

Summary Information Regarding the Company

Tefron Ltd. was incorporated under the laws of the State of Israel on March 10, 1977. We are subject to the provisions of the Israeli Companies Law, 5759-1999. The mailing address of our principal executive offices is Industrial Center Teradyon, P.O. Box 1365, Misgav, 20179, Israel, and our telephone number is 972-4-990-0881.

We manufacture intimate apparel, active-wear and swimwear sold throughout the world by such name-brand marketers as Victoria's Secret, Nike, Target, Warnaco/Calvin Klein, The Gap, Banana Republic, Mervyn's, Puma, Patagonia, Adidas, Reebok and other well known American retailers and designer labels. Through the utilization of manufacturing technologies and techniques developed or refined by us, we are able to mass-produce quality garments featuring unique designs tailored to our customers' individual specifications. Our product line includes knitted briefs, bras, tank tops, boxers, leggings, crop, T-shirts, nightwear, bodysuits, swim wear, beach wear, active-wear and accessories. Our Healthcare Division manufactures and sells a range of textile healthcare products. These products include: slip resistant footwear; anti-embolism stockings and compression therapy systems, an intermittent pneumatic compression device; sterile wound dressings; and XX-Span® dressing retainers, an extensible net tubing designed to hold dressings in place without the use of adhesive tape.

We are known for the technological innovation of our Hi-Tex manufacturing process. Our Hi-Tex manufacturing process was implemented as part of our strategy to streamline our manufacturing process and improve the design and quality of our products. The Hi-Tex manufacturing process involves the utilization of a single machine that transforms yarn directly into a nearly complete garment, replacing the knitting, cutting, and significant sewing functions which, in traditional manufacturing, are performed sequentially on separate machines at separate workstations. Following this single-machine operation, all the Hi-Tex manufacturing process requires to complete the garment is dyeing and a reduced amount of sewing and finishing. Our Hi-Tex manufacturing process enables us to produce a substantially wider range of fabrics, styles and product lines, resulting in a consistently high level of comfort, quality and durability. Our fabric engineering, product design and the comfort of our products provide us with an opportunity to expand our sales of active-wear products.

We believe that our collaboration with our customers in the design and development of our products strengthens our relationships with our customers and improves the quality of our products. We began our relationship with Victoria's Secret in 1991, with Banana Republic and The Gap in 1993, with Warnaco/Calvin Klein in 1994 and with Nike in 2000. In 2000, we also began our relationship with Target, which was an existing customer of Alba Waldensian, Inc., which name was changed to Tefron USA, Inc. ("Alba"). These customers accounted for approximately 69.7% and 70.8% of our total sales in 2004 and in the first nine months of 2005, respectively.

Below is a summary of significant events in our development:

1990	First bodysize cotton panty with applied elastics.
1997	Formation of "Hi-Tex Founded by Tefron Ltd." ("Hi-Tex") and production of first seamless panty. Initial public offering of our shares on the NYSE.
1998	Acquisition of a dyeing and finishing facility to achieve greater vertical integration of our business.

1999	Acquisition of Alba, a manufacturer of seamless apparel and healthcare products. The main purpose of the acquisition of Alba was to acquire additional production capacity, a presence in the United States, direct store distribution capacity, a broader customer base and incremental revenues.
2001	Initial significant shifting of sewing production to Jordan.
2001	Launch of a turn around program, including significant cost reduction, downsizing and consolidation of operations.
2002	Reorganization of Alba, including a spin off of the Health Product Division and the formation of the AlbaHealth LLC (“AlbaHealth”) joint venture with a strategic investor, and the initial consolidation of the seamless production activity in Hi-Tex in Israel, was completed in the second quarter of 2003.
2003	Acquisition of all of the outstanding ordinary shares of Macro Clothing Ltd., an entity that manufactures, markets and sells swimsuits and beachwear. Implementation of strategic steps to expand our product line, including active-wear products, to diversify our product line and client base.
March-April 2004	Closing of equity investments with two groups of investors in the aggregate amount of \$20 million.
October 2004	Launch of a new business division, Sports Innovation Division ("SID"), which is devoted to our growing U.S. customer base in the sport active wear market.
September 2005	Registration of our shares for trade on the Tel Aviv Stock Exchange (in addition to the listing on NYSE).
December 2005	Our delivery of a notice to exercise our option to require AlbaHealth to purchase our ownership interest in AlbaHealth.

We enjoy several strategic advantages by reason of our location in Israel and Jordan. Israel is one of the few countries in the world that has free trade agreements with the United States, Canada, the European Union, or EU, and the European Free Trade Association, or EFTA. These agreements permit us to sell our products in the United States, Canada and the member countries of the EU and the EFTA free of customs duties and import quotas. Due to our locations in Jordan and due to the Qualified Industrial Zone ("QIZ") Agreement between the United States, Jordan and Israel, we benefit from exemptions from United States customs duties and import quotas on textiles manufactured in several areas in the Jordan QIZ. We also currently benefit from substantial investment grants and tax incentives provided by the Government of Israel and from the availability in Israel of skilled engineers.