DELTA GALIL Industries Ltd.

September 30 2010 Quarterly Report

Report of the Board of Directors on the State of Corporate Affairs

For the Period Ending September 30 2010

We hereby present to you the report of the Board of Directors of DELTA GALIL Industries Ltd. (hereinafter: "**the Company**" or "**Delta**") in reference to the Consolidated Financial Statements of the Company and its subsidiaries in Israel and overseas (hereinafter: "**the Group**") for the quarter ending September 30 2010 in accordance with the 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 the 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, Mark's & Spencer and Victoria's Secret as well as leading brands including Nike, Hugo Boss, Calvin Klein, Maidenform, Tommy Hilfiger and others.

The Group also sells its products under franchise brands, including: Lucky®, Nicole Miller®, Maidenform®, Converse®, Wilson® Daisy Fuentes® 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 United States, whereas production is mostly carried out in its facilities in the Middle East and East Asia and via sub-contractors in those locations.

1.2. Material Events in the Corporation's Activities During and After the Reported Period

1.2.1. Dividends

On May 23 2010 the Company declared that it would be distributing dividends to the amount of $1.5 million, at 6.41 cents per share, distributed on June 16 2010 (see May 24 2010 immediate report, ref. 2010-01-489957).

On August 10 2010 the Company declared that it would be distributing dividends to the amount of $1.5 million, at 6.41 cents per share, distributed on September 5 2010 (see August 11 2010 immediate report, ref. 2010-01-582885).

1.2.2. Declaration of Dividends Distributed Subsequent to the Balance Sheet Date

On November 28 2010 the Company declared that it would be distributing dividends to the amount of $2 million, at 8.5 cents per share, to be distributed on December 21 2010 according to the dollar’s representative rate of exchange as published the day prior to the payment date. The determining date for this distribution shall be December 9 2010 and the “X” date shall be December 12 2010. For further details see Section 4 below.

1.2.3. Purchase of Shares by Company CEO, Director and Controlling Shareholder, Mr. Isaac Dabah

Between June 6 and June 10 2010 Mr. Isaac Dabah purchased (through GMM Capital LLC) 22,197 Company shares at an average price of 27 NIS, so that after the purchase in question his holdings in the Company's issued and paid-up stock capital and voting rights is 54.41% (see ref. 2010-01-512271, 2010-01-51393, 2010-01-515178, 2010-01-516789, 2010-01-518397).

On June 9 and 10 2010 the Sterling Makro investment fund (managed by Mr. Isaac Dabah) purchased 14,500 Company shares at an average price of 28 NIS, so that after the purchases in question its holdings of the Company's issued and paid-up capital and voting rights is 1.62% (see ref. 2010-01-576798 and 2010-01-518400).

1.2.4. <u>Entering an Agreement to Grant option to Purchase Real Estate Property in Naharia</u>

On March 2, 2010, the Company announced it had signed an option agreement, whereby it granted a group of buyers an option to acquire real estate in Naharia owned by the Company 64.5 acres, before expropriation, known as Block 18206 Lot 18 (hereinafter: "**the Real Estate**"), over the course of a period of four months form the signing of the option agreement (hereinafter: "the Option"). On June 22 2010, the Company signed a revision to the Option Agreement, according to which the option exercise period was extended by an additional month (see report from June 23 2010, ref. 2010-01-529776). On July 27 2010, the Company signed an additional revision to the Option Agreement, according to which the option exercise period was extended by an additional two months, meaning up to October 3 2010. This additional extension was requested by the option recipient so that they could study the influence - if any - of a regional outline plan from 2007 on the Real Estate's construction rights (see report from July 28 2010, ref. 2010-01-567957).

In return for the option in question, the purchasers paid the Company a total of 2,000,000 NIS (plus vat), which will not be refunded the purchasers even if they choose not to exercise the option. In addition, the purchasers deposited an additional 3,000,000 NIS (plus vat) with a Company representative as a good faith deposit. The option agreement states that if the option is exercised, the good faith deposit shall be used for payment as part of the proceeds and if the purchasers decide not to exercise the options, the purchasers shall have the good faith deposit returned, with interest.

In return for the Company's agreement to extend the option, the Company received an additional sum of 500,000 NIS (plus vat) to be deducted from the good faith deposit; so that if the option is not exercised, the Company shall receive a total of 2,500,000 NIS (plus vat). At the same time it was agreed that if the purchasers choose to exercise the option and sign a full purchase agreement by the end of the option period, the sum of 500,000

NIS shall be considered part of the proceeds owed the Company for the Real Estate.

1.2.5. Entry into Sales Agreement for the Sale of the Naharia Real Estate

On October 3 2010, the Company received written notice from the option holders of their intent to exercise the option and sign an agreement to purchase the Real Estate in Naharia - some 64.5 acers, before expropriation, known as Block 18206 Lot 18 (hereinafter - "**the Naharia Land**"). According to the option agreement, the parties must sign a sales agreement within 15 days of receiving the exercise notice and if the option holders refuse to sign the agreement in question, this shall be seen as reneging on the option notice – which shall award the Company with the proceeds given for the option (2.5 million NIS plus vat).

On October 6 the Company announced that on October 5 2010 it signed a sales agreement, in which it sold the Naharia Land to a buyer's group (4 private companies). According to the sales agreement, the purchasers shall pay the Company $23,972,602 US (plus vat) for the Naharia Land, of which the Company has received $7.4 million, with the balance paid in payments according to a number of milestones deployed across a period of up to 39 months from the signing of the sales agreement; it was agreed that total compensation in NIS shall be no less than 91,000,000 NIS.

As part of the agreement the Company assigned the rights (and obligations) to the purchasers according to a claim submitted by the Company to the Naharia Design and Construction Local Council as per Section 197 of the Design and Construction Law for the Real Estate (as stated in the Company's July 28 2010 report). The capital gains expected for the Company are estimated at between $17 and 18$ million US (before tax). The Company is considering the date of recognition of capital gains from the transaction.

For further details see immediate report dated January 4 2010 (ref. 2010-01-633762), March 2 2010 (ref. 2010-01-400428), June 23 2010 (ref. 2010-01-529776) and July 28 2010 (ref. 2010-01-567957), dated October 4 2010 (ref. 200-01-633762) and dated October 6 2010 (ref. 2010-01-637704), presented by reference.

1.2.6. Following the June 3 2010 immediate report (ref. 2010-01-509061), on June 29 2010 the Company announced that negotiations for purchasing branded assets and activity in the field of clothing was discontinued due to the seller's decision to cease sale proceedings. For further details see immediate report dated June 29 2010 ref. 2010-01-535980.

1.2.7. Interested party's employment terms approval.

1.2.7.1. Employment terms approval of the daughter of the Company's main shareholder, in her positions as Merchandising manager in the Company's subsidiary in the USA.

On October 13 2010 the Company's audit committee and Board of Directors approved the employment terms of the CEO's and main shareholder's daughter, in her position as Merchandising manager in Delta Galil USA Inc. (hereafter "subsidiary"). The employment terms will be approved at the Company's general meeting scheduled for December 27 2010.

For more details, including the employment terms of Mrs. Dabah, see immediate report with interested party and the summon of the general meeting published on 18.11.2010, reference no. 2010-01-685278.

1.2.7.2. Employment terms approval of Mr. Itzhak Weinstock, a Director of the Company as COO in a subsidiary.

On October 13 2010 the Company's audit committee and Board of directors approved the employment terms of Mr. Itzhak Weinstock a Director of the Company in Delta Galil USA Inc (hereafter "subsidiary"). His position definition starting from January 1 2011, will be COO of all the Company's activity in North America, including the subsidiary's activity, full time. Mr. Izhak Weinstock's employmwnt terms will be approved by the Company's general meeting scheduled for December 27 2010.

For more details, including the employment terms of Mr. Weinstock, see immediate report with interested party and the summon of the general meeting published on 18.11.2010, reference no. 2010-01-685278.

1.2.8. On November 21, 2010, the Company published a shelf prospectus based on its financial reports as of December 31, 2009 and as of June 30, 2010 (reference no. 2010-01-687153).

Comments of the Board of Directors on the State of Corporate Affairs

2. Analysis of Financial Position

2.1. Balance Sheet

The Group's consolidated balance sheet as of September 30, 2010 amounted to $406.3 million, compared to $375.8 million as of September 30, 2009.

The Group's consolidated current assets as of September 30, 2010 amounted to $257.7 million, compared to $215.1 million as of September 30, 2009.

The increase in total balance sheet and in current assets as of September 30, 2010, compared to September 30, 2009, is mainly due to proceeds of debenture issuance amounting to $30.5 million, issued by the Company in January 2010, which is included under cash and cash equivalents.

Likewise, the balance of current assets as of September 30, 2010 increased as a result of an increase in inventory, which was partially offset by a reduction in accounts recievables balance; see Section 2.3.3 below.

The Group's current liabilities in its consolidated balance sheet as of September 30, 2010 amounted to $172.1 million, compared to $211.7 million as of September 30, 2009.

The decrease in current liabilities as of September 30, 2010, compared to September 30, 2009, is primarily due to repayment of short-term bank credit, due to a positive operating cash flow achieved over the past 12 months and due to a rights issuance in the amount of $21 million made in November 2009.

The Group's equity as of September 30, 2010 amounted to $191.4 million, constituting 47.1% of the balance sheet total, compared to $151.8 million, or 40.4% of the balance sheet total, as of September 30, 2009, and compared to $178.5 million, or 47.4% of the balance sheet total, as of December 31, 2009.

The increase in Group equity as of September 30 2010, compared to December 31, 2009, is largely due to the net income in the first nine months of 2010, which amounted to $14.9 million, less dividend distributed in the amount of $3.0 million.

2.2. Operating Results

2.2.1. Below are Group summary statements operations for the third quarter and first nine months of 2010 and 2009 and for the year 2009, in thousands of dollars:

	Third Quarter		First 9 Months		Year
	2010	**2009**	**2010**	**2009**	**2009**
	(Unaudited)				Audited
Sales	**169,696**	162,506	**466,902**	421,843	572,534
Cost of sales	**136,251**	130,301	**375,792**	347,349	468,831
Gross profit	**33,445**	32,205	**91,110**	74,494	103,703
Selling and marketing expenses	**16,531**	17,479	**48,531**	50,540	66,342
General and administrative expenses	**6,608**	5,769	**18,917**	15,963	21,956
Other expenses (income), net	**1,137**	32	**(425)**	(234)	(761)
Operating income before restructuring expenses income, impairment of fixed assets and capital loss from realization of investment in subsidiary	**9,169**	**8,925**	**24,087**	**8,225**	**16,166**
Restructuring expenses (income)	**-**	474	**485**	474	(1,331)
Impairment of fixed assets	**-**	-	**-**	-	1,945
Capital loss from the realization of a subsidiary	**-**	-	**666**	-	-
Operating profit	**9,169**	**8,451**	**22,936**	**7,751**	**15,552**
Finance expenses, net	**2,098**	1,419	**5,729**	5,043	6,369
Company share of profits of associate	**-**	42	**-**	41	41
Profit before taxes on revenue	**7,071**	7,074	**17,207**	2,749	9,224
Taxes on income	**558**	602	**2,258**	890	1,574
Net profit for the period	**6,513**	**6,472**	**14,949**	**1,859**	**7,650**
Attribution of net income for the period:					
To Company shareholders	**6,483**	6,378	**14,859**	1,705	7,662
To minority interests	**30**	94	**90**	154	(12)
	6,513	**6,472**	**14,949**	**1,859**	**7,650**
Net earnings per share attributable to Company shareholders:					
Basic	**0.28**	**0.34**	**0.64**	**0.09**	**0.40**
Diluted	**0.27**	**0.34**	**0.62**	**0.09**	**0.40**

