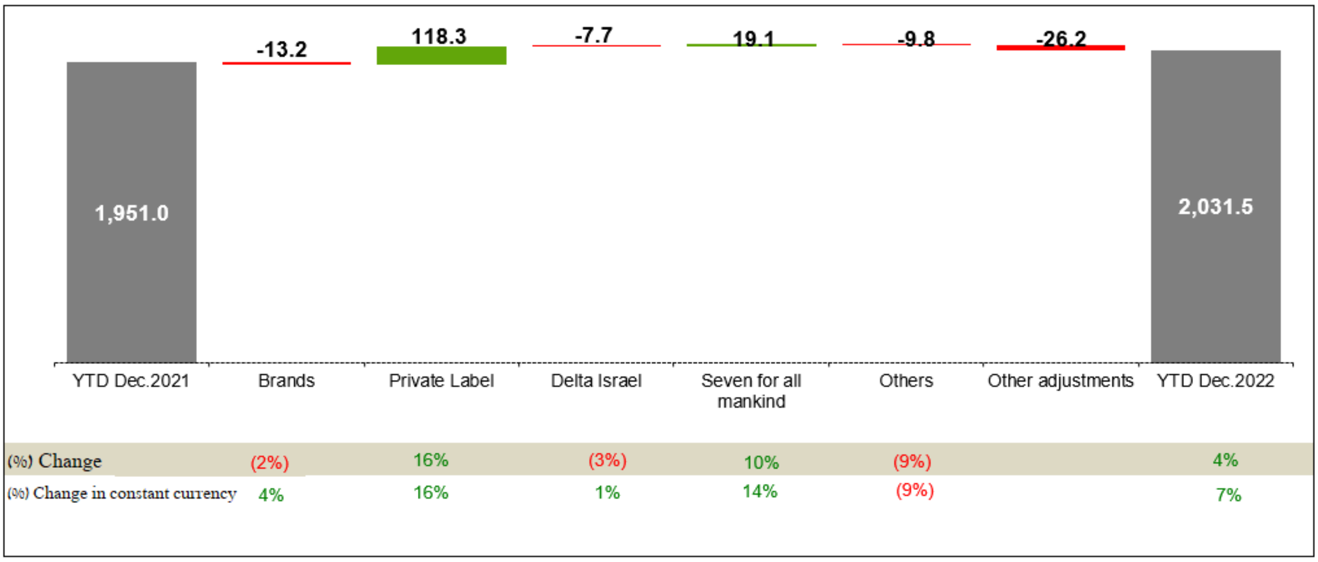
2.3.5 **Analysis of Business Results by Operating Segment**

2.3.5.1 Below are the change in sales in the fourth quarter and full year 2022 by the various segments 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:

Brands segment

In terms of constant currency, sales in the segment in the fourth quarter and full year 2022 increased by about 3% and 4% respectively compared with corresponding reporting periods the previous year

The increase in sales in constant currency terms in 2022 was mainly due to an increase in Schiesser sales and an increase in sales under new license agreements.

The decline in sales in the operational area in dollars during the fourth quarter was primarily due to a decrease in sales in Europe, which was influenced by an approximately 11% depreciation of the Euro against the dollar compared to the same quarter of the previous year. Additionally, sales of sleepwear products and 'Stay at home' categories in the USA decreased due to relatively weaker demand, largely due to product accumulation in these categories by most of the Company's customers. This decrease in sales was partially offset by an increase in sales under new license agreements, as previously mentioned..

The decline in operating profit in the fourth quarter of this year, compared to the same quarter of the previous year, was primarily due to a decrease in the gross profit rate. This decrease resulted from an increase in promotions and discounts, rising energy and raw material costs, and higher selling and marketing expenses. Additionally, there was a shift in the sales channel mix, with a decrease in website sales and an increase in store sales, the latter of which typically incurs higher selling and marketing expenses.

In 2022, the operating profit was lower compared to 2021, mainly due to increases in freight costs and raw materials. Also, the operating profit decreased during the reporting periods due to the weakening of the Euro against the dollar, as stated above.

Private Label segment

The increase in sales in the segment in 2022 compared to 2021, was mainly due to an increase in sales of lingerie and socks to customers in the United States and in Europe.

The decrease in sales in the fourth quarter of the year is mainly due to the accumulation of inventory by some segment customers which led to a decrease in orders.

The increase in operating profit in 2022 compared to 2021 was due to an increase in sales, an improvement in the customer mix, and the profitability of the plants resulting from an increase in the volume of production.

The decrease in production volume last year resulted mainly from the lockdown of the Company's factories in Asia, due to the Coronavirus pandemic.

The rise in operating profit in the fourth quarter of this year, compared to the same quarter of the previous year, was achieved despite a decrease in sales. This increase was due to an improvement in the customer mix and enhanced profitability of operations in Egypt, driven by an increase in sock production and the depreciation of the local currency against the dollar. Additionally, the sale of products under new license agreements contributed to this increase. However, these gains were partially offset by a decrease in the profitability of other factories due to a reduction in production volume.

Delta Israel segment

Sales the fourth quarter and full year 2022 decreased by 4% and increased by 1%, respectively, compared to the corresponding reporting period the previous year.

The decrease in sales in the fourth quarter of this year was mainly due to the unseasonably warm December, which affected the timing of winter season sales.

The increase in sales in full year 2022 compared to 2021 was due to an increase in sales across all channels except for the e-commerce channel which had particularly high sales first two months of 2021 due to the imposed lockdown.

The decrease in operating profit in the fourth quarter of this year was due to lower sales and gross profit, the weakening of the Shekel against the dollar, and the increase in the cost of procurement. The operating profit in the fourth quarter of 2022 was also lower due to the costs of launching the Panta Rei and Victoria's Secret brands.

The decrease in operating profit in 2022 compared to 2021 was mainly due to a decrease in gross profit and the effect of the lockdown in the first quarter of last year, during which certain costs related to the operation of retail stores were not incurred. The operating profit in 2022 was also lower than the previous year due to the costs of launching the Panta Rei and Victoria's Secret brands website.

During the year, Delta Israel launched a new sportswear chain under the "Panta Rei" brand and opened 4 stores (including one after the date of the report) and a dedicated website.

In December 2022, the company launched the Victoria's Secret website in Israel and intends to open physical stores in 2023.

Below are same-store sales data in the segment:

		Year Ending December 31	
		In NIS 000s	
	Rate of Growth in Sales Identical Stores	2022	2019
Sales (2) (1)	13.3%	645,928	570,066
No. of Stores (2)		189	

The Company chose to present same-store sales data compared to 2019 (and not to 2021) due to the closing of the stores between January 1 and February 21, 2021 which made the 2021 data a non-representative basis for comparison.

However, when comparing same-store sales between February 21 and December 31, 2022, to the same period in the previous year, sales decreased by 9.1%. This decrease can be attributed to the fact that sales in 2021 were unusually high due to the effects of the coronavirus pandemic, which led to a surge in demand in stores once lockdown restrictions were lifted

1) 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.
2) The stores that were used to calculate the sales operated continuously and regularly during said years and no change occurred in their area or in the nature of their activity.

7 for All Mankind segment

"The rise in sales in 2022 compared to 2021 can be attributed to increased sales in both the United States and Europe. This increase was achieved despite an 11% depreciation of the Euro against the dollar, which effectively reduced the dollar value of sales in Europe.

The increase in sales in the United States was mainly due to an increase in retail sales, which was partially offset by a decrease in sales to wholesale customers due to inventory accumulation.

In Europe, there was an increase in sales in all sales channels, except for online sales, despite the weakening of the Euro against the dollar, as stated above.

"In-store sales saw an increase due to a rise in shopper traffic, which was influenced by both the resurgence of tourism and the closure of some stores in Europe during lockdowns in certain reporting periods of the previous year.

The improvement in operating profit in 2022 compared to 2021 was mainly due to an increase in sales and an improvement in the gross profit margin.

The decrease in operating profit in the fourth quarter of 2022, compared to the corresponding quarter the previous year, was due to an increase in selling and marketing expenses, mainly due to an increase in the costs of salaries for store employees and advertising in order to support sales growth in 2023.

As part of the Company's strategy to expand its operations into new geographic areas, the Company opened two stores in Mexico during 2022 and expanded its operations in Brazil by opening two more stores.

Below are same-store sales data in the segment:

	Rate of Growth in Sales, Identical Stores	Year Ending on December 31 $ 000s 2022	2021
Sales(2) (1)	16%	86,061	74,044
No. of Stores2)	72		

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 the sales operated continuously and regularly during said years and no change occurred in their area or in the nature of their activity.

* The rate of growth in same-store sales is in constant currency (excluding the effect of the erosion of the Euro against the dollar, which affects the sales of the segment in Europe) is 19.1%.

Others

The Others segment includes the online operations of Bare Necessities and Organic Basics which was acquired in the third quarter of 2022.

Because the operations of the two brands are not material in a way that requires their presentation as a reportable segment, the brands' results are presented together under "Others".

The Sales of Organic Basics in the fourth quarter of the year and in the five months in which the results were consolidated this year amounted to 1.2 and 1.6 million dollars, respectively and included mainly the sale of inventory purchased as part of the operations during the interim period. The new collection will be launched in 2023.

The decline in sales during the reporting periods of 2022, compared to the corresponding periods in the previous year, is primarily due to a decrease in online traffic. This is a result of a shift in consumer behavior, with shoppers in the USA moving towards making purchases in physical stores

The increase in the operating loss in this year's reporting periods compared to the corresponding reporting periods last year was mainly due to an increase in marketing and sales expenses mainly due to product development. design expenses, and website design costs for the Company's private label Bare, which was launched in the third quarter of this year..

The company is acting to improve results by increasing sales through the Bare Necessities internet platform and launching a new collection of products under the new Organic Basics brandin 2023.

2.3.6 <u>The Company's Guidance with Respect to 2023 Business Results</u>

The forecast for 2023 is, after neutralizing the effect of non-core items, based on the exchange rates of 1.03 dollars to 1 euro and NIS 3.45 to 1 dollar, in $ millions:

	Guidance for 2023	2022
Sales	2,000.0 - 2,080.0	2,031.5
Operating Profit	192.0 - 203.8	190.2
EBITDA	285.7 - 297.5	284.2
Net Profit	120.9 - 130.2	120.6
Diluted earnings per Share (in $ per Share)	4.27 - 4.62	4.33

3. **Liquidity and Financing Sources**

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

	Fourth Quarter		**Year Ending on December 31**	
	Not Audited 2022	**Not Audited 20221**	**Audited 2022**	**Audited 2021**
Net cash generated from operating activities	**97.5**	**72.0**	**31.35**	166.5
Net cash used for investment activities excluding investments in short term deposits and acquisitions	**(13.0)**	**(12.0)**	**(47.2)**	(33.0)
(Investments) reduction of short term deposits	**2.0**	**-**	**(64.3)**	-
Cash used to acquire the operations of Organic Basics	**-**	**-**	**(4.5)**	-
Net Cash used for financing activities	**(62.1)**	**(45.2)**	**(6.8)**	(134.3)
Increase (decrease) in cash and cash equivalents	**24.4**	**16.6**	**(91.3)**	(0.7)

	Fourth Quarter		**Year Ending on December 31**	
	Not Audited 2022	Not Audited 2021	**Audited 2022**	Audited 2021
Net cash generated from operating activities – as reported	**97.5**	72.0	**31.5**	166.5
Excluding:				
Leases repayments, included in cash flow from financing activities.	**(12.4)**	(14.3)	**(50.8)**	(50.8)
Non-core loss from early redemption of bonds		-	**-**	5.0
Cash flow from current operations – excluding the effects of IFRS 16 and non-core loss from early redemption of bonds	**85.1**	57.8	**(19.3)**	120.8

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

(1) Cash flow from current operations without the impact of IFRS 16 is a metric that is not part of generally accepted accounting rules. The Company uses this metric to measure its current operating cash flows excluding lease payments, which are included in the cash flow statement as part of financing activities.

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

The increase in cash flow from current operations without the effects of IFRS 16 in the fourth quarter of 2022 compared to the corresponding quarter the previous year, results mainly from a reduction in working capital, mainly the inventory.

The decrease in cash flow from operating activities in 2022 compared to 2021 was mainly due to an increase in net working capital due to an increase in accounts receivable and a decrease in days of supply.

The increase in cash used for investing operations in 2022 compared to 2021 is mainly due to investments in the Company's plants in Vietnam and Egypt and from the acquisition of real estate in Germany which is used by Schiesser, , less the proceeds obtained totaling 6.5 million dollars from the sale of real estate properties in the USA and in Europe..

3.2 Below are some financial indicators for the fourth quarter and full year 2022 and 2021:

	2022	**2021**
Current Ratio	**1.58**	1.62
Quick Ratio	**0.78**	0.90
Days Sales Outstanding (on a quarterly basis)	**39**	31
Days of Supply (on a quarterly basis)	**57**	64
Inventory Days (on a quarterly basis) *	**134**	103
Operating cash flow (in millions of dollars) – fourth quarter	**97.5**	72.0
Operating cash flow (in millions of dollars) – year	**31.5**	166.5
EBITDA (in millions of dollars) – fourth quarter	**81.6**	91.0
EBITDA (in millions of dollars) – year	**284.2**	286.8
Net financial debt (millions of dollars)	**217.4**	95.2
Net financial debt coverage ratio to standardized EBITDA (on the basis of the last 12 months)**	**1.0**	0.4
Equity/balance sheet total	**38.4%**	36.6%
Equity (in millions of dollars)	**710.3**	649.2
Net financial debt to CAP ***	**18.8%**	9.3%

* The increase in inventory days as at December 31, 2022 compared to December 31, 2021 results from the temporary extension of supplies and an increase in inventory accumulation at the majority of the Company's customersthat lead to the deferment of some orders to 2023.

** 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 Bonds – financial debt, plus equity in the balance sheet (including minority rights) 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 IFRS 16, since the changes following the adoption of the standard do not affect the Company's debt repayment capacity.

The definition of net financial debt as stated in the deeds of trust of the Company's bonds 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, 2022, liabilities in respect of operating leases for a total amount of approximately $ 212.1 million and right-of-use assets of approximately $ 193.3 million.

The Company does not consider the aforementioned liabilities related to operational leases part of the

Company's financial debt. For the sake of caution, the Company clarifies that even were these operating lease liabilities considered financial debt, the Company would still meet its financial obligations..

Below are the financial indicators including operating leases as financial debt– the net financial debt amounts to about $ 429.6 million (compared to $ 217.4 million as listed in the table), the net financial debt to EBITDA ratio is 1.5 (compared to 1.0 in the table) and the net financial debt to CAP ratio is 31.5% (compared to 18.8% as listed in the table).

It should be emphasized that the deed of trust of the Series F bonds 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 31, 2022	**December 31, 2021**
Bonds and financial debt, including accrued payable interest	**408.2**	**336.1**
Less cash and cash equivalents and short term deposits	**(190.9)**	**(230.1)**
Financial derivative	**(1.2)**	**(18.4)**
Loans for the purchase of vehicles	**1.4**	**3.0**
Total net financial debt	**217.4**	**95.2**

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

The total net financial debt as of December 31, 2022, was $217.4 million, compared to $95.2 million as at December 31, 2021.

The increase in the net financial debt as at December 31, 2022 compared with December 31, 2021 was mainly due to investments in fixed assets and other assets totaling $61 million, the acquisition of Organic Basics totaling $4.5 million, the payment of a dividend totaling $31 million, and a negative cash flow from operating activities, excluding IFRS 16 in 2022, totaling about $19 million.

3.4 Report of Liabilities Roster by Maturity Dates

For information on the status of the Company's liabilities according to their maturity dates as of December 31, 2022, please refer to the immediate report published by the Company concurrently with this periodic report. The information contained in that report is incorporated into this report by reference.

3.5 Market Risk Exposure and Management

3.5.1 The person responsible for market risk management at the Company

The Company's risk management is 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 on by the Company, Chapter D of the periodic report for 2022.

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 on by the Company, Chapter D of this 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.

3.5.2 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 49 of the Description of the Corporation's Business, Chapter A of the periodic report.

3.5.3 Company Policy Regarding Market Risk Management [2]

Fluctuation of Exchange Rates of the Euro versus the US dollar

The majority of the company's operations in Europe are through the subsidiary companies, Schiesser, Eminence, and 7 For all Mankind and are conducted in the Euro.

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 2023 the Company's receipts surplus in euros is expected to amount to about $ 130 million.

As part of the Company's preparations for 2023, the Company has executed currency transactions ,totaling approximately $36 million in the first half of 2023, to hedge against the devaluation of the Euro against the dollar. The hedging method for the stated period was carried out using Forward, Put options and extra forward.

Fluctuation of Exchange Rates of the NIS versus the US dollar

The operations of the company in Israel, the majority of which is conducted through the Delta Israel segment, is conducted in Shekels.

In 2023, the Company's surplus in receipts in Shekels is expected to total about $ 115 million.

As part of the Company's preparations for 2023, the Company executed currency transactions to hedge against the exchange rate devaluation of the Shekel against the dollar, of an amount of about $ 56 million at an average rate of NIS 3.21 per $ 1.

Fluctuation in the Chinese Yuan exchange rate against the Dollar

In 2023, the surplus payments of the company in Yuan, mainly due to the operations of its subsidiary Bogart, are estimated at about $ 40 million.

The Company executed currency transactions to hedge against the appreciation of the Yuan for 2023, amounting to approximately $15 million, at an average exchange rate of 7.07 Yuan to $1.

.

[2] This section, which includes in part forecasts regarding excess receipts / payments in 2023, is forward-looking information as defined in the Securities Law. This information is uncertain information that refers to a future event and is based on the company's forecasts and estimates, as of the date of the report; the actual results may differ substantially from those predicted in the above stated forward-looking information, as a result of a large number of factors and are therefore subject to risks and uncertainties.

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.

In 2022, the Group's total donations in cash and cash equivalents to educational, cultural, and welfare institutions amounted to approximately $0.7 million. This sum includes a donation of about $30,000 to the Shenkar School of Engineering and Design, whose Board of Trustees includes Mr. Isaac Dabah and Noam Lautman, the Chairman of the Company's Board of Directors. Additionally, the Group donated $30,000 to the Batsheva Dance Troupe and $56,000 to the Lautman Foundation, chaired by Mr. Noam Lautman, the Chairman of the Company's Board of Directors.

Provided that the organizations supported by the Company adhere to their agreements, the Company has committed to donate approximately $165,000 in 2023. This includes a pledge to donate $15,000 to the Batsheva Dance Troupe, where Ms. Zippora Carmon, a Director in the Company, serves on the Management Committee.

5. **Auditing Accountant's Fee**

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

The auditing accountant's' fees for auditing services, auditing-related tax services, and others at the Company and the subsidiaries amounted to $ 1.6 million in 2022, compared to $ 4 million in 2021, as detailed below:

	2022	2021
	Thousand dollars	
Audit services	1,330	2,150
Auditing 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	305	420
Total	1,635	4,020

The decrease in fees for current audit services in 2022 compared to 2021 was mainly due to the execution of an audit pursuant to PCAOB rules in 2021, which is required as part of the preparation for a potential IPO in the United States. See Section 46.3 of Part A of this periodic report.

The scope of employment and salary of the Company's accountant for 2022 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 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, 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 considered 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 2022 was decided 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 both replacing and adding topics, subject to approval by the Audit Committee.

The 2022 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 2022, the Internal Auditor spent about 575 hours in practice on internal auditing, divided as follows:

	Audit in the Company itself	Audit in subsidiaries
Activity in Israel	475	
Activity outside of Israel		100

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 2022 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 200 hours were for activities in Israel and the balance of about 900 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.

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, 1992. During the audit conducted by the Internal Auditor abroad, he was given free access to 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 2 meetings during the course of 2022 which involved internal audit reports: On March 20, 2022, and December 21, 2022. The audit reports referring to the above meetings were submitted on March 17, 2022, and December 19, 2022.

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 2022 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 140,000 (about $ 40,000).

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

To the best of the Company's knowledge, and following an inquiry it conducted with the Internal Auditor, the Internal Auditor does not hold securities of the Company or of any entity affiliated with the Company.

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 directors. This determination was made with reference to the obligations, authorities, and duties borne by the Board of Defectors 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 activity.

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 on by the Company, Chapter D of this periodic report.

Special Disclosure for Bonds Holders

8. **<u>Outstanding Obligatory Notes</u>**

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

Series	A	F
Issue Date and Scope of Bonds Issued on the Issue Date (in NIS)	NIS 178,543,000 par value bonds 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 27, 2013, as revised in the prospectus revision from August 5, 2013 ("**the Shelf Prospectus**"). NIS 21,457,000 par value bonds listed for trade on October 27,, 2013, pursuant to a private offering report. NIS 161,734,000 par value bonds listed for trade on May 15,, 2014, pursuant to the shelf offering report published by the Company on May 13,, 2014, by virtue of the Company's shelf prospectus. NIS 38,266,000 par value bonds listed for trade on June 2, 2014, pursuant to the shelf offering report published by the Company on June 1, 2014, by virtue of the Company's shelf prospectus. NIS 245,000,000 par value bonds 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.	NIS 208,877,000 par value bonds 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. NIS 253,470,000 par value bonds listed for trade on March 13,, 2019, pursuant to the shelf offering report published by the Company on March 3, 2019.
Scope of bonds par value as of December 31 2022 in NIS	334,762,133	274,481,504
Start Date of Principal Repayment and the Manner of its Repayment	Starting August 31, 2015, in annual installments on August 31 of each year through August 31, 2028 (inclusive)	Starting December 31, 2018, in annual installments on December 31 of each year through December 31, 2026 (inclusive)
Interest accrued as of December 31 2022	About NIS 5.6 million	About NIS 5.2 million
Value as included in the December 31 2022 Financial Statements	About NIS 352.5 million	About NIS 266.5 million
Market value on stock exchange on December 31 2022	About NIS 344.9 million	About NIS 251.7 million
Interest type	Fixed – 5.0%	Fixed – 3.85%
Interest payment dates	Semi-annual installments on February 28t and on August 31 of each of the years from 2014 through 2028	Semi-annual installments on June 30 and on December 31 of each of the years from 2017 through 2026.
Linkage type		Linked to the USD
Conversion rights	Non-convertible bonds	
Right to early redemption or forced conversion	Should the stock exchange decide to de-list the bonds from trading due to a decline in the value of the bond series below the threshold determined by the stock exchange, the Company shall perform early redemption of bonds due to said de-listing.	Should the stock exchange decide to de-list the bonds from trading due to a decline in the value of the bond series below the threshold determined by the stock exchange, the Company shall perform early redemption of bonds due to said de-listing.

