

Delta Galil Industries Ltd.

Quarterly Report as of March 31, 2009

Report of the Board of Directors
on the state of corporate affairs

For the period ended March 31, 2009

We hereby present to you the report of the Board of Directors of Delta Galil Industries Ltd. (hereinafter: “the Company”, “Delta”) with respect to the consolidated report of the company and its subsidiaries in Israel and overseas (hereinafter: “the Group”) for the quarter ended March 31, 2009 pursuant to Securities Regulations (Periodic and Immediate Reports), 1970.

1. Summary description of the corporation and its business environment

1.1 Overview

The Company is engaged in design, development, production, marketing and sales of underwear and socks for men, women and children.

Group customers include leading retailers such as: Wal-Mart, Target, Marks & Spencer, Hema, Victoria's Secret as well as leading brands including: Nike, Hugo Boss, Calvin Klein, Tommy Hilfiger and others.

The Group also sells its products under franchise brands, including:

Maidenform®, Converse®, Wilson®, Nicole Miller®, Lucky® etc. and under its "Delta" private label in its domestic operations in Israel.

Delta designs and develops its products primarily in Israel and in the US, whereas production is mostly done in its facilities in the Middle East, Far East and via sub-contractors in those locations.

1.2 Material events in corporate operations during the reported period

1.2.1 Purchase of shares by Isaac Dabah CEO and Chairman of the Board of Directors.

On January 8th and March 3rd 2009, Mr. Isaac Dabah purchased (through GMM Capital LLC) 1,130,512 and 48,325 Delta shares in an average price of 7.0 and 6.1 NIS respectively, resulting that the holding percentage owned by him is 53.8% (Reference no. 2009-01-000129, 2009-01-050181).

1.2.2 Agreement to Purchase Assets and Activity in the Socks Segment.

On April 2, 2009 the transaction of purchasing assets and part of the activity of Gibor sports active wear (GSAW) Ltd ("Gibor") in the design, development marketing and selling of socks was completed, after the conditioned terms in the agreement (which were detailed in the previous immediate report), were met.

The purchase of Gibor assets is synergic to the Company's activity in the socks segment and designated to expand and leverage its activity in it. The Company expects the transaction to double its sales to NIKE and will be a significant step towards tightening its relations with NIKE, as part of the strategy to focus on market leading customers. The Company expects that the transaction will increase its sport socks sales to NIKE by 20\$ million on an annual basis - from it 80% of sales in Europe and the rest in the US; and the Company will become the major socks supplier to NIKE, in general, and in the unique sports socks niche (Performance and sport Culture), in particular. In addition, the transaction is expected to allow the Company to enter into new customers in the soccer socks niche, a new category in which the Company had no activity¹. (For details see immediate report from April 5, 2009, reference no. 2009-01-081255)

¹ To be noted that the mentioned in this report, is an estimation only and future observation, as defined in the securities law 1968, that may not executed or executed differently than expected, resulting from reasons not dependent on the Company only and due to its being based on information known at the time of the repost, including Company's estimations, assumptions and intentions, fitted to the report date.

2. Analysis of financial position

2.1 Balance sheet

The Group's consolidated balance sheet as of March 31, 2009 amounted to \$357.2 million, compared to \$434.3 million as of March 31, 2008.

The Group's consolidated current assets as of March 31, 2009 amounted to \$197.3 million, compared to \$253.3 million as of March 31, 2008.

In Q1 2009, the Company's sales decreased by 21.4% compared to the same period last year and amounted to \$123.4 million, this decrease resulted in a decrease in the working capital and in current assets (mainly in Inventory and Receivables).

The Group's consolidated current liabilities as of March 31, 2009 amounted to \$203.2 million, compared to \$232.2 million on March 31, 2008.

The decrease in consolidated liabilities as of March 31, 2009 compared to March 31, 2008 is due to a decrease in short term bank loans and in payables balance due to the decrease in working capital, mentioned above.

Group equity as of March 31, 2009 amounted to \$145.2 million, or 40.6% of total balance sheet, compared to \$150.1 million, or 39.5% of total balance sheet as of December 31, 2008.

The decrease in Group equity as of March 31, 2009 compared to December 31, 2008 is due to the loss in Q1 2009 which amounted to \$4.9 million.

2.2 Operating results

2.2.1 Below are Group summary income statements for the first quarter of 2009 and 2008 and for the year 2008, in \$ thousands:

	First quarter	First quarter	Yearly
	2009	2008	2008
	Un-Audited		Audited
Sales	123,426	156,989	622,834
Cost of sales	105,696	125,925	517,155
Gross profit	17,730	31,064	105,679
Selling and marketing expenses	16,441	20,751	78,953
General and administrative expenses	5,135	6,442	26,703
Other income, net	579	356	805
Operating income (loss) before re-structuring expenses and impairment of goodwill	(3,267)	4,227	828
Restructuring expenses	-	-	9,162
Impairment of goodwill	-	-	7,392
Operating income (loss)	(3,267)	4,227	(15,726)
Finance expenses, net	1,767	2,454	7,479
Company share of loss of associate	-	-	(55)
Income (loss) before taxes on income	(5,034)	1,773	(23,260)
Taxes on income (tax benefit)	(180)	878	2,522
Net income (loss) for period	(4,854)	895	(25,782)
Attribution of net income (loss) for the period:			
To Company shareholders	(4,884)	776	(26,400)
To minority interest	30	119	618
	(4,854)	895	(25,782)
Net earnings (loss) per share attributed to Company shareholders:			
Basic and diluted	(0.26)	0.04	(1.41)

2.2.2 The following table lists major data, \$ in millions:

	First quarter		Year
	2009	2008	2008
Sales	123.4	157.0	622.8
Operating income (loss) before restructuring expenses and impairment of goodwill	(3.3)	4.2	0.8
Restructuring expenses	-	-	9.2
Impairment of goodwill	-	-	7.4
Operating income (loss)	(3.3)	4.2	(15.7)
Adjusted EBITDA (*)	(0.2)	7.4	13.3
Net income (loss) attributed to company shareholders, before restructuring expenses and impairment of goodwill	(4.9)	0.8	(9.8)
Net income (loss) attributed to company shareholders	(4.9)	0.8	(26.4)
Operating cash flow	3.6	(3.4)	15.8

	First quarter		Year
	2009	2008	2008
Net profit (loss) per period	(4.9)	0.9	(25.8)
Tax on income (tax benefit)	(0.2)	0.9	2.6
Finance expenses, net	1.8	2.5	7.5
Restructuring expenses	-	-	9.2
Depreciation & amortization (including impairment of goodwill)	<u>3.1</u>	<u>3.1</u>	<u>19.8</u>
Adjusted EBITDA (*)	(0.2)	7.4	13.3

(*) Adjusted EBITDA is a benchmark which is not in accordance with GAAP, which the Company uses to measure its results from continued operations; to the best of the Company's knowledge this is a benchmark commonly used by other companies in the Company's operating sectors.

The adjusted EBITDA is calculated as follows: net income (loss) plus tax on income, finance expenses net, depreciation and amortization, impairment of goodwill and restructuring expenses.