2.2.2. The following tables lists key data in millions of dollars:

	Third Quarter 2010	Third Quarter 2009	9 Months 2010	9 Months 2009	Last 12 Months	2009
Sales	**169.7**	162.5	**466.9**	421.8	617.6	572.5
Operating profit before restructuring expenses (income), impairment of fixed assets and capital loss from realization of subsidiary	**9.2**	8.9	**24.1**	8.2	32.0	16.2
Restructuring expenses (income)	**-**	0.5	**0.5**	0.5	(1.3)	(1.3)
Impairment of fixed assets	**-**	-	**-**	-	1.9	1.9
Capital loss from the realization of a subsidiary	**-**	-	**0.7**	-	0.7	-
Operating earnings	**9.2**	8.4	**22.9**	7.8	30.7	15.6
Adjusted EBITDA (*)	**12.0**	12.5	**32.7**	18.0	44.2	29.5
Net earnings for Company shareholders before restructuring expenses (income), impairment of fixed assets and capital loss from realization of subsidiary	**6.4**	6.9	**16.1**	2.2	22.2	8.3
Net earning attributed to company shareholders	**6.4**	6.4	**14.9**	1.7	20.9	7.7
Cash flow from current operations	**0.2**	16.5	**10.6**	24.4	27.0	40.8

	Third Quarter 2010	Third Quarter 2009	9 Months 2010	9 Months 2009	Last 12 Months	2009
Net earnings for the period - as reported	**6.5**	6.5	**14.9**	1.9	20.7	7.7
Taxes on income	**0.5**	0.6	**2.3**	0.9	2.9	1.5
Finance expenses, net	**2.1**	1.4	**5.7**	5.0	7.1	6.4
Restructuring expenses (income)	**-**	0.5	**0.5**	0.5	(1.3)	(1.3)
Impairment of fixed assets	**-**	-	**-**	-	1.9	1.9
Capital loss from the realization of a subsidiary	**-**	-	**0.7**	-	0.7	-
Depreciation and amortization	**2.9**	3.5	**8.6**	9.7	12.2	13.3
Standardized EBITDA	**12.0**	**12.5**	**32.7**	**18.0**	**44.2**	**29.5**

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

Standardized EBITDA is calculated as follows: net income plus taxes on income, net finance expenses, depreciation and amortization, restructuring expenses (income), impairment of fixed assets and capital loss from expected realization of subsidiary.

2.3. Analysis of Operating Results

2.3.1. Overview

Group sales in the third quarter of 2010 amounted to $169.7 million, compared to $162.5 million in the third quarter of 2009 an increase of 4% increase, with sales increasing 7% in original currency terms.

Sales in the first nine months of 2010 amounted to $466.9 million, compared to $421.8 million in the first nine months of 2009, an 11% increase, with sales increasing 12% in original currency terms.

The following is the distribution of Company sales by geographic area, in millions of dollars:

	Third Quarter						First 9 Months						2009	
	% Change in original Currency	% Change	2010	% of Total	2009	% of Total	% Change in original Currency	% Change	2010	% of Total	2009	% of Total		% of Total
North America	15	15	115.8	68	100.6	62	18	18	312.9	67	265.3	63	352.4	62
Europe	17	7	19.9	12	18.6	12	27	22	58.2	12	47.8	11	65.2	11
Israel	(1)	(1)	19.2	11	19.4	12	-	5	54.8	12	52.2	12	75.2	13
UK	(32)	(39)	14.3	8	23.3	14	(29)	(29)	39.1	8	55.4	13	77.8	14
Others	-	-	0.5	1	0.6	-	-	-	1.9	1	1.1	1	1.9	-
Total	7	4	**169.7**	100%	**162.5**	100%	12	11	**466.9**	100%	**421.8**	100%	**572.5**	100

The increase in sales in the third quarter and first nine months of 2010, compared to the corresponding periods last year, was due to improvement in most markets, as a result of improved sales of the retail chains in the US and Europe.

North America

North American sales increased by 15% and 18% in the third quarter and first nine months of the year, respectively, compared to corresponding periods last year, this largely due to an increase in brassiere sales and a certain recovery in the sales of U.S. chains during the reported periods.

Europe

European sales increased by 7% and 22% in the third quarter and first nine months of the year, respectively, compared to corresponding periods last year, this largely due to an increase in sales to existing customers.

Israel

Sales in Israel in the third quarter of the year dropped 1% in dollar terms and in NIS terms from the same quarter last year.

Sales in the first nine months of the year increased 5% in dollar terms, while remaining unchanged in shekel terms compared to the corresponding period last year.

UK

Sales in the UK decreased by 39% and by 29% in the third quarter and first nine months of the year, respectively, compared to corresponding reported periods last year, due to a drop in activity with a certain customer and in accordance with Company plans, as well as the shift to FOB-based sales, which reduced selling prices.

We estimate that the decrease in sales to this customer will continue in Q4 2010[1].

Gross profit in the third quarter of 2010 amounted to $33.4 million, compared to $32.2 million in the third quarter of 2009 an increase of 4% increase.

The gross margin remained almost unchanged and constituted 19.7% of sales in the third quarter of 2010, compared to 19.8% of all sales in the third quarter of 2009.

Gross profit in the first nine months of 2010 amounted to $91.1 million, constituting 19.5% of sales, compared to $74.5 million in the first nine months of 2009, constituting 17.7% of sales, a 22% increase.

---

[1] Note that the above is an estimate and foreword-looking information, which may or may not materialize or may differ from Company estimates and forecasts, due to circumstances outside of the Company's control, and due to being based on information available as of the report date, including Company estimates as of the report date.

The increase in gross profit in the third quarter and the first nine months of 2010 compared to corresponding periods last year is due to an increase in sales, mainly the sale of brassieres to a U.S. customer, as well as steps taken by the Company in 2009 to improve efficiency, including exiting non-profitable categories of operations in the UK, a drop in overhead, improved on-time delivery to customers, decreased failure cost and improved inventory management. See also Section 2.3.3 below.

Selling and marketing expenses decreased by 5.4%, amounting to $16.5 million in the third quarter of 2010, compared to $17.5 million in the third quarter of 2009.

Selling and marketing expenses decreased by 4.0%, amounting to $48.5 million in the first nine months of 2010, compared to $50.5 million in the first nine months of 2009.

The following table shows the composition of selling and marketing expenses in Delta Israel segment compared to other Group operating segments, in millions of dollars:

	Third Quarter 2010	Third Quarter 2009	9 Months 2010	9 Months 2009
Delta Israel	**7.3**	6.9	**21.8**	19.7
% of total Delta Israel sales	***39.2%***	*37.5%*	***40.7%***	*39.3%*
Other areas of activity	**9.2**	10.6	**26.7**	30.8
% of total sales in other areas of activity.	***6.1%***	*7.3%*	***6.5%***	*8.3%*
Total selling and marketing expenses	**16.5**	17.5	**48.5**	50.5
Selling and marketing expenses as % of total sales	***9.7%***	*10.8%*	***10.9%***	*12.0%*

The increase in selling and marketing expenses in Delta Israel activity in the third quarter and first nine months of 2010, over corresponding periods last year, is due to the expansion of chain stores, as well as the revaluation of the NIS by 5% over the average exchange rate last year, which resulted in higher expenses in dollar terms.

The decrease in selling and marketing expenses for other operating segments in the third quarter and first nine months of 2010 over corresponding periods last year, was largely due to limited activity in the UK and transition to direct (FOB) selling, which led to a drop in shipping and storage expenses, which are included under sales and marketing expenses.

General and administrative expenses in the third quarter of 2010 increased by 14.5%, amounting to $6.6 million, compared to $5.8 million in the third quarter of 2009.

General and administrative expenses increased by 18.5%, amounting to $18.9 million in the first nine months of 2010, compared to $16.0 million in the first nine months of last year

The increase in general and administrative expenses in the first nine months of the year compared to the corresponding period last year derived from expenses due to the due diligence of investment in the amount of $0.8 million (see Section 1.2.7 above), increase is salaries expenses and accruals for bonuses, as well as the strengthening of the NIS/US rate of exchange by 5% compared to the average rate last year, which led to increased expenses in dollar terms.

The increase in general and administrative expenses in Q3 2010 compared to the same quarter last year derived mainly from an increase in salaries and in accruals for bonuses in particular, as a result of the improvement in operating results.

Other net expenses (income) in the third quarter of 2010 included a $1.1 million loss deriving mainly from the revaluation of currency transactions referring to future reporting periods carried out by the Company for protection against a weakening in the exchange rate of the euro vs. the dollar, see 5.4 below. In the first 9 months of 2010, other income included $0.2 million in capital gain and $0.2 million profit from currency transactions.

Restructuring expenses in the first quarter of 2010, the Company decided to terminate its sock finishing operations in Jordan. The cost of terminating the operations amounted to $0.5 million, consisting primarily of impairment of fixed assets and severance pay to 90 terminated employees.

Capital loss from realization of a subsidiary – the Company has signed an agreement to sell a subsidiary in India engaged in manufacture of socks. The capital loss from this sale amounted to $0.7 million and was included in results of the first quarter of 2010. The transaction was completed in the second quarter of 2010.

Operating profit in the third quarter of 2010 amounted to $9.2 million, compared to $8.5 million in the third quarter of 2009.

Operating profit amounted to $22.9 million in the first nine months of 2010, compared to $7.8 million in the first nine months of last year.

Operating profit in the third quarter of 2010 before restructuring expenses amounted to $9.2 million, compared to $8.9 million in the third quarter of 2009, which was achieved in spite of $1.1 million in expenses for the revaluation of currency transactions referring to future reporting periods.

Operating profit amounted to $24.1 million in the first nine months of 2010 before restructuring expenses and capital loss from realization of a subsidiary, compared to $8.2 million in the corresponding period last year.

The improvement in operating profit in the third quarter and first nine months of 2010, compared to corresponding periods last year, was largely due to the increase in sales and in gross profit as described above.

Finance expenses increased by 47.9% in the third quarter of 2010, amounting to $2.1 million, compared to $1.4 million in the corresponding period last year.

In the first nine months of 2010, finance expenses increased by 13.6%, amounting to $5.7 million compared to $5.0 million in the first nine months of 2009.

Finance expenses breakdown:

	Third Quarter 2010	**Third Quarter 2009**	**9 Months 2010**	**9 Months 2009**
Interest and commission expenses	**1.5**	1.4	**4.6**	4.1
Exchange rate differentials	**0.5**	(0.2)	**0.7**	0.5
IFRS adjustments	**0.1**	0.2	**0.4**	0.4
Total finance expenses	**2.1**	1.4	**5.7**	5.0

The increase in interest and commission expenses in the reported periods compared to corresponding periods last year derived from the issue of debentures, this in spite of the decrease in bank debt. The rate of interest on the debentures raised the average credit price of the Company's financial debt.

Exchange rate difference expenses in the third quarter of 2010 amounted to $0.5 compared to $0.2 million in revenue in the corresponding quarter last year, deriving from fluctuations in the average rate of exchange of the euro vs. the USD.

Tax expenses in the third quarter of 2010 remained unchanged from the corresponding quarter last year, amounting to $0.6 million.

Tax expenses amounted to $2.3 million in the first nine months of 2010, compared to $0.9 million in the same period last year.

The Company’s low effective tax rate derives from the use of losses to income tax in Israel, for which no deferred taxes were attributed.

Profit attributed to Company shareholders in the third quarter of 2010 amounted to $6.5 million, compared to $6.4 million in the same quarter last year.

Profit attributed to Company shareholders amounted to $14.9 million in the first nine months of 2010, compared to $1.7 million in the first nine months of last year.

The improvement in operating results in the first nine months of the year compared to the corresponding period last year derived from the improvement in operating profit, as explained above.

2.3.2. Below is a summary of the Company's consolidated business results, by the three operating segments included in its Financial Statements, for the third quarter and first nine months of 2010 and 2009 and for all of the year 2009, in thousands of dollars:

	Third Quarter Ending September 30 (Unaudited)				
	Sales			**Operating Profit (Loss) before restructuring expenses**	
	2010	2009	% change	2010	2009
Delta USA – mass market	**88,103**	75,563	*17*	**2,533**	2,349
Global upper market	**64,088**	73,687	*(13)*	**5,282**	4,388
Delta Israel	**18,777**	18,451	*2*	**3,009**	2,796
Inter-divisional adjustments	**(1,780)**	(6,054)		**-**	(583)
Others	**508**	859		(*) **(1,655)**	(25)
Total sales and operating profit before restructuring expenses.	**169,696**	162,506	*4*	9,169	8,925
Restructuring expenses				**-**	474
Total operating profit in consolidated statements				9,169	8,451

(*) Other operational loss includes a $1.1 million expense for the revaluation of currency transactions referring to future reporting periods.