Series	A	F
	The Company shall be entitled (but not required) at its sole discretion to carry out early redemption, in full or in part, of the bonds (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 bonds (Series A).	The Company shall be entitled (but not required) at its sole discretion to carry out early redemption, in full or in part, of the bonds (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 bonds (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	A1 with a stable outlook
Rating as of January 30, 2023 [See the report dated January 30, 2023 (reference: 2023-01012609)]	Aa3 with a stable outlook	Aa3 with a stable outlook
Additional ratings	a. On January 25, 2022: A1 with a stable outlook b. On April 14, 2021: A1 with a stable outlook c. On April 7, 2020: A1 with a negative outlook d. On March 11, 2019: A1 with a stable outlook e. On March 12, 2018: A1 with a stable outlook f. On March 12, 2017: A1 with a stable outlook g. On July 10, 2016: A1 with a stable outlook h. On March 31, 2016: A1 with a stable outlook i. On May 18, 2015: A1 with a stable outlook j. On September 2, 2014: A1 with a stable outlook k. On March 30, 2014: A1 with a stable outlook	l. On January 25, 2022: A1 with a stable outlook m. On April 14, 2021: A1 with a stable outlook n. On April 7, 2020: A1 with a negative outlook o. On March 11, 2019: A1 with a stable outlook p. On March 12, 2018: A1 with a stable outlook q. On March 12, 2017: A1 with a stable outlook
Other Rating Companies	Ma'alot, S & P Ltd.	Ma'alot, S & P Ltd.
Rating as at March 27, 2022 [See the report dated March 27, 2022 (Reference 2022-01-035179)]	AA- with a stable outlook	AA- 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 bonds, including pursuant to the trust deed for said bonds, and there was no cause to demand immediate repayment of said bonds.

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

Signed: February 14, 2023.

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

Delta Galil Industries Ltd.

Chapter C

Annual Financial Statement 2022

Delta Galil Industries Ltd.

Annual Report 2022

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Auditors' report to the shareholders of Delta Galil Industries Ltd.
With regard to audit of internal controls over financial reporting
pursuant to section 9B(c) of
Securities Regulations (Periodic and Immediate Reports), 1970

We have audited components of internal controls over financial reporting of Delta Galil Industries Ltd. and its subsidiaries (hereinafter together- the "Company") as of December 31, 2022. These control components have been determined as explained in the next paragraph. The Company's management and Board of Directors are responsible for maintaining effective internal control over financial reporting, and for an assessment of the effectiveness of components of internal controls over financial reporting, which accompany the periodic report as of the said 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 which we audited were determined in accordance with Israeli Auditing Standard 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" (hereinafter: "Israel Auditing Standard 911"). These components are: (1) entity-level control, including control over the process of preparation and closing of the financial reporting and information technology general controls (ITGCs); (2) controls over the procurement and inventory process; (3) controls over the sales process (hereinafter, together - "Audited Control Components").

We have conducted our audit in accordance with Israel Audit Standard 911. This standard requires us to plan and perform the audit to identify the audited control components, and to achieve reasonable assurance whether these control components have been effectively maintained in all material aspects. Our audit consisted of an understanding of internal control over financial reporting, identification of the audited control components, assessment of the risk of material weakness in the audited control components, as well as review and assessment of the effectiveness of design and operation of said control components, based on the assessed risk. Our audit, with regard to the aforementioned control components, also consisted of other procedures we deemed necessary under the circumstances. Our audit is only in reference to the audited control components, unlike internal control of all material processes related to financial reporting, and therefore our opinion only refers to the audited control components. Further, our audit did not refer to mutual influence among audited control components and non-audited ones, and therefore our opinion does not take into account such potential influence. We believe that our audit, and the reports of the other auditors, provide an appropriate basis for our opinion within the aforementioned context.

Because of its inherent limitations, internal control over financial reporting in general and certain components thereof in particular, may not prevent or detect misstatement. Also, projections of any evaluation of the effectiveness of specific controls or internal control over financial reporting overall to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2022.

We have also audited, in accordance with generally accepted audit standards in Israel, the Company's consolidated financial statements as of December 31, 2022 and 2021, and for each of the three years ended on December 31, 2022, and our report dated February 14, 2023 included an unqualified opinion on the said financial statements.

Tel-Aviv, Israel
February 14, 2023

Kesselman & Kesselman
Certified Public Accountants
A Member Firm of PricewaterhouseCoopers International Limited

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

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We have audited the accompanying consolidated statements of financial position of Delta Galil Industries Ltd. (hereinafter – the Company) as of December 31, 2022 and 2021 and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. 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 Board of Directors and management of the Company, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, the said financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2022 and 2021 and the results of their operations, and changes in their equity and cash flows for each of the three years for the period ended December 31, 2022, in conformity with International Financial Reporting Standards (IFRS), and the provisions of the Securities Regulations (Annual Financial Statements), 2010.

We also audited, 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", components of internal control over financial reporting of the Company as of December 31, 2022, and our report dated February 14, 2023, included an unqualified report on the effective existence of those components.

Key audit matters

The key audit matters below are the matters that were communicated or required to be communicated to the board of directors of the Company, and which, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. Those matters include, among others, any matter that (1) relates, or may relate, to items or disclosures that are material to the financial statements; and (2) involve our especially challenging, subjective or complex judgments. Those matters were addressed in our audit and in forming our opinion on the consolidated financial statements as a whole. The communication of those matters below does not alter our opinion on the consolidated financial statements as a whole, and we are not, by communicating the key audit matter below, providing a separate opinion on those matters or on the accounts or disclosures to which they relate.

The testing of goodwill for impairment

As described in note 2, 3 and 8 to the consolidated financial statements, the balance of goodwill in the accounts of the Company is $144,238 thousand as of December 31, 2022.

As described in those notes, management is testing for impairment the cash generating unit to which the goodwill has been allocated annually or whenever there is an indication that the unit may be impaired. Potential impairment is identified by comparing the recoverable amount of the relevant cash-generating unit to its carrying amount. If the carrying amount is greater than the recoverable amount of the cash generating unit, an impairment loss is recognized at the value of this excess.

The testing for impairment of a cash generating unit to which goodwill has been allocated, is based on critical estimates that involve uncertainty and subjective assessments. A change in those estimates or assessments may have a significant impact on the balance of goodwill presented in the financial statements of the Company.

The main estimates used as a basis for testing goodwill for impairment

In calculating the recoverable amount of the cash generating unit to which goodwill has been allocated by the Company, judgment is applied regarding the forecasted cash flows based on the budget for the upcoming year, and additional assumptions of the Company regarding the pace of growth in sales and expenses in subsequent years.

The Company applies the following assumptions to determine the recoverable amount of the cash generating unit:

- The representing long-term gross profit rate is based on the past experience of the Company and its forecasts regarding developments in the market.

- Growth rate calculated based on the long-term nominal growth forecast for GDP and population growth rate in each of the different activity segments.

- The discount rate applied in the cash flows forecast was determined based on the risks of the specific activity segment.

We have identified the estimates used as basis for goodwill impairment testing as a key audit matter. Auditing the testing of goodwill for impairment required judgment by the auditor, as well as knowledge and experience to examine the reasonableness of assumptions and data used by management to determine the estimated recoverable amount of the cash generating unit to which the goodwill has been allocated.

The audit procedures used to address the key audit matter

The following are the main procedures we performed to address this key matter in our audit:

- Reviewing of the methodology used by the Company to determine the discounted amount of cash flows expected from the cash generating unit to which goodwill was allocated (hereinafter - the Model);

- Examining the completeness and accuracy of basic information and data used in the Model;

- Assessing the reasonableness of critical management assumptions regarding the nominal growth rate, discount rate and gross profit rate, considering (a) past and present performance of the cash generating units and (b) whether those assumptions were aligned with evidence obtained in other areas of the audit;

- Sensitivity tests were performed on the critical assumptions used by management in the Model, and the change in the recoverable amount of the cash generating unit to which goodwill was allocated as a result of the change in those assumptions was tested.

- The services of an expert valuer were used to assist in assessing the Model.

Tel-Aviv, Israel
February 14, 2023

Kesselman & Kesselman
Certified Public Accountants
A Member Firm of PricewaterhouseCoopers International Limited

Consolidated statement of financial position

	Note	December 31 2022	December 31 2021
		US$ in thousands	
Assets			
Current assets:			
Cash and cash equivalents	2M, 19A	**126,649**	230,129
Restricted cash		**4,002**	5,845
Short Term Deposits		**64,265**	-
Trade receivables	19B, 1	**236,772**	202,140
Current tax assets		**10,691**	11,272
Other receivables	19B, 2	**36,389**	43,511
Derivative financial instrument	12	**423**	1,615
Inventory	19C	**487,307**	395,158
Total current assets		**966,498**	889,670
Non-current assets:			
Investments accounted for using the equity method and other long-term receivables	10	**12,528**	12,593
Investment property		**2,702**	2,997
Property, plant and equipment, net	7	**235,273**	212,999
Goodwill	8	**144,238**	147,447
Intangible assets, net	8	**275,948**	287,109
Right-of-use assets	9	**193,275**	191,213
Deferred tax assets	15D	**18,183**	18,705
Derivative financial instrument	12	**2,025**	12,098
Total non-current assets		**884,172**	885,161
Total assets		**1,850,670**	1,774,831

______________________) **Noam Lautman**
) **Chairman of the Board of Directors**

______________________) **Isaac Dabah**
) **CEO**

______________________) **Assaf Alperowitz**
) **CFO**

The date of approval of the financial statements by the Company's Board of Directors: February 14, 2023

The attached notes constitute an integral part of these consolidated financial statements

Consolidated statement of financial position

	Note	December 31 2022	December 31 2021
		US$ in thousands	
Liabilities and equity			
Current liabilities:			
Short-term bank borrowings	19D	**51,430**	-
Current maturities of long-term bank loans	19E	**42,152**	7,501
Current maturities of bonds	11	**45,935**	32,102
Derivative financial instrument	12	**1,037**	-
Current maturities of lease liabilities	9	**47,968**	51,776
Trade payables		**209,673**	247,662
Current tax liabilities		**34,048**	27,070
Provisions for restructuring plan	19G	**2,633**	8,879
Other payables	19F	**176,411**	172,607
Total current liabilities		**611,287**	547,597
Non-current liabilities:			
Long-term Banks loans	19E	**133,151**	117,122
Post-employment benefit obligations, net		**5,982**	7,075
Lease liabilities	9	**164,175**	158,851
Other no- current liabilities	13	**63,431**	78,891
Bonds	11	**129,969**	176,316
Deferred tax liabilities	15D	**32,158**	39,797
Derivative Financial Instruments	12	**173**	-
Total non-current liabilities		**529,039**	578,052
Total liabilities		**1,140,326**	1,125,649
Equity:	14		
Equity attributed to shareholders in the parent company:			
Share Capital		**23,714**	23,714
Share premium		**128,268**	129,500
Other capital reserves		**26,410**	53,335
Retained earnings		**517,751**	432,189
Treasury shares		**(14,075)**	(15,307)
		682,068	623,431
Non-controlling interests		**28,276**	25,751
Total equity		**710,344**	649,182
Total liabilities and equity		**1,850,670**	1,774,831

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31			
	Note	2022	2021	2020
	US$ in thousands (except earnings per share)			
Sales	5C-D	**2,031,541**	1,950,958	1,446,187
Cost of sales	19I	**1,246,354**	1,174,247	922,502
Gross profit		**785,187**	776,711	523,685
Selling and marketing expenses	19J	**515,035**	491,604	385,507
General and administrative expenses	19J	**87,879**	95,391	77,446
Credit losses (gain)		**(1,184)**	1,334	9,671
Other (income) expenses, net	19L	**(4,896)**	569	2,634
Share of profit of investees accounted for using the equity method	10	**(666)**	(285)	(397)
Change in fair value of liabilities with respect to earn-out	13	**(9,621)**	-	-
Impairment of non-financial assets	7, 8B, 8D, 9	**8,122**	-	16,811
Restructuring Costs	19g	**5,467**	-	39,154
Operating profit (loss)		**185,051**	188,098	(7,141)
Financing expenses, net	19M	**37,271**	37,397	37,475
Profit (loss) before taxes		**147,780**	150,701	(44,616)
Income tax expense (income)	15	**32,402**	30,395	(4,095)
Net profit (loss) for the year		**115,378**	120,306	(40,521)
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of post-employment benefit obligations		**2,065**	(27)	727
The effects of tax on income		**(492)**	5	(157)
		1,573	(22)	570
Items that may be reclassified to profit or loss:				
Cash flow hedges	12	**1,139**	(981)	(4,551)
Exchange differences on translation of foreign operation		**(28,375)**	(9,404)	17,852
The effects of tax on income		**(262)**	186	1,047
Other comprehensive income (loss) for the period, net of tax		**(27,498)**	(10,199)	14,348
Total comprehensive income (loss) for the year		**89,453**	110,085	(25,603)
Attribution of the net profit (loss) for the year:				
To shareholders in the Parent company		**109,476**	112,781	(39,850)
To non-controlling interests		**5,902**	7,525	(671)
Total net (loss) income for the year		**115,378**	120,306	(40,521)
Attribution of the total comprehensive (loss) income for the year:				
To shareholders in the Parent company		**84,120**	104,040	(24,932)
To non-controlling interests		**5,333**	6,045	(671)
Total net (loss) income for the year		**89,453**	110,085	(25,603)
Earnings (loss) per share attributed to the shareholders of the Parent company (in Dollars)	2V, 16			
Basic		**4.27**	4.42	(1.56)

Diluted	**4.14**	4.29	(1.56)

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
	Thousands	US$ in thousands										
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:												
Loss for the Year	—	—	—	—	—	—	—	(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:												
Profit for the year	—	—	—	—	—	—	—	112,781	—	112,781	7,525	120,306
Other Comprehensive loss	—	—	—	—	(8,116)	(624)	—	(1)	—	(8,741)	(1,480)	(10,221)
Issuance of a subsidiary	—	—	—	—	(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**
Balance as at January 1, 2022 (audited)	26,923	23,714	129,500	218	(4,261)	1,375	56,003	432,189	(15,307)	623,431	25,751	649,182
Change during the year ended in December 31, 2022												
Profit for the year	—	—	—	—	—	—	—	109,476	—	109,476	5,902	115,378
Other comprehensive income (loss)	—	—	—	—	(27,245)	320	—	1,569	—	(25,356)	(569)	(25,925)
Consideration from the exercise of options	—	—	(1,232)	—	—	—	—	—	1,232	—	—	—
Dividend paid	—	—	—	—	—	—	—	(28,009)	—	(28,009)	—	(28,009)
Dividend for non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,356)	(3,356)
Share based payments	—	—	—	—	—	—	—	2,526	—	2,526	548	3,074
Balance as at December 31, 2022 (audited)	**26,923**	**23,714**	**128,268**	**218**	**(31,506)**	**1,695**	**56,003**	**517,751**	**(14,075)**	**682,068**	**28,276**	**710,344**

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		
	2022	**2021**	**2020**
	US$ in thousands		
Cash flows from operating activities			
Net income (loss) for the year	**115,378**	120,306	(40,521)
Adjustments required to present cash flows from operating activities	**(40,403)**	93,803	282,916
Interest paid in cash	**(26,850)**	(33,040)	(33,021)
Interest received in cash	**425**	1,091	1,062
Taxes on income paid in cash, net	**(17,017)**	(15,634)	(1,867)
Net cash provided by operating activities	**31,533**	166,526	208,569
Cash flows from investment activities:			
Deposits to Short Term Deposits	**(64,265)**	-	-
Acquisition of property, plant and equipment	**(47,992)**	(25,316)	(17,970)
Acquisition of intangible assets	**(7,661)**	(4,839)	(3,478)
Payments for acquisitions of subsidiaries, net of cash acquired	**-**	-	(13,469)
Long-term loans given	**(4,500)**	-	-
Loan given to business partner	**-**	(1,750)	(2,500)
Proceeds from sale of property, plant and equipment	**6,538**	944	568
Others	**1,843**	(2,000)	2,075
Net cash used in investing activities	**(116,037)**	(32,961)	(34,774)
Cash flows from financing activities:			
Dividend paid to non-controlling interests in subsidiary	**(3,356)**	(1,592)	-
Payment of long-term payable in connection with acquisition of property, plant and equipment	**(5,628)**	(4,373)	(3,836)
Principal elements of lease payments	**(50,852)**	(50,762)	(47,022)
Early redemption of bonds	**-**	(94,313)	-
Repayment of bond principal	**(16,700)**	(37,650)	(37,568)
Dividend paid	**(28,009)**	(15,489)	(6,506)
Receipt of long-term bank loans	**60,397**	74,950	44,464
Repayment of long-term bank loans	**(7,223)**	(68,201)	(9,778)
Short-term bank borrowings, net	**51,430**	(10,962)	11,013
Repayment of long-term loans as part of acquisition of subsidiary	**(792)**	(6,006)	(8,855)
Net proceeds from issuance of shares in a subsidiary	**-**	77,156	-
Others	**(6,102)**	2,940	49
Net cash used in financing activities	**(6,835)**	(134,302)	(58,039)
Increase (decrease) in cash and cash equivalents	**(91,339)**	(737)	115,756
Effects of exchange rate changes on cash and cash equivalents	**(12,141)**	23	8,661
Balance of cash and cash equivalents at the beginning of the period	**230,129**	230,843	106,426
Balance of cash and cash equivalents at the end of the period	**126,649**	230,129	230,843

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		
	2022	**2021**	**2020**
	US$ in thousands		
Adjustments required to present cash flows generated from operating activities:			
Depreciation	**32,648**	33,329	36,353
Amortization	**61,362**	64,345	62,063
Impairment of non-financial assets	**8,122**	-	16,811
Losses (profits) due to exchange rate	**532**	(2,940)	1,082
Interest expenses recognized in respect of bonds and loans	**19,169**	18,375	23,185
Interest received in cash	**(425)**	(1,091)	(1,062)
Taxes on income paid in cash, net	**17,017**	15,634	1,867
Deferred taxes on income, net	**(6,975)**	(1,007)	522
Interest expenses recognized in respect of lease agreements	**7,681**	9,609	9,836
Retirement benefit obligation, net	**176**	(1,833)	(579)
Restructuring expenses (income)	**(6,246)**	(17,946)	25,390
Decrease in lease liabilities following rent concessions	**-**	(3,502)	(6,026)
Change in fair value of liabilities due to earn-out	**(9,621)**	-	-
Gain from disposal of property, plant and equipment	**(4,435)**	(272)	(314)
Loss from early redemption of bonds	**-**	5,056	-
Share-based payments expenses	**3,074**	2,630	1,291
Credit losses loss on trade receivable	**(1,184)**	1,334	9,671
Share in profits of investee accounted for using the equity method	**(666)**	(285)	(397)
Others	**163**	405	2,702
	120,392	121,841	182,395
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	**(40,189)**	(10,450)	6,408
Increase in other receivables	**(2,075)**	(2,544)	(15,967)
Increase (decrease) in trade payables	**(36,601)**	55,304	39,024
Increase in other payables	**22,314**	38,704	7,405
Decrease (Increase) in inventory	**(104,244)**	(109,052)	63,651
	(160,795)	(28,038)	100,521
	(40,403)	93,803	282,916
Additional information on investing and financing activities not involving cash flows:			
Trade and other payables for acquisition of property, plant and equipment and other non-monetary assets	**12,938**	16,172	11,929
Receivables for sale of property, plant and equipment	**-**	**-**	251
Liability for minimum royalty payment	**10,226**	40,054	8,300
Acquisition of right-of-use assets through lease liabilities	**66,983**	30,130	58,662

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, leisure wear and activewear, as well as in the development, design, marketing, distribution and sale of branded Denim and outwear and accessories for women, in four reportable business segments: Brands, Private Label, Delta Israel, Seven for All Mankind, and Others (See 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. Economic Environment and the Effects of External Factors on the Company

Listed below are factors in the group's macroeconomic environment that have influenced and may continue to influence its activities:

The company's main target markets are the USA, Europe and Israel.

According to macroeconomic sources, 2022 was characterized by negative growth rates in Europe and low single-digit growth rates in the US and Israel, compared to double-digit growth rates in 2021, which was a record year and was characterized by high demand in all sales markets, in light of the exit from the Corona virus pandemic crisis.