2.3 Analysis of operating results

2.3.1 General

Group sales in Q1 of 2009 amounted to \$123.4 million, compared to \$157.0 million in Q1 of 2007, a decrease of 21.4%.

The following table presents the group sales by geographic area, in million dollars:

	First quarter					Y 2008	
	2009	% from total	2008	% from total	% change		% from total
US	79.7	65	91.7	58	(13)	375.9	61
Israel	16.3	13	19.4	12	(16)	81.1	13
UK	14.3	12	27.2	17	(47)	94.6	15
Europe	13.0	10	18.6	12	(30)	70.5	11
Other	<u>0.1</u>	-	<u>0.1</u>	-	-	<u>0.7</u>	-
Total	<u>123.4</u>	100	<u>157.0</u>	100	(21)	<u>622.8</u>	100

The decrease in sales in Q1 2009 compared to Q1 2008 was in the line with the Company's expectations and was due to the continuing recession, realized as part of the financial and economic crisis started in 2008.

The decrease in sales in the US in Q1 of the year compared to the same period last year was due to the different layout of sales to a main customer between quarters in 2009 compared to 2008 (high sales in Q1 2008) and due to the decrease in customer's inventory, following its conservative policy in inventory management due to the economic crisis.

The decrease in sales in the UK in Q1 2009 compared to the same period last year is due to the exit from non-profitable categories to a major customer and in accordance with the Company's restructuring plan. More of, the decrease in sales was due to the weakness in the customers sales and the 28% devaluation in the average exchange rate of the Pound vs. the USD in the first quarter of the year compared to the same quarter last year. Total sales to the customer in Q1 2009 amounted to \$11.4 million compared to \$23.0 million in Q1 2008.

The decrease in sales to this customer is expected to continue during 2009².

The decrease in sales in Europe in Q1 of the year compared to the same quarter last year was due to the recession in the market and from the devaluation of the average exchange rate of the Euro by 13%, vs. the average rate in the same quarter last year.

The decrease in sales in Israel in Q1 of the year compared to the same quarter last year amounted to 4% in NIS terms (decrease of 16% in USD) and was due to the recession in the local market.

For more information regarding the influence of the decrease in sales on profitability see section 2.3.3 below.

Gross profit in Q1 of 2009 amounted to \$17.7 million, or 14.4% of sales, compared to \$31.1 million in Q1 of 2008, or 19.8% of sales, a decrease of 43%.

The decrease in gross profit and gross margin in Q1 2009 compared to the same period last year was due to the decrease in sales and mainly from the weakness in the European currencies exchange rates compared to the USD. For additional details see section 2.3.3 below.

Selling and marketing expenses decreased by 20.0%, amounting to \$16.4 million in Q1 of 2009, compared to \$20.8 million in Q1 of 2008.

The table below shows the breakdown of selling and marketing expenses between Delta Marketing Israel operating segment, and all other Group operating segments, in million \$:

	First quarter 2009	First quarter 2008
Delta Marketing Israel	6.2	7.1
Other operational segment	10.2	13.7
Total sales and marketing expenses	<u>16.4</u>	<u>20.8</u>
% sales and marketing expenses from total sales	<u>13.3%</u>	<u>13.2%</u>

The decrease in selling and marketing expenses in Q1 2009 versus the same periods last year in Delta marketing Israel segment, was due to a 12% devaluation in the exchange rate of the NIS vs. the USD compared to

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the average rate in the same quarter last year, devaluation which led to decreased expenses in USD terms.

The decrease in selling and marketing expenses in other segments in Q1 2009 compared to the same quarter last year was due to the reduction in the activity in the UK and from the weakness of the average exchange rate of the Pound vs. the USD. In addition, selling and marketing expenses decreased due to the weakness of the NIS exchange rate vs. the USD and due to the decrease of storage and distribution expenses due to the decrease in sales in this quarter compared to the same quarter last year.

General and Administrative expenses decreased in Q1 2009 by 20.3% and amounted to \$ 5.1 million, compared to \$ 6.4 million in Q1 2008.

The decrease in general and administrative expenses in Q1 2009, is mainly due to the weakness of the average exchange rate of the NIS versus the USD compared to the exchange rate in the same quarter last year, weakness which led to decreased expenses in USD terms.

Operating loss in Q1 of 2009 amounted to \$3.3 million, compared to an income of \$4.2 million in Q1 of 2008.

The change from operating income in Q1 2008 to an operating loss in Q1 this year is mainly due to the decrease in sales and in gross profit as mentioned above, which was partly offset by the decrease in selling and marketing and general and administrative expenses.

Finance expenses decreased by 28% in Q1 of 2009, and amounted to \$1.8 million compared to \$2.5 million in the same period last year.

The table below presents the composition of finance expenses in million USD:

	First quarter 2009	First quarter 2008
Interest expenses	1.3	2.3
Exchange rate	0.4	(0.3)
IFRS adjustments	0.1	0.5
Total finance expenses	<u>1.8</u>	<u>2.5</u>

From the above data, we can see that the decrease in finance expenses in Q1 2009 compared to Q1 2008, is mainly due to a \$1.0 million decrease in interest expenses, due to the decrease in the Libor interest rate and in the level of bank debt.

Tax benefit in Q1 2009 amounted to \$0.2 million although the Company had a pre-tax loss of \$5.0 million. The reason to the low tax benefit in Q1 2009, is due to losses incurred in the UK and in Israel for which a tax asset was not created.

The loss attributed to Company shareholders in Q1 2009 amounted to \$4.9 million, compared to a net profit of \$0.8 million in Q1 2008.

The change from net profit in Q1 of 2008 to a loss in Q1 of this year, was due to the decrease in operating profit as mentioned above.

2.3.2 Below is a summary of the Company's consolidated business results, by the five accounting segments included in its financial statements, for Q1, of 2009 and 2008, in million \$:

	First quarter ended March 31						2008	
	(Un-audited)						(Audited)	
	Sales			Operating income (loss)			Sales	Operating income (loss)
	2009	2008	% Change	2009	2008	% Change		
Delta USA – mass market	53,570	63,958	(16)	489	2,388	(79)	253,577	5,974
Intimate Apparel – UK, US Upper Market and Europe	26,604	43,817	(39)	(3,634)	(1,206)	201	168,779	(10,778)
Socks – US and Europe	21,319	28,090	(24)	(187)	1,071	-	106,438	(689)
Seamless knitwear	6,362	6,996	(9)	(788)	(10)	-	29,403	(3,623)
Delta Marketing Israel	15,643	18,152	(14)	651	2,899	(78)	77,545	12,724
Adjustments	(72)	(4,024)	-	202	(915)	-	(12,908)	(2,780)
Total sales & operating income (loss) before restructuring expenses and impairment of goodwill	<u>123,426</u>	<u>156,989</u>	<u>(21)</u>	<u>(3,267)</u>	<u>4,227</u>	<u>-</u>	<u>622,834</u>	<u>828</u>

2.3.3 Analysis of business results by operating segment

Operating segment: Delta USA mass market

Sales in Q1 of 2009 amounted to \$53.6 million, compared to \$64.0 million in Q1 of 2008, a decrease of 16%.