	First Nine Months Ending September 30 (Unaudited)					2009 Audited	
	Sales			Operating Profit (loss) Before Restructuring Expenses and Capital Loss from the realization of a Subsidiary		Sales	Operating Profit (Loss) before Restructuring Income and Impairment of Fixed Assets
	2010	2009	% Change	2010	2009		
Delta USA – mass market	**229,959**	201,609	*14*	**5,852**	4,245	268,566	5,927
Global upper market	**195,394**	176,430	*11*	**12,677**	(729)	243,576	1,428
Delta Israel	**53,666**	50,224	*7*	**7,876**	4,990	72,822	10,464
Inter-divisional adjustments	**(14,415)**	(8,787)		**18**	(583)	(15,612)	(881)
Others (*)	**2,298**	2,367		(*) **(2,336)**	302	3,182	(772)
Total sales and operating profit before restructuring expenses (revenues), impairment of fixed assets and capital loss from realization of a subsidiary	**466,902**	421,843	*11*	**24,087**	8,225	572,534	16,166
Restructuring expenses (revenues)				**485**	474		(1,331)
Impairment of fixed assets				**-**	-		1,945
Loss of capital from the sale of subsidiary				**666**	-		-
Total operating loss in consolidated statement				**22,936**	7,751		15,552

(*) Other operational loss includes $0.8 million for due diligence of an investment, see Section 1.2.6 above, as well as other expenses not attributed to the areas of activity.

2.3.3. Analysis of business results by operating segment

Operating Segment: Delta USA – Mass Market

Sales in the third quarter of 2010 amounted to $88.1 million, compared to $75.6 million in the corresponding period last year, an increase of 17%.

Sales in first nine months of 2010 amounted to $230.0 million, compared to $201.6 million in the corresponding period last year, an increase of 14%.

The increase in sales in the third quarter of the year compared to the corresponding quarter last year derived mainly from an increase in sales to a key customer.

During 2010 the working method with Wal – Mart was changed so that a major part of the supplied products to the customer were according to "ad hoc" orders and not by replenishment, as was costumed until now.

As part of this change, the customer turned to strategic suppliers and suggested to join a discounting arrangement through a finance institute in an attractive terms (LIBOR + 1%). Resulting this change, credit days with this customer are between 20 to 30 days.

The Company chose to join this arrangement starting the second quarter of 2010, a fact leading to a decrease of $21 million in the customer balance as of September 30 2010, compared to the similar periods last year.

Operating profit in the third quarter of 2010 amounted to $2.5 million, compared to $2.3 million in the same quarter last year, an increase of 8%.

Operating profit amounted to $5.9 million in the first nine months of 2010, compared to $4.2 million in the first nine months of last year, an increase of 38%.

The improvement in operating profit in the third quarter and in the first nine months of 2010, compared to corresponding periods last year, was largely due to the increase in sales, as described above.

Over the course of the third quarter of 2010 the Company began, in conjunction with a key U.S. customer, to convert products from packages of 10 units per product (10pp) to packages of 3 units per product (3pp), which led to accumulation of $11 million in inventory and an increase in the inventory balance as of September 30 2010. The product conversion is expected to be completed by the fourth quarter of 2010 and their sale in conjunction with the customer is expected to take place over the course of 2011[2].

Operating Segment – Global Upper Market

Sales in the third quarter of 2010 amounted to $64.1 million, compared to $73.7 million in the corresponding quarter last year, a decrease of 13%.

The decrease in sales in the third quarter of the year compared to the corresponding quarter last year derived mainly from a drop in sales to a specific customer in the UK.

Sales in first nine months of 2010 amounted to $195.4 million, compared to $176.4 million in the corresponding period last year, an increase of 11%.

The increase in sales in this operating segment in the first nine months of 2010 compared to the corresponding period last year derives from the increase in sales to existing customers in Europe and the US, and was achieved in spite of a drop in sales to a specific customer in the UK.

Operating profit in the third quarter of 2010 amounted to $5.3 million, compared to $4.4 million in the corresponding quarter last year.

Operating income in the first nine months of 2010 amounted to $12.7 million, compared to an operating loss amounting $0.7 million in the corresponding period last year.

The improvement in results in the third quarter and in the first nine months of 2010 compared to corresponding periods last year, derived from an increase in sales in Europe and the U.S., particularly in brassieres, as well as a result of the streamlining efforts and the restructuring plan that began in the fourth quarter of 2008 and exits from unprofitable categories.

Operating Segment - Delta Israel

Sales in the third quarter of 2010 amounted to $18.8 million, compared to $18.5 million in the corresponding quarter last year, a 2% increase.

Sales in NIS in the third quarter of 2010 amounted to 71.3 million, compared to 70.6 million in the third quarter of 2009, an increase of 1%.

[2] Note that the above is an estimate and foreword-looking information, which may or may not materialize or may differ from Company estimates and forecasts, due to circumstances outside of the Company's control, and due to being based on information available as of the report date, including Company estimates as of the report date.

Sales in first nine months of 2010 amounted to $53.7 million, compared to $50.2 million in the corresponding period last year, an increase of 7%.
Sales in NIS in the first nine months of 2010 amounted to 202.5 million, compared to 199.6 million in first nine months of 2009, an increase of 1%.

Operating profit in the third quarter of 2010 amounted to $3.0 million, compared to $2.8 million in the same quarter last year, an increase of 8%.

Operating profit amounted to $7.9 million in the first nine months of 2010, compared to $5.0 million in the first nine months of last year, an increase of 58%.

Operating profit in dollar terms in the first nine months of 2009 included expenses due to adaptation of inventory as a result of the weakening of the exchange rate of the NIS vs. the dollar over the course of the first nine months last year.

Operating profit in the third quarter of 2010, in NIS terms, amounted to 11.5 million, compared to 9.8 million in the corresponding period last year, an increase of 18%.

Operating profit in the first nine months of 2010, in NIS terms, amounted to 29.8 million, compared to 24.5 million, an increase of 22%.

The increase in operating profit in NIS terms in the third quarter and first nine months of 2010, compared to corresponding periods last year, was largely due to the increase in gross profit.

Starting 2010, the NIS is the main currency affecting Delta Israel's activity. The reasons for the change in currency are due to the fact that Delta Israel is now a financially independent unit. Therefore the Company has decided to change the activity currency from US Dollars to NIS. The change was made on a prospective overview "from now on". The effect on the third quarter and first nine months results is not material.

3. Liquidity and Financing Sources

Condensed cash flow statement, in millions of dollars:

	Third Quarter		9 Months		Year Ending December 31, 2009
	2010	**2009**	**2010**	**2009**	
Net cash provided by current operations	**0.2**	16.5	**10.6**	24.4	40.8
Net cash used in investment activities	**(0.7)**	(1.5)	**(1.5)**	(10.8)	(11.0)
Net cash used in financing activities	**(1.1)**	(14.0)	**(2.1)**	(12.3)	(6.1)
Increase (decrease) in cash and cash equivalents	**(1.6)**	1.0	**7.0**	1.3	23.7

The Company finances its operations with its operating cash flow, with bank credit facilities and by issuance of debentures.

In the third quarter of 2010, the Company generated a positive operating cash flow of $0.2 million, compared to $16.5 million in the corresponding quarter last year.

In the first nine months of 2010, the Company generated a positive operating cash flow of $10.6 million, compared to $24.4 million in the corresponding quarter last year.

The decrease in cash flow from current operations in the third quarter and first nine months of 2010, compared to corresponding periods last year, was largely due to the increase in inventory - see 2.3.3 above.

Following are some financial indicators for the third quarters of 2010 and of 2009:

	Third Quarter 2010	Third Quarter 2009
Current Ratio	**1.50**	1.02
Quick Ratio	**0.81**	0.58
Customer credit days[3]	**49**	58
Supplier credit days	**48**	48
Inventory days [4]	**78**	64
Positive operating cash flow (in millions of dollars) – third quarter	**0.2**	16.5
Positive operating cash flow (in millions of dollars) – first nine months	**10.6**	24.4
Standardized EBITDA (in millions of dollars) – third quarter	**12.0**	12.5
Standardized EBITDA (in millions of dollars) – first nine months	**32.7**	18.0
Standardized EBITDA (in millions of dollars) – on the basis of the last twelve months	**44.2**	17.2
Net financial debt (in millions of dollars)	**78.6**	121.1
Net financial debt coverage ratio to standardized EBITDA (on the basis of the last 12 months)	**1.8**	7.0
Equity/balance sheet total	**47.1%**	40.4%
Equity (in millions of dollars)	**191.4**	151.8

The improved current ratio and quick ratio, from 1.02 and 0.58, respectively, as of September 30 2009, to 1.50 and 0.81, respectively, as of September 30, 2010, was due to positive operating

[3] For an explanation regarding the decrease in customer credit days and the increase in inventory days, see Section 2.3.3 above.

cash flow, to rights issuance by the Company in November 2009, and to debenture issuance in January 2010.

Net financial debt as of September 30, 2010 amounted to $78.6 million, compared to $121.1 million as of September 30, 2009, and compared to $84.1 million as of December 31 2009.

The decrease in net financial debt as of September 30 2010, compared to September 30 2009 is due to a positive operating cash flow achieved over the past 12 months and due to a rights issuance in the amount of $21 million.

4. Dividends

4.1. As of the balance sheet date the Company declared that it would be distributing dividends to the amount of $2.0 million, at 8.5 cents per share, to be distributed on December 21 2010 according to the dollar’s representative rate of exchange as published the day prior to the payment date. The determining date for this distribution shall be December 9 2010 and the “X” date shall be December 12 2010.

The following are details regarding the examination carried out by the Board of Directors in relation to the receipt of the decision to distribute dividends as stated above:

a. The Company’s board of directors tested whether the Company passed the profit and repayment ability test set in Section 302(a) of the Companies Law, 1999, and following this examination confirmed that the Company had passed these tests in the matter of the distribution of the dividends in question.

b. In the matter of passing the profit test, the Board of Directors approved the dividend distribution in question on the basis of the Company's retained earnings as of September 30 2010, which exceeds the sum of dividends approved.

c. In the matter of passing the repayment test, the Board of Directors took the following into consideration: data regarding the Company's financial status, including data regarding the Company’s liquid reserves, the Company's debit balance and its net debit balance; the Company's unused bank credit frameworks, the projected cash flow for 2010 and expected interest and principal payments for the debentures (Series T) issued by the Company. Following the examination of the above, the Board of Directors confirmed that the Company passes the repayment ability test regarding the distribution of dividends in question, including in conservative scenarios.

d. The Board of Directors estimates that the dividend distribution will have no material negative effect on the Company’s financial status, including its capital structure, leverage, liquidity and its ability to continue operating according to its existing format.

e. The Board of Directors did not base its estimates on the Company's ability to sell assets or on financial sources deriving from companies held by the Company.

f. The projected data and estimates in c. and d. above are foreword-looking information, as defined in the Securities Law, 1986, based on analysis of the data detailed in c. above carried out by the Company. These expectations and projects may not be realized, in whole or in part, or be realized in a materially different manner than projected, among other things due to changes in economic markets in Israel and in the world, changes in capital market conditions, exchange rates, and various market conditions in which the Company operates, which may impact the Company's activities and results.

5. Exposure to Market Risks and Management Thereof

Exposure to Market Risks, Risk Factors and Management Thereof

5.1. The person responsible for market risks management at the Company:

Market risks management at the Company is conducted in accordance with the risk management policy set by the Company Board of Directors and senior management.

Mr. Isaac Dabah, Company CEO, is the person responsible for market risk management in the Company.