The growth rates in 2022 slowed down significantly in most of the target markets in the second half of the year and this in light of several main reasons including: the war in Ukraine, an increase in inflation and interest rates, logistical problems that arose after the Corona virus pandemic crisis and caused lengthening and delays in delivery times, and as a result the accumulation of inventory at some of the company's customers and canceling or postponing orders.

1. The Effects of the Increase in the Inflation and Interest Rates

The last few years until 2020 were characterized by a low inflationary environment - a negative annual change of up to 1.5%, in the group's main target markets.

In 2021, a trend of an increase in the rate of inflation began (the Consumer Price Index rose in the US by 7%, in Europe by about 5% and in Israel by 2.8%) which accelerated significantly and reached levels between 5% and 9% in 2022.

According to the various forecasts, the inflation rate in 2023 will vary between 2% and 4% in the target markets, in which the group operates.

The group is immaterially affected by the inflation rate mainly due to rent payments for some of the properties it rents, which are partly linked to changes in the Consumer Price Index. It would be prudent to note that most of the leases that the group is a party to in the US and Europe are not linked to the index, while the leases in Israel include linkage as stated.

The effect of linkage to the index in 2022 and that expected for 2023, in accordance with existing estimates regarding the increase in the inflation rate, is not material to the group's results. Also, the inflationary pressures in the countries where the group manufactures and / or buys the products it sells, cause an increase in payroll and an increase in energy costs and other production costs.

In parallel with the increase in the inflation rate, the central banks in the US, Europe and Israel began to raise interest rates, in several increments, for example - in the US from an average level of about 2% in 2021 to an average level of about 4.5% in 2022 and to about 6.5 % is expected for 2023. In Israel, from an average level of 1.5% in 2021 to an average level of 3.2% in the year of the report and 5.5% is expected for 2023. The group finances its activities from cash balances in its possession, from the positive cash flow from its current activities, short-term and long-term bank loans and bonds.

As stipulated in Note 19E below, most of the group's debt carries a fixed interest rate, therefore the increase in interest rates so far has not had a material effect on the group's financing expenses.

Note 1 – Overview (continued)

2. Fluctuations in the Currency Exchange Rate

   In parallel with the increase in the inflation rate as stipulated above, there were significant fluctuations in the foreign currency exchange rates in the countries where the group operates, compared to the dollar which is the currency of activity.

   This volatility is reflected in a significant weakening of the exchange rates of most currencies against the dollar. For example, in 2022 the exchange rate of the euro decreased against the dollar, compared to the average exchange rate the previous year, by about 11%, the shekel by about 4%, the Egyptian pound by about 20% and the Turkish lira by 90%.

   This devaluation caused a decrease in production costs in dollar terms, at a higher rate than the increase in paroll expenses and production expenses in the countries where the group produces, mainly in Southeast Asia, Egypt and Turkey.

   In parallel, the group works with its customers to increase the sales prices in cases where significant distortions occur, so that in the group's estimation, the above stated changes did not have a material impact on its results.

   However, the continuation of an inflationary environment that will not be accompanied by a price increase for customers can be a risk factor for the company.

3. The Effects of the Changes in Freight Costs

   The group purchases a significant part of the products it sells from factories it owns and / or from suppliers, located in the countries of the Far East.

   As part of its activities, the group bears, in cases where the sale is not carried out on the basis of delivery at the port of origin, the costs of freighting the products from these countries to the USA, Europe (Germany and France) and Israel.

   From the second quarter of 2021 until the third quarter of 2022, there was a gradual increase in these freight costs, which reached their peak during the second quarter of 2022. These increases eroded the group's gross profitability during the first three quarters of 2022 by approximately 1.4%, compared to the first nine months of 2021.

   In the fourth quarter of 2022, a gradual decrease in freight costs began worldwide and, at the end of 2022, they reached a level similar to that which prevailed before the price increase, at the end of 2020.

   Therefore, in the fourth quarter of 2022 there was no erosion in gross profitability compared to the corresponding quarter the previous year.

Note 1 – Overview (continued)

c. 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. The operations at the company's factories in 2022 were nor impacted due to the Corona Virus pandemic.

Starting in December 2022, there was a renewed outbreak of the epidemic in China. As of the date of the report, this outbreak had no effect on the operations of the company's factories in China and they are back in operation after the new year holiday.

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 the first quarter of 2021, "Delta" and "Fix" stores in the Delta Israel's 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 2021 until February 21, 2021.

During 2022, the stores operated in all the countries in full format.

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. The significant increase recorded in in online sales in 2020 - 2021 partially compensated for the harm to the Company's sales in the other sales channels and in particular during the period in which lockdowns occurred.

In 2022, after the opening of the stores in all countries and an increase in the traffic of buyers, a decrease in the sales of the websites was recorded in parallel, with the exception of that of Splendid.

Measures to reduce expenses

Due to the effects of the Virus, the Group 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 Group 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. In 2022, with the return of activity at all company sites to a full format, all employees returned and no further reductions in rent were received.

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 Group decided to carry out a comprehensive restructuring plan (hereinafter: "The 2020 Plan").

Also during the second quarter of 2022, the company decided on a restructuring plan, regarding the closure of the Bogart subsidiary plant in Shenzhen. For more details please see Note 19G.

Note 1 – Overview (continued)

d. 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 NIS 262.5 million, (approximately $79 million).

On March 5th, 2021, the Split-off Agreement was completed and, at the same time, assets and liabilities of the segment were transferred. For tax purposes, the split is retroactivey as of September 30th, 2020.

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

Note 2 –The Principles of Accounting Policies

a. Basis of preparation of the financial statements

The Group's financial statements as of December 31, 2022 and , 2021, and for each of the three years in the period ended December 31, 2022, comply with the International Financial Reporting Standards, which are published by the International Accounting Standards Board (hereinafter – IFRS) and include the additional disclosure required by the Securities Regulations (Annual Financial Statements) 2010.

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, assets comprising deposits for severance pay, and an undertaking regarding earn out which are presented at fair value.

3) 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.

4) The Operational Turnover Period of the Group is 12 months.

5) The Group analyses 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.

The Group's accounting handling of business combinations is carried out using the purchase method. The consideration transferred for the purchase of a subsidiary company (hereinafter - the acquired company), is calculated as a summary of the fair value values of the assets transferred by the Group, the liabilities incurred by the Group vis-à-vis the previous owners of the acquired company. The consideration transferred includes the fair value of any liability that arises as a result of a contingent consideration arrangement. Costs related to the acquisition are recognized in profit or loss as incurred.

Identified assets that are acquired as well as liabilities and contingent liabilities assumed by the group as part of a business combination (with the exception of certain exceptions detailed in International Financial Reporting Standard 3 – "Business Combinations"; hereafter - IFRS 3) are measured for the first time at their fair values at the time of acquisition.

Conditional proceeds that arose for the group as part of a business consolidation is measured at the fair value at the time of the business consolidation. Subsequent changes in the fair value of the conditional proceeds, classified as an asset or as a liability, are recognized in accordance with International Financial Reporting Standard 9 "Financial Instruments" (hereinafter - IFRS9) in profit or loss.

The excess of the total amount of the consideration transferred, the sum of any rights that do not confer control in the acquired company and the fair value as of the date of purchase of any previous rights in the capital of the acquired company, over the net amount, at the time of purchase, of the identifiable assets purchased and the liabilities assumed, all of which are measured as stated above, is recognized as goodwill (See also section G1 below).

The accounting policy applied in the subsidiaries was changed as needed, in order to ensure consistency with the accounting policy adopted by the group.

Transactions with owners of rights that do not give control in subsidiaries whose result is not a loss of control are treated as transactions with owners. In these transactions, the difference between the fair value of any proceeds paid or received and the amount by which the non-controlling interests are adjusted to reflect the changes in their relative rights in the subsidiary, is recognized directly in the equity attributable to the company's owners.

Note 2 –The Principles of Accounting Policies (continued)

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.

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 it's carrying amount, and it recognizes the amount of the impairment in profit or loss in the item cost of sales.

Profits or losses arising from transactions between the Company and the included companies are recognized in the Company's reports only to the extent of their share in the included company of the investors not related to the Company. The Company's share in the profits or losses of the included company in respect of these transactions is cancelled.

The affiliated companies' accounting policies have been changed as needed, in order to ensure consistency with the accounting policy that has been adopted by the Group.

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 sectors of activity and the evaluation of their performance. (see Note 5)

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, 2022	13.1	(5.8)
For the year ended December 31, 2021	(3.3)	(7.7)

The exchange rate of the Dollar against the NIS as of December 31, 2022 is 1 Dollar is NIS 3.519

The exchange rate of the Dollar against the NIS as of December 31, 2021 is 1 Dollar is NIS 3.11

The exchange rate of the Euro against the Dollar as of December 31, 2022 is 1 Euro is 1.066 Dollars

The exchange rate of the Euro against the Dollar as of December 31, 2021 is 1 Euro is 1.132 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.

Profit and loss from exchange rate differences pertaining to monetary assets or liabilities are presented in the statement of profit or loss and comprehensive income under "Financing Expenses, Net".

Note 2 –The Principles of Accounting Policies (continued)

3) Translation of the financial statements of Group companies

The results and the financial positions of all 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 salessales 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%)**
Plant and machinery	**7 - 25 (Mainly 7%)**
Office furniture and 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 profit or loss 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 –The Principles of 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, that is not greater than the operational segment.

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

Contractual customer relationships acquired as part of a business combination transaction are recognized at fair value at the time of purchase. Contractual customer relationships have a defined useful life, and are shown at cost less accumulated depreciation. Depreciation is calculated based on the straight-line method over the expected useful life of the customer relationships.

3) 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.

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.

Note 2 –The Principles of Accounting Policies (continued)

i. Financial Assets - Debt Instrument

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.

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: Restricted cash, short term deposits, trade receivable, other receivables, 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 losses (or the cancellation thereof) is recognized in profit or loss.

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 and manufacture 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, due to 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.

Note 2 –The Principles of Accounting Policies (continued)

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.

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 with respect to acquisition transactions and manufacturing inventory, 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 accessories is also determined using the weighted average cost method.

Cost of inventory includes gains/ losses on cash flow hedges of finished product purchases transferred from equity.

Generally, reductions in the value of inventory are recorded in the various operating segments, as is 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 labels 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, accessories and in-process inventory produced in the company's plants, which is reduced according to its age.

7 for all Mankind and Delta Israel segments includes 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 Others segment includes finished branded products that are sold through the Company's website. A reduction of that inventory is made based on a diagnosis of whether this is an inventory of basic products or fashion products.

No reduction 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 reduction 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 reduced cost, a reduction 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), 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.

Note 2 –The Principles of 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 transaction costs) and the redemption amount is recognized in profit or loss over the period of the debenture 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).

Current taxes are tax amounts expected to be payable 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 recognized as employee benefit expense when they are due.

A defined benefit plan is a post-employment employee benefit plan that is not a defined contribution plan.

The Group companies 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 retirement from 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.

Note 2 –The Principles of Accounting Policies (continued)

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 retirement 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 liability is determined by discounting the expected future cash flows (after taking into account the expected rate of payroll increase), based on the interest rates of government bonds or corporate bonds, according to the marketability of the bonds in the countries where the group companies are located, denominated in the currency in which the benefits will be paid, and whose period until maturity is close to the period of the obligations relating to retirement compensation.

The group companies credit re-measurements of the net liability for a defined benefit to other comprehensive income, in the period in which they arose. These re-measurements are created as a result of changes in actuarial assumptions, differences between previously assumed assumptions and the actual results and differences between the return on plan assets and the amounts included in the net interest on the net liabilities (asset) for a defined benefit.

In accordance with International Financial Reporting Standard 19 "Employee Benefits" (hereinafter - IAS 19), the discount rate that will be used for the calculations of the actuarial liability will be determined by using market yields on the date of the report on the financial position of high quality corporate bonds.

However, IAS 19 states that in countries where there is no market in which there is high tradability ("deep market") in such bonds, the market yields on the date of the report on the financial position of government bonds must be used.

As a result, the interest rate used by the company to discount the expected future cash flows in order to calculate the obligations for defined benefit plans in the financial statements was determined based on the interest rates of high-rated shekel corporate bonds. The effect of the change in the discount rate on the said liabilities was credited to other comprehensive income in the section "Re-measurements of Liabilities (net) due to Employee-Employer Relations".

Costs for past services are regularly recognized in the profit or loss statement.

The plan assets are measured according to the fair value. The above stated designations constitute plan assets as defined in IAS 19, and therefore the balance of the liabilities regarding employee-employer relations was offset for the purposes of presentation in the statement of financial position.

As stated above, the group companies purchase insurance policies and make deposits in pension and compensation funds to finance their liability for a defined contribution plan. When the deposits are made, they are not required to pay any additional fees. The deposits are recognized as expenses for employee benefits, in parallel to receiving the service from the employees for which they are entitled to the deposit.

Advance deposits are recognized as an asset, to the extent that the company is entitled to a cash refund or a reduction in future payments.

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 –The Principles of 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 retained earnings. 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 (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

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 sales

The Company has sales from the sale of products to customers and from royalties.

1. Measurement of sales

   The Company's sales 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. Sales are presented net of VAT and after elimination of sales 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 salessales will not occur when the

   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.

Note 2 –The Principles of Accounting Policies (continued)

2. Date of recognition of income

The Company recognizes sales 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 Sales:

a) Sales 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 rebates and returns. The quantity rebate 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) Sales 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 sales at the actual utilization or expiry of the points 12 months after the initial sale, the earlier of the two.

c) Sales from online activities

Sales 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

The Group leases buildings, machinery and equipment and vehicles. Lease agreements are for a period of between 12 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 Company uses an external evaluator in order to determine the supplementary interest rates in each relevant segments.

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.

After the date of commencement date, the Group measures the right-of-use asset cost, 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

The calculation of the basic profit or loss per share is based, as a rule, on the net profit or loss that can be distributed to the ordinary shareholders, divided by the weighted average of the number of ordinary shares that exist in circulation during the period, including blocked share units that have fully matured, minus the company's shares that are held in independently.

In calculating the diluted profit or loss per share, the weighted average of the number of shares to be issued is also added to the average of the ordinary shares, which was used for the basic calculation, assuming that all potential dilutive shares will be converted into shares. The potential shares are taken into account as stated only when their effect is dilutive (reduces the profit or increases the loss per share).

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. Amendments to the existing Standards coming into effect, implemented by the company and binding for reporting periods starting January 1, 2022

Amendment to the International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets" (Hereinafter: The Amendment to IAS 37)

IAS 37 defines an "onerous contract" as a contract in which the unavoidable costs for meeting obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the smallest net cost of exiting it, which is the lower of the cost of maintaining the contract and damages and penalties resulting from non-compliance.

The amendment to IAS 37 clarifies the meaning of the term "contract performance cost".

According to the amendment, the cost to maintain a contract consists of the costs directly related to the contract.

Note 2 –The Principles of Accounting Policies (continued)

The costs directly related to the contract include the addition of: additional costs for carrying out the contract (for example, direct costs for labor and materials); Allocation of other costs directly related to the execution of the contract (for example, allocation of a proportional part of the depreciation of fixed assets used for the purpose of the execution of the contract).

Also, the amendment to IAS 37 clarifies that before recognizing a provision for an onerous contract, an entity must examine and recognize a decrease in the value of any asset used in the fulfillment of the contract, and not only for assets that are specifically designated for the contract. In accordance with the provisions of the amendment to IAS 37, the amendment will be implemented by the company as of January 1, 2022, retrospectively, for contracts for which the company has not yet completed the full performance obligations at the time of the first application of the amendment. The first application of the amendment to IAS 37 did not have a material impact on the company's financial statements.

2. New standards and amendments to existing standards which are not yet in binding force and which the company did not choose for their early implementation:

a) Amendment to International Accounting Standard 1 "Presentation of Financial Statements", "Classification of Liabilities as Current or Non-current Liabilities" and "Non-current Liabilities with Covenants" (hereinafter in this section - the amendments to IAS 1).

The amendments to IAS 1 clarify the guidelines regarding the classification of liabilities as current or non-current in the statement of financial position. The amendments clarify, among other things, that:

1. A liability will be classified as a non-current liability if the entity has a substantial right, at the end of the reporting period, to postpone the settlement of the liability for at least 12 months after the end of the reporting period.
2. The right to postpone settlement of a liability in respect of a loan agreement for at least 12 months after the end of the reporting period is sometimes subject to the entity's compliance with the conditions stipulated in the loan agreement (hereinafter - covenants). The classification of a liability in respect of such a loan agreement as a current liability or a non-current liability will be determined only on the basis of the covenants which the entity is required to meet on or before the end of the reporting period. covenants that the entity is required to meet after the end of the reporting period will not be taken into account in this determination.
3. To the extent that a liability in respect of a loan agreement for which the entity is required to meet covenants during the 12 months after the end of the reporting period, is classified as a non-current liability, a disclosure will be made in the notes that allows users of the financial statements to understand the risk that the liability may meet repayment during the 12 months after the end of the reporting period. In this rule, a disclosure will be made regarding the nature of the conditions that the entity is required to meet, the date of their examination, the book value of the related liabilities, as well as facts and circumstances that indicate that the entity may have difficulty meeting these conditions. This disclosure may refer to certain actions taken by the entity in order to prevent a potential violation of the terms as well as the fact that the entity is not complying with the terms based on the circumstances existing at the end of the reporting period.
4. The entity's intention regarding the exercise of an existing right to postpone the settlement of the liability for at least 12 months after the end of the reporting period is not relevant for the purpose of classifying the liability.
5. Settlement of a liability can be done by way of transfer of cash, other economic resources or capital instruments of the entity. Classification of an liability as a current liability or as a non-current liability will not be affected by the existing right of the other party to demand the settlement of the liability by

transferring capital instruments of the entity, if this right has been classified by the entity as part of the capital.

The amendments to IAS 1 will be applied retrospectively for annual periods beginning on or after January 1, 2024. According to the provisions of the amendments, their early implementation is possible. The initial application of the amendments to IAS 1 is not expected to have a material impact on the group's consolidated financial statements.

Note 2 –The Principles of Accounting Policies (continued)

b) Amendment to IAS 1 "Presentation of Financial Statements" "Disclosure of Accounting Policy" (hereinafter in this section- the Amendment to IAS 1)

The Amendment to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. According to the amendment, accounting policy information is material if, when considered together with other information included in the 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.

The amendment to IAS 1 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 for annual periods beginning on or after 1 January 2023. According to provisions of the amendments early application is possible. The company is examining the effects of the implementation of the IAS 1 amendment on the information given with respect to its accounting policy as part of the financial statements.

c) 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 possible. Initial application of Amendments to IAS 8 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, sales, 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 Write Down

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 Impairment

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 Impairment

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 amortiozation at any time at which signs exist indicating the possibility of impairment in value.

4) Brands Impairment

The balance of the brands includes the brand name "Schiesser", purchased in 2012, "P.J. Salvage", purchased in 2015, "7 for All Mankind", "Splendid", purchased in 2016, "Eminence", "Athena" and "Liable", purchased in 2018, and "Bare Necessities" purchased in 2020, and "Organic Basics" purchased in 2022. 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 external evaluators.

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 as at December 31, 2022 at its historic cost, net of impairment.

All brands have an indefinite useful life and are not amortized on an ongoing basis, with the exception of Organic Basics and Bare Necessities.

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.

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.

Note 3 – Critical accounting estimates and judgments (continued)

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 sales, projected taxable sales, 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 sales 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.

6) Setting the Capitalization Rate for Lease Liabilities

On the date of initial recognition, the present value of a lease liability is calculated using the additional interest rate of the group company that leases the property for that date.

This interest rate is the rate that the lessee would have been required to pay in order to borrow for a similar period and with similar security the amounts necessary to obtain a property of similar value to a right-of-use property in a similar economic environment.

A change in the discount rates compared to the management's estimates will affect the balance of the liability for the lease and the balance of the right-of-use asset, as well as the interest expenses for the liability and the depreciation expenses for the right-of-use asset recognized in the income statement.

b. Considerations that have a material impact on the implementation of the entity's accounting policies

Determining lease period

As part of the implementation of IFRS16, 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 reasonably 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 period, or not exercise an option previously included in determining the lease period.

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

Also, the group sometimes invests in other foreign currency derivatives such as: Turkish lira, Chinese yuan, Egyptian lira and Thai baht in order to protect itself from cash flow risk arising from inventory production costs.

The group even invests from time to time in foreign currency derivatives (euro versus Czech koruna), futures contracts or options in order to protect itself against the risk of the cash flow arising from the production costs at the company's factory in the Czech Republic which will be affected by a change at exchange rates. The time period of these contracts is usually shorter than one year. These transactions are mainly intended to protect against the change in the above stated exchange rates

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, 2022, 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$ 277,000 or US$ 554,000 lower/ higher, respectively (as of December 31 2021 – US$ 704,000 and US$ 1,409,000, 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, 2022, if the Group's functional currency were to weaken / strengthen by 5% or 10% against the Euro, and were all of the other variables to remain constant, the comprehensive income for the year would be US$ 4,246,000 or US$ 8,492,000 lower / higher, respectively (as of December 31 2021 – US$ 4,764,000 and US$ 9,528,000 , 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.

In the matter of the effects of the change in interest rates on financing expenses of the company, see Note 1 b 1.

Note 4 – Financial instruments and financial risk management (continued)

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, 2022 are deposited with the banking corporations: Bank Leumi, Bank Mizrachi, Bank Discount, 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.

