

TEFRON LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2022

(UNAUDITED)

TEFRON LTD.

Condensed Consolidated Financial Statements as of March 31, 2022

Unaudited

Index

	<u>Page</u>
Review Report of the Auditors	2
Condensed consolidated balance sheets	3-4
Condensed consolidated statements of income	5
Condensed consolidated statements of comprehensive income	6
Condensed consolidated statements of changes in shareholders' equity	7-8
Condensed consolidated statements of cash flows	9-10
Notes to the condensed consolidated financial statements	11-17

Deloitte.

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

Preface

We have reviewed the attached financial information of Tefron Ltd. and its subsidiaries (hereinafter - "the Group"), which includes the condensed consolidated balance sheet as of March 31, 2022, and the condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the period of three months then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for this interim period, in accordance with International Accounting Standard IAS 34 - "Financial Reporting for Interim Periods" and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of the review

We have performed our review in accordance with Review Standard (ISRE) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor". A review of financial information for interim periods consists of making inquiries, primarily with persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is considerably more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and therefore does not enable us to obtain assurance that we will be aware of all significant matters which might have been identified in an audit. Consequently, we are not expressing an opinion of an audit.

Conclusion

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

In addition to the aforesaid in the previous paragraph, based on our review, nothing has come to our attention that would cause us to believe that the above financial information does not comply, in all material respects, with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Date: May 25, 2022

Tel Aviv - Main Office

1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem

3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396

Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa

5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat

The City Center
P.O.B. 583
Eilat, 8810402

Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth

9 Marj Ibn Amer St.
Nazareth, 16100

Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

Tefron Ltd.

Condensed Consolidated Balance Sheets

	As of March 31, 2022	As of March 31, 2021	As of December 31, 2021
	Unaudited	Audited	
	US dollars in thousands		
<u>Current assets</u>			
Cash	7,431	4,499	3,501
Trade receivables, net	32,455	49,946	43,022
Other receivables	7,124	3,167	4,845
Inventory	93,841	44,933	70,963
Total current assets	140,851	102,545	122,331
<u>Non-current assets</u>			
Property, plant and equipment, net	14,585	14,402	14,283
Right-of-use asset	5,805	6,672	5,754
Goodwill and intangible assets, net	4,065	122	127
Software, net	2,538	2,518	2,623
Deferred taxes, net	5,648	3,051	5,648
Total non-current assets	32,641	26,765	28,435
Total assets	173,492	129,310	150,766

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

Tefron Ltd.

Condensed Consolidated Balance Sheets

	As of March 31, 2022	As of March 31, 2021 Unaudited	As of December 31, 2021 Audited
	US dollars in thousands		
<u>Current Liabilities</u>			
Credit from banking corporations	40,289	32,973	34,185
A loan from the controlling shareholders	-	2,000	-
Trade payables	61,158	41,417	52,087
Other payables	10,855	8,714	9,394
Total current liabilities	112,302	85,104	95,666
<u>Non-current liabilities</u>			
Loans from banking corporations	5,143	5,559	5,143
Liabilities for bank options	-	168	-
Liabilities for benefits to employees, net	1,270	1,406	1,301
Long-term payables	7,333	6,090	4,653
Total non-current liabilities	13,746	13,223	11,097
<u>Equity</u>			
Share capital	34,995	33,617	34,402
Additional paid-in capital	100,865	99,982	101,352
Capital reserve for remeasurement of defined benefit plan	(2,340)	(2,260)	(2,340)
Accumulated deficit	(79,206)	(93,200)	(82,366)
Treasury shares	(7,408)	(7,408)	(7,408)
Capital reserve for hedging transactions	(71)	(339)	(246)
Other capital reserves	609	591	609
Total equity	47,444	30,983	44,003
Total liabilities and equity	173,492	129,310	150,766

May 25, 2022

**Date of approval of
the financial statements**

**Arnon Tiberg
Chairman of Board**

**Ben Lieberman
CEO**

**Gregory Davidson
CFO**

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

Tefron Ltd.