Mr. Yossi Hajaj, Company CFO, is responsible for management of market risk associated with exchange rates and interest.

5.2. Description of market risk factors:

The Group, in its operations, is exposed to multiple market risk factors, including the state of economies in target markets in which the Company operates, as well as fluctuations in exchange rates in those markets vs. the Company's functional currency, the USD.

For general details of risk factors to which the Company is exposed, see section 1.27 of Part A of the Company's annual report published March 3 2010.

5.3. Company policy with regard to market risk management:

The recent financial crisis in Europe may impact the Company on two major levels:

- Lower sales, should the crisis evolve into a recession in Europe – which may impact Company profitability.

  European sales constitute 12% of all sales in the third quarter and in the first nine months of 2010.
- Volatility of exchange rates of European currencies vs. the USD.

Over the course of the third quarter and first nine months of 2010, the average rate of exchange of the euro vs. the dollar weakened by 10% and 7% respectively, compared to average exchange rates last year.

The Company enjoyed full protection over the course of the first six months of 2010 with an average exchange rate of $1.484 per €1, as a result of hedging transactions carried out in 2009 and 2010. Over the course of the third quarter of the year, the company acted with an average exchange rate of $1.29 per €1, as a result of hedging transactions carried out in 2010.

The Company carried out currency transactions to the end of 2011 with an exchange rate of $1.336 per €1in order to protect from the risk in which the net cash flow deriving from surplus euro receipts is influenced from changes in the exchange rate; see also 5.4 below.

The following are average exchange rates of the Euro compared the USD for the Year 2009 and the first nine months of 2010 and average exchange rates for hedge transactions the Company made for the forth quarter of 2010, and for the year 2011:

	2011	**2010**	**2009**	**% Change in 2010 vs. 2009**
First quarter	(**) **$1.308**	**$1.384**	$1.306	*6%*
Second Quarter	(**) **$1.362**	**$1.275**	$1.361	*(6%)*
Third Quarter	(**) **$1.382**	(*) **$1.291**	$1.430	*(10%)*
Fourth Quarter	(**) **$1.384**	(**) **$1.293**	$1.478	*(12%)*

(*) This exchange rate is the average rate for the quarter and does not include the $1.1 million loss due to the revaluation of currency transactions for future reporting periods, included under other expenses.

(**) Average rate of exchange for hedging transactions carried out by the Company.

It is Company policy to maintain as high an alignment as possible between the currency in which its products are sold and the currency in which products and/or raw materials are bought. The Company regularly reviews its balance sheet exposure and its economic exposure, in accordance with projected revenues and expenses for the coming 12 months.

The Company takes action on several levels in order to mitigate its exposure to exchange rate volatility:

a. Change of sale currency vis-à-vis UK customers (from GBP to USD). Starting in 2010, most sales to a major customer in the UK are denominated in USD, hence exposure to GBP is immaterial.
b. The Company has a surplus of payments over receipts denominated in NIS. The Company significantly reduced its exposure to fluctuations in the USD/NIS exchange rate by increasing sales in NIS and reducing costs denominated in NIS (due to lower overhead in Israel).
c. Contracting future contracts for a term of up to 12 months, to hedge the risk that the net cash flow due to excess revenues in EUR would be impacted by exchange rate fluctuations. In addition the Company is active to change the selling currency from Euro to USD with its European customers. The Company reached an understanding with a European customer that the selling currency will be converted to USD from Euro and have accordingly closed some of its forwarded transactions (which were previously opened) in the amount of $20 million in order to alien its outstanding forward transaction to the expected exposure to the Euro in 2011. The results of $20 million forward transactions closure, as mentioned, amounted to a profit of $0.9 million which will be included in the financial report of the Company for the fourth quarter of the year.

5.4. Financial Instruments

In the results of the third quarter and the first nine months of 2010, the Company included, under other net income (expenses), a $1.1 million expense and $0.2 million income, respectively. This section includes the results of transactions completed during the reported period and the expense resulting from the revaluation of currency transactions referring to future reporting periods not recognized as accounting hedges against the euro.

The following positions are not recognized as an accounting hedge vs. the euro:

	Redemption Date	Transactions Initiated Prior to the Balance Sheet Date: Exchange Rate for Transaction (USD per €1)	Transactions Initiated Prior to the Balance Sheet Date: Amount in Thousands of Dollars	Transactions Initiated Subsequent to the Balance Sheet Date: Exchange Rate for Transaction (USD per €1)	Transactions Initiated Subsequent to the Balance Sheet Date: Amount in Thousands of Dollars	Average Rate of Exchange
	12/10/10	1.277	1,700			
	12/10/10	1.308	1,000			
	26/10/10	1.308	1,000			
	8/11/10	1.276	1,700			
	8/11/10	1.308	1,000			
	23/11/10	1.308	1,000			
	8/12/10	1.277	1,700			
	8/12/10	1.308	1,000			
	21/12/10	1.308	1,000			
Q4 2010			**11,100**			**1.293**
	10/1/11	1.308	1,300			
	8/2/11	1.309	1,300			
	10/3/11	1.308	2,400			
Q1 2011 (*)			**5,000**			**1.308**
	11/4/11	1.336	1,000			
	26/4/11			1.404	300	
	10/5/11	1.336	1,000			
	26/5/11			1.403	300	
	9/6/11	1.335	1,000			
	28/6/11			1.402	1,400	
Q2 2011 (*)			**3,000**		**2,000**	**1.362**
	11/7/11			1.382	2,000	
	8/8/11			1.382	1,500	
	8/9/11			1.382	1,500	
Q3 2011 (*)					**5,000**	**1.382**
	11/10/11			1.381	1,200	
	8/11/11			1.380	1,200	
	28/11/11			1.395	1,000	
	8/12/11			1.380	100	
	24/12/11			1.394	1,400	
Q4 2011 (*)					**5,000**	**1.384**
Total transactions			**19,100**		**12,000**	**1.336**

* see section 5.3.c

5.5. Linkage Basis Report, in Thousands of Dollars

	As of September 30, 2010					
	Unaudited					
	In USD	**In EUR**	**In NIS**	**In Other Currencies**	**Non-Monetary Balances**	**Total**
Assets:						
Cash and cash equivalents	33,211	87	411	1,431	-	35,140
Trade receivables	58,453	13,603	15,162	4,677	-	91,895
Other accounts receivable	3,369	-	1,645	1,285	3,232	9,531
Inventories	-	-	-	-	118,167	118,167
Assets classified as held for sale	-	-	-	-	2,916	2,916
Deferred tax assets	-	-	-	-	4,586	4,586
Excess plan assets over liabilities due to employment termination	-	-	-	-	85	85
Fixed assets, net of accumulated depreciation	-	-	-	-	65,468	65,468
Intangible assets, net of accumulated amortization	-	-	-	-	77,257	77,257
Debit balances and long-term prepaid expenses	**1,025**	-	**40**	-	**214**	**1,279**
Total assets	**96,058**	**13,690**	**17,258**	**3,393**	**271,925**	**406,324**
Liabilities:						
Credit from banking corporations	63,265	15,333	103	-	-	78,701
Trade payables	42,022	2,977	7,534	2,040	-	55,573
Other accounts payable	17,212	1,608	15,458	2,421	128	37,827
Long-term loans from banking corporations	4,520	-	-	-	-	4,520
Debentures[4]	30,515	-	-	-	-	30,515
Financial derivatives	74	-	-	-	-	74
Liabilities for employment termination, net of deposits to severance pay funds	-	-	-	-	409	409
Long-term loans and other liabilities	6,031	-	-	303	-	6,334
Reserve for deferred taxes	-	-	-	-	**959**	**959**
Total liabilities	**163,639**	**19,918**	**23,095**	**4,764**	**1,496**	**214,912**

[4] Debentures issued in January 2010, are denominated in NIS, bear fixed NIS interest and are unlinked. The Company has entered into a swap agreement with a bank to swap NIS cash flows for a dollar cash flow, and vice versa, hence this liability is presented as linked to the USD.

Balance sheet total, net	**(67,581)**	**(6,228)**	**(5,837)**	**629**	**270,429**	**191,412**

5.6. Sensitivity tests for changes in the exchange rates of the euro and the NIS vs. the dollar and for changes in interest rates, in thousands of dollars.

Sensitivity to change in EUR/USD exchange rate:

	Gain (Loss) from Changes			Gain (Loss) from Changes	
	10% Increase	5% Increase	Fair Value	5% Decrease	10% Decrease
Expected exchange rate	\$1.50 = 1€	\$1.43 = 1€	\$1.36 = 1€	\$1.29 = 1€	\$1.22 = 1€
Cash and cash equivalents	9	4	87	(4)	(9)
Trade receivables [5]	1,360	680	13,603	(680)	(1,360)
Short-term credit from banks	(1,533)	(767)	(15,333)	767	1,533
Trade payables	(298)	(149)	(2,977)	149	298
Other accounts payable	(161)	(80)	(1,608)	80	161
Total	**(623)**	**(312)**	**(6,228)**	**312**	**623**

Sensitivity to change in discount rate of liabilities with respect to franchise agreements denominated in euros:

	10% increase [1]	5% increase [2]	12% Discount Rate	5% Decrease [3]	10% Decrease [4]
Change in Fair Value Before Tax	1	-	(99)	-	(1)

Sensitivity to change in NIS/USD exchange rate:

	Gain (Loss) from Changes			Gain (Loss) from Changes	
Expected exchange rate	10% Increase	5% Increase	Fair Value	5% Decrease	10% Decrease
	\$1 = 4.03 NIS	\$1 = 3.85 NIS	\$1 = 3.67 NIS	\$1 = 3.48 NIS	\$1 = 3.30 NIS
Cash and cash equivalents	(41)	(21)	411	21	41
Trade receivables [5]	(1,516)	(758)	15,162	758	1,516
Other accounts receivable	(165)	(82)	1,645	82	165
Long-term debit balances	(4)	(2)	40	2	4
Short-term credit from banks	10	5	(103)	(5)	(10)
Trade payables	753	377	(7,534)	(377)	(753)
Other accounts payable	1,546	773	(15,458)	(773)	(1,546)
Off-balance-sheet liabilities in respect of rental agreements	831	415	(8,306)	(415)	(831)
Total	1,414	707	(14,143)	(707)	(1,414)

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

	10% increase [1]	5% increase [2]	12% Discount Rate	5% Decrease [3]	10% Decrease [4]
Change in fair value, before tax [6]	88	44	(8,462)	(45)	(90)

Sensitivity to changes in weighted LIBOR interest rate: the following calculation relates to cash flow exposure, rather than to changes in fair value with respect to a loan portfolio amounting to $83.2 million (in thousands of dollars), with weighted interest on this loan portfolio as of September 30 2010 being 2.8% :

Change in interest rate	10% Increase	5% Increase	5% Decrease	10% Decrease
Expected interest rate after the change	3.08%	2.94%	2.66%	2.52%
Pre-tax gain (loss) due to changes	(233)	(117)	117	233

The following are sensitivity analyses for the value of the swap contract the Company entered regarding the replacement of NIS cash flows to debenture holders with a dollar cash flow. Note that changes in the value of the contract shall be attributed to a capital fund in the Company's balance sheet with no impact on the Statement of Operations.

Analysis of the sensitivity of the value of the swap contract to changes in the exchange rate (NIS/USD):

Rate of change	10% Decrease	5% Decrease	Fair Value	5% Increase	10% Increase
Expected exchange rate	$1 = 3.30 NIS	$1 = 3.49 NIS	$1 = 3.67 NIS	$1 = 3.85 NIS	$1 = 4.04 NIS
Forward contract value	3,848	1,784	(74)	(1,755)	(3,283)
Difference	3,922	1,858		(1,681)	(3,209)

Analysis of the sensitivity of the value of the swap contract to changes in NIS interest:

Rate of change	10% Decrease	5% Decrease	Fair Value	5% Increase	10% Increase
Expected interest rate	6.41%	6.77%	7.12%	7.48%	7.83%
Forward contract value	(726)	(930)	(1,132)	(1,333)	(1,532)
Difference	406	202		(201)	(400)

Analysis of the sensitivity of the value of the swap contract to changes in dollar interest:

Rate of change	10% Decrease	5% Decrease	Fair Value	5% Increase	10% Increase
Expected interest rate	5.47%	5.78%	6.08%	6.38%	6.69%
Forward contract value	(1,497)	(1,314)	(1,132)	(952)	(373)
Difference	(365)	(182)		180	360

[1] For a 13.2% discount rate.
[2] For a 12.6% discount rate.
[3] For an 11.4% discount rate.
[4] For a 10.8% discount rate.
[5] The trade receivables balance in the above tables is short-term, 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 rental agreements, while liabilities due to franchise and storage services agreements are at non-material sums.