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 three years and five years	More than five years	Total
	US$ in thousands				
Balance as at December 31, 2022:					
Bonds	54,960	36,898	87,187	16,736	195,781
Long-term Banks loans	48,035	22,451	52,053	83,599	206,138
Short-term bank borrowings	51,430	-	-	-	51,430
Trade payables	209,673	-	-	-	209,673
Lease liabilities	53,437	44,576	89,392	71,356	258,761
Other payables and other liabilities	208,715	28,834	45,748	10,742	294,039
	626,250	132,759	274,380	182,433	1,215,822
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

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.

Note 4 – Financial instruments and financial risk management (continued)

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, 2022 and 2021:

	As of December 31,	
	2022	**2021**
	US$ in thousands	
Financial debt, net(1)	429,578	305,852
Total equity (CAP)(2)	1,362,994	1,224,960
Leverage ratio – net financial debt to CAP *	31.5%	25.0%

(1) Financial debt, net includes short-term and long-term credit from banks, bonds, interest payable, other loans, a derivative financial instrument net of deposit that has been deposited as collateral for the derivative and leases, less cash and cash equivalents and short term deposits.

(2) The total overall equity (CAP) relates to the gross financial debt with the addition of a financial derivative and net of deposit that has been deposited as collateral for the derivative, as aforesaid, equity and the reserve for deferred tax liabilities.

* Leverage ratio – net financial debt to CAP excluding the impact of IFRS16 are 18.8% and 9.3% as of December 31, 2022 and 2021 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).

A liability for earn out created during the acquisition of the Bogart subsidiary in 2019 and included under level number 2 (see note 13).

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

	Credit and Short Term Bank Borrowings	Long Term Bank Loans	Loans and Financial Liabilities	Bonds(*)	Lease Liabilities	Total
Balance as at January 1, 2021	11,013	124,391	6,676	322,250	244,771	707,201
Changes During 2021						
Cash Flow Received	3,038	74,950	-	20,103	-	98,091
Cash Flow Paid	(14,000)	(68,201)	(3,991)	(152,431)	(60,273)	(298,896)
Other liabilities Added Due to Fixed Assets Suppliers	-	-	15,816	-	-	15,816
Repayment of Long term Loans in the Wake of an Acquisition Agreement	-	-	(6,006)	-	-	(6,006)
Non Cash Additions		-	-	-	30,130	30,130
Amounts Ascribed to Profit or Loss	-	-	-	4,361	9,609	13,970
Amounts Ascribed to other comprehensive income:						
Exchange differences on translation of foreign operation	(51)	(6,517)	-	322	(11,610)	(17,856)
Balance as at December 31, 2021	-	124,623	12,495	194,705	210,627	542,450
Balance as at January 1, 2022	-	124,623	12,495	194,705	210,627	542,450
Changes During 2022						
Cash Flow Received	51,430	60,397	-	-	-	111,827
Cash Flow Paid	-	(7,223)	(1,668)	(21,409)	(58,533)	(88,833)
Other liabilities Added Due to Fixed Assets Suppliers	-	-	12,938	-	-	12,938
Repayment of Long term Loans in the Wake of an Acquisition Agreement	-	-	(792)	-	-	(792)
Non Cash Additions	-	-	-	-	66,983	66,983
Amounts Ascribed to Profit or Loss	-	-	-	3,069	7,681	10,750
Amounts Ascribed to other comprehensive income:						
Exchange differences on translation of foreign operation	-	(2,494)	4,559	1,370	(14,615)	(12,550)
Balance as at December 31, 2022	51,430	175,303	27,532	177,735	212,143	644,143

* The bonds are presented net of derivative financial instrument.

Note 5 – Segment reporting

a. Operating Segment

1) Changes in Reportable Operating Segments

For about a decade, the company has operated through five reportable activity segments as defined in International Financial Reporting Standard 8 (IFRS 8): Delta USA, Global Division Upper Market Segment, Delta European Brands, Delta Premium Brands and Delta Israel (each of them hereinafter – “Previous Activity segment”). These previous activity segments were reported as reportable activity segments in the company’s financial statements in the past decade, including in its reports for March 31, 2021 .

From the beginning of 2021 and in particular from the beginning of the second quarter of 2021, there have been changes in the company, including a change in the organizational structure, in the compensation plan and changes in the method of internal financial reporting, as part of the company's strategic plan for marketing its products. As a result of the aforementioned changes, the company reviewed the old segmentation. Due to the aforementioned changes, in the company's financial reports, starting with the reports for the second quarter of 2021, a change was made in the basis of the sectoral reporting, so that now the company's activity is divided into the following activity sectors: Brands, Private Label, 7 for all Mankind, Delta Israel and the online trading arena .

Beginning with the third quarter of 2022 and in these financial statements, the name of the online trading arena activity segment has been changed and it is called “Others”, in light of the fact that the activities of Bare Necessities and Organic Basics which were acquired during the year is not material in a way that requires their presentation as a reportable segment.

The following is a short description of each of the reportable operating segments, including details regarding the ascription of the various operations of the company to the current operational segments as such now appear in the Company’s financial statements:

Brands - This segment includes the operations of the Companies Schiesser and Eminence, the operation of Splendid and PJ Salvage brands as well as operations under brands in a license agreement, such as: Columbia, Tommy Hilfiger, Polo Ralph Lauren, Adidas, Wolford and others, in underwear , leisure wear and sleep wear categories.

Private Label - This segment includes the operation of private labels in all markets in which the company operates, including the operations of the Bogart Group in the category of underwear, leisure wear and sleep wear. The customers of this operational segment include: Nike, Victoria’s Secret, Walmart, Target and others

7 for all Mankind - This segment includes the operations of the jeans brand 7 for all Mankind in the field of clothing in the Premium Denim category for women, men and children, it has significantly different characteristics from the other branded products that are in the underwear and leisure clothing categories such as: Underwear, bras, pajamas etc. The diversity is also reflected in different production processes, different selling prices, different suppliers and competitors, different marketing and advertising efforts, etc. In light of the above, the company presents this activity separately from the other brands it manages.

Delta Israel - within this sector, the group deals with the development, design and marketing of branded underwear products for women and men, sleepwear, socks, activewear clothing and children's clothing products mainly under the “Delta” and “Fix” brands distributed through the company’s network of stores in Israel, through the websites it owns as well as in wholesale activity to retail marketing chains in Israel .

As of 2022, the activity sector includes this activity of the “Panta Rei” brand and Victoria’s Secret, see note 17 below

Others - this sector includes the activities of Bare Necessities and Organic Basics brands which were acquired during 2022, see note 6 .

The activity of this segment differs in essence from the activity carried out on the Company’s online websites in the other segments of its activity, while in the field of Others operations, the Company mainly carries out trade activity in which it purchases ready-made branded products, mainly in the category of underwear and swimwear from external suppliers and sells them to the end customers, through websites. On the other hand, the online sites in the other sectors constitute an additional sales channel to the traditional channels, through which the Company’s brands are sold to the end customers.

Note 5 – Segment reporting (continued)

2) Information on segment sales, profit (loss) and assets of the reportable segments:

a. The measurement of segment sales, profit (loss) and segment assets:

The measurement of segment sales, profit (loss) and segment assets are 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 activity acquisition costs and earn out liabilities provisions changes and do not include financing expenses, net and income tax expenses, 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 and right of use assets. Assets not attributed to segments primarily include cash and cash equivalents, deferred taxes and financial derivatives .

In addition, the CODM does not examine liabilities as part of segment data.

Note 5 – Segment reporting (continued)

b. Information on segment activity

	Brands	Private label	Delta Israel	Seven for All Mankind	Others (*)	Inter-Company Cancellations and Adjustment (**)	Total
				(Audited)			
				Thousands of Dollars			
For the year ended December 31, 2022							
Sales to external customers	635,459	802,340	273,411	217,428	102,903	-	2,031,541
Inter segment	1,788	38,543	-	-	-	(40,322)	-
Total sales, net	637,247	840,874	273,411	217,428	102,903	(40,322)	2,031,541
Segment profit (loss),	53,896	91,677	43,803	15,628	(8,651)	(6,114)	190,239
Impairment of Non-Financial Assets	4,133	-	-	2,759	1,230	-	8,122
Restructuring Expenses	-	5,467	-	-	-	-	5,467
Change in Fair Value of Liabilities with respect to Earn Out	-	(9,621)	-	-	-	-	(9,621)
Impairment of Others Asset	-	-	-	-	-	1,220	1,220
Operating Profit							185,051
Financing expenses, net							37,271
Profit before taxes on income							147,780
Assets at the end of the year(***)	735,708	556,135	272,127	209,239	34,801	42,660	1,850,670
Depreciation and amortization	23,218	25,035	22,386	25,636	3,071	2,786	102,132
Capital gain	2,834	1,581	3	-	-	17	4,435
Capital Investments in Fixed Assets and in intangible assets(****)	17,937	28,720	5,204	3,742	2,246	3,432	61,281

(*) Includes Organic Basics operations acquired in July 2022 and Bare Necessities.

(**) 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, right of use assets and deferred taxes.

(****) These data do not include minimum amounts in respect of license agreements that the Company is a party to, the purchases of brands and the effect of the implementation of IFRS16.

Delta Galil Industries Ltd.

Notes to the Financial Statements

Note 5 – Segment reporting (continued)

b. Information on segment activity (continued)

	Brands	Private label	Delta Israel	Seven for All Mankind	Others (*)	Inter-Company Cancellations and Adjustment (**)	Total
				(Audited)			
				Thousands of Dollars			
For the year ended December 31, 2021							
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 sales, 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

(*) Includes Brayola and Bare Necesseties activity which were consolidated 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 license 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)

b. Information on segment activity (continued)

	Brands	Private label	Delta Israel	Seven for All Mankind	Others (*)	Inter-Company Cancellations and Adjustment (**)	Total
				(Audited)			
				Thousands of Dollars			
For the year ended December 31, 2020							
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 sales, 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

(*) Includes 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 license 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)

c. Additional information on a geographical basis

1) Sales by geography (based on the customers' locations):

	For the year ended December 31		
	2022	**2021**	**2020**
	Thousands of Dollars		
United States	1,066,914	998,362	671,280
Europe (Excluding Germany)	351,182	330,050	281,198
Israel	277,309	282,316	217,231
Germany	202,488	207,098	187,186
Others	133,648	133,132	89,292
Total sales	2,031,541	1,950,958	1,446,187

2) Balances of non-current assets (*), by geography, are detailed below:

	For the year ended December 31		
	2022	**2021**	**2020**
	Thousands of Dollars		
United States	201,072	193,717	176,646
Switzerland	100,850	97,665	100,272
Israel	143,185	158,666	172,056
Germany	65,878	63,099	87,980
France	92,993	102,580	116,231
Vietnam	54,504	47,097	38,140
Egypt	32,859	29,737	26,515
Czech Republic and Slovakia	15,423	15,600	15,849
Turkey	8,492	8,373	8,879
Italy	14,800	15,487	14,701
Bulgaria and Hungary	12,066	8,607	6,041
Far east	121,387	122,930	129,265
Others (primarily Europe)	2,480	2,898	1,941
Total non-current assets	865,989	866,456	894,516

(*) Except for deferred taxes.

d. Sales Information by product category

	For the year ended December 31		
	2022	**2021**	**2020**
	Thousands of Dollars		
Ladies intimate apparel, activewear, nightwear and clothing	1,025,198	990,067	688,981
Men's underwear and activewear	330,666	327,823	288,564
Socks	272,094	238,920	171,757
Children's wear	186,155	195,818	153,354
Denim and branded outerwear	217,428	198,330	143,531
Total sales *	2,031,541	1,950,958	1,446,187

(*) Includes online sales of approximately $220.6 million, $253.7 million and $152.6 million in 2022, 2021 and 2020, respectively.

Note 6 - Business Combinations

a. As part of the global strategy to increase digital sales in conjunction with a focus on sustainability, in July 2022 the company acquired the online brand Organic Basics, which is characterized by sustainability, in underwear and activewear, in exchange for $4.5 million.

The company intends to launch an expanded product collection in 2023.

The company contracted with an external evaluator to conduct the allocation of the purchase cost. As part of the acquisition cost allocation, the assets and liabilities were measured and presented according to their fair value, including goodwill and customer relationships, which were included in the intangible assets.

Following is a breakdown of amounts as of the date of purchase recognized for identifiable assets purchased and liabilities assumed:

	US$ in thousands
Inventory	1,259
Software	232
Brand Name	2,548
Customer Relations	232
Total Identified Assets	4,271
Goodwill	229

The results of the operations of Organic Basics for 2022 were included in the segmentation of the operational segments under “Others”. See notes 5, 19h and 19i.

Note 6 - Business Combinations (continued)

b. 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.

The Company contracted with an external evaluator to carry out the allocation of the purchase cost. As part of the acquisition cost allocation, the assets and liabilities were measured and presented according to their fair value, including goodwill and customer relations, which 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

The Company examined the need to amortize the goodwill as of December 31, 2022. As a result of the goodwill examination, the Company amortized the full balance of the goodwill, approximately $1.2 million, and included it in the section “Impairment of Non-financial Assets”. (See note 8b).

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 the Company for January to September 2020 don’t include Bare Necessities results since the acquisition was on October 1, 2020.

The Company included in the fourth quarter of 2020, expenses in respect of the acquisition transaction of Bare Necessities of $0.3 million. These expenses are included in general and administrative expenses.

c. In February 2020, the Company acquired Brayola from a liquidator (Court), a company that developed a technological platform for purchasing brasiers online. The total purchase amounted to about $1.5 million.

Note 7 – Property, plant and equipment

a. Composition of the cost, accumulated depreciation and amortization of property, plant and equipment, by the main groupings, in 2022:

	Cost					
	Balance at the beginning of the year	Additions During the year	Disposals During the year	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	Thousands of Dollars					
Land and buildings	81,906	7,290	(8,383)	-	(3,583)	77,230
Machinery and equipment	144,197	35,388	(17,106)	(2,108)	(4,754)	155,617
Office furniture and equipment, vehicles & leasehold improvements	193,617	18,252	(13,433)	(9,155)	(8,672)	180,609
	419,720	60,930	(38,922)	(11,263)	(17,009)	413,456

	Accumulated depreciation and Amortization					
	Balance at the beginning of the year	Additions During the year	Disposals During the year	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	Thousands of Dollars					
Land and buildings	20,162	3,420	(7,790)	-	(2,649)	13,143
Machinery and equipment	66,218	12,265	(15,817)	(2,108)	(4,686)	55,872
Office furniture and equipment, vehicles & leasehold improvements	120,341	17,130	(13,212)	(9,155)	(5,936)	109,168
	206,721	32,815	(36,819)	(11,263)	(13,271)	178,183

	Depreciated Balance	
	As at December 31	
	2022	2021
	Thousands of Dollars	
Land and buildings	64,087	61,744
Machinery and equipment	99,745	77,979
Office furniture and equipment, vehicles & leasehold improvements	71,441	73,276
	235,273	212,999

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 2021:

	Cost						
	Balance at the beginning of the year	Additions During the year	Disposals During the year	Exist from Consolidation	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	Thousands of Dollars						
Land and buildings	86,841	3,168	-	(3,762)	-	(4,341)	81,906
Machinery and equipment	146,045	23,009	(19,068)	(3,141)	(2,218)	(430)	144,197
Office 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	Disposals During the year	Exist from Consolidation	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	Thousands of Dollars						
Land and buildings	21,538	3,263	-	(1,688)	-	(2,951)	20,162
Machinery and equipment	79,240	11,019	(18,886)	(2,748)	(2,218)	(189)	66,218
Office 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	Disposals During the year	Entry into Consolidation / Exit from Consolidation	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	Thousands of Dollars						
Land and buildings	83,581	1,226	(1)	-	-	2,035	86,841
Machinery and equipment	136,163	10,886	(1,190)	52	(1,270)	1,404	146,045
Office furniture and equipment, 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	Disposals During the year	Entry into Consolidation / Exit from Consolidation	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	Thousands of Dollars						
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
	Thousands of Dollars	
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. 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, and the Czech Republic.

c. Pledge on Assets

The Company's liabilities to banks are fully secured by an unlimited floating pledge 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 Notes 19i, J and K.

Note 8 – Intangible assets

a. Composition of intangible assets and the accumulated amortization, by the main groupings:

	Goodwill (B)	Customer Relations (**)	Trademarks (C) (**)	Patent	Brand name (D)	Computer software (***)	Total
	U.S. Thousands						
Balance as of January 1, 2020							
During 2020	148,001	95,161	41,920	393	121,445	14,399	421,319
Foreign currency translation reserve	3,505	2,624	253	-	5,156	777	12,315
Additions	-	-	8,300	-	154	3,478	11,932
Entry into 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)
	150,657	90,535	35,341	-	126,747	14,344	417,624
During 2021							
Foreign currency translation reserve	(3,210)	(2,060)	2,691	-	(4,420)	(389)	(7,388)
Additions	-	-	40,054	-	-	5,097	45,151
Amoitization	-	(5,854)	(8,235)	-	(1,318)	(5,424)	(20,831)
	147,447	(82,621)	(69,851)	-	121,009	13,628	434,556
During 2022							
Foreign currency translation reserve	(2,208)	(1,394)	(750)	-	(3,499)	(82)	(7,933)
Additions	-	-	10,226	-	-	7,661	17,887
Entry into Consolidations	229	232	-	-	2,548	232	3,241
Amortization	-	(5,632)	(12,590)	-	(184)	(5,737)	(24,143)
Impairment of Non-Financial Assets	(1,230)	-	(664)	-	(1,528)	-	(3,422)
	144,238	75,827	66,073	-	118,346	15,702	420,186
Balance as of December 31, 2022							
Cost	160,511	118,159	203,627	650	133,755	54,279	670,981
Accumulated Amortization(*)	(16,273)	(42,332)	(137,554)	(650)	(15,409)	(38,577)	(250,795)
Balance as of December 31 2022	144,238	75,827	66,073	-	118,346	15,702	420,186

(*) Includes impairment

(**) 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 general and administrative expenses according to the type of software.

Note 8 – Intangible assets (continued)

As of the balance sheet date, the Company relied on the valuations carried out at the end of 2021 for the following brands: FIX, Bare Necessities, Schiesser, 7 for all Mankind, Eminence, P. J. Salvage and Karen Neubrger and this in accordance with its compliance with all the conditions specified in section 24 of International Accounting Standard 36 regarding an impairment in assets value, as follows:

(a) The assets and liabilities that make up the units have not changed significantly since the most recent calculation of the recoverable amount;

(b) The most recent calculation of the recoverable amount exceeded the book value of the units by a substantial margin; also

(c) Based upon the analysis of the events that occurred and the circumstances that have changed since the most recent calculation of the recoverable amount, the likelihood that the recoverable amount determined in the current period will be lower than the current book value of the units is slight.

b. Goodwill

The balance of goodwill is attributed to the Brands (with respect to Delta USA and Eminence) Private Labels (with respect to Delta USA and Bogart) and Others (with respect to Bare Necessities and Organic Basics).

The Group examined the need for goodwill impairment as at December 31, 2022 and 2021.

The Group tests goodwill balance for impairment once a year and when an indicator of devaluation 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 following 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 – Brands Segment

The Company examined the need for goodwill impairment as of December 31, 2022 and 2021.

The main assumptions used in calculating of the value-in-use are as follows:

	December 31, 2022	December 31, 2021
Gross profit rate	30%	29%
Nominal growth rate	3%	3%
Post-tax discount rate	15%	15.5%

Following these tests, no need for such impairment was identified.

Goodwill impairment Test - Delta USA –Private label Segment

The Company examined the need for goodwill impairment as of December 31, 2022 and 2021.

The main assumptions used in calculating of the value-in-use are as follows:

	December 31, 2022	December 31, 2021
Gross profit rate	21%	21%
Nominal growth rate	3%	3%
Post-tax discount rate	15%	15.5%

Following these tests, no need for such impairment was identified.

Note 8 – Intangible assets (continued)

Goodwill impairment Test – Eminence – Brands Segment

The Company examined the need for goodwill impairment as of December 31, 2022 and 2021.

The main assumptions used in calculating of the value-in-use are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020	March 31, 2020
Gross profit rate	48%-50%	47%-50%	47%	51.4%
Nominal growth rate	3%	3%	3%	3%
Post-tax discount rate	12%	11%	10%	9.5%

Following the goodwill tests as at March 31, 2022, 2021 and 2020, no need for such impairment was identified

Following the spread of the Corona virus pandemic, the Company additionally examined the value of the remaining goodwill on March 31, 2020.

As a result of this goodwill impairment test, the Company amortized about 2.1 million dollars from the total goodwill and included it in the section "Impairment of Non-financial Assets" in profit or loss and other comprehensive income.

Goodwill Impairment Test – Bogart Private Label Segment

In July 2019, the Company completed the acquisition of the Bogart Group, operating in East Asia and mainly sale to customers in the US and Europe. The results of the Bogart Group are included under– Private Label Segment.

The Company contracted with an external evaluator to perform the purchase price allocation (PPA). As part of the purchase price allocation, assets and liabilities were measured and presented at fair value, including goodwill.

The company examined the need for good will impairment as of December 31, 2022 and 2021.

The main assumptions used in calculating value of use are as follows:

	December 31, 2022	December 31, 2021
Gross profit rate	21%	22%
Nominal growth rate	3%	3%
Post-tax discount rate	18.5%	17.5%

Following these tests, no need for such impairment was identified.

Goodwill Impairment Test - Brunet Private Label Segment

The Company examined the need for goodwill impairment as of December 31, 2022 and 2021.