The decrease in sales in Q1 of 2008 compared to the same period last year was due to the decrease in sales to a main customer due to different layout of sales between quarters in 2009 compared to 2008 and due to the decrease in customer's inventory, following its conservative policy in inventory management due to the economic crisis.

Operating income in Q1 of 2009 amounted to \$0.5 million, compared to \$2.4 million in Q1 of 2008, a decrease of 79%.

The decrease in the operating income in Q1 of 2009, compared to the same period last year was mainly due to the decrease in sales.

Operating segment: Intimate Apparel UK, US Upper Market and Europe

Sales in Q1 of 2009 amounted to \$26.6 million, compared to \$43.8 million in Q1 of 2008, a decrease of 39%.

The decrease in sales in Q1 2008 over the same period last year was due to the decrease in sales in the UK and mainly to a main customer, due to the exit from non-profitable categories, weakness of the customer's sales and 28% devaluation in the exchange rate of the Pound vs. the USD compared to the average rate last year. More of, sales have decreased due to the devaluation in the exchange rate of the Euro vs. the USD by 13% compared to the average rate last year and from the slowdown in the US and Europe markets.

Operating loss in Q1 of 2009 amounted to \$3.6 million, compared to \$1.2 in the same period last year.

The increase in the operating loss in Q1 of 2009 compared to the same period last year was due to the loss in the activity in the UK which amounted to \$3.6 million, due to the decrease in sales to a main customer, and from the weakness of the average exchange rate of the Pound vs. the USD, as mentioned above, and from the period of time needed to adjust the fixed expenses to the new level of sales.

The Company implements the restructuring plan declared at the end of 2008 which includes, amongst others, overhead reduction in London, move to a new selling method (FOB basis) and other steps. Full implementation is expected during the third quarter of 2009. The Company expects that the operating loss from the UK activity will continue during the second quarter of 2009³

Operating segment: Socks – US and Europe

Sales in Q1 2009 amounted to \$21.3 million, compared to \$28.1 million in Q1 2008, a decrease of 24%.

The decrease in sales in Q1 2009 compared to the same period last year was mainly due to a decrease in sales to a main customer in the UK and from the weakness on the average exchange rates of the Pound and the Euro vs. the USD.

Operating loss in Q1 2009 amounted to \$0.2 million, compared to an operating income of \$1.1 million in Q1 last year.

The change from operating income in Q1 2008 to an operating loss in Q1 2009, was due to the decrease in sales, as mentioned above.

Operating segment: Seamless knitwear

Sales in Q1 2009 amounted to \$6.4 million, compared to \$7.0 million in Q1 2008, a decrease of 9%.

The decrease in sales in Q1 2009 over the same period last year was due to the slowdown in the markets.

Operating loss in Q1 2009 amounted to \$0.8 million, compared to an operating balance in Q1 2008.

Operating loss in Q1 of 2009 was mainly due to the decrease in sales and the decline in production following the decrease in orders.

³ Please note that the information above is an estimation and future observation only, which may or may not accrue, in a different way from the company's estimations, resulting reasons not depended on the company only and due to its being based on current information known to the company on the report date, including the company estimations on the report date.

Operating segment: Delta Marketing Israel

Sales in Q1 2009 amounted to \$15.6 million, compared to \$18.2 million in Q1 2008, a decrease of 14%.

Sales in NIS in Q1 2009 amounted to NIS 63.5 million, compared to NIS 66.1 million in Q1 of 2008, a decrease of 4%.

The decrease in sales in Q1 2009 over the same period last year was due to the recession in the local market.

Operating income in Q1 2009 amounted to \$0.7 million, compared to \$2.9 million in Q1 2008, a decrease of 78%.

Operating income in NIS in Q1 2009 amounted to NIS 6.5 million, compared to NIS 7.3 million in Q1 2008, a decrease of 11%.

The decrease in operating income in Q1 2009 compared to the same period last year was due to the decrease in sales and in gross profit. The decrease in gross profit was mainly due to inventory adjustment and due to the weakness of the NIS vs. the USD compared to an income from the same adjustment in Q1 2008.

3. Liquidity and financing sources

Summary of cash flow statement, in \$ millions:

	First quarter		Year ended 31 December
	2009	2008	2008
Net cash provided by (used in) operating activities	3.6	(3.4)	15.8
Net cash used in investing activities	(1.5)	(1.5)	(7.8)
Net cash provided by (used in) financing activities	(2.0)	(1.4)	(20.2)
Increase (decrease) in cash and cash equivalents	0.1	(6.4)	(12.3)

The Company finances its operations by its operating cash flow and by bank credit facilities.

In Q1 2009 the Company had a positive operating cash flow of \$3.6 million compared to a negative cash flow of \$3.4 million in the same quarter last year.

The improvement in the operating cash flow in Q1 2009 over the same period last year was due to decreased working capital, and mostly in inventory and receivables.

Following are some financial indicators for the first quarter of 2009 and 2008:

	Q1	Q1
	2009	2008
Current ratio	0.97	1.09
Quick ratio	0.50	0.58
Capital/ Total balance sheet	40.6%	40.9%
Days of credit to customers	62	62
Days of credit from suppliers	43	43
Inventory days	82	85
Positive (negative) operating Cash flow (M\$)	3.6	(3.4)
Adjusted EBITDA (M\$)	(0.2)	7.4
Net Bank debt (M\$)	132.1	146.0
Equity (M\$)	145.2	177.6

Total net bank debt as of March 31, 2009 amounted to \$132.1 million, compared to \$146.0 million as of March 31, 2008.

The decrease in the net bank debt as of March 31, 2009 compared to March 31, 2008 was due to positive operating cash flow derived from the decrease in working capital.

4. Exposure to market risks, risk factors and management thereof

4.1 The person responsible for management of market risks in the Company

The Company manage the market risks based on a policy set by its Board of Directors.

Mr. Isaac Dabah, the Chairman of the board and Company's CEO, is responsible for managing the market risks.

Mr. Yossi Hajaj, Company's CFO, is responsible for managing the market risk associated with exchange rates and interest.

4.2 Description of market risks to which the Group is exposed

The Group, in its operations, is exposed to several market risk components, including: Exchange rate fluctuations, changes in raw material prices and in cost of transportation (mostly due to the impact of higher fuel prices on transportation costs) and changes in the LIBOR USD interest rate.

4.3 Group policy with respect to market risks management

4.3.1 Changes in the economic environment and the crisis implications in the capital markets on operational results and on the business situation.

The financial and economic crisis in the global markets which started on 2008 and into the first quarter of 2009, influence the Company in four major fields:

1. Decrease in sales due to recession and slowdown in all markets.

The Company's sales in Q1 2009 decreased by 21% compared to the same quarter last year. This decrease was reflected in all markets in which the Company operates and was due to the continuance in the recession started in the second half of 2008 and due to a conservative policy in inventory management by most customers.

The continuance of the recession in the markets may badly influence the Company's sales in 2009.