Aspects of Corporate Governance

6. Disclosure with Regard to the Financial Statement Approval Process

The Company Board of Directors has determined that the organ in charge of overall control of Financial Statements for the Company is the Finance Committee.

Prior to approval of the Company's Financial Statements, a draft of the Financial Statements and attached Notes are submitted to members of the Finance Committee, a reasonable amount of time prior to the meeting, subject to any statute.

Invited to meetings of the Finance Committee to discuss approval of the Financial Statements are the CEO, CFO, Company Comptroller and Internal Auditor as well as the Independent Auditor who presents the Financial Statements to Committee members and answer any questions.

During the Finance Committee's meeting to discuss the financial statement, the Committee reviews and discusses the Company's Financial Statements, reviews major changes therein, refers to comments by Company management and the independent auditor and reviews the correspondence between the Financial Statements and events that have occurred in the Company and standards used by the Company to prepare its Financial Statements.

After the discussion, the Chairman of the Finance 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 the Finance Committee recommends approving the Financial Statements as set forth above, the Financial Statements and attached Notes are brought to the Company Board of Directors for approval.

Note also that if, during compilation of the Financial Statements, the CFO or the Company CEO encounter any material or initial questions, issues or problems requiring preliminary discussion before submitting the Financial Statements for approval by the Board of Directors, the CFO or the Company CEO would have the Board of Directors convene for a preliminary meeting to discuss these issues.

Names of the Finance Committee members who attended the meeting on November 15, 2010, in which the Finance Committee recommended that the Company Board of Directors approve the Financial Statements and Board of Directors' Report as of September 30 2010 are: Yehezkel

Dovrat, Committee Chairman; Shaul Ben-Ze’ev; Gideon Chitayat (Chairman of the Board of Directors); and Noam Lautman.

Also present at the meeting were Company CEO and director Isaac Dabah and Company director Tzipa Carmon.

Over the course of the Board meeting in which the Financial Statements are discussed and ratified, the Company CFO provides a detailed review of the key points of the Financial Statements while comparing them to corresponding periods, placing emphasis on material changes and material issued in the Financial Statements, material estimates and critical assessments applied in the Financial Statements, the feasibility of the data, the accounting policy applied and changes made thereof - if any.

Also present at the Board meeting in which the Financial Statements are discussed and ratified are representatives of the Company’s Auditing Accountant, who provide remarks and clarifications to the Financial Statements. The Company CEO, CFO and Auditing Accountant reply to questions from directors and hold a discussion on the Financial Statements prior to their ratification.

At the conclusion of the discussion, the Board of Directors holds a vote to ratify the Financial Statements.

Names of the Board members who attended the meeting on November 28, 2010, in which the Financial Statements and Board of Directors' Report as of September 30, 2010 were approved are: Israel Baum, Itzhak Weinstock, Tzipa Carmon, Noam Lautman, Shaul Ben-Ze’ev, Yehezkel Dovrat, and Isaac Dabah.

Disclosure Provisions with Regard to the Corporation’s Financial Reporting

7. Disclosure on Critical Accounting Estimates

In creating the Financial Statements according to acceptable accounting practices, Company management is required to employ estimates and evaluations that impact the reported information for assets and liabilities, as well as data regarding contingent assets and pending liabilities which are disclosed in the Financial Statements and 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 regarding accounting estimates and assumptions, see Note 3 to the yearly Financial Statements published on March 3, 2010.

8. Outstanding Obligatory Notes

The following is a description of outstanding Company debenture series as of this report:

Series	T
Issue date	Listed for trade on January 24, 2010 pursuant to a shelf offering report published by the Company on January 18 2010 pursuant to Company's shelf prospectus dated May 29 2008
Extent of N.V. debentures at issuance (in NIS)	113,000,000
Extent of N.V. debentures as of September 30 2010 (in NIS) including linkage	113,000,000
Start date of principal repayment	19.7.2012
Number of annual installments of principal repayment	1
Accrued interest as of September 30 2010	Approximately 1.7 million NIS
Stock market value as of September 30 2010	Approximately 120 million NIS
Interest type	Fixed - 7%
Effective interest as of issuance date	7.12%
Interest payment dates	Semi-annual installments on July 19 and on January 19 of each of the years from 2010 through 2016 (first installment paid on July 19, 2010).
Linkage type	Non-linked
Conversion right	Debentures are not convertible
Right to early redemption or forced conversion	Should the stock exchange decide to de-list the debentures from trading due to a decline in the value of the debenture series below the threshold determined by the stock exchange, the Company shall not allow early redemption of debentures due

Series	T
	to said de-listing.
Guarantee to secure payment	Not guaranteed by any liens.
Rating	Rated A3/Stable by Midroog Ltd. (see report dated December 31, 2009, reference 2009-01-338541).
Details and contact information of trustee	Strauss Lazar Trust Company (1992) Ltd., 17 Yitzhak Sade Street, Tel Aviv (Tel. 03-623777, Fax: 03-5613824). The contact at the trustee is: Mr. Ori Lazar, email: ori@slcpa.co.il

As of the report date, the Company is in compliance with all terms and conditions and commitments to holders of outstanding debentures, including pursuant to the trust deed for said debentures, and there was no cause to demand immediate repayment of said debentures.

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

Signed on 28/11/2010.

Noam Lautman	Isaac Dabah
Director	CEO and Board Member

DELTA GALIL Industries Ltd.

Interim Financial Information

(Unaudited)

September 30 2010

DELTA GALIL Industries Ltd.

Interim Financial Information

(Unaudited)

September 30 2010

Table of Contents

PRICEWATERHOUSECOOPERS

Kesselman and Kesselman
Certified Public Accountants
Migdal Hasachar, 25 Hamered Tel Aviv 68125
P.O. Box 452 Tel Aviv 61003
Telephone no. 03-7954555
Fax 03-7954556

Auditing Accountant's Report to the Shareholders of Delta Galil Industries Ltd.

Introduction

We have reviewed the enclosed financial information of DELTA GALIL Industries Ltd. and its subsidiaries (hereinafter: "the Group"), which includes the concise consolidated balance sheet as of September 30, 2010 and the concise consolidated statements of comprehensive income, report on changes to equity and cash flow report for the 9 and 3 month periods ending that date. The Board of Directors and management are responsible for the preparation and presentation of financial information for this interim period in accordance with IAS 34 "Interim Financial Reporting", and are also responsible for the preparation of financial information for these interim periods pursuant to Chapter 4 of the Securities Regulations (Periodic and Immediate Reports), 1970. We are responsible for expressing our conclusion with regard to the financial information for this interim period, based on our review.

We have not reviewed the concise financial information for the interim period of subsidiaries the assets of which included in consolidation account for 8% of total consolidated assets as of September 30, 2010. The concise financial information of those subsidiaries for the interim period was reviewed by a different CPA, whose reviews have been provided to us, and our conclusion - in as much as it relates to financial information with respect to these companies - is based on said reviews by the other CPA.

Scope of review

We have conducted our review in accordance with Review Standard 1 of the Israeli Association of Certified Public Accountants "Review of Financial Information for Interim Periods Conducted by the Entity's External CPA". Reviewing financial information for interim periods consists of clarifications, primarily with persons in charge of financial and accounting issues, and of application of analytical and other review procedures. This review is significantly limited in scope compared to audits prepared in accordance with generally accepted Israeli auditing standards and therefore does not allow us to achieve assurance that we have become aware of all material issues that may be identified in an audit. Therefore, we do not express an audit-level opinion.

Conclusion

Based on our reviews and on the reports of other CPAs, nothing has come to our attention leading us to believe that the financial information in question has not been prepared, in all material aspects, in accordance with IAS 34.

In addition to the above, based on our review and on reviews by other CPAs, we have not become aware of anything which caused us to believe that the aforementioned financial information is not compliant, in all material aspects, with the disclosure provisions of Chapter 4 of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv	**Kesselman and Kesselman**
November 28, 2010	**Certified Public Accountants**

DELTA GALIL Industries Ltd.

Concise Consolidated Balance Sheets
As of September 30 2010

	September 30		December 31
	2010	**2009**	**2009**
	(Unaudited)		**(Audited)**
	Thousands of Dollars		
Assets			
Current assets:			
Cash and cash equivalents	35,140	5,480	27,893
Other accounts receivable:			
Trade receivables	91,895	104,981	103,140
Taxes on income receivable	900	1,223	2,199
Others	8,631	7,620	5,833
Inventories	118,167	92,860	80,685
Assets classified as held for sale	2,916	2,916	2,916
Total current assets	257,649	215,080	222,666
Non-current assets:			
Long-term pre-paid expenses	199	409	94
Long-term debit balances	1,080	1,315	1,323
Excess plan assets over liabilities due to employment termination	85	212	85
Fixed assets, net of accumulated depreciation	65,468	77,353	72,677
Intangible assets, net of accumulated amortization	77,257	77,504	76,040
Deferred tax assets	4,586	3,923	3,541
Total non-current assets	148,675	160,716	153,760
Total assets	406,324	375,796	376,426

Noam Lautman
Director

Isaac Dabah
CEO

Yossi Hajaj
CFO

Date of approval of interim financial information by Company Board of Directors: November 28, 2010

	September 30		December 31
	2010	2009	2009
	(Unaudited)		(Audited)
	Thousands of Dollars		
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	76,591	117,768	104,127
Current maturities of long-term bank loans	2,110	2,157	2,110
Other accounts payable:			
Trade payables	55,573	50,791	45,111
Taxes on income - payable	997	345	864
Others	36,830	40,634	35,002
Total current liabilities	172,101	211,695	187,214
Non-current liabilities:			
Loans from banking corporations less current maturities	4,520	6,625	5,723
Debentures less issuance expenses	30,515	-	-
Financial derivative	74	-	-
Severance pay liabilities, net of plan assets	409	460	335
Other non-current liabilities	6,334	5,204	3,861
Reserve for deferred taxes	959	-	787
Total non-current liabilities	42,811	12,289	10,706
Total liabilities	214,912	223,984	197,920
Equity:			
Equity attributable equity holders of the parent company:			
Share capital	23,090	21,851	23,086
Share premium	120,946	101,114	120,854
Other capital reserves	202	-	-
Unassigned income balance	54,299	35,806	41,721
Treasury stock	(9,700)	(9,700)	(9,700)
	188,837	149,071	175,961
Non-controlling interest	2,575	2,741	2,545
Total equity	191,412	151,812	178,506
Total liabilities and equity	406,324	375,796	376,426

The enclosed notes constitute an integral part of these Financial Statements.

DELTA GALIL Industries Ltd.