The main assumptions used in calculating of the value-in-use are as follows:

	December 31, 2022	December 31, 2021
Gross profit rate	41%	45%
Nominal growth rate	3%	3%
Post-tax discount rate	18.5%	17.5%

Following these tests, no need for such impairment was identified.

Goodwill Impairment Test – Bare Necessities - Other Segment

The Company examined the need for goodwill impairment as of December 31, 2022 and 2021.

The main assumptions used in calculating of the value-in-use are as follows:

	December 31, 2022	December 31, 2021
Gross profit rate	59.1%	55%
Nominal growth rate	3%	3%
Post-tax discount rate	14.5%	13.5%

Note 8 – Intangible assets (continued)

As a result of this goodwill impairment test, the company amortizied the full balance of goodwill as at December 31, 2022 about $ 1.2 million, and included it in the section "Impairment of Non Financial Assets".

For all goodwill balances of Delta USA, both brands and private label, Eminence, Bogart and Brunet, sensitivity tests were carried out for the goodwill impairment as of December 31, 2022, by changing the pre-tax discount rate by 0.5% and leaving the other parameters unchanged

Following these tests, no need for such impairment was identified.

Also, Impairment sensitivity tests were performed as of December 31, 2022 with a change in the growth rate of 0.5% and all other parameters kept unchanged.

Following these tests, no need for such impairment was identified.

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 the sections "Other Payables" and "other non-current liabilities".

d. Brands

The Group tests brands for impairment once a year or when an indicator of impairment exists. The Company examined the need for an impairment as of December 31 2020 and 2021.

1) The balance of the brands as of December 31, 2022 includes the brand names: "Schiesser", "P.J. Salvage", "Karen Neuburger", "Fix", "7 For All Mankind", "Splendid", "Eminence", "Athena", "Liable", "Bare Necessities" and "Organic Basics".

2) Impairment Test for the "Schiesser" Brand

The Company considers the "Schiesser" brand to have indefinite useful life and therefore it is not amortized by the company. 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.

In 2022, the company relied on the valuation conducted in 2021, in accordance with its compliance with all the conditions stipulated in Section 24 of International Accounting Standard 36 regarding asset impairment, as follows:

(a) The assets and liabilities that make up the unit have not changed significantly since the most recent calculation of the recoverable amount;
(b) The most recent calculation of the recoverable amount exceeded the book value of the unit by a substantial margin; also
(c) Based on the analysis of the events that occurred and the circumstances that have changed since the most recent calculation of the recoverable amount, the likelihood that the recoverable amount determined in the current period will be lower than the current book value of the unit is slight.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. The cash flow forecast is based on the budget for the coming year, approved by the management team, and additional assumptions regarding the growth rate of sales and expenses in the subsequent four years. Cash flow beyond five years is extrapolated using the expected growth rates listed below.

The valuation performed in 2021 is in accordance with the income approach and is based on the "relief from royalty method".

Note 8 – Intangible assets (continued)

The main assumptions used in calculating the recoverable amount in 2021are as follows:

	2021
Gross profit rate	5%
Nominal growth rate	3%
Pre-tax discount rate	12%

No impairment was recognized as a result of the above test.

3) Impairment Test for "7 for All Mankind" Brand

The Company considered the 7 for All Mankind brand to have an indefinite useful life and therefore it is not amortized in its books. In making this determination, the Company relied on the following assumptions:

a. The brand has existed for over 15 years and is a leading brand in the United States high-end denim category.

b. The brand is global and recognized in America, Europe and Asia.

c. The Company estimates that its purchase of the brand and the investment in it will lead to its global growth.

In 2022, the company relied on the valuation carried out in 2021, and this in accordance with its compliance with all the conditions specified in Section 24 of International Accounting Standard 36 regarding asset impairment, as follows:

(a) The assets and liabilities that make up the unit have not changed significantly since the most recent calculation of the recoverable amount;

(b) the most recent calculation of the recoverable amount exceeded the book value of the unit by a substantial margin; also

(c) Based on the analysis of the events that occurred and the circumstances that have changed since the most recent calculation of the recoverable amount, the likelihood that the recoverable amount determined in the current period will be lower than the current book value of the unit is slight.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. The cash flow forecast is based on the budget for the coming year, approved by the management, and additional assumptions regarding the growth rate of sales and expenses in the subsequent four years. Cash flow beyond five years is extrapolated using the expected growth rates listed below.

The valuation carried out in 2021 is in accordance with the income approach and is based on the "Relief from Royalty Method".

The main assumptions used in calculating the recoverable amount in 2021 are as follows:

	2021
Gross profit rate	8%
Nominal growth rate	3%
Pre -tax discount rate	15.5%

Following these tests, no need for such impairment was identified.

4) Impairment Test for "Splendid"

In 2022, the company relied on the valuation carried out in 2021, and this in accordance with its compliance with all the conditions specified in Section 24 of International Accounting Standard 36 regarding asset impairment, as follows:

(a) The assets and liabilities that make up the unit have not changed significantly since the most recent calculation of the recoverable amount;

(b) the most recent calculation of the recoverable amount exceeded the book value of the unit by a substantial margin; also

(c) Based on the analysis of the events that occurred and the circumstances that have changed since the most recent calculation of the recoverable amount, the likelihood that the recoverable amount determined in the current period will be lower than the current book value of the unit is slight.

Note 8 – Intangible assets (continued)

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. The cash flow forecast is based on the budget for the coming year, approved by the management, and additional assumptions regarding the growth rate of sales and expenses in the subsequent four years. Cash flow beyond five years is extrapolated using the expected growth rates listed below.

The valuation carried out in 2021 is in accordance with the income approach and is based on the “Relief from Royalty Method”.

The main assumptions used in calculating the recoverable amount in 2021 are as follows:

	2021
Gross profit rate	7.5%
Nominal growth rate	3%
Pre-tax discount rate	17%

The results of the impairment test do not indicate that impairment of the “Splendid” brand is needed.

5) Impairment Test for the “P. J. Salvage” Brand

In 2022, the company relied on the valuation carried out in 2021, and this in accordance with its compliance with all the conditions specified in Section 24 of International Accounting Standard 36 regarding asset impairment, as follows:

(a) The assets and liabilities that make up the unit have not changed significantly since the most recent calculation of the recoverable amount;

(b) the most recent calculation of the recoverable amount exceeded the book value of the unit by a substantial margin; also

(c) Based on the analysis of the events that occurred and the circumstances that have changed since the most recent calculation of the recoverable amount, the likelihood that the recoverable amount determined in the current period will be lower than the current book value of the unit is slight.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. The cash flow forecast is based on the budget for the coming year, approved by the management, and additional assumptions regarding the growth rate of sales and expenses in the subsequent four years. Cash flow beyond five years is extrapolated using the expected growth rates listed below.

The valuation carried out in 2021 is in accordance with the income approach and is based on the “Relief from Royalty Method”.

The main assumptions used in calculating the recoverable amount in 2021 are as follows:

	2021
Gross profit rate	7%
Nominal growth rate	3%
Pre-tax discount rate	15.5%

The results of the impairment test do not indicate that impairment of the P.J. Salvage brand is needed.

6) Impairment Test for “Eminence” and “Athena” Brands

The Company considers the “Eminence” and “Athena” brands as brand to have indefinite useful life and therefore it is not amortized by the company.

For the purposes of this determination, the Company used the following assumptions:

a.

	Eminence	**Athena**
Year of establishment	1944	1962
Primary country	France	France

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.

In 2022, the company relied on the valuation carried out in 2021, and this in accordance with its compliance with all the conditions specified in Section 24 of International Accounting Standard 36 regarding asset impairment, as follows

(a) The assets and liabilities that make up the unit have not changed significantly since the most recent calculation of the recoverable amount;

(b) the most recent calculation of the recoverable amount exceeded the book value of the unit by a substantial margin; also

(c) Based on the analysis of the events that occurred and the circumstances that have changed since the most recent calculation of the recoverable amount, the likelihood that the recoverable amount determined in the current period will be lower than the current book value of the unit is slight.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. The cash flow forecast is based on the budget for the coming year, approved by the management, and additional assumptions regarding the growth rate of sales and expenses in the subsequent four years. Cash flow beyond five years is extrapolated.

The valuation carried out in 2021 is in accordance with the income approach and is based on the “Relief from Royalty Method”.

The main assumptions used in calculating the recoverable amount in 2021 are as follows:

	Eminence	**Athena**
Gross profit rate	7%	5%
Nominal growth rate	3%	3%
Pre-tax discount rate	11%	11%

There was no need for impairment in the the “Eminence” and “Athena” brands.

7) Impairment test for “Liabel” Brand.

The company considered the “Liabel” brand to have an indefinite useful life and therefor it is not amortized in its books.

In making this determination, the company relied on the following assumptions:

a.

	Liable
Year of establishment	1851
Primary country	Italy

b. The brands primary activity is profitable over many years and it is a market leader in it primary countries of activity.

The purchase of the brand by the company ensures its continued expansion in the relevant countries. The valuation is in accordance with the income approach and is based on the “Relief from Royalty Method”. The main assumptions used in calculating the value of the brand in 2022 and 2021 as follows:

	December 31, 2022	**December 31, 2021**
Royalties rate	6.5%	6.5%
Discount rate (*)	12%	11%
Growth Rate **	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.

Note 8 – Intangible assets (continued)

As a result of the impairment test of the "Liabel" brand as of December 31, 2022, the company amortized about 1.5 million dollars. The amortization was included in the "Impairment of Non-financial Assets" section in the profit and loss account and other comprehensive income.

Also, for all the other brand balances, impairment sensitivity tests were performed as of December 31, 2022 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.

Also, impairment sensitivity tests as of December 31, 2022 were performed with a 0.5% change in the growth rate and with all other parameters kept unchanged.

According to the results of the sensitivity tests above there is no need for impairment.

Note 9 – Lease assets and liabilities

a. Right-of-use assets

	Buildings	Other	Total
		Thousands of Dollars	
Cost:			
Balance as of January 1, 2021	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
Changes during 2022:			
Additions	65,871	1,112	66,983
Terminations	(36,663)	(2,122)	(38,785)
Other changes (*)	(29,335)	(350)	(29,685)
Balance as of December 31, 2022	444,773	8,961	453,734
Accumulated Depreciation:			
Balance as of January 1, 2021	253,203	4,529	257,732
Changes during 2021:			
Depreciation	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
Changes during 2022:			
Depreciation	49,910	1,418	51,328
Terminations	(36,663)	(2,122)	(38,785)
Other changes (*)	(15,894)	(198)	(16,092)
Balance as of December 31, 2022	258,429	2,030	260,459
Amortized cost as of January 1, 2022	183,824	7,389	191,213
Amortized cost as of December 31, 2022	186,344	6,931	193,275

* Resulting from translation differences of financial statements of subsidiaries prepared in foreign currency, and impairment in respect of stores, about 4 million dollars.

Note 9 – Lease assets and liabilities (continued)

b. Lease liabilities

	Buildings	Other	Total
	Thousands of Dollars		
Cost:			
Balance as of January 1, 2021	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 relief	(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	151,519	7,332	158,851
Balance as of December 31, 2021	202,022	8,605	210,627
Changes during 2022:			
Additions	65,871	1,112	66,983
Interest expense	7,635	46	7,681
Lease payments	(57,081)	(1,452)	(58,533)
Other changes(*)	(14,478)	(137)	(14,615)
Balance as of December 31, 2022	203,969	8,174	212,143
Current maturities of lease liabilities	46,120	1,848	47,968
Long-term lease liabilities	157,849	6,326	164,175
Balance as of December 31, 2022	203,969	8,174	212,143

* Resulting from translation differences 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	
	2022	2021
	Thousands of Dollars	
Investments in companies accounted for using the equity method	6,912	6,246
Investment in Joint Venture.	3,204	3,524
Other long-term assets	2,412	2,823
	12,528	12,593

The following are the changes in the balances of the investments in companies accounted for using the equity method:

	As at December 31	
	2022	2021
	Thousands of Dollars	
Balance as at January 1	6,246	5,961
Share of profits in an investee accounted for using the equity method	666	285
Balance as at December 31	6,912	6,246

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, 2022:

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	Approximately 49.7	2.86	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	-	Approximately 6.0	2.85	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	Approximately 50.5	2.89	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	-	Approximately 11.8	2.89	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	Approximately 81.4	2.95	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	Approximately 57.7	1.87	-	-	3.85%	9 equal payments 2018 - 2026	Semi-annual in June and December
F Expansion	13.3.2019	253.5	70.4	0.9	Approximately 69.1	1.86	-	-	3.85%	8 equal payments 2019 - 2026	Semi-annual in June and December

Note 11 – Bonds (continued)

2. Redemption of a Bonds Series

a. Full early redemption of bonds - Series B and raising long-term loans from banking corporations

On August 5, 2021, the Company announced that in order to flatten the debt payment curve and extend the maturity date, the Company decided, on its own initiative, upon the early redemption of bonds (series B) ("The Bonds"), which were expected to be repaid in one payment in October 2024.

On August 23, 2021, the Company redeemed the bonds through bank loans and available cash balances.

The redemption amounts paid to bond holders, for every NIS 1 of a bond, are NIS 1.039528. The total payment to all holders amounted to approximately NIS 373.8 million (approximately $115.7 million).

Upon full early redemption of the bonds, the bonds were delisted from trading on the stock exchange and from the stock exchange clearinghouse, and the bond holders are not entitled to any payment from the Company.

As a result of the early redemption of the bonds, the Company incurred a loss in the amount of approximately 5 million dollars, which was included as part of the financing expenses.

For the above stated redemption, the company raised two long-term loans from banking corporations in Israel as detailed below:

1. A loan from a banking corporation in Israel of an amount of 56.25 million dollars at a fixed interest rate of 3.01%. The loan period is for 11 years, with the first annual repayment of the principle starting from August 2023 to August 2032.
2. A loan from a banking corporation in Israel of an amount of 18.75 million dollars at a variable interest rate of 3 months LIBOR + 2.18%. The loan period is for 11 years, with the first annual repayment of the principle starting from August 2023 to August 2032.

For further details regarding the loans raised, see Note 19E.

b. Full redemption of bonds - Series E

On December 31, 2021, a final principal payment of NIS 24.1 million (approx. USD 7.7 million) and an accrued interest payment of approx. NIS 0.9 million (approx. USD 0.3 million) were made, and thus Series E was redeemed in full.

Note 11 – Bonds (continued)

3. Details regarding the existing series of bonds as of December 31, 2022:

Series Name	Carrying amount	Interest payable	Market value(5)	Fair value of the financial Derivative
	Thousands of Dollars			
A(4)	21,638	365	22,399	2,448
A Expansion(3)	2,579	44	2,692	175
A 2nd Expansion(3)	20,253	329	20,290	25
A 3rd Expansion(3)	4,783	78	4,801	6
A 4th Expansion(4)	50,912	776	47,812	(1,416)
F	31,921	623	30,233	-
F Expansion	43,818	854	41,277	-
Total	175,904	3,069	169,504	1,238

Note 11 – Bonds (continued)

1. Gross average lifetime to maturity at the end of 2022.
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, 2022, 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, 2022, no deposits were required as collateral.
5. According to the quoted price on the Tel-Aviv Stock Exchange as at December 31, 2022.

The following are details of undiscounted contractual cash flows in respect of bonds, by years:

	As at December 31	
	2022	2021
	Thousands of Dollars	
2022	-	39,663
2023	54,960	38,281
2024	36,898	36,898
2025	35,515	35,515
2026	34,138	34,138
2027	17,534	17,534
2028	16,737	16,737
	195,782	218,766

a. The following are details of the financial covenants that are included in the trust deeds for Series A and F, the breach of which will constitute grounds for immediate repayment, subject to grace periods, which have been set.

Series A:

1. 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.
2. 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 security deposit, less cash and cash equivalents and less short term deposits and less short-term investments; "CAP" (capital base) means financial debt, plus total equity on the balance sheet (including minority rights) plus long-term deferred taxes on the balance sheet.

Note 11 – Bonds (continued)

Series F:

1. If the Company's equity, as published in the financial statements amounts to under one hundred and eighty (180) million dollars.
2. If the Company's net financial debt to CAP ratio, as published in the financial statements, exceeds 60%.

The company will be considered to be in breach of these obligations, if in its subsequent annual financial statements, it did not meet any of the financial benchmarks listed above.

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 security deposit, 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 of December 31, 2022, the Company was in compliance with the above financial covenants in respect of all series.

b. 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 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 increase to 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 of December 31, 2022 the Company was in compliance with all of the restrictions on the distribution of a dividend.

Note 12 – Derivative financial instruments

The Company invests in derivative financial instruments that qualify for hedging for the purpose of hedging cash flows, both through swaps in connection with the bond series A 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 main assumptions were used to calculate the value of the financials derivative as of December 31, 2022:

1. Market interest rates:

	Market interest rate	
Series	**NIS**	**Dollars**
A	2.42% - 2.60%	3.65% - 4.84%

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.

Following are the changes in cash flow hedge reserve for 2022 and 2021 (in thousands of dollars):

	Swap contracts	**Forward transaction**	**Total hedge reserve**
Balance as of January 1, 2021	**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**
Changes in the fair value of hedging instruments recognized in other comprehensive income	**(1,479)**	**1,894**	**415**
Less deferred taxes	**340**	**(435)**	**(95)**
Balance as of December 31, 2022	**1,644**	**51**	**1,695**

During the years 2020, 2021 and 2022 $378,000, $1,948,000 and $762,000, respectively were transferred from inventory to profit or loss in respect of preface contracts.

Note 13 – Other non-current liabilities

	As at December 31	
	2022	**2021**
	Thousands of Dollars	
Liabilities for minimum royalty payments (see Note 8C)	65,032	67,306
Earn out liability for acquisition of subsidiary(*)	4,000	13,622
Liability for acquisition of machines	15,112	11,384
Other liabilities	5,109	8,933
Total liabilities (see section 1 below)	89,253	101,245
Less – current maturities	25,822	22,354
Total long-term liabilities	63,431	78,891

* As part of the purchase agreement, a commitment was included for earn out to the previous owners of the Company, which depends on the achievement of profitability targets (EBITDA) in the period 2023 - 2024 minus debt as of December 31, 2024.

The Company contracted with an external evaluator to conduct a valuation of the liabilities for the earn out as at December 31, 2022.

The valuation was carried out according to the Monte-Carlo model, according to which a future forecast of the EBITDA was made for the measurement years according to the expected growth rate while taking into account various short-term risk factors, while creating future EBITDA forecasts using the Brownian calculation (GBM) while averaging all the payments that will be paid in each of the possible scenarios and the discount thereof as of the valuation date, taking into account the Company's debt.

The fair value of the estimated earn-out is $4 million, while the book value as at December 31, 2021 was approximately $13.6 million.

The decrease in the amount of approximately $9.6 million in the value of the earn-out was presented in the statements of profit or loss and other comprehensive income in the section "Change in Fair Value of the Liabilities for Earn-Out".

1. The following are contractual maturities liabilities, by year payable:

	As at December 31	
	2022	**2021**
	Thousands of Dollars	
2022	-	23,235
2023	27,012	21,755
2024	28,834	22,536
2025	19,147	33,793
2026 and onward	37,343	31,365
Less – interest component	(23,083)	(31,439)
	89,253	101,245

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	
	2022	**2021**
Authorized capital	45,000,000	45,000,000
Issued and fully paid (excluding treasury shares)	25,686,931	25,579,176
Treasury shares	1,236,538	1,344,293

As at December 31, 2022, the Company's shares are traded on the Tel-Aviv Stock Exchange at a price of US$41,86 (NIS 147.3).

2) Splitting the Share Capital of the Company

On December 27, 2021, the Company issued a summons to convene a special general assembly of its shareholders, the agenda of which is to approve the splitting of the Company's ordinary shares in a ratio between 1:1 and 10:1 and to redistribute the Company's capital so that its shares have no par value and to authorize the Company's Board of Directors for a period of 12 months from the date of this approval, to determine whether to carry out a split and control of a split to determine the exact ratio of the split within the approved range as well as to authorize the Company's Board of Directors, subject to its decision to split its shares:

(i) To cause the nominal value of the Company's ordinary shares to be canceled so that these will have no par value and

(ii) To amend the Company's Articles of Association, so that it reflects the split of its ordinary shares and the cancellation of the par value of the Company's shares.

For the sake of caution, it would be prudent to clarify that because 12 months have passed since the approval of the Shareholders' meeting, as stated above, the powers granted to the Company's Board of Directors in connection with the split of the shares have been canceled and the equity capital remains unchanged.

3) The following are dividend amounts distributed in the past three years:

Year	Amount distributed (Thousands of Dollars)	Dividend per share (Dollars)
2020	6,506	0.26
2021	15,489	0.61
2022	28,009	1.09

4) 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.

Note 14 – Equity (continued)

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 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, 2022, the remaining options that can be allocated from this plan amounts to 492,359 and the remaining of the restricted shares that can be allocated from this plan amounts to 376,092.

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.

Note 14 – Equity (continued)

2. 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, which can be exercised up to 417,391 shares.

The remaining of the share units that can be allocated from the plan stands at 399,096 as of December 31, 2022.

The fair value of the options granted (with the exception of options with performance conditions) in 2022, 2021 and 2020 was US$158,000, $330,000 and $2,132,000, respectively, at the time of the granting thereof.

