

TEFRON LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
In thousands of US dollars (except per share data)

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2004	2003 *)	2004	2003	2003
	Unaudited				
Sales, net	\$138,165	\$122,653	\$43,685	\$39,403	\$163,086
Cost of sales	118,694	104,689	39,062	34,080	139,422
Gross profit	19,471	17,964	4,623	5,323	23,664
Selling, general and administrative expenses	16,940	15,298	6,202	5,276	20,323
Operating income	2,531	2,666	(1,579)	47	3,341
Financing expenses, net	3,040	3,585	1,296	1,052	5,628
Other expenses (income), net	(61)	(234)	(62)	3	(228)
Income (loss) before taxes on income	(448)	(685)	(2,813)	(1,008)	(2,059)
Taxes on income (tax benefit)	711	(665)	(477)	(659)	(424)
Income (loss) after taxes on income	(1,159)	(20)	(2,336)	(349)	(1,635)
Equity in losses of affiliated companies		(183)		(161)	(183)
Minority interest in earnings of a subsidiary	1,569	1,965	588	638	2,550
Pre-acquisition earnings of subsidiary since July 1, 2003		(85)			(85)
Net loss	\$(2,728)	\$(2,253)	\$(2,924)	\$(1,148)	\$(4,453)
Basic and diluted net income (loss) per share	\$(0.18)	\$(0.18)	\$(0.17)	\$(0.09)	\$(0.36)

*) Restated

TEFRON LTD.
CONSOLIDATED BALANCE SHEETS
In thousands of US dollars

	September 30,		December 31,
	2004	2003	2003
	<u>Unaudited</u>		<u>Audited</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$5,249	\$1,765	\$6,877
Trade receivables (net of allowance for doubtful debts)	21,962	20,900	24,917
Other accounts receivable and prepaid expenses	5,445	4,862	6,166
Inventories	32,212	27,776	31,676
Property, plant and equipment held for sale	255		
<u>Total current assets</u>	<u>65,123</u>	<u>55,303</u>	<u>69,636</u>
SEVERANCE PAY FUNDS	146	308	217
PROPERTY, PLANT AND EQUIPMENT			
Cost	161,985	153,638	157,734
Less - accumulated depreciation	66,961	58,496	60,261
Property, plant and equipment, net	95,024	95,142	97,473
OTHER ASSETS:			
Goodwill	31,215	30,895	30,865
Deferred taxes	2,469	4,409	3,428
Investment in affiliated companies	-	393	296
Advance to supplier of equipment	-	1,443	-
Other	525	1,023	806
<u>Total other assets</u>	<u>34,209</u>	<u>38,163</u>	<u>35,395</u>
<u>Total assets</u>	<u>\$194,502</u>	<u>\$188,916</u>	<u>\$202,721</u>
	September 30,		December 31,
	2004	2003	2003
	<u>Unaudited</u>		
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank credit	\$20,325	\$22,508	\$31,761
Current maturities of long-term debt:			
Loans from banks and other	16,569	10,928	10,328
Capital leases	399	1,671	1,367
Trade payables	26,906	23,167	29,558
Payables in respect of issuance of shares (Note 3a)	3,454	-	-
Other accounts payable and accrued expenses	9,154	7,537	11,146
<u>Total current liabilities</u>	<u>76,807</u>	<u>65,811</u>	<u>84,160</u>
LONG-TERM LIABILITIES:			
Loans from banks and others	41,482	58,352	56,471
Capital leases	24	601	327
Deferred taxes	6,825	8,303	7,570
Accrued severance pay	2,714	2,332	2,486
<u>Total long-term liabilities</u>	<u>51,045</u>	<u>69,588</u>	<u>66,854</u>
MINORITY INTEREST	16,121	14,662	15,052
<u>Total liabilities</u>	<u>143,973</u>	<u>150,061</u>	<u>166,066</u>

SHAREHOLDERS' EQUITY:

Share capital			
50,000,000 shares; Issued and outstanding: 18,014,247	6,582	5,575	5,575
and outstanding: 4,500 shares	1	1	1
Additional paid-in capital	79,093	62,810	62,810
Accumulated deficit	(27,051)	(22,123)	(24,323)
Deferred compensation (Note 3b)	(688)	-	-
	<u>57,937</u>	<u>46,263</u>	<u>44,063</u>
Less - 997,400 Ordinary shares in treasury, at cost	(7,408)	(7,408)	(7,408)
<u>Total</u> shareholders' equity	<u>50,529</u>	<u>38,855</u>	<u>36,655</u>
<u>Total</u> liabilities and shareholders' equity	<u>\$194,502</u>	<u>\$188,916</u>	<u>\$202,721</u>

Calculation of the EBITDA
(in thousands \$)

	Nine months ended ,		Three months ended ,		Year ended ,
	September 30,		September 30,		December 31,
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
Income (loss) before taxes on income (benefit)	\$ (448)	\$ (685)	\$ (2,813)	\$ (1,008)	\$ (2,059)
Finance expenses ,net	\$3,040	\$3,585	\$1,296	\$1,052	5,628
Depreciation and amortization (see Cash Flows Statements)	\$9,023	\$7,247	\$4,192	\$2,387	9,005
Depreciation adjustment Q2/03				\$131	
<u>EBITDA</u>	<u>\$11,615</u>	<u>\$10,147</u>	<u>\$2,675</u>	<u>\$2,562</u>	<u>\$12,574</u>