Concise Consolidated Report on General Earnings
For the Nine and Three Months Periods Ending September 30 2010

	Nine Months Ending September 30		Three Months Ending September 30		Year Ending December 31
	2010	**2009**	**2010**	**2009**	**2009**
	(Unaudited)				**(Audited)**
	Thousands of Dollars Except for Net Earning per Share Data				
Sales	466,902	421,843	169,696	162,506	572,534
Cost of sales	375,792	347,349	136,251	130,301	468,831
Gross profit	91,110	74,494	33,445	32,205	103,703
Sales and marketing expenses	48,531	50,540	16,531	17,479	66,342
General and administrative expenses	18,917	15,963	6,608	5,769	21,956
Other expenses (income), net	(425)	(234)	1,137	32	(761)
Restructuring expenses (income), net	485	474	-	474	(1,331)
Impairment of fixed assets	-	-	-	-	1,945
Capital loss from realization of a subsidiary	666	-	-	-	-
Operating profit	22,936	7,751	9,169	8,451	15,552
Finance expenses, net	5,729	5,043	2,098	1,419	6,369
Company share of profits of associate	-	41	-	42	41
Profit before taxes on income	17,207	2,749	7,071	7,074	9,224
Taxes on income	2,258	890	558	602	1,574
Income for the period	14,949	1,859	6,513	6,472	7,650
Other comprehensive income (loss)					
Actuarial gain – defined employee benefit plan	-	-	-	-	23
Debenture flow protection	(469)	-	(606)	-	-
Reserve from translation differences	571	-	1,166	-	-
Taxes on income and expenses recognized directly to other comprehensive income (loss)	100	-	100	-	105
Other comprehensive loss for the period, net of tax	202	-	660	-	(82)
Total comprehensive earnings for the period	15,151	1,859	7,173	6,472	7,568
Attribution of net earnings for the period:					
To shareholders of the parent company	14,859	1,705	6,483	6,378	7,662
To non-controlling interests	90	154	30	94	(12)
Total earnings for the period	14,949	1,859	6,513	6,472	7,650
Attribution of total comprehensive earnings for the period:					
To equity holders of the parent company	15,961	1,705	7,143	6,378	7,580
To non-controlling interests	90	154	30	94	(12)
Total comprehensive earnings for the period	15,151	1,859	7,173	6,472	7,568
	In USD				
Earning per share attributed to parent company shareholders					
Basic	0.64	0.09	0.28	0.34	0.40
Diluted	0.62	0.09	0.27	0.34	0.40

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

DELTA GALIL Industries Ltd.

Concise Consolidated Report on Changes to Equity
For the Nine and Three Months Periods Ending September 30 2010

	Attributable to Company Shareholders								
	Ordinary Share Capital								
	Number of shares	Amount	Share Premium	Other Capital Reserves	Unassigned Income Balance	Treasury Shares	Total	Non-Controlling Interest holders	Total Equity
	In Thousands	Thousands of Dollars							
Balance As of January 1, 2010 (audited)	24,586	23,086	120,854	-,-	41,721	(9,700)	175,961	2,545	178,506
Movements in the nine month period ending September 30 2010 (unaudited):									
Comprehensive income (loss)	-	-	-	202	14,859	-	15,061	90	15,151
Proceeds from shares issuance	13	4	92	-	-	-	96	-	96
Dividends to non-controlling interest holders	-	-	-	-	-	-	-	(60)	(60)
Dividend distribution	-	-	-	-	(3,000)	-	(3,000)	-	(3,000)
Benefit component of options granted	-	-	-	-	719	-	719	-	719
Balance as of September 30, 2010 (unaudited)	24,599	23,090	120,946	202	54,299	(9,700)	188,837	2,575	191,412
Balance As of January 1, 2009 (audited)	19,948	21,851	101,114	-,-	33,813	(9,700)	147,078	2,990	150,068
Movements in the nine month period ending September 30 2009 (unaudited):									
Comprehensive earnings	-	-	-	-	1,705	-	1,705	154	1,859
Dividends to non-controlling interest holders	-	-	-	-	-	-	-	(403)	(403)
Uncollected dividends with respect to previous years	-	-	-	-	27	-	27	-	27
Benefit component of options granted	-	-	-	-	261	-	261	-	261
Balance as of September 30, 2009 (unaudited)	19,948	21,851	101,114	-,-	35,806	(9,700)	149,071	2,741	151,812
Balance As of January 1, 2009 (audited)	19,948	21,851	101,114	-,-	33,813	(9,700)	147,078	2,990	150,068
Movement in 2009:									
Comprehensive income (loss)	-	-	-	-	7,580	-	7,580	(12)	7,568
Rights offering	4,638	1,235	19,740	-	-	-	20,975	-	20,975
Dividends to non-controlling interest holders	-	-	-	-	-	-	-	(433)	(433)
Uncollected dividends with respect to previous years	-	-	-	-	27	-	27	-	27
Benefit component of options granted	-	-	-	-	301	-	301	-	301
Balance As of December 31, 2009 (audited)	24,586	23,086	120,854	-,-	41,721	(9,700)	175,961	2,545	178,506

DELTA GALIL Industries Ltd.

Concise Consolidated Report on Changes to Equity
For the Nine and Three Month Periods Ending September 30 2010

	Attributable to Company Shareholders								
	Ordinary Share Capital								
	Number of shares	Amount	Share Premium	Other Capital Reserves	Unassigned Income Balance	Treasury Shares	Total	Non-Controlling Interest holders	Total Equity
	In Thousands	Thousands of Dollars							
Balance as of July 1, 2010 (unaudited)	24,599	23,090	120,946	(458)	49,042	(9,700)	182,920	2,575	185,495
Movements in the three month period ending September 30 2010 (unaudited):									
Comprehensive income (loss)	-	-	-	660	6,483	-	7,143	30	7,173
Dividends to non-controlling interest holders	-	-	-	-	-	-	-	(30)	(30)
Dividend distribution	-	-	-	-	(1,500)	-	(1,500)	-	(1,500)
Benefit component of options granted	-	-	-	-	274	-	274	-	274
Balance as of September 30, 2010 (unaudited)	24,599	23,090	120,946	202	54,299	(9,700)	188,837	2,575	191,412
Balance as of July 1, 2009 (unaudited)	19,947	21,851	101,114	-,-	29,299	(9,700)	142,564	2,777	145,341
Movements in the three month period ending September 30 2009 (unaudited):									
Comprehensive earnings	-	-	-	-	6,378	-	6,378	94	6,472
Dividends to non-controlling interest holders	-	-	-	-	-	-	-	(130)	(130)
Benefit component of options granted	-	-	-	-	129	-	129	-	129
Balance as of September 30, 2009 (unaudited)	19,947	21,851	101,114	-,-	35,806	(9,700)	149,071	2,741	151,812

DELTA GALIL Industries Ltd.

Concise Consolidated Cash Flow Statement
For the Nine and Three Month Periods Ending September 30 2010

	Nine Months Ending September 30		Three Months Ending September 30		Year Ending December 31
	2010	2009	2010	2009	2009
	(Unaudited)				(Audited)
	Thousands of Dollars				
Cash flows from activities:					
Net profit for the period	14,949	1,859	6,513	6,472	7,650
Adjustments required to reflect cash flows from operating activities	179	23,783	(4,247)	11,346	35,370
Interest paid in cash	(2,418)	(2,831)	(829)	(1,072)	(3,817)
Taxes on income refunded (paid) in cash, net	(2,163)	1,638	(1,255)	(218)	1,621
Net cash provided from operating activities	10,547	24,449	182	16,528	40,824
Cash flows from investment activities:					
Business combination (see Appendix A)	-	(7,946)	-	(771)	(8,237)
Proceeds from realization of a subsidiary, net (see Appendix B)	816	-	-	-	-
Acquisition of fixed assets and intangible assets	(3,077)	(3,380)	(1,022)	(886)	(4,072)
Acquisition of trademark	(600)	-	-	-	-
Proceeds from sale of fixed assets	643	521	133	197	1,071
Proceeds from options granted land purchase	682	-	144	-	-
Repayment of long-term receivables	132	216	5	74	236
Loans granted to employees	(9)	(6)	-	(2)	(13)
Loan repayment by employees	21	24	12	9	28
Long-term pre-paid expenses	-	(154)	-	(154)	-
Long-term deposits	(79)	(99)	2	(2)	(2)
Net cash used in investment activities	(1,471)	(10,824)	(726)	(1,535)	(10,989)
Cash flows from financing activities:					
Dividends paid to holders of rights not granting control in a subsidiary	(60)	(403)	(30)	(130)	(433)
Dividend paid	(3,000)	-	(1,500)	-	-
Proceeds of long-term loans	-	8,300	-	-	8,300
Repayment of loans and other long-term liabilities	(1,312)	(7,796)	(255)	(4,046)	(8,746)
Proceeds from the issuance of debentures, less issuance expenses	30,132	-	-	-	-
Proceeds from exercise of employees options	96	-	-	-	-
Proceeds from rights offering, net of issuance expenses	-	-	-	-	20,975
Short-term credit from banks, net	(27,384)	(12,192)	998	(9,600)	(25,871)
Amounts charged for deferred expenses	(538)	(268)	(315)	(200)	(371)
Net cash used in financing activity	(2,066)	(12,359)	(1,102)	(13,976)	(6,146)
Net increase (decrease) in cash and cash equivalents	7,010	1,266	(1,646)	1,017	23,689
Exchange rates and revaluation of cash and cash equivalents, net	237	(10)	411	10	(20)
Balance of cash and cash equivalents at the beginning of the period	27,893	4,224	36,375	4,453	4,224
Balance of cash and cash equivalents at the end of the period	35,140	5,480	35,140	5,480	27,893

The enclosed notes constitute an integral part of these Financial Statements.

DELTA GALIL Industries Ltd.

Concise Consolidated Cash Flow Statement
For the Nine and Three Month Periods Ending September 30 2010

	Nine Months Ending September 30		Three Months Ending September 30		Year Ending December 31
	2010	**2009**	**2010**	**2009**	**2009**
	(Unaudited)				**(Audited)**
	Thousands of Dollars				
Adjustments required to reflect cash flows from current activities:					
Revenues and expenses not involving cash flow:					
Depreciation	7,361	8,241	2,430	2,816	11,366
Amortization	1,272	1,464	438	664	1,936
Impairment of fixed assets	-	-	-	-	1,945
Capital loss from realization of a subsidiary	666	-	-	-	-
Company share profits in associate company	-	(41)	-	(42)	(41)
Erosion and revaluation of cash and cash equivalents, net	(237)	10	(411)	(10)	20
Interest paid in cash	2,418	2,831	829	1,072	3,817
Taxes on income paid (refunded) in cash, net	2,163	(1,638)	1,255	218	(1,621)
Deferred taxes on income, net	(765)	638	(1,163)	567	1,702
Severance liability, net	34	(71)	22	(13)	(79)
Restructuring expenses	327	474	-	474	429
Capital loss (gain) from realized assets	(235)	(204)	15	(40)	(375)
Change in benefit component of options granted to employees	719	261	274	129	301
Change in fair value of financial derivatives	529	(180)	-	73	(448)
Long-term pre-paid expenses	(6)	4	2	-	(4)
Other	48	50	(10)	81	(137)
	14,294	11,839	3,681	5,989	18,811
Changes to operating assets and liabilities:					
Decrease (increase) in trade receivables	11,415	(15,387)	6,207	(4,121)	(13,546)
Decrease (increase) in other receivables	(371)	1,381	803	662	2,166
Increase (decrease) in trade payables	10,984	5,335	(4,673)	5,109	(411)
Increase (decrease) in other payables	1,885	(1,251)	3,483	1,405	(5,691)
Decrease (increase) in inventory	(38,028)	21,866	(13,748)	2,302	34,041
	(14,115)	11,944	(7,928)	5,357	16,559
	179	23,783	(4,247)	11,346	35,370

Further information on investment and finance operations not involving cash flows:

Trade payables for the purchase of fixed and other assets not in cash	(353)	(370)	142	169	196
Receivables with respect to the sale of non-cash fixed assets	(48)	(235)	(43)	(120)	(508)
Receivables due to long-term prepaid expenses	-	336	-	336	-
Liability for minimum royalties payments	4,831	4,420	724	1,375	4,843
Liability for payment with respect to acquisition of operations	-	323	-	(35)	32
Receivables as a result of the realization of a subsidiary	(1,414)	-	-	-	-
Payables as a result of the realization of a subsidiary	139	-	-	-	-

The enclosed notes constitute an integral part of these Financial Statements.

DELTA GALIL Industries Ltd.