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:

	2022	2021	2020
Dividend yield	0%	0%	0%
Expected standard deviation(*)	41.87% - 46.03%	38.75%-47.77%	41.84% - 43.49%
Risk-free interest rate	1.37% - 1.45%	0.14%-0.47%	0.13% - 0.19%
Expected lifetime – in years	2.5 – 3.0	2.8-3.5	4.5

(*) Based on historical volatility of Company's shares over periods similar to the expected life of the option through its exercise date.

The theoretical economic value of the options which are conditional on the achievement of goals granted in 2022, 2021 and 2020, is 853,000; 2,498,000 and 6,173,000 dollars respectively and was estimated on the day of the award using the Black and Scholes option pricing model, using the following average assumptions:

	2022	2021	2020
Dividend yield	0%	0%	0%
Expected standard deviation(*)	41.27%-45.91%	40.2%-47.73%	24.94% - 43.49%
Risk-free interest rate	0.52%-2.20%	0.14%-0.24%	0.13% - 0.39%
Expected lifetime – in years	2.75-3.0	2.5-3	4.0-4.5

(*) 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 and blocked share units expenses in the financial statements in 2022, 2021 and 2020 are $3,074,000, $2,630,000 and $1,291,000 respectively.
4. The unrecognized benefits for the allocating of the blocked shares and all the option plans, as of December 31, 2022, assuming the achievement of all performance targets, is $4,695,000. Recognition is expected to take place over the coming 3 years.
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:

Note 14 – Equity (continued)

a. Options without performance conditions:

	2022		2021		2020	
	Quantity	Weighted average exercise price $	Quantity	Weighted average exercise price $	Quantity	Weighted average exercise price $
Outstanding at the beginning of the year	301,296	21.69	365,285	21.74	153,613	19.98
Granted	8,500	61.39	29,500	30.81	258,200	18.58
Forfeited	(26,600)	24.81	(54,179)	20.94	(46,528)	26.24
Exercised	(22,635)	28.81	(39,310)	30.10	-	-
Outstanding at the end of the year	260,561	22.04	301,296	21.69	365,285	21.74
Of which exercisable at the end of the year	18,677	29.35	37,114	29.55	58,421	29.84

b. Options with performance conditions:

	2022		2021		2020	
	Quantity	Weighted average exercise price $	Quantity	Weighted average exercise price $	Quantity	Weighted average exercise price $
Outstanding at the beginning of the year	1,217,395	22.65	1,251,840	22.14	471,817	29.48
Granted	52,179	47.36	233,267	30.09	880,240	19.25
Forfeited	(121,750)	26.12	(169,887)	24.97	(100,217)	31.15
Exercised	(103,069)	28.16	(97,825)	29.96	-	-
Outstanding at the end of the year	1,044,755	22.93	1,217,395	22.65	1,251,840	22.14
Of which exercisable at the end of the year	85,635	29.14	83,273	29.96	168,257	30.24

Note 14 – Equity (continued)

6. Details of the balance of the options* as of December 31, 2022 and December 31 2021 and the movements in 2022**:

		31.12.2021	Movements in 2022			31.12.2022	
Grant Date	**Exercise price ($)(***)**	**Balance of the options granted and not yet exercised**	**Granted**	**Exercised**	**Forfeited**	**Balance of the options granted and not yet exercised**	**Weighted average of the balance of the forecast lifetime (in years)**
August 2015	32.3	1,125	-	(625)	(500)	-	-
August 2015 – with performance conditions	32.3	24,318	-	(20,068)	(4,250)	-	-
January 2016	26.58	750	-	-	(750)	-	-
September 2016	28.25	7,000	-	-	(3,500)	3,500	0.75
September 2016 – with performance conditions	28.25	23,171	-	(5,336)	(12,500)	5,335	0.75
February 2017 – with performance conditions	30.52	2,460	-	-	(2,460)	-	-
March 2017 – with performance conditions	28.42	698	-	-	(698)	-	-
November 2017	32.39	12,591	-	(4,593)	(2,000)	5,998	1.50
May 2018 – with performance conditions	29.97	25,000	-	(10,000)	(3,334)	11,666	0.66
February 2019	27.74	30,000	-	(17,417)	(750)	11,833	2.32
February 2019 – with performance conditions	27.74	93,813	-	(18,952)	(36,667)	38,194	2.17
August 2019	27.54	4,130	-	-	-	4,130	2.96
August 2019 – with performance conditions	27.54	1,942	-	(970)	-	972	2.67
November 2019 – with performance conditions	25.14	15,486	-	(7,743)	-	7,743	2.92
February 2020 – with performance conditions	26.42	60,000	-	(40,000)	-	20,000	3.17
October 2020	18.83	47,500	-	-	-	47,500	3.17
October 2020 – with performance conditions	18.83	547,240	-	-	(27,500)	519,740	3.17
November 2020	18.51	168,700	-	-	(17,100)	151,600	3.17
November 2020 – with performance conditions	18.51	221,500	-	-	(8,000)	213,500	3.17
January 2021	24.43	16,000	-	-	-	16,000	3.38
January 2021 – with performance conditions	24.43	117,000	-	-	(15,000)	102,000	4.00
March 2021	25.44	7,000	-	-	-	7,000	3.25
March 2021 – with performance conditions	25.44	35,824	-	-	(5,500)	30,324	2.30
May 2021 – with performance conditions	27.13	10,000	-	-	-	10,000	3.35
November 2021	52.30	6,500	-	-	-	6,500	3.32
November 2021 – with performance conditions	52.30	21,074	-	-	(5,841)	15,233	3.83
November 2021 – with performance conditions	53.78	3,590	-	-	-	3,590	2.83
December 2021 – with performance conditions	63.99	14,279	-	-	-	14,279	5.00
February 2022 Performance Conditional	65.29	-	5,000	-	-	5,000	5.17
May 2022	61.39	-	8,500	-	(2,000)	6,500	4.96
December 2022 Performance Conditional	45.46	-	47,179	-	-	47,179	5.60
Total		1,518,691	60,679	(125,704)	(148,350)	1,305,316	2.88

* 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.

Note 14 – Equity (continued)

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		
	2022	2021	2020
Balance at the beginning of year	29,663	33,279	6,682
Granted	-	4,745	30,095
Exercised	(24,157)	-	(2,907)
Forfeited	(3,431)	(8,361)	(591)
Balance at the end of year	2,075	29,663	33,279

b. Restricted share units with performance conditions:

	For the year ended December 31		
	2022	2021	2020
Balance at the beginning of year	38,183	31,291	40,364
Granted	11,488	16,386	-
Exercised	(10,286)	(4,706)	(3,872)
Forfeited	(5,722)	(4,788)	(5,201)
Balance at the end of year	33,663	38,183	31,291

c. Details of the balance of restricted share units without performance conditions as at December 31, 2022 and December 31, 2021 and the movements in 2022, by plan:

		31.12.2021	Movements in 2022		31.12.2022
Date of the plan	Date of grant	Balance of the restricted share units that have been granted and not yet exercised	Exercised	Forfeited	Balance of the restricted share units that have been granted and not yet exercised
October 2009	November 2017	38	(38)	-	-
October 2009	February 2019	2,000	(2,000)	-	-
October 2009	November 2020	24,098	(20,667)	(3,431)	-
October 2009	January 2021	3,527	(1,452)	-	2,075
	Total	29,663	(24,157)	(3,431)	2,075

Note 14 – Equity (continued)

d. Details of the balance of restricted share units with performance conditions as at December 31, 2022 and December 31, 2021 and the movements in 2022, by plan:

		31.12.2021	Movements in 2022			31.12.2022
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	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	February 2019	1,417	-	(1,062)	-	355
October 2009	August 2019	8,945	-	(4,550)	-	4,395
July 2014	August 2019	468	-	(156)	-	312
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	-	(1,146)	-	2,293
October 2009	November 2021	2,267	-	-	(2,180)	87
October 2009	December 2021	5,548	-	-	-	5,548
July 2014	May 2022	-	7,308	-	-	7,308
October 2009	December 2022	-	4,180	-	-	4,180
	Total	38,183	11,488	(10,286)	(5,722)	33,663

Note 14 – Equity (continued)

Grant of shares in a subsidiary company, Delta Israel Brands Ltd.:

On October 31, 2021, the Board of Directors of the subsidiary company approved an employee option plan (hereinafter - the 2021 plan), according to which it will be possible to grant the employees of the subsidiary company, without recompense, up to 800,000 options and 400,000 blocked share units, each of which can be redeemed for one ordinary share of NIS 0.1 of the subsidiary company.

The ordinary shares that will be allocated following the exercise of the options will be identical in all their rights to the ordinary shares of the subsidiary company, immediately upon their allocation.

In December 2021, as part of the 2021 plan, the subsidiary granted office bearers, service providers and managers 150,010 employee options (of which 115,041 employee options are performance-based and 34,969 employee options are not performance-based) as well as 38,767 blocked stock units that are performance-based, and they will be entitled to exercise the options at the end of the maturity periods as follows: 25% on the day of publication of annual reports for 2022, 25% on the day of publication of annual reports for 2023, 25% on the day of publication of annual reports for 2024 and 25% on the day of publication of annual reports for 2025.

In January 2022, as part of the 2021 plan, the subsidiary granted the company's CEO 44,488 options conditional upon performance as well as 11,497 blocked stock units conditional upon performance, and she will be entitled to exercise the options at the end of the maturity periods described above.

The options can be exercised up to 3 years from the date of their maturity. An option that is not exercised by that date, will expire. The exercise price of the options is NIS 74.98 (not linked to the index and adjusted for dividend distribution).

The theoretical economic value of each option, at the time of the grant, calculated according to the Black and Scholls formula, is NIS 18.82. This value is based upon the following assumptions:

	2022	2021
Dividend Yield	0%	0%
Expected Standard Deviation (*)	28.66%	28.66%
Risk Free Interest Rate	0.42%	0.42%
Expected Life Time – in Years	6.92	7.92

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 is 23%.

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 2022 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 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 26.5%.

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, 2022 and 2021, are about $0 million and about $10 million, respectively.

Carryforward tax losses from Group subsidiaries, as of December 31, 2022 and 2021, are $66.7 million and $76.5 million, respectively.

The tax asset recognized in Israel as of December 31, 2022 and 2021 is about $0 million and about $2.4 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, 2022 and 2021, is $3.8 million and $3.6 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**
	Thousands of Dollars						
Balance as at January 1, 2020	(9,456)	(29,546)	4,182	3,849	6,726	4,555	(19,690)
Changes During 2020:							
Recognized in profit or loss	(4,023)	1,496	(412)	(136)	3,326	(1,223)	(522)
Recognized in other comprehensive income	-	-	-	(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 During 2021:							
Recognized in profit or loss	2,739	(256)	(376)	(2,146)	(2,747)	2,670	(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	7,343	6,002	(21,092)
Changes During 2022:							
Recognized in profit or loss	1,136	4,083	5,664	(699)	(1,030)	(2,179)	6,975
Recognized in other comprehensive income	-	-	-	(492)	-	-	(492)
Exchange differences on translation of foreign operations	34	777	-	-	(177)	-	634
Balance as at December 31, 2022	(9,517)	(23,699)	9,058	224	6,136	3,823	(13,975)

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 at December 31	
	2022	**2021**
	Thousands of Dollars	
Deferred tax assets:		
Expected to be settled within 12 months after the balance sheet date	15,882	11,132
Expected to be settled after more than 12 months after the balance sheet date	14,378	16,876
	30,260	28,008
Deferred tax liabilities:		
Expected to be settled within 12 months after the balance sheet date	(7,661)	(8,513)
Expected to be settled after more than 12 months after the balance sheet date	(36,574)	(40,587)
	(44,235)	(49,100)
Deferred tax assets, net	(13,975)	(21,092)

	As at December 31	
	2022	**2021**
	Thousands of Dollars	
Presentation in the statement of financial position:		
Under deferred tax assets	18,183	18,705
Under deferred tax liabilities	(32,158)	(39,797)
	(13,975)	(21,092)

Most deferred taxes are calculated according to tax rates of between 11% and 30%.

e. Profit (loss) before income taxes is comprised as follows:

	As at December 31		
	2022	**2021**	**2020**
	Thousands of Dollars		
Israeli companies	63,389	35,612	24,164
Non-Israeli subsidiaries	84,391	115,089	(68,780)
	147,780	150,701	(44,616)

Note 15 – Taxes on income (continued)

f. Composition of taxes on income in the statement of profit or loss:

	As at December 31		
	2022	2021	2020
	Thousands of Dollars		
Current:			
Companies in Israel	18,567	14,913	2,902
Non-Israeli subsidiaries	20,026	15,771	(9,779)
	38,593	30,684	(6,877)
Deferred:			
Companies in Israel	(3,709)	(5,003)	1,417
Non-Israeli subsidiaries	(3,266)	5,119	(895)
	(6,975)	116	522
Previous Years Taxes:			
Companies in Israel	304	221	3,051
Non Israeli Subsidiaries	480	(626)	(791)
	784	(405)	2,260
	32,402	30,395	(4,095)

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 profit or loss and other comprehensive income for the reported years:

	As at December 31		
	2022	2021	2020
	Thousands of Dollars		
Profit (loss) before income taxes as presented in statement of profit or loss and other comprehensive income	147,780	150,701	(44,616)
Theoretical tax expenses (income)	33,989	34,661	(10,261)
Decrease in tax due to different tax rates applicable to non-Israeli subsidiaries	(5,326)	(2,385)	(2,467)
	28,663	32,276	(12,728)
Increase (decrease) in tax due to permanent differences:			
Non-deductible expenses less exempt income, net	196	2,263	2,018
Tax expenses (benefits) for previous years, net	784	(405)	2,260
Increase in taxes from carryforward tax losses for which deferred taxes were not recognized	3,448	(2,194)	11,930
Utilization of current loss on profits of previous years	-	-	(6,591)
Exchange gains and losses and differences in measurement bases	(743)	(1,352)	(610)
Other- net	54	(193)	(374)
Taxes on income – in the statement of profit or loss and other comprehensive income (loss)	32,402	30,395	(4,095)

Note 15 – Taxes on income (continued)

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.

On March 23, 2022, the above stated tax assessment was settled with the tax authorities by way of a compromise, and the total additional tax liability in connection with the period 2015 - 2017 will amount to approximately 5 million dollars, not including interest and linkage (a total of approximately 6.3 million dollars, including linkage and interest).

Provisions for the assessment for these years were included in the company’s financial statements.

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

On March 28, 2022, the above stated VAT assessment was settled with the tax authorities by way of a compromise, and that the total additional VAT liability, in connection with the period relevant to that assessment (2015 - 2019), will amount to approximately 1.4 million dollars, not including interest and linkage (a total of about 1.7 million dollars, including linkage differences and interest).

Provisions for the assessment for these years were included in the company’s financial statements.

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.

Taking into account the current provisions applicable to the 2007 to 2013 fiscal years and the Company’s evaluation of the possibility of extending them also the 2014 to 2022 fiscal years, as stated above, the company calculated its taxable income for tax purposes for the 2008 to 2022 fiscal years based upon the Israeli accounting standards, subject to certain adjustments.

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		
	2022	**2021**	**2020**
Net income (loss) attributed to Company shareholders (in thousands of dollars)	109,476	112,781	(39,850)
Weighted average number of ordinary shares issued (in thousands)	26,923	26,923	26,923
Less weighted average number of treasury shares (in thousands)	1,268	1,381	1,407
Total number of shares for the purpose of the calculation of the basic earnings per share (in thousands)	25,656	25,542	25,516
Basic earnings (loss) per share (in dollars per share)	4.27	4.42	(1.56)

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		
	2022	**2021**	**2020**
Net income (loss) used for calculating diluted earnings per share (in thousands of dollars)	109,476	112,781	(39,850)
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)	1,268	1,381	1,407
Adjustment for weighted average number of additional shares from exercise of options and restricted share units (in thousands)	816	726	35
Weighted average number of shares for calculation of diluted earnings per share (in thousands)	26,471	26,268	25,551
Diluted earnings (loss) per share (in dollars per share)	4.14	4.29	(1.56)
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)	51	53	622

Note 17 – Commitments

a. Shareholders agreement in regard to the establishment and operation of stores and e-commerce site for the Bath & Body Work® brand 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 Israel Brands Ltd. (hereinafter: 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 was held, as at that time, by Delta Brands (60%) and the Partner (40%) ("The Joint Company").

In view of differences of opinion that emerged in connection with the agreement, talks were held between the relevant parties, as a result of which the differences between them ended by agreement; as a result of which the partner is not a shareholder in the joint company and the partner's holdings in it have been transferred to the company.

As of the date of this report, the joint company is not relevant and Delta Brands is examining the possibility that the contract with the owner of the Bath & Body Works® brand, as far as it is carried out - will be directly with it (and not through the joint company).

b. Exclusive license agreement for the establishment and operation of stores and an e-commerce site for the Victoria's Secret brand and Delta Israel Brands Ltd. (hereinafter: the subsidiary company)

In January 2022, the subsidiary signed an exclusive license agreement with Intimate Apparel Brand Management, LP ("The License Provider") according to which the subsidiary was granted an exclusive license to establish and operate stores and an e-commerce site in Israel, for the sale of lingerie and cosmetics under the Victoria's Secret brand (hereinafter "The Brand").

During December 2022, the subsidiary launched the brand's website in Israel and the opening of physical stores is planned for the fourth quarter of 2023.

c. New logistics center

On November 28, 2021, the subsidiary company signed a new lease agreement with the Caesarea Edmond Benjamin de Rothschild assets corp. (2001) Ltd. according to which Caesarea assets will construct a new logistic center, which will be mostly automated, for the subsidiary company.

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 subsidiary 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 yield 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 NIS 115 million.

The subsidiary will invest in a new automation system, Smart system for managing and stockpiling and advance robotic system.

During 2022, the subsidiary company signed an agreement to supply and install these systems of a scope of about NIS 120 130 million which will be paid during the establishment period of the new logistic center.

Upon completion, the subsidiary company 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 to be paid by the subsidiary company will be at a yearly rate agreed upon between the parties 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 company estimates that it will occupy the new logistic center by the second half of 2025.

d. See Notes 13 and 8C regarding liability for minimum royalty payments.

e. The Company and some of its subsidiaries provided bank guarantees as of December 31, 2022, mainly for securing rental agreements, royalty agreements and purchases of subcontractors and others, at the amount of $41.3 million.(About $ 49.2 million as at December 31, 2021)

Note 18 – Transactions and balances with related parties

The Group is controlled by Mr. Isaac Dabah, who holds approximately 47% 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 approximately 0.16% of the Company's shares.

"Stakeholder" - as defined "Stakeholder" in the securities regulations (annual 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		
	2022	**2021**	**2020**
Salary and related costs paid to related parties who are employed by the Company or a subsidiary company:			
The amount - in thousands of dollars– see (1) and (2) below *	**4,440**	3,714	1,674
The number of people to which the benefit refers	**3**	3	3
Fees and travelling expenses provided to directors in thousands of dollars			
The amount in thousands of dollars	**451**	349	279
The number of people to which the benefit refers	**7**	7	7
Purchases from related parties – companies accounted for using the equity method	**24,083**	19,951	15,487

* The expense in 2022 and in 2021 includes a long-term bonus component of $506 thousand which is a relative portion of the multi-annual bonus to the CEO, relating to the Company's performance in 2019-2022. The long term objectives of the bonus were achieved and the bonus should be paid in full.

Note 18 – Transactions and balances with related parties (continued)

Approval of the terms of employment of Related parties.

1) Approval of the terms of employment of the 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.

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 business objectives defined for purposes of obtaining a multiyear grant, were achieved and therefore the grant will be paid in full.

On January 24, 2023, the terms of Mr. Dabah's employment for 2023 were approved by the General Assembly of Shareholders. According to the terms of the agreement, Mr. Dabah's salary will amount to 850,000 dollars per year and he will be entitled to an annual bonus conditional on achieving goals in the maximum amount of 850,000 dollars.

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 February 18, 2019, the General Assembly of Shareholders an employment agreement for Ms. Gloria Dabah (hereinafter: "2019 Employment Agreement") the daughter of the Company's controlling shareholder, Mr. Isaac Dabah, as President of Splendid Ladies, Men's and Kids, whereby her annual salary, as of April 1 2020, is $350,000 and she is entitled to an annual bonus of up to 50% of her annual income, subject to meeting certain targets.

The Compensation Committee and the Board of Directors set the following goals for Ms. Dabah in order to receive an annual bonus: Meeting the Company's operating profit (EBIT) target (10% of the bonus); meeting the operating profit target of the field of activity (70%) and meeting measurable personal goals (20% of the bonus). According to the goals set for her, Ms. Dabah is entitled to a bonus in the amount of $36,866 for 2022

Furthermore, in accordance with the terms of her employment, Ms. Dabah is entitled to a multi-year bonus at the end of 3 years of work from April 1, 2022 in the amount of $250,000, subject to meeting the goals.

Ms. Dabah's annual salary was updated to $374,500 in 2021 and to $400,715 in 2022 (as of April 1, 2022) in accordance with her employment agreement, which was approved by the Shareholders' meeting.

On April 4, 2022, the General Assembly approved the new employment agreement of Ms. Dabah (hereinafter: "2022 Employment Agreement"), effective April 1, 2022.

Note 18 – Transactions and balances with related parties (continued)

b. Balances with related parties

	As of December, 31	
	2022	**2021**
	Thousands of Dollars	
Current payables for director remuneration:		
Balance as at the Balance Sheet Date	**104**	105
Current payables for salaries and bonuses to related parties employed by the Company.		
Balance as at the Balance Sheet Date	**4,137**	3,000
Current payables for purchases from related parties as of the balance sheet date – companies accounted for using the equity method.	**4,280**	3,238

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 $59,000.