Condensed Consolidated Statements of Income

	For the three months ended March 31,		For the year ended December 31
	2022	2021	2021
	Unaudited	Audited	
US dollars in thousands (excluding data on earnings per share)			
Sales	53,021	57,905	261,346
Cost of sales	40,783	(*)45,692	207,564
 Gross profit	 12,238	 (*)12,213	 53,782
Development expenses	1,542	1,256	5,232
Selling and marketing expenses	5,750	(*)5,248	24,426
General and administrative expenses	1,062	887	4,508
Other expenses	-	-	739
 Operating profit	 3,884	 4,822	 18,877
Financing income	102	86	197
Financing expenses	(637)	(637)	(4,145)
 Financing expenses, net	 (535)	 (551)	 (3,948)
Income before taxes on income	3,349	4,271	14,929
Taxes on income	(189)	(753)	(577)
 Net income	 3,160	 3,518	 14,352

Income per share (in dollars)

Basic earnings per share	0.26	0.30	1.18
Diluted earnings per share	0.24	0.29	1.11

(*) Reclassified, see Note 7 as follows

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

Tefron Ltd.

Condensed Consolidated Statements of Comprehensive Income

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited	Audited	US dollars in thousands
Net income	3,160	3,518	14,352
Other comprehensive income (loss) (after the effect of the tax):			
<u>Amounts that will not be reclassified thereafter to the statements of income:</u>			
Loss from remeasurement of a defined benefit plan	-	-	(80)
Subtotal of items that will not be reclassified thereafter to the statements of income	-	-	(80)
<u>Amounts that will be reclassified or are reclassified to the statements of income provided that specific terms are met:</u>			
Unrealized gain (loss) on cash flow hedges	19	16	(54)
Unrealized gain due to interest rate swap transaction	156	26	189
Total items that shall be reclassified or are reclassified to the statements of income	175	42	135
Total other comprehensive income	175	42	55
Total comprehensive income attributable to the Company's shareholders	3,335	3,560	14,407

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

Tefron Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

	Share capital	Additional paid-in capital	Reserve for actuarial losses	Accumulated deficit	Treasury shares	Capital reserve for hedging transactions	Other capital reserves	Total equity
Unaudited								
US dollars in thousands								
Balance as of January 1, 2022 (audited)	34,402	101,352	(2,340)	(82,366)	(7,408)	(246)	609	44,003
Net income	-	-	-	3,160	-	-	-	3,160
Total other comprehensive income	-	-	-	-	-	175	-	175
Issue of shares	593	(593)	-	-	-	-	-	-
Share based payment to employees and consultants	-	106	-	-	-	-	-	106
Balance as of March 31, 2022	34,995	100,865	(2,340)	(79,206)	(7,408)	(71)	609	47,444
	Share capital	Additional paid-in capital	Reserve for actuarial losses	Accumulated deficit	Treasury shares	Capital reserve for hedging transactions	Other capital reserves	Total equity
Unaudited								
US dollars in thousands								
Balance as of January 1, 2021 (audited)	33,617	99,967	(2,260)	(96,718)	(7,408)	(381)	572	27,389
Net income	-	-	-	3,518	-	-	-	3,518
Total other comprehensive income	-	-	-	-	-	42	-	42
Share based payment to employees and consultants	-	15	-	-	-	-	-	15
Benefit from a controlling shareholder	-	-	-	-	-	-	19	19
Balance as of March 31, 2021	33,617	99,982	(2,260)	(93,200)	(7,408)	(339)	591	30,983

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

Tefron Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

	Share capital	Additional paid-in capital	Reserve for actuarial losses	Accumulated deficit US dollars in thousands	Treasury shares	Capital reserve for hedging transactions	Other capital reserves	Total equity
<u>Balance as of January 1, 2021</u>	33,617	99,967	(2,260)	(96,718)	(7,408)	(381)	572	27,389
Net income	-	-	-	14,352	-	-	-	14,352
Total other comprehensive income (loss)	-	-	(80)	-	-	135	-	55
Issue of shares	785	954	-	-	-	-	-	1,739
Share based payment to employees and consultants	-	431	-	-	-	-	-	431
Benefit from a controlling shareholder	-	-	-	-	-	-	37	37
<u>Balance as of December 31, 2021</u>	<u>34,402</u>	<u>101,352</u>	<u>(2,340)</u>	<u>(82,366)</u>	<u>(7,408)</u>	<u>(246)</u>	<u>609</u>	<u>44,003</u>