Concise Consolidated Cash Flow Statement
For the Nine and Three Month Periods Ending September 30 2010

Appendix A:

Business combination (purchase of Gibor activity)

	9 Months Ending September 30	3 Months Ending September 30	Year Ending December 31
	2009		2009
	(Unaudited)		(Audited)
	Thousands of Dollars		
Other receivables	(79)	-	(79)
Inventories	(2,568)	(736)	(2,568)
Fixed assets	(3,638)	-	(3,638)
Intangible assets	(2,096)	-	(2,096)
Trade payables	31	-	31
Other accounts payable	81	-	81
Total cost	(8,269)	(736)	(8,269)
Plus payables for acquisition of an activity	323	(35)	32
	(7,946)	(771)	(8,237)

Appendix B:

Exit from consolidation (sale of Indian subsidiary)

	9 Months Ending September 30
	2010
	(Unaudited)
	Thousands of Dollars
Trade receivables	223
Other receivables	202
Inventories	888
Long-term deposits	122
Fixed assets	1,536
Suppliers	(307)
Other accounts payable	232
Capital loss	(666)
Total proceeds	2,230
Less receivables due to realization of a subsidiary	(1,414)
	816

* Over the course of the second quarter the Company completed the sale of its Indian subsidiary. The total proceeds for the sale are $2.3 million, $0.9 million of which was received in cash, with the balance to be provided by the end of 2011.

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 the manufacturing and marketing of undergarments, and is active in three different major operating segments – USA Mass Market, Global Division Upper Market and Delta Israel. Information on major operating segments is presented in Note 3.

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

Note 2 – Principal Accounting Policies

a. Preparation Basis of Concise Financial Statements

The Group's concise consolidated financial information as of March 30, 2010 and for the three-month interim period ending that date (hereinafter - "the Financial Information for the Interim Period") has been prepared in accordance with IAS 34 "Financial Reporting for Interim Periods" ("IAS 34"), and includes the supplementary disclosure required in accordance with Securities Regulations (Periodic and Immediate Reports), 1970. Interim financial information should be perused along with the 2009 annual financial statements and attached notes, which have been compiled in accordance with IFRS standards, and included the supplementary disclosure required in accordance with Securities Regulations (Yearly Financial Statements), 2010.
The financial information for the interim period is reviewed but not audited.

b. Principal Accounting Policies

Principal accounting policies and calculation methods applied in preparation of the financial information for the interim period are consistent with those used in preparation of the 2009 annual financial statements, except as described below.

Taxes on income for interim periods are recognized based on management's best estimate with regard to the average tax rate which would apply to total expected annual income.

Standards in effect and binding for reporting periods starting on January 1, 2010

1) IAS 27 (Revised) "Consolidated and Separate Financial Statements" ("IAS 27R") (effective for annual reporting periods starting on or after July 1, 2009). IAS 27R stipulates that the impact of all transactions with non-controlling interest and which do not result in change in control be recognized in equity, and therefore such transactions would no longer result in the creation of reputation or in profit and loss. IAS 27R also discusses the accounting treatment upon loss of control of an investee. The value of remaining ownership interest in the entity upon losing control is re-measured at fair value, with the resulting gain/loss recognized in the income statement.
   The Group applies IAS 27R prospectively to all transactions with non-controlling interest conducted starting January 1 2010; the application of the standard will have no material impact on its Financial Statements.

2) IFRS 3 (Revised) "Business Combinations" ("IFRS 3R") (effective for yearly reporting periods starting on or after July 1, 2009). IFRS 3R maintains use of the acquisition method for treatment of business combinations, albeit with several significant changes. For example, all payments for acquisition of a business should be measured at fair value upon acquisition, with contingent payments classified as

liabilities subsequently measured via gain/loss. A choice is available, for each acquisition separately, whereby non controlling interest in the acquired business may be measured at fair value or pro-rata to the share of non-controlling interest out of the net assets of the acquired business. All cost attributable to the acquisition transaction must be recognized on profit or loss. The Group applies IFRS 3R prospectively to all business combinations effective starting January 1, 2010; said application will have no material impact on its Financial Statements.

3) Revision to IAS 17 "Leases" (hereinafter "IAS 17"). The aforementioned revision is part of the IASB annual improvement project published in April 2009. This revision eliminates specific guidelines with regard to classification of land leases, in order to eliminate inconsistency with general guidelines with regard to lease classification. The revision eliminates the previous definitive statement in IAS 17, whereby land a lease in which ownership of land is not expected to pass to the lessee at the end of the lease – should be classified as an operating lease. In accordance with the revision, an entity should assess the classification of the land lease as a financing lease or operating lease, using the general guidelines for lease classification provided by IAS 17. This revision applies retroactively to annual periods starting on or after January 1, 2010. The Group applies the aforementioned revision to IAS 17 retroactively starting January 1, 2010; application of the standard will have no material impact on its Financial Statements.

4) In May 2010 an improvement paper was published for IGRS 0102, which includes additional corrections to existing IFRS standards, most of which became binding to yearly periods starting January 1 2011 or subsequently.

   The Company is studying the impact of the corrections in question in the improvement paper.

5) In October 2010 a revision was published to IFRS 7 “Financial Instruments: Disclosure”, which expands the disclosure requirements for financial assets passed on to a different party (hereinafter: “the IFRS 7 Revision”), which shall be come binding for yearly reporting periods beginning on or after July 1 2011, and a revision was published to IFRS 9 “Financial Instruments” (hereinafter: “the IFRS Revision”) which shall become binding regarding yearly periods starting January 1 2013 or subsequently.

   The Company did not decide to adopt the revisions in the improvement document and in the revisions to IFRS 7 and IFRS 9 early.

As set forth in the Group's Financial Statements for of December 31 2009 and for the year ending that date, other standards, revisions and interpretations of existing standards became effective and binding for reporting periods starting on January 1, 2010, but their initial application has no material impact on the Group's financial statements.

Note 3 – Segment-Based Reporting

As described in the Company's 2009 periodic report, over the course of forth quarter 2009, a change was made to the report analyzed by the CDOM, which was influenced by structural changes in the reported areas of activity; for further details see Note 5 to the periodic report in question. Following these changes, data for the three and nine month periods ending September 30 2009 were restated for comparison purposes.

Note 3 – Segment-Based Reporting continuance:

	Delta USA – Mass Market	Global Upper Market	Delta Israel	Others	Inter-Divisional Adjustments	Total
	Thousands of Dollars					
For the three-month period ending September 30 2010:						
Sales to external customers	88,103	62,392	18,777	424	-	169,696
Inter-segment	-	1,696	-	84	(1,780)	-
Total sales, net	88,103	64,088	18,777	508	(1,780)	169,696
Segment profit (loss)	2,533	5,282	3,009	(1,655)	-	9,169
Finance expenses, net				2,098		2,098
Profit before taxes on income						7,071

	Delta USA – Mass Market	Global Upper Market	Delta Israel	Others	Inter-Divisional Adjustments	Total
	Thousands of Dollars					
For the three-month period ending September 30 2009:						
Sales to external customers	75,559	67,853	18,451	643	-	162,506
Inter-segment	4	5,834	-	216	(6,054)	-
Total sales, net	75,563	73,687	18,451	859	(6,054)	162,506
Segment profit (loss) before restructuring expenses	2,349	4,388	2,796	(25)	(583)	8,925
Restructuring expenses	474	-	-	-	-	474
Segment profit (loss) after restructuring	1,875	4,388	2,796	(25)	(583)	8,451
Finance expenses, net				(1,419)		(1,419)
Company share profits in associate company				42		42
Profit before taxes on income						7,074

Delta Galil Industries Ltd.

Notes to the Concise Consolidated Financial Statements
As of September 30 2010 (Unaudited)

Note 3 – Segment-Based Reporting continuance:

	Delta USA – Mass Market	Global Upper Market	Delta Israel	Others	Inter-Divisional Adjustments	Total
	Thousands of Dollars					
For the nine-month period ending September 30 2010:						
Sales to external customers	229,959	181,254	53,666	2,023	-	466,902
Inter-segment	-	14,140	-	275	(14,415)	-
Total sales, net	229,959	195,394	53,666	2,298	(14,415)	466,902
Segment profit (loss) before restructuring expenses and capital loss from realization of a subsidiary.	5,852	12,677	7,876	(2,336)	18	24,087
Restructuring expenses	-	485	-	-	-	485
Capital loss from realization of a subsidiary	-	666	-	-	-	666
Segment profit (loss) after restructuring expenses and capital loss from realization of subsidiary.	5,852	11,526	7,876	(2,336)	18	22,936
Finance expenses, net				5,729		5,729
Profit before taxes on income						17,207

	Delta USA – Mass Market	Global Upper Market	Delta Israel	Others	Inter-Divisional Adjustments	Total
	Thousands of Dollars					
Foe the nine-month period ending September 30 2009:						
Sales to external customers	201,505	168,353	50,224	1,761	-	421,843
Inter-segment	104	8,077	-	606	(8,787)	-
Total sales, net	201,609	176,430	50,224	2,367	(8,787)	421,843
Segment profit (loss) before restructuring expenses	4,245	(729)	4,990	302	(583)	8,225
Restructuring expenses	474	-	-	-	-	474
Segment profit (loss) after restructuring expenses	3,771	(729)	4,990	302	(583)	7,751
Finance expenses, net				5,043		5,043
Company share profits in associate company				41		41
Profit before taxes on income						2,749

Note 3 – Segment-Based Reporting continuance:

	Delta USA – Mass Market	Global Upper Market	Delta Israel	Others	Inter-Divisional Adjustments	Total
			Thousands of Dollars			
For the year ending December 31, 2009:						
Sales to external customers	268,465	228,804	72,804	2,461	-	572,534
Inter-segment	101	14,772	18	721	(15,612)	-
Total sales, net	268,566	243,576	72,822	3,182	(15,612)	572,534
Segment profit (loss) before restructuring expenses (income) and impairment of fixed assets	5,927	1,428	10,464	(772)	(881)	16,166
Restructuring expenses (income), net	474	(1,805)	-	-	-	(1,331)
Impairment of fixed assets	-	1,945	-	-	-	1,945
Segment profit (loss) after restructuring expenses (income) and impairment of fixed assets	5,453	1,288	10,464	(772)	(881)	15,552
Finance expenses, net				6,369		6,369
Company share profit in an associate company				41		41
Profit before taxes on income						9,224

Note 4 – Employee Options

a. On January 14, 2010, the Company Board of Directors resolved to allot, out of options available for allotment under the 2006 program, 40,000 options to 7 employees at an exercise price of $6.93 per option.
   Of these options: 20,000 options are contingent on the results of the U.S. subsidiary in 2010; these options shall best within 15 months of issue.
   The benefit component as per Black & Scholes is $2.91 per option. An additional 20,000 options were granted in three equal batches; these options will vest in two, three and four years from their date of issue; the benefit component as per Black & Scholes is $3.57 per option.

b. On April 21, 2010, the Company Board of Directors resolved to allot 115,000 options at an exercise price of $8.98 per option as follows:

   1. 65,000 options out of the 2006 non-American employee stock option program.
      Of these options: 15,000 options will vest 18 months form their date of issue; the benefit component as per Black & Scholes is $2.59 per option.
      An additional 50,000 options were granted in four equal batches; these options will vest in one, two, three and four years from their date of issue; the benefit component as per Black & Scholes is $3.19 per option.

   2. 50,000 options out of the 2009 US employee stock option program.
      Of these options: 25,000 options are contingent on operational goals of a U.S subsidiary in 2010 - their benefit component as per Black & Scholes is $3.10 per option; these options will vest two years from their date of issue and an additional 25,000 options will vest at the end of one year from their date of issue – their benefit component as per Black & Scholes is $2.99 per option

c. On August 10 2010 the Company's Board of Directors decided to grant 10,000 options at an exercise price of $6.70 per option for a Delta U.S. employee; the benefit component as per Black & Scholes is $2.43 per option. The options were granted in three equal batches, which will vest after one, two and three years from their date of issue.

d. On October 13 2010, the Company Board of Directors resolved to allot 150,000 options at an exercise price of $8.00 per option to a Company employee. The benefit component as per Black & Scholes is $4.01 per option. The options were granted in four equal batches, which will vest after one, two, three and four years from their date of issue.