2. Volatility in foreign exchange rates vs. the US dollar (USD).

In Q1 2009, the average exchange rates of the Euro and the Pound Sterling devaluation by 13% and 28% respectively, compared to the average exchange rates in the same quarter last year, a devaluation which contributed to the decrease in sales in USD terms. More of, the USD average rate has strength vs. the NIS rate in the first quarter of the year by 12% compared to the average exchange rate last year, this strengthening brought to a decrease in sales in Israel in USD terms.

The Company works in several ways in order to reduce its exposure to the exchange rate volatility:

- a) The Company works to change its selling currency to its UK customers (from Pound Sterling to USD). Starting the second half of 2009, most of the sales to the main customer in the UK will be in USD; hence the exposure to the Pound Sterling will be significantly reduced.
- b) The Company examines, from time to time, the need to carry out forward contracts for up to one year period, in order to hedge itself from the risk in which net cash flow derived from surplus expenses or income in NIS or in Euro will be affected from the change in these exchange rates. See section 4.4 below.

3. Decline in commodities prices.

The Company is purchasing raw materials, accessories and finished products and has transportation costs that a significant part of them is influenced from the commodities prices. During 2009 the raw materials prices were lowered (such as: cotton and nylon threads), finished products prices and transportation prices and that is due to the decrease in the commodities prices.

4. Decrease in interest rates in the US and in Europe and increase in the mark up on bank credit.

The Company borrows bank loans in an average level of \$140 million on a LIBOR interest basis.

The LIBOR interest for 3 months declined from 2.9% at the end of 2008 to 1.2% on average in the first quarter this year. On the other hand, the bank credit price became more expensive. The net influence of those two factors was positive

Interest expenses in Q1 2009 decreased by \$1.0 million compared to the same period last year, due to the decrease in the LIBOR rate which was partly offset by the increase in credit price, as mentioned above.

Please note that the information above is an estimation and future observation only, which may or may not accrue, in a different way from the company's estimations, resulting reasons not depended on the company only and due to its being based on current information known to the company on the report date, including the company estimations on the report date.

- 4.3.2 The Company is exposed to a macro financial risks factors, segmental risk factors, and risk factors unique to its operations. Full detail of these risk factors, to which the Group is exposed to, presented in part "A" to the 2008 annual report.

4.4 Financial derivatives.

Following are the open transactions as of March 31, 2009 which are not recognized as financial hedge against the NIS and the Euro:

<u>Payments date</u>	<u>Amount in thousand \$</u>	<u>Transaction exchange rate (\$ to 1 Euro)</u>
14/04/09	750	1.3680
30/04/09	750	1.3677
11/05/09	750	1.3679
27/05/09	750	1.3675
11/06/09	750	1.3673
30/06/09	750	1.3668
	4,500	

<u>Payments date</u>	<u>Amount in thousand \$</u>	<u>Transaction exchange rate (NIS to 1 \$)</u>
08/04/09	1,000	3.9310
08/04/09	1,000	4.1555
08/05/09	1,000	3.9360
08/05/09	1,000	4.1555
09/06/09	2,000	4.1553
09/07/09	2,000	4.1547
09/08/09	2,000	4.1540
	<u>10,000</u>	

The Company included in Q1 2009 the results of the transactions which have been closed during the report period and the estimated results from open transactions mentioned above, amounted to an income of \$0.5 million from Euro/ USD transactions, and a loss of \$0.6 million from NIS/ USD transactions.

After the report date the Company entered into transactions to protect itself from the weakening of the NIS exchange rate vs. the USD as follows:

<u>Payments date</u>	<u>Amount in thousand \$</u>	<u>Transaction exchange rate (NIS to 1 \$)</u>
09/09/09	2,000	4.2526
08/10/09	2,000	4.2537
	<u>4,000</u>	

<u>Payments date</u>	<u>Amount in thousand \$</u>	<u>Transaction exchange rate (\$ to 1 Euro)</u>
13/07/09	1,125	1.3696
29/07/09	1,125	1.3694
11/08/09	1,125	1.3698
31/08/09	1,125	1.3696
	<u>4,500</u>	

4.5 Linkage basis report, \$ in thousands

As of March 31, 2009							
Un-audited							
	<u>In USD</u>	<u>In GBP</u>	<u>In Euro</u>	<u>In NIS</u>	<u>In other currencies</u>	<u>Non-monetary balances</u>	<u>Total</u>
Assets:							
Cash and cash equivalents	2,445	59	749	352	613	-	4,218
Trade receivables	52,541	8,599	10,012	12,156	1,222	-	84,530
Other accounts receivable	2,345	136	5	1,846	1,237	3,817	9,386
Inventory	-	-	-	-	-	96,223	96,223
Assets classified as held for sale	-	-	-	-	-	2,916	2,916
Long-term debit balances	1,075	-	-	47	109	238	1,469
Deferred tax assets	-	-	-	-	-	4,711	4,711
Excess plan assets over liabilities due to employment termination	-	-	-	-	-	212	212
Fixed assets, net of accumulated depreciation	-	-	-	-	-	78,536	78,536
Intangible assets, net of accumulated amortization	-	-	-	-	-	74,978	74,978
Total assets	58,406	8,794	10,766	14,401	3,181	261,631	357,179
Liabilities:							
Short term credit from banks	121,188	4,023	8,700	16	-	-	133,927
Trade payables	19,439	2,347	2,865	6,466	3,704	-	34,821
Other accounts payable	12,991	6,801	84	12,288	2,173	135	34,472
Long-term loans from banks	2,400	-	-	-	-	-	2,400
Liabilities for employment termination, net of deposits to severance pay funds	-	-	-	-	-	398	398
Long-term loans and other liabilities	5,552	264	113	44	-	-	5,973
Total liabilities	161,570	13,435	11,762	18,814	5,877	533	211,991
Balance sheet total, net	(103,164)	(4,641)	(996)	(4,413)	(2,696)	261,098	145,188

4.6 Tests of sensitivity to exchange rate fluctuations of NIS, GBP and Euro vs. the USD and to interest rate fluctuations, in \$ thousands.

Sensitivity to change in NIS/USD exchange rate:

Expected exchange rate	Gain (Loss) from Changes		Fair value	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	NIS 4.61 = \$1	NIS 4.40 = \$1		NIS 3.98 = \$1	NIS 3.77 = \$1
Cash and cash equivalents	(35)	(18)	352	18	35
Trade receivables ⁵	(1,216)	(608)	12,156	608	1,216
Other accounts receivable	(185)	(92)	1,846	92	185
Long-term debit balances	(5)	(2)	47	2	5
Short-term credit from banks	2	1	(16)	(1)	(2)
Trade payables	647	323	(6,466)	(323)	(647)
Other accounts payable	1,229	614	(12,288)	(614)	(1,229)
Long-term loans and other liabilities	4	2	(44)	(2)	(4)
Off-balance-sheet liabilities in respect of rental agreements	587	294	(5,874)	(294)	(587)
Total	1,029	514	(10,287)	(514)	(1,029)

Sensitivity to changes in discount rate of liabilities in respect of rent and franchise agreements denominated in NIS:

	10% increase ¹	5% increase ²	Discount rate of 12%	5% Decrease ³	10% Decrease ⁴
<u>Pre-tax change in fair value</u>	<u>58</u>	<u>29</u>	<u>(6,059)</u>	<u>(29)</u>	<u>(58)</u>