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

Tefron Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three months ended March 31,		For the year ended December 31
	2022	2021	2021
	Unaudited	Audited	US dollars in thousands
<u>Cash flows from operating activities:</u>			
Net income	3,160	3,518	14,352
Adjustments required to present cash flows from operating activities:			
Depreciation and amortization of fixed assets and intangible assets	1,473	899	4,236
Capital gain on sale of fixed assets	-	-	31
Benefit from a controlling shareholder	-	19	37
Impairment of fixed assets	-	-	708
Cost of share-based payment	65	15	518
Loss due to impairment of slow inventory	264	208	569
	<u>1,802</u>	<u>1,141</u>	<u>6,099</u>
Change in deferred taxes, net	-	-	(2,597)
Change in liabilities for benefits to employees, net	(31)	38	(147)
Change in fair value of a liability for bank options	-	-	1,571
Taxes on income	250	(68)	2,205
Financing expenses, net	583	653	1,955
	<u>802</u>	<u>623</u>	<u>2,987</u>
Changes in assets and liabilities items:			
Decrease (increase) in trade receivables	10,567	(8,182)	(1,258)
Decrease (increase) in other receivables	(2,260)	475	(1,273)
Increase in inventory	(23,142)	(11,382)	(37,773)
Increase in trade payables	9,100	4,615	15,895
Increase (decrease) in other payables	(354)	1,035	1,665
	<u>(6,089)</u>	<u>(13,439)</u>	<u>(22,744)</u>
Cash paid and received during the period for:			
Interest paid	(454)	(616)	(1,658)
Taxes paid	(250)	(15)	(2,288)
Taxes received	-	83	83
	<u>(704)</u>	<u>(548)</u>	<u>(3,863)</u>
Net cash used for operating activities	<u>(1,029)</u>	<u>(8,705)</u>	<u>(3,169)</u>

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

Tefron Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three months ended March 31, 2022	For the three months ended March 31, 2021	For the year ended December 31 2021 Audited US dollars in thousands
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment and intangible assets	(378)	(98)	(3,499)
Purchase of software	(69)	(325)	(844)
Proceeds from disposal of fixed assets	-	-	939
Net cash used for investing activities	<u>(447)</u>	<u>(423)</u>	<u>(3,404)</u>
<u>Cash flows from financing activities:</u>			
Short-term bank credit, net	6,105	5,705	8,215
Repayment of long-term loans	-	-	(1,715)
Repayment of loans from a controlling shareholder	-	-	(2,000)
Repayment of long-term credit for fixed assets	(148)	-	(812)
Repayment of lease liability	<u>(551)</u>	<u>(357)</u>	<u>(1,893)</u>
Net cash provided from financing activities	<u>5,406</u>	<u>5,348</u>	<u>1,795</u>
Increase (decrease) in cash and cash equivalents	3,930	(3,780)	(4,778)
Cash and cash equivalents at beginning of period	3,501	8,279	8,279
Cash and cash equivalents at end of period	<u>7,431</u>	<u>4,499</u>	<u>3,501</u>
<u>Appendix a – Significant non-cash transactions</u>			
Purchase of fixed assets on credit	400	892	599

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

Note 1 - General

- a. These financial statements were prepared in a condensed form as of March 31, 2022, and for the three months period then ended (hereinafter - "interim consolidated financial statements"). These statements should be read together with Tefron Ltd.'s (hereinafter: "the Company") annual financial statements as of December 31, 2021, and for the year then ended, and the notes accompanying them (hereinafter: "annual financial statements").
- b. The Company did not include separate financial information in the interim financial statements in accordance with Regulation 38d of the Securities Regulations ("Periodic and Immediate Reports"), 1970, since it believes that including such information shall not carry with it any additional material information to the investor.

Note 2 - Significant accounting principles

a. Basis for the preparation of the financial statements

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Financial Reporting for Interim Periods", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports) 1970.

During the preparation of these interim financial statements, the Group implemented accounting policies, presentation rules, and calculation methods identical to those applied in its financial statements as of December 31, 2021, and for the year then ended.

b. Taxes on income in interim financial reports

The tax expenses (income) for the presented periods include the total current taxes, taxes in respect of previous years, as well as the total change in the balances of deferred taxes.

Current tax expenses (income) in interim periods are accrued using the average effective annual income tax rate. For the purpose of calculating the effective income tax rate, tax losses for which deferred tax assets were not recognized, which are expected to reduce the tax liability in the reporting year, are deducted.

Note 3 – Amendments to Financial Reporting Standards

Amendment IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (concerning Onerous Contracts — Cost of Fulfilling a Contract with a Customer)

The amendment states that "the cost of fulfilling a contract with a customer" consists of "the costs that relate directly to a contract." Costs that relate directly to a contract consist of both incremental costs of fulfilling that contract (for example, direct labor and materials costs) and the allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation charge for an item of property, plant and equipment used, among others, in fulfilling that contract).