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.

d. Negligible transactions with interested parties

The Company's Board of Directors decided to adopt guidelines and general guidelines for the classification of a transaction as a "negligible transaction", as defined in Regulation 41(a3) of the Securities (Financial Statements) Regulations, 2010.

These rules and guidelines will also be used to examine the scope of disclosure regarding a company's transaction with a controlling owner or the controlling owner has a personal interest in the approval as stipulated in Regulation 22 of the Securities Regulations (Periodic and Immediate Reports), 1970 and Regulation 54 of the Securities Regulations (Details of the Prospectus and the Draft Prospectus - Structure and Form), 1969 as well as for examining the need for delivery Immediate reporting regarding such transaction of the company, as stipulated in Regulation 37A(6) of the Securities Regulations (Periodic and Immediate Reports), 1970.

The Company's Board of Directors determined that a transaction of the Company with a controlling owner or the controlling owner has a personal interest in its approval, will be considered a "negligible transaction" if all of the following conditions are met:

1) It is not an unusual transaction, as this term is defined in Section 1 of the Companies Law, 1999;

2) The deal is not expected to have a material or strategic effect on the company, from the qualitative point of view of the deal.

3) Its effect on the relevant parameter (as stated below) is up to 1%. For this matter, the parameter relevant to the transaction will be considered as the most relevant parameter among the following: (a) Sales ratio - that is, the total sales subject to the transaction divided by the total annual sales of the company; (b) Sales cost ratio - that is, the transaction cost divided by the company's total annual sales; (c) profit ratio - that is, the profit or loss associated with the transaction divided by the annual profit or loss; (d) Asset ratio - i.e., the scope of the assets subject to the transaction divided by the company's total assets; (e) Liabilities ratio - that is, the liabilities subject to the transaction divided by the company's total liabilities; (f) Operating expenses ratio - that is, the scope of the expense subject to the transaction divided by the company's total operating expenses.

   The effect of the transaction will be examined on an annual basis, based on the company's annual (consolidated) and audited financial statements.

   In cases where, according to the company's discretion, all the quantitative benchmarks mentioned above are not relevant to examining the negligibility of the transaction, the transaction will be considered negligible, in accordance with another relevant quantitative benchmark, which will be determined by the company, provided that the relevant benchmark calculated for the transaction will be at a rate that does not exceed 1% of the relevant parameter.

Note 18 – Transactions and balances with related parties (continued)

4) When examining the negligent nature of the transaction that is supposed to occur in the future, one must examine, among other things, the degree of likelihood of its realization and the realization of its effects.

5) Separate transactions, which have a dependency between them, so that in practice they are part of the same engagement - will be examined as one transaction.

The negligence of the transaction will be examined by the company's CFO, who will report as soon as possible to the chairman of the audit committee about the transaction and the results of the examination he performed.

Notwithstanding the above stated, the company may report transactions with a controlling owner even in cases where it is not obligated to do so in accordance with the above.

Note 19 – Additional financial statements information

a. Cash and cash equivalents

	As of December, 31	
	2022	2021
	Thousands of Dollars	
Cash at bank	97,963	117,848
Short-term deposits in banks	28,686	112,281
Cash and Cash Equivalents	126,649	230,129

b. Trade and other receivables

1. Trade receivables

	As of December, 31	
	2022	2021
	Thousands of Dollars	
Outstanding Debt	234,618	200,559
Checks receivables	2,154	1,581
	236,772	202,140
The item is presented net of a provision for impairment of	6,352	9,010

As of December 31, 2022, a trade receivables balance of about $4.5 million (about $4.3 million as of December 31, 2021), is contractually overdue but for which no provision for expected credit losses of trade receivable has been recognized and the debt has not been paid by the date of approving these financial statements. The balance is composed of a large number of trade receivable who are independent of each other, and who do not have a history of insolvency.

Expected credit losses for 2020, 2021 and 2022 as made by the Company is as follows:

	Thousands of Dollars
Balance as of January 1, 2020 -	4,248
Lifetime expected credit losses	9,671
Amounts previously provided for as doubtful which were not collected	(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 as doubtful which were not collected	(788)
Exchange rate gains and losses	(374)
Balance as of December 31, 2021	9,010
Lifetime expected credit losses	(1,184)
Amounts previously provided for as doubtful which were not collected	(1,040)
Exchange rate gains and losses	(434)
Balance as of December 31, 2022	6,352

Note 19 – Additional financial statements information (continued)

2. Other Receivables

	As of December, 31	
	2022	2021
	Thousands of Dollars	
Prepaid expenses	9,836	10,965
Government institutions	8,815	10,274
Income receivables	8,949	4,860
Advances to suppliers and subcontractors	4,005	8,600
Loan to a business partner	-	1,220
Others	4,784	7,592
	36,389	43,511

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	
	2022	2021
	Thousands of Dollars	
Finished goods	410,033	307,616
Goods in process	33,991	44,996
Raw materials	36,862	36,442
Packaging and other materials	6,421	6,104
	487,307	395,158

As of December 31, 2022, the impaired inventory balance is presented less provision for impairment of $ 44.7 million (as of December 31, 2021 – $47.0 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) The total credit lines, including off-balance sheet credit, that were extended to the company by the banks for a short time as of December 31, 2022 totaled approximately $345 million (approximately $280 million 2021), of which approximately $252 million were not exploited (about $226 million in 2021). The lines of credit used as mentioned include receiving short-term borrowings as well as utilizing a letter of credit and guarantees. In addition to these lines of credit, as of December 31, 2022, the company has cash and cash equivalents and short-term deposits in the amount of about $191 million so that the total of the company's unused credit sources as of December 31, 2022 amounted to about $442 million (about 459 million dollars in 2021). The total of the above credit sources include about $91 million non-binding lines. During 2022 the company extended the binding credit framework agreements with banks in Israel in the amount of $125 million. As of the date of this report, the interest rate on these credit frameworks is Sofer + 1.70% - 2.10 % 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 pledge 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, 2022, $21 million of this facility was utilized in the US as a letter of credit. As of the date of this report, the interest rate on the short-term loans is Sofer + 2.1145% per year. Under certain conditions, it is possible for the interest rate to be Prime-based. The credit agreement is subject to 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 less loans of Delta USA is greater 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 the parent company, provided that it meets the above mentioned financial covenants.

As of balance sheet date, the Company has complied with the above stated financial covenants.

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 pledge 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 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.

As of the balance sheet date, the company complied with the aforementioned financial covenats.

2) On August 18, 2021, the company signed a long-term loan agreement with an Israeli bank of an amount of approximately 56 million dollars. The loan period is for 11 years, which will be repaid over the period in annual payments, with a grace period of one year. The interest rate is 3.1% fixed interest. The loan agreement is secured by an unlimited flouting pledge on the company's rights, assets and property.

The loan is subject to the following conditions:

a. The company's equity will not decrease from 180 million dollars.

b. The ratio of net financial debt to CAP shall not exceed a rate of 60%.

In addition, the company undertook to comply with the following conditions in order to approve the dividend distribution:

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 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.

As of the balance sheet date, the company complied with the aforementioned financial covenants.

Note 19 – Additional financial statements information (continued)

3) 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 floating pledge on its rights, assets and property of the Company.

The loan, is subject to the following financial covenants:

a. The Company's shareholders' equity may not fall below $180 million;

b. The ratio of net financial debt to CAP shall not exceed a rate of 60%.

Additionally, the Company committed to comply with the following conditions for approving a dividend distribution:

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 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.

As of the balance sheet Date, the company complied with the aforementioned financial covenants.

4) On February 7, 2022, the company received a long-term loan from an Israeli bank of an amount of approximately $54 million. The loan period is for 11 years, which will be repaid according to the period in annual payments, with the addition of grace for one year. The annual interest rate is 3.55% fixed interest. The loan agreement is secured by a current and unlimited pledge on the company’s rights, assets and property.

The loan is subject to the following financial covenants:

a. The Company's shareholders' equity may not fall below $180 million;

b. The ratio of net financial debt to CAP shall not exceed a rate of 60%.

Additionally, the Company committed to comply with the following conditions for approving a dividend distribution:

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 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.

As of the balance sheet Date, the company complied with the aforementioned financial covenants.

5) In December 2022, Shiesser Investments Ltd. signed a long-term loan with Uni Credit Bank AG of an amount of €6 million (about $ 6.4 million). The loan period is for 10 years, to be repaid according to the period in quarterly payments, starting December 30, 2022. The interest rate is 3.36% fixed interest. The loan agreement is guaranteed by the pledge of the building and a Schiesser company guarantee.

Note 19 – Additional financial statements information (continued)

f. **Other payables**

	As of December, 31	
	2022	**2021**
	Thousands of Dollars	
Accrued expenses	60,831	64,993
Employees payroll and institutions	47,163	50,102
Liability for minimum royalty payments	19,477	15,844
Institutions	18,380	13,524
Provision for vacation and recreation pay	8,495	8,499
Loans from suppliers	-	791
Interest payable on bonds, see Note 11	3,069	2,099
Others	18,996	16,755
	176,411	172,607

The carrying amount of other payables is reasonably close to their fair value since the impact of discounting is immaterial.

g. **Restructuring expenses**

2022 restructuring plan for Bogart

During the second quarter of 2022, the company decided, as part of its strategy to constantly improve operational flexibility and efficiency, while improving the cost structure and strengthening the competitive advantage, to close the Bogart subsidiary plant in Shenzhen, China and to move the production activity to a new plant, which it launched in Vietnam in July.

The non-core cost of the plan is about $5.5 million. This cost was included as an expense in the Group's reports for 2022 and includes compensation and other costs due to the termination of the employment of approximately 780 employees of the subsidiary.

The implementation of the plan was completed during June 2022 and the payments were spread out starting from the second quarter until the end of 2022.

As of December 31, 2022, the company completed the plan in full.

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 amortization in the value of property, plant and equipment within factories of the Company.

During 2022, the Company continued to implement the plan, so as of December 31, 2022, the company executed approximately $36.6 million (out of which $33.0 million in cash) out of the total cost of the plan, and is expected to complete implementation in the first quarter of 2023.

Note 19 – Additional financial statements information (continued)

1. **Changes in the provision for employee costs, which are included in restructuring expenses in 2022, 2021 and 2020:**

	2022	2021	2020
	Thousands of Dollars		
Opening balance	8,879	26,825	1,435
Additional provisions during the year	5,467	-	35,596
Utilized during the year	(11,713)	(17,946)	(10,206)
Closing balance	2,633	8,879	26,825

2. **The main expense elements of the restructuring plan are as follows:**

	For the year ended December 31		
	2022	2021	2020
	Thousands of Dollars		
Costs connected to reduction of manpower, see above	5,467	-	35,596
Impairment of property, plant and equipment and intangible assets	-	-	3,558
	5,467	-	39,154

h. Sales

Sales in 2022 include a total of approximately $1.6 million belonging to the Organic Basics company, which was acquired in July 2022 and were not included in 2021 and 2020. Also, the Group's sales in 2020 include Bare Necessities sales, starting from the date of acquisition in October 2020. For more details, please see Note 6.

The following are details of costs of sales, selling and marketing expenses and General and Administrative expenses. These expenses in 2022 included expenses of Organic Basics (from the date of its acquisition in July 2022), which were not included in 2021 and 2020. These expenses includes Bare Necessities, since its acquisition in October 2020. For more details, please see Note 6.,

i. Cost of Sales

	For the year ended December 31		
	2022	2021	2020
	Thousands of Dollars		
Purchases from subcontractors	668,615	645,970	443,342
Materials consumed	286,995	268,994	163,721
Payroll and related expenses	154,636	160,214	139,240
Shipment and customs	140,989	114,890	59,429
Royalties	26,297	23,771	21,407
Other production expenses	48,985	43,629	28,327
Depreciation and amortization	21,759	20,090	20,462
Decrease (increase) in inventory of finished goods and goods in process	(101,922)	(103,311)	46,574
Total Cost of Sales	1,246,354	1,174,247	922,502

Note 19 – Additional financial statements information (continued)

j. Selling, marketing, general and administrative expenses

	For the year ended December 31		
	2022	2021	2020
	Thousands of Dollars		
Selling and marketing:			
Payroll and related expenses	222,950	204,858	163,044
Rent and maintenance	29,183	25,679	29,758
Rent relief	-	(3,502)	(6,026)
Advertising	66,633	65,205	44,005
Shipment, packaging, storage and customs	51,922	53,656	29,432
Commissions to licensees and agents	23,857	23,308	17,604
Depreciation and amortization	57,781	61,172	62,850
Amortization of intangible assets, except for software	6,080	7,415	6,079
Royalties	3,387	2,514	1,280
Other expenses	53,242	51,299	37,481
Total selling and marketing expenses	515,035	491,604	385,507
General and administrative:			
Payroll and related expenses	51,569	58,363	45,748
Professional fees	11,319	14,396	11,433
Office rent and maintenance	1,491	908	984
Travel and refreshments	1,942	1,435	1,042
Office expenses	1,857	1,671	1,868
Depreciation and amortization	8,390	8,997	9,025
Other expenses	11,311	9,621	7,346
Total general and administrative expenses	87,879	95,391	77,446
Total selling, marketing, general and administrative expenses	602,914	586,995	462,953

k. Expenses by Type

	For the year ended December 31		
	2022	2021	2020
	Thousands of Dollars		
Purchases from subcontractors	668,615	645,970	443,342
Payroll and related expenses	429,155	423,435	348,032
Materials consumed	286,995	268,994	163,721
Rent and Maintenance	32,531	24,756	26,584
Freight, Packaging, Storage and Customs	192,911	168,546	88,861
Depreciation and amortization	94,010	97,674	98,416
Royalties Expenses, Net	29,684	26,285	22,687
Advertising Expenses	66,633	65,205	44,005
Other Expenses	150,656	143,688	103,233
Change in inventory of finished goods and goods in process	(101,922)	(103,311)	46,574
Total cost of sales, selling and marketing expenses, general and administrative expenses	1,849,268	1,761,242	1,385,455

Note 19 – Additional financial statements information (continued)

l. Other income (expenses), net

	For the year ended December 31		
	2022	2021	2020
	Thousands of Dollars		
Capital Gain on sale of property, plant and equipment	4,435	277	314
Gain (loss) from change in fair value of financial instruments	2,124	(285)	(1,948)
Compensation for termination of license agreement	-	2,456	(1,000)
Reduction of other debit balances	(1,580)	(3,017)	-
Others	(83)	-	-
Total other income (expenses), net	4,896	(569)	(2,634)

m. Financing expenses, net

	For the year ended December 31		
	2022	2021	2020
	Thousands of Dollars		
Interest expenses and commissions on bank borrowings and loans	13,150	6,649	6,277
Interest expenses on bonds, see Note 11	8,061	12,298	15,505
Loss as a result of early redemption of Series B bonds	-	5,056	-
Other interest expenses (*)	1,883	309	390
Discounting element of long-term liabilities	2,824	4,228	4,385
Interest expenses and commissions on discounting arrangements with customers	1,889	881	613
Interest expenses of lease liabilities	7,681	9,973	9,836
Total financing expenses	35,488	39,394	37,006
Interest income from banks and others	(1,164)	(243)	(661)
Exchange rate expenses (income), net	2,947	(1,754)	1,130
Total financing expenses, net	37,271	37,397	37,475

* In 2022, the above stated amount includes interest for the settlement of income tax and VAT assessments in Israel, of an amount of approximately 1.5 million dollars.

Note 20 – Details of investee companies that are held directly and through subsidiaries as of December 31, 2022:

Holding company	Name of the Company	Holding and control rate	
Delta Galil Industries Ltd.	Delta Israel Brands Ltd.	80%	Consolidated company
	Delta Galil Properties (1981) Ltd.	100%	Consolidated company
	Delta Brayola Ltd.	100%	Consolidated company
	Delta Galil USA. Inc.	100%	Consolidated company
	Delta Galil Holland B.V.	100%	Consolidated company
	Delta Galil Vietnam Co. Ltd	100%	Consolidated company
	Kwong Fat Industrial Limited	100%	Consolidated company
	Brunet International Holdings Limited	100%	Consolidated company
	Delta Alfa Corap Ve Tekstil San Tic L. S.	100%	Consolidated company
	Delta Textiles (London) Ltd.	100%	Consolidated company
	D&A Brands Ltd.	40%	Affiliated company
Delta Israel Brands ltd.	D&A Brands Ltd.	60%	Consolidated company
Delta Galil Properties (1981) 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 Brands LLC	100%	Consolidated company
	7 for All Mankind LLC	100%	Consolidated company
	Bareweb LLC	100%	Consolidated company
	Mo Industries LLC	100%	Consolidated company
Delta Galil Holland B.V.	Delta Textile Egypt - S.A.E.	100%	Consolidated company
	Century Wear Company Ltd	50%	Affiliated 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
Kwong Far Industrial Ltd.	Bogart (Far East) Ltd.	100%	Consolidated company
Brunet International Holdings Ltd.	BL France Ltd.	100%	Consolidated company
	Brunet International (Hong Kong) Ltd.	100%	Consolidated Company
	Intercontinental Lace Industry Ltd.	100%	Consolidated Company

Note 20 – Details of investee companies that are held directly and through subsidiaries as of December 31, 2022:

Holding company	Name of the Company	Holding and control rate	
Delta Textiles (London) Ltd	Delta Galil Textile Germany GmbH & Co. KG	99.9%	Consolidated company
	Delta Galil Germany GMBH	100%	Consolidated company
	Schiesser Investments GmbH	100%	Consolidated company
	Delta Galil Europe Ltd.	100%	Consolidated company
	7 FAM Brazil Importaca o Commecio e Distribuciao Ltda	51%	Consolidated company
	Delta London Holdings Ltd	100%	Consolidated company
	Delta Galil Brands International GmbH	100%	Consolidated company
	7 For All Mankind Brazil SAGL	100%	Consolidated company
	Delta Textile France SAS	100%	Consolidated company
	Sports Socks Co. Ltd.	100%	Consolidated company
	DG Organic Basics ApS	100%	Consolidated company
	European Castle for Tableware Industries S.A.E	100%	Consolidated company
Delta Galil China Holdings Ltd.	Delta Fashion Cistume (Shanghai) Co. Ltd.	100%	Consolidated company
Delta Textile Upper Egypt SAE	Delta Fabric Egypt	100%	Consolidated company
	Delta Textile Shamal El Saeed	23%	Consolidated company
Delta Galil Hong Kong Ltd.	Delta Galil Intimate Apparel (Guangzhou) Co. Ltd.	100%	Consolidated company
Bogart (Far East) Ltd.	Sun Hing Shing Fashion Factory Ltd.	100%	Consolidated company
	Bogart Garment (HK) Ltd.	100%	Consolidated company
	B&B Apparel Accessories Co. Ltd.	100%	Consolidated company
	Delta Bogard Lingerie Ltd.	100%	Consolidated company
	Hangamania Ltd.	100%	Consolidated company
	Bogart Lingerie (Thailand) Ltd.	100%	Consolidated company
	BL (Thailand) Ltd.	100%	Consolidated company
BL France Ltd.	BL Manufacturing Co. Ltd.	100%	Consolidated company
	BL Investment Co. Ltd.	100%	Consolidated company
	BL Industrial Co. Ltd.	100%	Consolidated company
Bogart International (Hong Kong) Ltd.	Brunet International (Shenzen) Ltd.	100%	Consolidated company

Note 20 – Details of investee companies that are held directly and through subsidiaries as of December 31, 2022:

Holding company	Name of the Company	Holding and control rate	
Delta Galil Textile Germany GmbH & Co. KG	Schiesser GmbH	100%	Consolidated company
Delta Galil Germany GmbH	Delta Galil Textile Germany GmbH & Co. Ltd.	0.01%	Consolidated company
Schiesser Investments GmbH	Schiesser Immobillien GmbH	100%	Consolidated company
Delta London Holdings Ltd.	7 for all Mankind Mexico SA de CV	51%	Consolidated company
	7 for all Mankind LATAM SA	51%	Consolidated company
7 for all Mankind International SAGL	7 for all Mankind Austria GmbH	100%	Consolidated company
	7 for All Mankind Ireland Ltd.	100%	Consolidated company
	7 for All Mankind Belgium BVBA	100%	Consolidated company
	7 for All Mankind Germany GmbH	100%	Consolidated company
	7 for All Mankind Spain SL	100%	Consolidated company
	7 for All Mankind France SARL	100%	Consolidated company
	7 for All Mankind SRL	100%	Consolidated company
	7 for All Mankind Netherlands BV	100%	Consolidated company
Delta Textile France SAS	Boxer Holding SAS	100%	Consolidated company
Delta Fabric Egypt	Delta Textile Shamal El Saeed	77%	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
Delta 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 Lingerie Vietnam Co., Ltd	100%	Consolidated company
Schiesser GMBH	Schiesser Marken GmbH	100%	Consolidated company
	Pleas s.r.o.	100%	Consolidated company
	Schiesser International ApS Denmark	100%	Consolidated company
	Schiesser Ges M.B.H. Austria	100%	Consolidated company
	Schiesser International BV	100%	Consolidated company
	Scheisser Schweiz GmbH Switzerland	100%	Consolidated company
	Schiesser International B.V Nederland	100%	Consolidated company
Boxer Holding SAS	Eminence SAS	100%	Consolidated company
Eminence SAS	Liabel RL	100%	Consolidated company
	Distrebem EURL	100%	Consolidated company

Eminence Beneluxe SA	100%	Consolidated company

Note 21 – Subsequent events

a. On February 14, 2023, the Company's board of directors declared a $8.0 million dividend, or 31.2 cents per share. The effective date for the distribution is February 22, 2023 and the date of payment is March 14, 2023.