Sensitivity to GBP/USD exchange rate fluctuations:

Expected exchange rate	Gain (Loss) from Changes		Fair value	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	\$1.57 = 1£	\$1.50 = 1£	\$1.43 = 1£	\$1.36 = 1£	\$1.29 = 1£
Cash and cash equivalents	6	3	59	(3)	(6)
Trade receivables ⁵	860	430	8,599	(430)	(860)
Other accounts receivable	14	7	136	(7)	(14)
Short-term credit from banks	(402)	(201)	(4,023)	201	402
Trade payables	(235)	(117)	(2,347)	117	235
Other accounts payable	(680)	(340)	(6,801)	340	680
Long-term loans and other liabilities	(26)	(13)	(264)	13	26
Off-balance-sheet liabilities in respect of rental agreements	(85)	(42)	(848)	42	85
Total	(549)	(274)	(5,489)	274	549

Sensitivity to changes in discount rate of liabilities in respect of rent and licence agreements denominated in GBP:

	<u>10% increase</u> ¹	<u>5% increase</u> ²	<u>Discount rate of 12%</u>	<u>5% Decrease</u> ³	<u>10% Decrease</u> ⁴
Pre-tax change in fair value	40	20	(1,278)	(21)	(43)

Sensitivity to change in EUR/USD exchange rate:

	Gain (Loss) from Changes		Fair value	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
Expected exchange rate	\$1.46 = 1€	\$1.40 = 1€	\$1.33 = 1€	\$1.26 = 1€	\$1.20 = 1€
Cash and cash equivalents	75	37	749	(37)	(75)
Trade receivables ⁵	1,001	501	10,012	(501)	(1,001)
Other accounts receivable	1	-	5	-	(1)
Short-term credit from banks	(870)	(435)	(8,700)	435	870
Trade payables	(287)	(143)	(2,865)	143	287
Other accounts payable	(8)	(4)	(84)	4	8
Long-term loans and other liabilities	(11)	(6)	(113)	6	11
Total	(100)	(50)	(996)	50	100

Sensitivity to the change of expenses capitalization rate from licence agreements in Euro:

Change in interest rate	<u>10% Increase</u>	<u>5% Increase</u>	<u>Discount rate of 12%</u>	<u>5% Decrease</u>	<u>10% Decrease</u>
Pre-tax change in fair value	3	1	(332)	(2)	(3)

Sensitivity to change in average LIBOR interest rate. The following calculation relates to cash flow exposure and not to change in fair value in the loan portfolio amounting to \$136 million (in \$ thousands) while average interest rate is 2.93%:

Change in interest rate	<u>10% Increase</u>	<u>5% Increase</u>	<u>5% Decrease</u>	<u>10% Decrease</u>
Expected interest rate after the change	3.22%	3.08%	2.78%	2.64%
Pre-tax gain (loss) due to changes	(400)	(200)	200	400

¹ For a 13.2% discount rate.

² For a 12.6% discount rate.

³ For a 11.4% discount rate.

⁴ For a 10.8% discount rate.

⁵ The trade receivables balance in the above tables is a short-term one, hence the fair value presented for it is in line with the balance reflected in the financial statements.

⁶ Most of the liabilities included in the above sensitivity analysis tables refer to rent agreements, and amounts of the liabilities for franchise agreements are not material.

5. **Disclosure with respect to critical accounting estimates**

In creating the financial statements according to acceptable accounting practices, Company's management is required to use estimates and valuations which impact the reported information for assets and liabilities, as well as data for contingent assets and pending liabilities, which are disclosed in the financial statements and for revenue and expense data for the reported period. These estimates sometimes require discretion in an uncertain environment, and materially impact presentation of data on the financial statements.

For complete details of accounting estimates and assumptions, see Note 3 to the 2008 financial statements in Part C to the annual report.

6. **Disclosure regarding the process of the financial statements approval**

The Company Board of Directors has decided that the Company's Audit Committee, is the organ in charge of overall supervision of the Company's financial statements.

Prior to approval of the Company's financial statements, the draft financial statements and notes there to are submitted to members of the Audit Committee, typically 3 days prior to the meeting, subject to any statute.

Invitees to meetings of the Balance sheet Committee to discuss approval of the financial statements are: the CEO, CFO and Company comptroller as well as the independent CPAs who present the financial statements to Committee's members and answer any questions.

During the Audit Committee's meeting to discuss the financial statement, the Committee reviews and discusses the Company's financial statements, reviews major changes there in, refers to comments by Company management and the independent CPA and reviews the match between the financial statements and events which have occurred in the Company and with standards used by the Company to prepare its financial statements.

After the discussion, the Chairman of the Audit Committee brings up for a vote the recommendation by the Committee to the Board of Directors to approve the financial statements; the Chairman finds out if any Committee members still have any unanswered questions or issues.

After recommendation by the Audit Committee to approve the financial statements as set forth above, the financial statements and the relevant notes are brought for approval to the Company Board of Directors.

Note also that if, during compilation of the financial statements, the VP, Finance or the Company CEO have any material or new questions or issues requiring preliminary discussion before submitting the financial statements for approval by the Board of Directors – the VP, Finance or the Company CEO would have the Board of Directors convene for a preliminary meeting to discuss and elaborate these issues.

Names of the Audit Committee members who attended the meeting on May 18, 2009, at which Committee recommended that the Company Board of Directors to approve the financial statements as of March 31, 2009: Amnon Neubach, Dr. Giora Morag, Mrs. Liora Meridor, and Dr. Gideon Chitayat.

Also attended the meeting the Company's CEO and Chairman of the Board of Directors Mr. Isaac Dabah.

Names of Board members who attended the Board of Directors' meeting on May 21, 2009 at which the financial statements as of March 31, 2009 were approved: Mr. Isaac Dabah (Chairman), Mr. Israel Baum, Dr. Gideon Chitayat, Mr. Noam Lautman, Mr. Giora Morag, Mrs. Liora Meridor, Mr. Amnon Neubach, and Mr. Izhak Weinstock,.

The Board of Directors and management express their great appreciation to Delta's employees and managers.

Signed on May 21, 2009

Isaac Dabah
CEO & Chairman of the
Board of Directors

Amnon Neubach
Director

Delta Galil Industries Ltd.
Interim Report
(Un-audited)
As of March 31, 2009

Delta Galil Industries Ltd.
Interim Report
(Un-audited)
As of March 31, 2009

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Review report of interim financial information
to the shareholders of
Delta Galil Industries Ltd.

Introduction

We have reviewed the accompanying Balance sheet of Delta Galil Industries Ltd and its subsidiaries (together – the Group) as of March 31 ,2009 and the related statements of comprehensive income, changes in equity and cash flows for the three-month period then ended. Board of Directors and Management are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim financial reporting' and in accordance with chapter 4 of the Israeli Securities Regulations (Interim and Immediate Statements), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We have not reviewed the interim financial information of consolidated subsidiaries whose assets constitute approximately 9% of the consolidated totals assets as of March 31, 2009. We were furnished with the reports of other certified public accountants on their review of the interim financial statements as of March 31, 2009 of consolidated subsidiaries. Our conclusion, as it relates to the interim financial statements of those consolidated subsidiaries, is based on the reports of other certified public accountants.