The amendment is applied for annual reporting periods beginning on or after January 1, 2022.

The effect of the initial implementation of this standard on the Group's financial statements is not material.

Note 3 – Amendments to Financial Reporting standards (Cont.)

Amendment IAS 1 "Presentation of Financial Statements" (concerning the classification of liabilities as current or non-current)

The amendment clarifies that the classification of liabilities as current or non-current is based on the existing rights at the end of the reporting period and is not affected by the entity's estimation concerning the exercise of this right.

The amendment removed the reference to the existence of an unconditional right and clarified that if the right to defer the settlement is contingent on financial covenants, the right exists if the entity meets the criteria set at the end of the reporting period, even if the examination of whether the covenants are met, is done by the lender at a later date.

In addition, as part of the amendment, a definition has been added to the term "disposal" in order to clarify that disposal can be a transfer of cash, goods and services or equity instruments of the entity itself to the opposite party. In this context, it has been clarified that if the terms of a liability that

could, at the option of the counterparty, result in its settlement by a transfer of the entity's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability as current or non-current.

The amendment only affects the classification of liabilities as current or non-current in the balance sheet and not on the amount or timing of the recognition of those liabilities or the income and expenses related thereto.

The amendment will be applied retrospectively for annual reporting periods beginning on or after January 1, 2023. Early application is possible.

Amendment IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Concerning Definition of Accounting Estimates)

The definition of "change in an accounting estimate" has been replaced by the definition of "accounting estimates". Accounting estimates under the new definition are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendment clarifies that a change in an accounting estimate resulting from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or measurement technique used to develop an accounting estimate constitute a change in accounting estimates if those changes do not result from the correction of errors in a prior period.

The amendment will be applied by way of prospective application for annual reporting periods beginning on or after January 1, 2023. Early application is possible.

Note 4 – Significant events during the period of the report and thereafter

a. Amendment to the financing agreement with HSBC Canada, the Company's financing bank

On March 10, 2022, the signing of the amendment to the financing agreement of the Company with the bank that finances its operations, HSBC, was completed (hereinafter: "the financing agreement", "the amendment" and "the bank", respectively). The principles of the amendment are as follows:

- (1) Increasing the line of credit provided by the bank to Tefron Canada Ltd., a Canadian subsidiary wholly owned by the Company (hereinafter: "Tefron Canada"), from an amount of US\$ 35,000,000 to an amount of US\$ 50,000,000 (hereinafter: "the line of credit").
- (2) Increasing the upper limit of the inventory that will be taken into consideration as collateral for the purpose of utilizing the credit line so that the inventory value will be the lower of: (1) 50% of the inventory value of the finished goods of Tefron Canada and its wholly owned subsidiary, Tefron USA Inc. (hereinafter: "Tefron USA"), and (2) US\$ 25,000,000 (prior to the increase the amount was, as aforementioned, US\$ 10,000,000), while out of this amount, the amount of work-in-progress inventory shall not exceed US\$ 3,000,000.
- (3) Increasing the annual investment limit from a sum of US\$ 2,000,000 to a sum of US\$ 7,000,000 million in 2022 and a sum of US\$ 3,500,000 each year thereafter.
- (4) Adjusting the financing agreement to the SOFR interest rate (and TERM SOFR), which will replace the Labor interest rate.

As of March 31, 2022, the Company met all of the financial covenants stipulated in the financing agreement, as detailed as follows:

Debt service cover ratio of at least 1.20 times, was 3.72.

Debt to EBITDA ratio (as defined in the financing agreement) of no more than 3.50 times was 1.60.

b. Legal proceedings

On January 10, 2022, the Company reported the submission of a statement of claim against it and against four additional defendants in Haifa District Court by an agent of the Company's machine supplier, Real.Tex Agencies Ltd., and the shareholder thereof, in a total amount of NIS 9 million. The plaintiff claims the defendants allegedly owe him commissions.

Apparently, the Company's part in the lawsuit is insignificant in relation to the entire lawsuit. It also appears the Company has good defense claims against the plaintiff's lawsuit. The management of the Company assesses, based on its legal counsel that due to the preliminary stage of the lawsuit, it is not possible to estimate the chances of the lawsuit.

c. Exercising options

During the reporting period, 233,333 options that were allocated by the Company were exercised into 109,909 ordinary shares of the Company.