Note 5 – Dividend Distribution

On May 23 2010 the Company declared that it would be distributing dividends to the amount of $1.5 million, at 6.41 cents per share, to be distributed on Jun 16 2010 according to the dollar's representative rate of exchange as published on the day prior to payment.
The determining date for the distribution was June 2 2010 and the X date was June 3 2010.

On August 10 2010 the Company declared that it would be distributing dividends to the amount of $1.5 million, at 6.41 cents per share, to be distributed on September 5 2010 according to the dollar's representative rate of exchange as published on the day prior to payment.
The determining date for the distribution was August 22 2010 and the X date was August 23 2010.

Note 6 – Debentures

On January 20, 2010,the Company announced the results of the issue of debentures carried out as per the shelf offering by the Company dated January 18 2010, 8 (hereinafter – "the Shelf Offering Report"), published pursuant to the Company's shelf prospectus dated May 29, 2008.

a. In accordance with the shelf prospectus, the public was offered 113 million NIS ($30 million) NV debentures (Series T), registered in the owner's name, of NIS 1 par value each.
b. The debentures were offered the public in 113,000 units worth 1,000 NIS NV debentures (Series T) each, by way of a tender on the yearly interest rate borne by the debentures (Series T), which shall not exceed 7.25% a year. The debentures (Series T) were offered at a price equal to 100% of their notational value.
c. The Company received advance commitments from classified investors for the submittal of orders in the tender to purchase 90,400 units of debentures (Series T), which constitute 80% of all debenture units (Series T) offered the public.
d. The following are the results of the tender held January 19 2010:

    1) 1,471 orders were received in the tender for the purchase of 203,838 units of debentures (Series T), including orders from classified investors for the purchase of 113,438 units of debentures (Series T), as stated in 3 above.
    2) The fixed yearly interest rate borne by the debentures (Series T), as set in the tender, is 7.0% (hereinafter – “the Interest Rate Set in the Tender”).
    3) The first payment of the interest borne by the debentures (Series T) shall be paid July 19 2010, for a period beginning on the first day of trade after the tender date and ending July 18 2010 (hereinafter – “the First Interest Period”), is calculated on the basis of 365 days a year according to the number of days in the period in question. Accordingly, the interest rate to be paid for the First Interest Period is 3.4329%.

e. In all, 113,000 units of debentures (Series T) were issued, as follows:

    1) 12 orders from classified investors for the purchase of 28,911 units denominated at an interest rate lower than the interest rate set in the tender received a full response, so that classified investors were allocated 28,911 units.
    2) 13 orders from classified investors for the purchase of 25,890 units denominated at the interest rate set in the tender received a relative response, so that each party received 2.35% of their order.
    3) 1,207 public orders for the purchase of 83,480 units denominated at an interest rate lower than the interest rate set in the tender – received a full response.
    4) 239 orders from the public and from classified investors for the purchase of 65,557 units denominated at an interest rate higher than the interest rate set in the tender – received no response.

f. The immediate (gross) proceeds from the debentures (Series T) issued according to the Shelf Offer Report amounted to 113 million NIS ($30 million).
g. The Company has entered into a swap agreement with a banking corporation, to swap NIS cash flows for a commitment to pay debenture holders with a dollar cash flow. The dollar interest set in the transaction is 6.08%.
h. Over the course of July 2010 the Company paid debenture holders their first interest payment.

Note 7 – Real Estate deal in Naharia

a. Entering an Agreement to Grant an Option to Purchase Real Estate Property

In March 2010 the Company signed an agreement with a group of buyers in which it granted the option to purchase real estate in Naharia in its possession, for a period of four months. In return for the option, the Company received 2 million NIS ($538,000), which will not be refunded the purchasers even if they choose not to exercise the option. The proceeds of the option in question were included in the Company's June 30 2010 balance sheet under current liabilities.
In the event that the purchasers choose to exercise the option and sign a full purchase order, over the course of those four months, the purchasers shall pay the Company 91 million NIS ($24 million) for the land, in installments over the course of a period of three years from signing the purchase agreement.

On June 23 2010 the Company signed a correction to the option agreement to purchase real estate properties in Naharia, according to which the exercise period for the option to purchase the real estate was extended by an additional month, in return for which the Company received an additional 500,000 NIS ($129,000); this sum was listed in the Company balance sheet under current liabilities. More of, it was agreed that if the buyers will choose to implement the option and to sign the purchasing agreement until the option period will end, the amount of NIS 500 thousands will be considered as part of the total amount paid the company for the real-estate.

On July 28 2010 the Company announced another revision of the real estate purchase option, according to which the option was extended by an additional two months, while at the same time a prudence claim was filed to the Naharia Local Design and Construction Committee, in order to compensate it for the damages caused by the real estate’s impairment, in the event that a certified design agency rules – contrary to the position of the Company and its advisors – that the Regional Outline Plan from 2007 has a negative impact on the real estate’s construction rights.

On October 3 2010, the Company received written notice from the option holders of their intent to exercise the option and sign an agreement to purchase the real estate in Naharia - some 64.5 acres, before expropriation, known as Block 18206 Lot 18. According to the option agreement, the parties must sign a sales agreement within 15 days of receiving the exercise notice and if the option holders refuse to sign the agreement in question, this shall be seen as reneging on the option notice – which shall award the Company with the proceeds given for the option (2.5 million NIS plus vat).

b. Enterning an agreement to sell real-estate property

On October 6 the Company announced that on October 5 2010 it had signed a sales agreement, in which it sold the Naharia real estate in its possession to a buyer’s group (4 private companies) – some 25.8 hectares, before expropriation, known as Block 18206 Lot 18. According to the sales agreement, the purchasers shall pay the Company $23,972,602 US (plus tax) for the real estate, of which the Company has received $7.4 million, with the balance to be paid in installments according to a number of milestones spread out across a period of up to 39 months from signing the sales agreement; it was agreed that total compensation in NIS shall be no less than 91 million NIS.

As part of the agreement the Company assigned the rights (and obligations) to the purchasers according to a claim submitted by the Company to the Naharia Design and Construction Local Council as per Section 197 of the Design and Construction Law for the Real Estate (as stated in the Company's July 28 2010 report). The capital gains expected for the Company are estimated at between $17 and 18$ million US (before tax). The Company is considering the date of recognition of capital gains.

Note 8 – Operating Currency

Starting 2010, the new Israeli shekel is the main currency influencing the activity of Delta Israel. The circumstances that led to the change in operating currency derive from the fact that the area had become economically independent. As a result, Company management has decided to change the operating currency in this area from USD to NIS. The change was carried out prospectively. The effect of said change on results in the third quarter and first nine months of 2010 is not material.

Note 9 – Change in Work Conditions with Material Customer

Over the course of 2010, working relations with a key U.S. customer were altered, in such a manner that a significant portion of the products are provided the customer based on orders (Ad Hoc) and not in the form of replenishment, as was practiced in the past.
As part of the change in question, the customer approached strategic suppliers and proposed joining a discount arrangement through a financial factor, under attractive commercial conditions (LIBOR + 1%). The Company chose to join this arrangement and as a result of the change, between 20 and 30 credit days are granted this customer.

Note 10 – Events Subsequent to the Balance Sheet Date

a. Sale of Real Estate in Daliyat al-Carmel

On October 13 2010, the Company signed an agreement to sell 2.5 acres of land in Daliyat al-Carmel, which it had leased from the Israel Land Administration, to a private company. On the land are structures with a total area of 3,600 square meters, which were used by the Company's rubber plant until its closing in 2007.
According to the agreement, the Company is supposed to receive, in return for the leasing right, a total of $1.6 million according to the representative rate of exchange on the date of payment (but no less than 5,904,000 NIS), with the first payment (to the amount of $320,000) to be paid in return for the listing of a warning notice in the buyer's favor (immediately after signing the sales agreement), and the balance, in four installments, by the end of January 2011. Possession shall be handed over to the buyer on January 20 2011.
To complete the agreement, the Israeli Land Administration must consent to transfer the leasing rights from the Company to the buyer. The parties have agreed that if no such consent is given, for reasons not dependent on the parties - this shall not constitute a violation of the agreement, and appropriate arrangements have been set in the agreement for such a case, at the basis of which is the restoration of the situation to its previous state.

b. Approval of Interested Party Terms of Employment

1) Approval of the terms of employment of the daughter of the Company controlling shareholder, acting as merchandising manager in a subsidiary.
On October 13 2010 the Company's Audit Committee and Board of Directors approved the terms of the employment of the daughter of the Company's CEO and controlling shareholder as merchandising manager at Delta Galil USA Inc. (in this section: "the Subsidiary"). The terms of her employment shall be presented for ratification at the Company's general meeting, which shall convene over the next

few weeks. The following are the key points of the terms of her employment, as approved:

a. The terms of her employment shall apply from the start of work at the subsidiary, meaning March 8 2011.
b. A yearly salary of $70,000 (gross), and other generally accepted benefits granted the employees of the subsidiary. In addition, she shall be entitled to a yearly bonus in accordance with the senior employee bonus plan employed by the subsidiary, according to targets set, which shall not exceed 20% of her yearly salary.
c. She shall be entitled to take part in the subsidiary's health insurance plan and 401k and to a refund of expenses accrued, as per the rules and directives applying to the employees of the subsidiary in effect at the time.
d. The CEO of the subsidiary may revise, from time to time, the terms of her employment at a rate of no more than 10% a year, subject to the approval of the Company's Audit Committee that the revision is reasonable based on the scope of her employment, the nature of her duties, her qualifications and other related circumstances.
e. These terms of employment were established on the basis of accepted terms for other employees at the subsidiary in similar positions and with similar qualifications.

Upon the approval of this agreement by all the Company's institutions (including the shareholders' meeting), Ms. Dabach shall be paid the sums owed her for the period since the beginning of work (March 8 2010).

2) Approval of the Terms of Employment of Company Director as Chief Operations Manager in Subsidiary

On October 13 2010 the Company's Audit Committee and Board of Directors approved the terms of the employment of a Company director at Delta Galil USA Inc. (in this section: "the Subsidiary"). Starting January 1 2011 he shall serve as the Chief Operations Officer (COO) of the Company's activities in North America, including the activities of the subsidiary, as a full-time job. The terms of his employment shall be presented for ratification at the Company's general meeting. The following are the key points of the terms of his employment, as approved:

a. A yearly salary of $360,000 (gross). In addition, he shall be entitled to a yearly bonus in accordance with the senior employee bonus plan employed by the subsidiary, according to targets set, which shall not exceed 30% of his yearly salary.
b. He shall be entitled to take part in the subsidiary's health insurance plan and 401k and to a refund of expenses accrued, as per the rules and directives applying to the employees of the subsidiary in effect at the time.
c. This agreement is not limited in time and either of the parties may bring it to conclusion by providing three months advance notice to the other party.
d. The Company CEO may revise, from time to time, his salary at a rate of no more than 10% a year, subject to the approval of the Company's Audit Committee that the revision is reasonable based on the scope of his employment, the nature of his duties and performance and other related circumstances.
e. Note that so long as the director is employed by the subsidiary he shall not receive Company director compensation for serving as director.

c. Dividend Distribution

Subsequent to the balance sheet date the Company declared that it would be distributing dividends to the amount of $2.0 million, at 8.51 cents per share, to be distributed on December 21, 2010 according to the dollar's representative rate of exchange as published the day prior to the payment date. The determining date for this distribution will be December 9, 2010 and the "X" date will be December 12, 2010.

d. Closer of forward Euro – USD transactions

The Company reached an understanding with a European customer that the selling currency will be converted to USD from Euro and have accordingly closed some of its forwarded transactions (which were previously opened) in the amount of $20 million in order to alien its outstanding forward transaction to the expected exposure to the Euro in 2011. The results of $20 million forward transactions closure, as mentioned, amounted to a profit of $0.9 million which will be included in the financial report of the Company for the fourth quarter of the year.