Scope of review

We conducted our review in accordance with audit standard 1 of the Israeli Association of Accountants 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Israeli Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review of other certified public accountants, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

In addition to the last paragraph, based on our review and the review of other certified public accountants, nothing came to our attention that indicated that any material modifications should be made in the said interim condensed consolidated financial statements in order for them to be in conformity with the disclosure instructions of chapter 4 of the Israeli Securities Regulations (Interim and Immediate Statements), 1970.

Tel Aviv, Israel
May 21, 2009

Kesselman & Kesselman
Certified Public Accountant (Isr.)
A member of
**PricewaterhouseCoopers
International Limited**

Delta Galil Industries Ltd.

Summary consolidated balance sheet as of March 31, 2009

	March 31		December 31
	2009	2008	2008
	(Un-audited)		(Audited)
	\$ in thousands		
Assets			
Current assets:			
Cash and cash equivalents	4,218	10,403	4,224
Other accounts receivable:			
Trade	84,530	108,028	89,594
Tax on income - receivable	2,166	469	2,717
Other	7,220	9,503	7,353
Inventory	96,223	119,441	112,158
Assets classified as held for sale	2,916	5,410	2,916
Total current assets	197,273	253,254	218,962
Non-current assets:			
Long-term prepaid expenses	91	554	98
Long-term debt balances	1,378	1,554	1,359
Deferred tax assets	4,711	5,748	4,561
Excess plan assets over liabilities due to employment termination	212	47	212
Fixed assets, net of accumulated depreciation	78,536	83,711	80,113
Intangible assets, net of accumulated amortization	74,978	89,449	74,841
Total non-current assets	159,906	181,063	161,184
Total assets	357,179	434,317	380,146

Isaac Dabah

CEO and Chairman of the Board

Gidon Chitayat

Director

Yossi Hajaj

CFO

**Date of approval of financial statements by the Company's Board of Directors:
May 21, 2009**

Delta Galil Industries Ltd.

Summary consolidated balance sheet as of March 31, 2009

	March 31		December 31
	2009	2008	2008
	(Un-audited)		(Audited)
	\$ in thousands		
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks	125,927	140,804	129,985
Current maturities of long-term loans from banks	8,000	8,200	8,200
Other payables:			
Trade payables	34,821	47,916	45,459
Tax on income - payable	301	1,107	335
Liability for adjustment of acquisition cost	-	2,117	-
Other	34,171	32,068	39,639
Total current liabilities	<u>203,220</u>	<u>232,212</u>	<u>223,618</u>
Non-current liabilities:			
Liabilities from banks, net of current maturities	2,400	7,400	-
Liabilities for employment termination, net of plan assets	398	631	473
Liability for adjustment of acquisition cost	-	7,472	-
Other non-current liabilities	5,973	9,046	5,987
Total non-current liabilities	<u>8,771</u>	<u>24,549</u>	<u>6,460</u>
Total liabilities	<u>211,991</u>	<u>256,761</u>	<u>230,078</u>
Equity:			
Equity attributable to Company shareholders:			
Share capital	21,851	21,851	21,851
Share premium	101,114	101,114	101,114
Unassigned income balance	29,024	61,472	33,813
Other accumulated loss, total	-	(37)	-
Treasury shares	(9,700)	(9,700)	(9,700)
	<u>142,289</u>	<u>174,700</u>	<u>147,078</u>
Minority interest	2,899	2,856	2,990
Total equity	<u>145,188</u>	<u>177,556</u>	<u>150,068</u>
Total liabilities and equity	<u>357,179</u>	<u>434,317</u>	<u>380,146</u>

The enclosed notes are an integral part of these summary financial statements.

Delta Galil Industries Ltd.

Summary consolidated comprehensive income for 3 months
ended on March 31, 2009

	3 months ended on March 31		Year ended on December 31
	2009	2008	2008
	(Un – audited)		(Audited)
	\$ In thousand		
	(Excluding gain (loss) data for share)		
Sales	123,426	156,989	622,834
Cost of sales	105,696	125,925	517,155
Gross profit	17,730	31,064	105,679
Selling and marketing expenses	16,441	20,751	78,953
General & administrative expenses	5,135	6,442	26,703
Other income, net	579	356	805
Restructuring expenses	-	-	9,162
Impairment of goodwill	-	-	7,392
Operating income (loss)	(3,267)	4,227	(15,726)
Financial expenses, net	1,767	2,454	7,479
Share in losses of associated company	-	-	55
Income (loss) before taxed on income	(5,034)	1,773	(23,260)
Tax on income	(180)	878	2,522
Net income (loss) of period	(4,854)	895	(25,782)
Other comprehensive income			
Actuary losses – defined benefit plan to employees	-	-	(233)
Net change to cash flow hedge transactions	-	129	-
Net changes from currency translation adjustments	-	-	166
Tax on income & expenses directed to capital	-	-	38
Other gain (loss) to the period	-	129	(29)
Total comprehensive gain (loss) to the period	(4,854)	1,024	(25,811)
Attribution of net income (loss) for the period:			
To company shareholders	(4,884)	776	(26,400)
To minority interest	30	119	618
total	(4,854)	895	(25,782)
Attribution of net income (loss) for the period:			
To company shareholders	(4,884)	905	(26,429)
To minority interest	30	119	618
Total	(4,854)	1,024	(25,811)
		In \$	
Net earning (loss) per share attributed to company shareholders:			
Basic and diluted	(0.26)	0.04	(1.41)

The enclosed notes are an integral part of these summary financial statements.

Delta Galil Industries Ltd.

Summary consolidated statements of changes in shareholders equity as of March 31, 2009

Attributed to Company shareholders

Ordinary share capital										
Number of shares	Amount	Share premium	Differences from translation of foreign operations	Unrealized gain (loss) from cash flow hedge	Unassigned income balance	Treasury shares	Total	Minority interest	Total equity	
In thousands	\$ in thousands									
Balance as of January 1, 2009 (audited)										
Transactions for the period ended on March 31, 2009:	19,948	21,851	101,114	-,-	-,-	33,813	(9,700)	147,078	2,990	150,068
Total comprehensive recognized revenue (loss)	-	-	-	-	-	(4,884)	-	(4,884)	30	(4,854)
Dividend to minority interest	-	-	-	-	-	-	-	-	(121)	(121)
Benefit component of options granted to employees	-	-	-	-	-	68	-	68	-	68
Dividend from previous years that was not collected	-	-	-	-	-	27	-	27	-	27
Balance as of March 31, 2009 (un-audited)	<u>19,948</u>	<u>21,851</u>	<u>101,114</u>	<u>-,-</u>	<u>-,-</u>	<u>29,024</u>	<u>(9,700)</u>	<u>142,289</u>	<u>2,899</u>	<u>145,188</u>
Balance as of January 1, 2008 (audited)	19,948	21,851	101,114	(166)	-	60,596	(9,700)	173,695	2,737	176,432
Transactions in the period ended March 31, 2008:										
Total recognized revenue	-	-	-	-	129	776	-	905	119	1,024
Benefit component of options granted to employees	-	-	-	-	-	100	-	100	-	100
Balance as of March 31, 2008 (un-audited)	<u>19,948</u>	<u>21,851</u>	<u>101,114</u>	<u>(166)</u>	<u>129</u>	<u>61,472</u>	<u>(9,700)</u>	<u>174,700</u>	<u>2,856</u>	<u>177,556</u>
Balance As of January 1, 2008 (audited)	19,948	21,851	101,114	(166)	-,-	60,596	(9,700)	173,695	2,737	176,432
Transactions in 2008:										
Total recognized revenue (loss)	-	-	-	166	-	(26,595)	-	(26,429)	618	(25,811)
Dividend to minority interest	-	-	-	-	-	-	-	-	(365)	(365)
Benefit component of options granted to employees	-	-	-	-	-	(188)	-	(188)	-	(188)
Balance As of December 31, 2008 (audited)	<u>19,948</u>	<u>21,851</u>	<u>101,114</u>	<u>-,-</u>	<u>-,-</u>	<u>33,813</u>	<u>(9,700)</u>	<u>147,078</u>	<u>2,990</u>	<u>150,068</u>