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

d. Renewal of letters of indemnity to controlling shareholders

On February 21, 2022, the General Meeting of the shareholders of the Company approved, after receiving the approval of the Remuneration Committee and the Board of Directors of the Company, the renewal of the validity of the letters of indemnity to Messrs. Ben Lieberman and Martin Lieberman, directors, officers and controlling shareholders of the Company, and this as of February 11, 2022.

e. Extending a lease agreement between the company and the controlling shareholders thereof

On March 14, 2022, the Audit Committee and Board of Directors of the Company approved the extension of the lease agreement of the showrooms in Manhattan, New York, which was signed between the Company and its controlling shareholders, and this until December 31, 2025, and the updated lease fees, which will be US\$ 10,700 per month on an average basis over 4 years.

f. Coronavirus

As of the date of the publication of this report and during the reporting period, the spread of the Coronavirus has caused, among other things, disruptions and significant price increases in the supply chain of products, as well as restrictions on transportation and employment in various territories around the world. Nevertheless, as of the date of this report, the global management of this pandemic has seemed to stabilize. However, there is still a concern of experiencing additional “waves” of the pandemic. From all of the aforementioned, at this stage, it is difficult to estimate the future consequences of the pandemic on the Company, that during the pandemic period has improved its actual results. Nevertheless, the uncertainty still exists, but as long as the trends we have witnessed during the reporting period, and as of the date of publication of this report continue, the Company expects to overcome this event, but it may have an impact on the profitability of the Company.

Note 5 - Operating segments

a. General

The information that the Company provides in accordance with the IFRS 8 definitions is based on the available financial information, which is reviewed regularly and is used by the Company's CEO, who is the Company's chief operating decision-maker (CODM), for the purpose of making decisions regarding the resources to be allocated to the segment and in order to evaluate the segment's performance.

Based on the criteria in IFRS 8 for determining reportable operating segments, and the available financial information, which is reviewed regularly by the Company's CEO, the Company has determined that it operates in two reportable operating segments:

- (a) **Brands** – This segment engages in the design, development, production, and marketing of seamless intimate apparel and activewear and leisurewear, which are manufactured in the Company's plants and through subcontractors and are sold to customers with leading brands.
- (b) **Retail** – This segment engages in the design, development, production, and marketing of seamless intimate apparel and activewear and leisurewear which are sold worldwide to customers in the retail market and are characterized by purchasing large quantities of less complex products compared to the products of the brands segment.

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 5 - Operating segments (Cont.)

b. Reporting in respect of operating segments

	For the three-month period ended March 31, 2022			For the three-month period ended March 31, 2021		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited US dollars in thousands			Unaudited US dollars in thousands		
Total segment revenues	17,743	35,278	53,021	17,064	40,841	57,905
Direct profit	2,490	2,558	5,048	2,028	3,783	5,811
Indirect costs	(390)	(774)	(1,164)	(292)	(697)	(989)
Segment results	2,100	1,784	3,884	1,736	3,086	4,822
Financing expenses, net			(535)			(551)
Tax expenses			(189)			(753)
Net income			3,160			3,518

	For the year ended December 31, 2021			
	Brands	Retail	Adjustments	Total
	US dollars in thousands			
Total segment revenues	70,083	191,263		261,346
Direct profit	7,250	17,394		
Indirect costs	(1,326)	(3,626)		
Segment results	5,924	13,768		19,692
Other expenses				(815)
Financing expenses, net				(3,948)
Tax expenses				(577)
Net Income				14,352

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

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 6 - Financial instruments

Fair Value

The carrying amount of cash, trade receivables, other receivables, banks' credit and long-term loans, trade payables, and other payables matches or approximates their fair value.

Note 7 – Reclassification

As detailed in Note 22g to the financial statements for the year 2021, the Company has reclassified the transportation costs since these are costs incurred in transporting the inventory to the point of sale.

Therefore, transportation costs were reclassified from selling and marketing expenses to the cost of sales in the statement of income in order to reflect more accurately the expenses related to the cost of sales. The aforesaid reclassification has had no effect on the total operating profit and the profit for the period.

The effect of the reclassification on the reporting period is detailed as follows:

	For the three-month period ended on March 31, 2021		
	As reported on 31.03.21	The change	As reported in these financial statements
Cost of sales	44,715	977	45,692
Gross profit	13,190	(977)	12,213
 Selling and marketing expenses	 6,225	 (977)	 5,248
Operating profit	4,822	-	4,822