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.

b. On February 14, 2023, the Compensation Committee and the company's Board of Directors approved a private offer that is not material and that is not unusual based on the description for the offer of securities to office bearers and employees, of 6,857 options and 2,704 blocked share units to a senior office bearer in the company.

c. On February 14, 2023, the company reported that its subsidiary, Delta Israel Brands Ltd. (hereinafter: "Delta Brands") announced with reference to publications in the media, as follows:

Delta Brands reached a (non-binding) agreement in principle with the AK Golf Group. Ltd. ("Golf"), subject to the completion of due diligence and the signing of a binding agreement - that it will purchase all of Golf's shares, by way of a reverse triple merger, at a price of NIS 425 million, plus a payment of NIS 25 million (subject to Golf's future financial results) in a cash transaction, while utilizing the high cash balance in its possession.

As the negotiations are completed and a binding agreement is signed as stated, it will be subject, inter alia, to receiving the approvals required by law or by third parties, and for the approval of the appropriate organs of both parties (including the approval of Golf's shareholder meeting).

The company also clarified that at this stage there is no certainty that the contacts will progress and/or lead to the signing of a binding agreement for the execution of the deal and there is no certainty when and if at all it will be completed and under what conditions.

Delta Galil Industries Ltd.

Chapter D

Additional Information Regarding the Corporation

As of December, 31 2022

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%	58,236	126,150
Delta (Textile) London Ltd.	10,002	GBP 10,000	12,941	100%	284,314	111,173
Delta Galil Holland B.V.	250	$ 21,000	21	100%	142,983	-
Delta Israel Brands Ltd. (*)	20,000,000	NIS 2,000,000	110,948	80%	115,788	-

(*) The rate of holding in Delta Israel Brands Ltd. is 80%

(**) The share value of Delta Israel Brands Ltd. as at the date of the report is NIS 41.43

Regulation 12 – Changes regarding investments in material subsidiaries

There are no changes in the report year.

Regulation 13 – Revenues of material subsidiaries and the corporation's revenues therefrom as of the report date

2022

In Thousands of Dollars

Name of subsidiary [3]	Profit (loss) before tax	Net profit (loss) (after tax)	Total comprehensive Income (loss)	Interest income received from subsidiary [1]	Dividend income received from subsidiaries
Delta Galil USA Inc.	(19,731)	(19,886)	(19,773)	5,706	-
Delta (Textile) London Ltd.	74,467	59,861	45,858	1,527	-
Delta Galil Holland B.V.	13,784	11,437	11,213	-	-
Delta Israel Brands Ltd.	30,296	23,288	12,055	-	13,339

(1) Data refers to interest income received or that the Company is entitled to receive from subsidiaries for 2022.

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.

To the best of the company's knowledge, 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 cost to the Company of the remuneration (remuneration given in the report year, including the Company's remuneration obligations for the reporting year) for 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 in the 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 [(5)]	Multi Year Bonus [4]	Total Bonus	Share Based Payment [2]	Total	Total in NIS (according to average exchange rate)
					In US Dollars						
Isaac Dabah	CEO and Director	100%	M	47.3%	886,101	2,000,000	506,250	2,506,250	-	3,392,351	11,394,908
Gil Shimon	Private Label Segment Manager	100%	M		539,330	180,179	-	180,179	92,665	812,173	2,728,091
Francesca Toninato	7 for All Mankind Segment Manager	100%	F		687,500	31,350	-	31,350	46,354	765,204	2,570,320
Asaf Alperovitz	CFO	100%	M		489,684	116,106	-	116,106	114,561	720,351	2,419,660
Inbar Schwartz	VP Business Development	100%	F		485,048	119,083	-	119,083	81,149	685,280	2,301,856

(1) In terms of annual cost to the Company.

(2) Share-based payment includes the benefit component for options and blocked 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 B&S 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 5 2023 (ref. no. 2023-01-003208), included herein by way of reference.

(3) Mr. Dabah's holdings noted in the above table include holdings of Isaac Dabah Children's Trust, Isaac & Ivett Dabah Charitable Foundation at a rate of 0.04% and 0.12%, respectively.

(4) The total multi-year bonus for 2019 - 2022, totaling $ 2,025,000 refers to compliance with the Company's performance for this period, in accordance with the amendment to Mr. Dabah's terms of employment which were approved at the shareholders' meeting dated January 28, 2021 and are expected to be paid in full. The amount included in the above table, includes the part of the bonus included in 2022 as an expense.

(5) The current bonus attributed to Mr. Dabah in 2022, includes a $1 million annual bonus for 2022 and $1 million in light of meeting the operating profit (EBIT) goals for 2019, according to the catchup mechanism approved at the shareholders' meeting of January 28, 2021 (For details see reference 2021-01-01164).

b. Beloware 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	Multi Year Bonus (5)	Total	Total in NIS
						In US Dollars		
Directors (2)	7 in number		9.9%(3)	451,164			451,164	1,559,200
Gloria Dabah (4)	GM of Splendid Kids, Ladies and Men's	100%	-	451,388	36,866	-	488,254	1,640,044
Itzhak Weinstock	Director and Chief Operating Officer, Delta U.S.A.	100%	0.43%	512,874	46,000	-	558,874	1,877,259

(1) In terms of annual cost to the Company.

(2) Refers to all the directors who served during the reporting year as directors in the Company and received remuneration from the Company in connection with their tenure as directors: As of December 31, 2022, the Company has seven directors.

(3) Refers to the holding of 9.94% by Mr. Noam Lautman, and 0.04% by Mr. Israel Baum and 0.01% by Mr. Richard Hunter.

(4) For further information regarding the terms of employment of Ms. Gloria Dabah, see Note 18 to the Financial Statements, in Chapter C of this periodic report as well as regulation 22 below.

(5) The multi-year bonus is conditional upon the achievement of goals, in accordance with Ms. Dabah's terms of employment, see regulation 22 below. The company's management team estimates that there is a low probability that the conditions for the payment of the bonus will be met and that it is expected that the bonus will not be paid.

Remuneration sums for directors Tzipporah 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. Sherf 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.

Regarding the terms and conditions of Mr. Dabah’s tenure and employment, as the Company’s CEO as of January 1, 2023 until the end of 2023, as approved by the Compensation Committee, the Board of Directors and the General Assembly of the Company, see section 2 of the amended meeting summons report that the Company published on January 19, 2023 (reference: 2023-01-009894) and an immediate report on the results of the meeting dated January 24, 2023 (reference: 2023-01-011088) which are included by way of reference and in regulation 22 below.

Mr. Gil Shimon, Manager of the Global Division Upper Market 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 in 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 segment (60% of the bonus), and meeting measurable personal goals (20% of the bonus). According to the goals set for him.

According to the targets set for him, Mr. Shimon is entitled to a bonus of $ 180,179 for 2022.

As of the date of the report, Mr. Shimon was allotted 37,743 options and 4,053 restricted share units contingent upon the achievement of operational objectives.

The employment contract of Mr. Shimon 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, Director of 7 for All Mankind Segment

Ms. Francesca Toninato began working at the subsidiary 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, 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 the eligibility for 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% of the bonus), and meeting measurable personal targets (20% of the bonus). In light of the above, and according to the goals set for her, Ms. Toninato is entitled to a bonus totaling $31,350 for 2022.

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 on 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 the purpose of receipt of his annual bonus: Meeting the Company's operating profit target (EBIT) (80% of the bonus) and meeting measurable personal targets (20% of the bonus). According to the goals set for him, Mr. Alperovitz is entitled to a bonus totaling $ 116,106 for 2022.

As of the date of this report, 65,614 options and 1,310 restricted share units, conditional on achieving operational objectives, have been allotted to Mr. Alperovitz.

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.

Ms. Inbar Schwartz VP of Business Development

Ms. Schwartz began working at the Company in October 2019;below are the key terms of her employment:

Ms. Schwartz's gross monthly salary is NIS 100,000, and she is entitled to social benefits and reimbursement of various expenses, as is customary in the company.

According to her employment contract, Ms. Schwartz is entitled to an annual bonus based on the Company's policy and on goals to be determined for her by the Company's Compensation Committee and the Board of Directors. Ms. Schwartz's annual bonus will not exceed 6 months' salariy. The Company's Remuneration Committee and Board of Directors set the following goals for Ms. Schwartz for the purpose of eligibility for her annual bonus: Meeting the Company's operating profit target (EBIT) (50% of the bonus) and meeting measurable personal targets (50% of the bonus). According to the goals set for her, Ms. Schwartz is entitled to a bonus of $ 119,083 for 2022. This amount includes a special bonus totaling $ 29,771 granted to Ms. Schwartz.

As of the date of this report, 43,547 options, and 983 restricted share units, conditional on achieving operational objectives, have been allotted to Ms. Schwartz.

Company Board of Directors – as of this report, the Company's Directors[1] are entitled to annual compensation and remuneration for participationaccording to the maximum amounts as per the Companies Regulations ,Rules Regarding Remunerations and Expenses for External Directors, 2000, ("**the Remuneration Regulations**") according to the Company's performance. The directors are entitled to annual compensation of NIS 116,000 and to remuneration for participation of NIS 4,486 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 February 18, 2019 the Remuneration Committee and Board of Directors approved a new employment agreement with Mrs. Gloria Dabah (hereinafter: "**2019 Employment Agreement**"), the daughter of Mr. Isaac Dabah, the controlling shareholder As President of Splendid Kids, Ladies and Men's, 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.

The Compensation Committee and the Board of Directors set the following goals for Ms. Dabah, in order to receive an annual bonus: Meeting the Company's operating profit (EBIT) target (10% of the bonus) meeting the

[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 in a subsidiary – regarding each of whom different terms of service were set, detailed in this section above.

operating profit target of the field of activity (70%) and meeting measurable personal goals (20% of the bonus).

According to the goals set for her, Ms. Dabah is entitled to a bonus of $36,866 for 2022.

Also, according to the terms of her employment, Ms. Dabah is entitled to a multi-year bonus at the end of 3 years of work from April 1, 2022, of an amount of $250,000, subject to meeting the goals.

Ms. Dabah's annual salary was updated to $374,500 in 2021 and to $400,715 in 2022 (as of April 1, 2022) in accordance with her employment agreement, which was approved by the shareholders' meeting, see regulation 22 below.

On April 4, 2022, the General Assembly approved the new employment agreement of Ms. Dabah (hereinafter: "**2022 Employment Agreement**"), effective April 1, 2022. For further details, see section 2 of the meeting convening report dated February 25, 2022 (reference: 2022-01-023083), immediate report on the results of the meeting dated April 4, 2022 (reference: 2022-01-042826) and regulation 22 below.

Mr. Itzhak Weinstock, Chief Operating Officer at Delta USA

Mr. Weinstock commenced working at the subsidiary in January 2011.Beloware the main terms of his employment:

Mr. Weinstock's gross annual salary is approximately $460,000.

Mr. Weinstock is entitled to social benefits and reimbursement of various expenses as is customary in Delta USA.

According to his employment agreement, Mr. Weinstock is entitled to an annual bonus based on the Company's policy and goals, which will be set for him by the Compensation Committee and the Company's Board of Directors.

Mr. Weinstock's annual bonus will not exceed 6 months' salariy. The Compensation Committee and the Company's Board of Directors set the following goals for Mr. Weinstock in order to receive an annual bonus:

Meeting the company's operating profit (EBIT) target (30% of the bonus), meeting the operating profit target of the subsidiary (50%), and meeting measurable personal goals (20% of the bonus). In compliance with the goals, Mr. Weinstock is entitled to a bonus in the amount of 46,000 dollars for 2022

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 April 4, 2022, the General Assembly of the Company's shareholders approved the new employment agreement with Ms. Gloria Dabah, the daughter of the controlling owner of the company Mr. Isaac Dabah, in her position as President, Splendid Ladies, Men's & Kids, according to which her annual salary will be, as of from April 1, 2022, US $400,715 and she will be entitled to an annual bonus of up to 50% of her annual salary, and a multi-year bonus at the end of 3 years of employment, as of April 1, 2022, of an amount of US $ 250,000 subject to her meeting the goals. For further details, see the meeting convening report dated February 25, 2022 (reference 2022-01-023083) and the immediate report on the results of the meeting dated April 4, 2022 (reference: 2022-01-042826). On February 18, 2019 the Remuneration 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 Remuneration Committee and – February 23, 2022 The General Assembly – April 4, 2022 The Company Remuneration Committee and Board of Directors – February 18, 2019
The Company and Mr. Isaac Dabah, Controlling shareholder, Director, and CEO	Approval of the terms of employment of Mr. Isaac Dabah as the CEO of the Company and the Company's contract with him in a new employment agreement, for the period from January 1, 2023 until the end of 2023, according to which his annual salary,	The General Assembly – January 24, 2023; The Company Board of Directors – December 20, 2022 and January 19, 2023; The Remuneration Committee – December 13, 2022 and January 19, 2023.

Identity of the parties	Description of the transaction	Identity of the authorizing body approving the transaction and approval date
	as of January 1, 2023, will be US $850,000 and he will be entitled to an annual bonus of an amount up to his annual salary, subject to his compliance with the goals established in the new employment agreement. For further details, see the revised immediate report regarding the convening of the meeting dated January 19, 2023 (reference: 2023-01-009894) and the report on the results of the general meeting dated January 24, 2023 (reference: 2023-01-011088). Approval of the terms of office and employment of Mr. Dabah as CEO of the company, for the period until 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 Remuneration 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 Remuneration Committee – November 22, 2020.
The Company and Shenkar College	On February 14, 2023, after the approval of the Audit Committee, that the case in point is a non-exceptional transaction, the Company's Board of Directors approved a payment of up to NIS 30,000 to Shenkar College as part of the Company's relationship with the academy in general and with Shenkar College, in particular. Mr. Isaac Dabah, the controlling owner and CEO of the company and Noam Lautman, Chairman of the Company's Board of Directors, are members of Shankar's Board of Trustees.	Audit Committee – February 12, 2023 Company Board of Directors – February 14, 2023

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 5, 2023 (ref. no. 2023-01-003208), included herein by way of referral.

For details regarding the dormant shares held by the Company, see the immediate report dated January 10, 2023 (ref. no. 2023-01-004789).

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 10, 2023 (ref. no. 2023-01-004792), 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	Tzipporah	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	Yehosua	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

Director's Name – Chairman of the Board of Directors	**Noam Lautman**
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 Brands 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	None
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

Director's Name - CEO and Director Responsible for the market risks management in the Company	**Isaac Dabah**
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 Gmbh (Supervisory Board) ,Delta Textile Egypt SAE, 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 with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Director's Name	**Tzipporah Carmon**

Director's Name	**Tzipporah 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	Remuneration 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	<u>**Education**</u>: M.B.A. – International Marketing and Trade – UCLA, California B.A. – Sociology and Education – Hebrew University of Jerusalem <u>**Employment**</u>: 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
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,

Director's Name	**Israel Baum**
	Philadelphia
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 the Examination 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	**Education**: 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. **Employment**: 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	The Edmond Benjamin de Rothschild Property Corporation (2001) Ltd.; The Edmond Benjamin de Rothschild Caesarea Development Corporation Ltd.; Vitania Real Estate Ltd.; Alium Medical Ltd., Melisron Ltd.; Ratio Petroleum Energy – Limited Partnership; Panaxia Israel, Manara Ventures

Director's Name	**Rinat Gazit**
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, Remuneration Committee, Committee for the Examination 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, Remuneration 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	<u>**Education**</u>: 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. <u>**Employment**</u>: 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	No
External or independent director	No
Established as having accounting and financial competency or professional qualifications	Yes, has accounting and financial competency
Expert external director	No

Director's Name - External Director	Richard Hunter
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
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**: 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 3 Ltd.; Gal He'atid Ltd.; Middle East Automobile Agency Ltd., Holmes Place Ltd.; Gad Dairies Ltd.; Palco Ltd.; Yarkon Club 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	Mark Stocker
Passport number	555774040
Date of birth	September 17, 1972
Date of commencement of office	January 30, 2023
Position in the company, in a subsidiary or in an interested party therein	President of Brands at Delta USA
Education and occupation in past five years	**Education**: B.S.- Finance / Economics, Saint. Vincent College **Employment**: December 2021 – January 2022 – VP Of Marketing

[2] Excluding officers whose tenure has ended prior to the report date.

Name of Senior Officer	Mark Stocker
	Lord & Taylor March 2006 – July 2021 – Strategic Manager of of Clothing Division at Macy's August 2021 – December 2021 – CEO of Horizon Consulting
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
ID number	Passport no. 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 Private Label 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
Passport 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 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	No

Name of Senior Officer	**Francesca Toninato**
officer in the Company	

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 interested party therein	Deputy CEO and COO Director in a number of subsidiaries
Education and occupation over the past five years	**<u>Education</u>**: Certified Public Accountant B.A. in Accounting and Economics – Tel-Aviv University **<u>Employment</u>**: As of April 2019, Director at Inrom Construction Industries Ltd.
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	**<u>Education</u>**: Business Administration certification – Tel Aviv University B.A. in Accounting and Economics – Tel Aviv University **<u>Employment</u>**: 2012 to 2019 - CEO of Allium Medical Solutions Ltd. Director at 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	VP of Business Development (SVP)
Education and occupation over the past five years	<u>**Education**</u>: Law degree – Harvard Law School B.A. in History – Columbia College <u>**Employment**</u>: 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	<u>**Education**</u>: Certified Public Accountant M.B.A. – Tel-Aviv College of Management B.A. – Accounting and Business Education – Tel-Aviv College of Management
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	**Michal Segal**
ID number	25326570
Date of birth	May 30, 1973
Date of commencement of office	January 1, 2023
Position in the company, in a subsidiary or in an interested party therein	VP Human Resources (SVP)
Education and occupation over the past five years	<u>**Education**</u>: BA in Economics, Sociology and Anthropology – the Hebrew University in Jerusalem

Name of Senior Officer	**Michal Segal**
	MA in Organizational Consulting – the Hebrew University of Jerusalem **Employment**: 2018 – 2021 – VP of HR, IDE 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	VP of Information Systems
Education and Employment over the Past Five Years	Graduate of The Technion – Faculty of Mechanical Engineering Experience in the field of Data Security and Cyber Protection
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	President of Global Upper Market Division
Education and Employment over the Past Five Years	**Education**: Graduate - Economics and Business Administration – Haifa University **Employment:** July 2013 to January 2017 – CEO of Tefron
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

Name of Senior Officer	**Moshe Cohen**
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

Below are the resolutions of the special General Assembly during or after the report period:

For details regarding the approval of the Company's Board of Directors regarding dividend distribution during and after the reporting period - see Section 4 of Chapter A of this periodic report.

On October 26, 2022, 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, Tzipporah 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, 2021; All resolutions put to the vote were approved.

For further information, see the immediate report on the convening of the meeting of September 21, 2022 (reference: 2022-01-120268) and the immediate report on the outcome of the meeting dated October 20, 2022 (reference: 2022-01-130276).

On April 4, 2022, a special general meeting of the Company's shareholders was held, the agenda of which was to approve the terms of employment of Ms. Gloria Dabah. The resolution put to the vote was approved.

For further details, see the announcement regarding the convening of the meeting dated February 25, 2022 (reference 2022-01-023083) and an immediate report on the results of the meeting dated April 4, 2022 (reference: 2022-01-042826).

On January 24, 2023, a special general meeting of the company's shareholders was held, the agenda of which was: (a) Approval of the terms of office and employment of Mr. Isaac Dabah in his position as CEO of the company, who is a controlling owner of the company and also serves as a Director of the company; (b) approval of amendments to the company's compensation policy.

All the decisions that were put to the vote were approved. For further details, see the revised immediate report regarding the convening of the meeting dated January 19, 2023 (reference: 2023-01-009894) and the report on the results of the meeting dated January 24, 2023 (reference: 2023-01-011088).

Regulation 29a – Corporate Decisions

Below 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, on July 25, 2022, the Audit Committee approved the company entering into 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, 2023. The total annual premium for said policy is approximately $59,000.

On January 28, 2021, the terms of employment of Mr. Isaac Dabah as CEO of the company until December 31, 2022 were approved, and on January 24, 2023, the terms of employment of Mr. Isaac Dabah as CEO of the company from January 1, 2023 were approved.

The above stated terms of employment include liability insurance coverage for Directors and Officers (for more details regarding Mr. Dabah's terms of employment, see regulation 21 above).

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 January 28, 2021, the terms of employment of Mr. Isaac Dabah as CEO of the Company were approved until December 31, 2022, and on January 24, 2023, the terms of employment of Mr. Isaac Dabah as CEO of the Company as of January 1, 2023. The terms of employment, as stated, include the granting of letters of commitment for indemnification, (for further details regarding the terms of employment of Mr. Dabah, 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 granting 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).

On January 28, 2021, the terms of employment of Mr. Isaac Dabah as CEO of the company until December 31, 2022 were approved, and on January 24, 2023, the terms of office and employment of Mr. Isaac Dabah as CEO of the company from January 1, 2023 were approved.

The terms of employment as stipulated include the granting of letters of commitment for indemnification (for further details regarding the terms of employment of Mr. Dabah, see regulation 21 above).