Delta Galil Industries Ltd.
Summary consolidated cash flows for
3 months ended on March 31, 2009

	3 months ended on March 31		Year ended on December 31
	2009	2008	2008
	(Un – audited)		(Audited)
	\$ In thousand		
	(Excluding gain (loss) data for share)		
Cash flow from operating activities:			
Net income (loss) for period	(4,854)	895	(25,782)
Adjustments required to reflect cash flows from operating activities	8,260	(1,777)	52,691
Interest paid in cash	(646)	(1,641)	(6,132)
Tax on income recieved (paid) in cash	876	(922)	(4,987)
Net cash provided by (used in) operating activities	<u>3,636</u>	<u>(3,445)</u>	<u>15,790</u>
Cash flow from investing activities:			
Additional payments for adjustment of acquisition cost	-	-	(2,117)
Purchase of fixed assets and intangible assets	(1,696)	(1,926)	(7,781)
Proceeds from sales of fixed assets	132	485	1,887
Proceeds from sales of leased land	-	-	170
Repayment of long term receivable	82	-	60
Loans granted to an associated company	-	(81)	(81)
Loans receivable from associated company	-	-	16
Loans granted to employees	(4)	(42)	(91)
Loan repayment by employees	11	23	77
Long term deposits	(44)	4	27
Net cash used in investing activities	<u>(1,519)</u>	<u>(1,537)</u>	<u>(7,833)</u>
Cash flow from financing activities:			
Dividend to minority interest in a consolidated company	(121)	-	(365)
Repayment of loans & other long term liabilities	(800)	(800)	(8,289)
Long term loans receivead	3,000	-	-
Short term credit from banks, net	(4,092)	(417)	(11,343)
Amounts charged for deferred expenses	(8)	(164)	(214)
Net cash provided by (used in) financing activities	<u>(2,021)</u>	<u>(1,381)</u>	<u>(20,211)</u>
Net increase (decrease) in cash and cash equivalents	96	(6,363)	(12,254)
Profit (loss) from translation differences of cash and cash equivalent	(102)	90	(198)
Cash and cash equivalent balance at start of period	<u>4,224</u>	<u>16,676</u>	<u>16,676</u>
Cash and cash equivalent balance at end of period	<u>4,218</u>	<u>10,403</u>	<u>4,224</u>

Delta Galil Industries Ltd.
Summary consolidated cash flows for
3 months ended on March 31, 2009

3 months ended on March 31		Year ended on December 31
2009	2008	2008
(Un – audited)		(Audited)

\$ In thousand
(Excluding gain (loss) data for share)

Adjustments required to reflect cash flow from current activities

Revenues and expenses not involving cash flow:

Depreciation	2,731	2,747	11,073
Amortization	382	328	1,472
Impairment of goodwill	-	-	7,392
Share in losses of associated company	-	-	55
Cash erosion, net	102	(90)	106
Interest paid in cash	646	1,641	6,132
Income taxes paid (received) in cash	(876)	922	4,987
Interest component of liability for adjustment of acquisition cost	-	212	(2,982)
Deferred income taxes, net	(150)	(198)	1,027
Liabilities due to employment termination, net	(74)	434	(116)
Restructuring expenses	-	-	8,861
Capital gain from realization of assets	(72)	(356)	(805)
Benefit component of options granted to employees	68	100	(188)
Loss (profit) from changes in fair value of derivatives	140	-	(81)
Long-term pre-paid expenses	6	(37)	-
Other	(46)	(17)	(38)
	2,857	5,686	36,895

Changes to operating assets and liabilities

Decrease (increase) in trade receivables	5,064	(4,976)	13,535
Decrease (increase) in other receivables	654	(1,257)	(1,108)
Decrease in trade payables	(10,495)	(12,951)	(14,420)
Decrease in other payables	(5,755)	(6,344)	(7,559)
Decrease in inventories	15,935	18,065	25,348
	5,403	(7,463)	15,796
	8,260	(1,777)	52,691

**Further information on investments and
finance operation not involving cash flow:**

Trade payables for non-cash acquisition of fixed and other assets	(143)	(253)	(754)
Payables due to leased real estate	-	-	(23)
Receivables for non-cash sale of fixed assets	(93)	44	60
Liability for guaranteed minimum royalties	2,598	5,214	5,326
Liability payable for acquisition of a consolidated company	-	(200)	(4,478)

The enclosed notes are an integral part of these summary financial statements.

Delta Galil Industries Ltd.

Summary consolidated notes as of March 31, 2009 (Un-audited)

Note 1 – Overview

Delta Galil Industries Ltd. (hereinafter “the Company”) is an Israeli corporation which, together with its subsidiaries (hereinafter “the Group”) is primarily engaged in manufacturing and marketing of intimate apparel in 5 major operating segments - USA mass market, intimate apparel – US upper market and Europe, Socks, Delta Marketing Israel and Seamless. Information on Group's operating segments and principle markets is presented in note 3.

Company shares were traded through March 2008 on the NASDAQ Global Market (hereinafter the “NASDAQ”) and on the Tel Aviv Stock Exchange Ltd. (hereinafter the “the stock exchange”).

In March 2008 the Company applied to de-list its shares from trading and to discontinue its registration in the USA; see Note 2a. On March 27, 2008, Company shares were de-listed from NASDAQ. From this date forward the main exchange market is the Israeli exchange market in Tel-Aviv.

The Company’s official address is 2 Kaufman Street, Tel Aviv.

Note 2 – Significant Accounting Policies:

a. Overview

Following de-listing of Company shares from NASDAQ, the Company started reporting to the stock exchange pursuant to provisions of Chapter F of the Securities Act, and to compile its financial statements, starting with the 2007 annual reports, pursuant to the Securities Regulations (Periodic and Immediate Reports), 1970.

b. Preparation of the financial statements

The Group's summary of the financial statements information as of March 31, 2009 and to the intermediate period of 3 months ended on the same date (below "the financial information to the intermediate period") was prepared with accordance to the international standard 34 – intermediate financial statement" (hereinafter – "IAS 34")' and with accordance to the securities standards (periodic and intermediate statements), 1970. the financial statements for the intermediate period should be consider the annual statements as of December 31, 2008 and to the same year ended on the same date and the notes summary accompany it, which were prepared with accordance to the international financial statements ("IFRS standards" as follows). The financial intermediate statement is reviewed and not audited.

Delta Galil Industries Ltd.

Summary consolidated notes as of March 31, 2009 (Un-audited)

Note 2 – Significant Accounting Policies (continuance)

c. Significant accounting policies

The main financial policy and the calculation methods, which were implicated on the financial intermediate statements, are the same as those used to prepare the annual statements as of December 31, 2008 and to the year ended on the same date, with exception of the stated below.

Taxes on income to the intermediate period are recognized on the best evaluation basis of the management to the average tax rate which relates to the expected annual income.

Standard which is valid for the financial period starting on January 1, 2009:

International financial standard 1 (reviewd) "financial statements presentation" ("hereafter –IAS" 1 (R)). 1(R) IAS forbid the presentation of profit and loss items and consist capital changes that are not from transactions with shareholders (hereafter – "comprehensive income"), in statement of change in shareholder equity, with the demand to present the comprehensive income separated from the changes from transactions with shareholders validated as owners. All comprehensive income items must be presented in the comprehensive income statement. Even so, an identity may choose to present all expenses and income items recognized in the period of the only comprehensive income statement in tow statements: statement which presents profit or loss (separated consolidated statements) and a second statement which starts with profit and loss and presents other comprehensive income items (comprehensive income statement).

The group chose to present all expenses and income items recognized in the period in the single report on comprehensive income.

More of, an adjustment to IAS1 (R) became valid, starting from January 1, 2009. The adjustment stated that only part of the assets and financial obligations recognized as "held for trading" with accordance to international financial statement 39 – "financial implements: recognition and measurement" are an example to assets and obligations classified as current. In order to implement the above mentioned adjustment there was no significant influence on the Group's financial statements.

As detailed in the group's annual financial statements as of December 31, 2008 and to the year ended on the same date, standards, adjustments and interpretations to additional existing standards which got validity and are obligated for the financial periods starting from January 1, 2009, but their implementations for the first time there is no significant influence on the Group's financial statements.

Delta Galil Industries Ltd.

Summary consolidated notes as of March 31, 2009 (Un-audited)

Note 3 – Segment reporting:

	Delta USA mass market	Intimate Apparel –UK, US Upper Market and Europe	Socks	Seamless knitwear	Delta Marketing Israel	Adjustments for Consolidated	Total
	\$ in thousand (Un – audited)						
A period of 3 months ended on March 31, 2009:							
Sales to external customers	53,561	26,246	21,293	6,079	15,643	604	123,426
Inter segment	9	358	26	283	-	(676)	-
Total sales, net	<u>53,570</u>	<u>26,604</u>	<u>21,319</u>	<u>6,362</u>	<u>15,643</u>	<u>(72)</u>	<u>123,426</u>
Segment profit (loss)	<u>489</u>	<u>(3,634)</u>	<u>(187)</u>	<u>(788)</u>	<u>651</u>	<u>202</u>	<u>(3,267)</u>
Capital gain, net						<u>1,767</u>	<u>1,767</u>
Loss before tax benefit							<u>(5,034)</u>
	Delta USA mass market	Intimate Apparel – UK, US Upper Market and Europe	Socks	Seamless knitwear	Delta Marketing Israel	Adjustments for Consolidated	Total
	\$ in thousand (Un – audited)						
A period of 3 months ended on March 31, 2008:							
Sales to external customers	63,958	42,397	28,090	3,602	18,152	790	156,989
Inter segment	-	1,420	-	3,394	-	(4,814)	-
Total sales, net	<u>63,958</u>	<u>43,817</u>	<u>28,090</u>	<u>6,996</u>	<u>18,152</u>	<u>(4,024)</u>	<u>156,989</u>
Segment profit (loss)	<u>2,388</u>	<u>(1,206)</u>	<u>1,071</u>	<u>(10)</u>	<u>2,899</u>	<u>(915)</u>	<u>4,227</u>
Capital gain, net						<u>2,454</u>	<u>2,454</u>
Loss before tax benefit							<u>1,773</u>

Delta Galil Industries Ltd.

Summary consolidated notes as of March 31, 2008 (An-audited)

Note 3 – Segment reporting:

	Delta USA mass market	Intimate Apparel – UK, US Upper Market and Europe	Socks	Seamless knitwear	Delta Marketing Israel	Adjustments for Consolidated	Total
	<u>\$ in thousand (Un – audited)</u>						
A year ended on December 31, 2008:							
Sales to external customers	253,577	159,516	106,412	22,690	77,496	3,143	622,834
Inter segment	-	9,263	26	6,713	49	(16,051)	-
Total sales, net	<u>253,577</u>	<u>168,779</u>	<u>106,438</u>	<u>29,403</u>	<u>77,545</u>	<u>(12,908)</u>	<u>622,834</u>
Segment profit (loss) before restructuring expenses and impairment of goodwill	<u>5,974</u>	<u>(10,778)</u>	<u>(689)</u>	<u>(3,623)</u>	<u>12,724</u>	<u>(2,780)</u>	828
Restructuring expenses	-	7,501	1,370	291	-	-	9,162
Impairment of goodwill	<u>5,586</u>	<u>1,806</u>	-	-	-	-	<u>7,392</u>
Segment profit (loss) after restructuring expenses and impairment of goodwill	<u>388</u>	<u>(20,085)</u>	<u>(2,059)</u>	<u>(3,914)</u>	<u>12,724</u>	<u>(2,780)</u>	<u>(15,726)</u>
Financing expenses, net						<u>7,479</u>	7,479
Company's share in affiliated company loss						<u>55</u>	<u>55</u>
Loss before taxes						<u>(23,260)</u>	<u>(23,260)</u>

Delta Galil Industries Ltd.

Summary consolidated notes as of March 31, 2009 (Un-audited)

Note 4 – Subsequent event

On April 2, 2009, the transaction of purchasing assets and part of operations of Gibor sports active wear Ltd. (Gibor) was completed, in the design, development, production, sales and marketing of socks, after the conditioned terms in the agreement (which were detailed in the last immediate report) were met.

The purchase of Gibor's assets was done in order to extend and leverage the Company's activity in the socks field.

According to the agreement, the Company purchased from Gibor all machinery and equipment which Gibor owned in the socks field (hereinafter the operation field); the list of customers in the operation field and connections with them (as much as possible to transfer), with no obligation from Gibor side as for the continuance of the operations with them, all knowledge of Gibor in the operation field and 100% of the issued capital of the Company owned by Gibor. The Company will purchase the inventory of Gibor in order to complete the deal, as detailed in the agreement.

Total value for the assets purchased (with the exception of inventory) amount to \$5.6 million. A sum of \$5.3 million was paid at the transaction completion date and \$0.3 million will be paid 12 months after its completion.

