DELTA GALIL INDUSTRIES LTD.

March 31 2011 Quarterly Report

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

For the period ended March 31 2011

We hereby present to you the report of the Board of Directors of DELTA GALIL Industries Ltd. (hereinafter: "**the Company**", "**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 March 31 2011 pursuant to Securities Regulations (Periodic and Immediate Reports), 1970.

1. Concise Description of the Company and its Business Environment

1.1. Overview

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

Group customers include leading retail chains such as Wal-Mart, Target, Victoria's Secret, Mark's & Spencer, Kohl's, J.C. Penney and Hema, as well as leading brands like Nike, Calvin Klein, Hugo Boss, Maidenform, Tommy Hilfiger , Spanx, Under Armour and more.

The Group also sells its products under licensed brand names, including:, Maidenform®, Converse®, Wilson®, MLB®, Tommy Hilfiger ® Lucky® and more, 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 done via subcontractors in its facilities in the Middle East and East Asia.

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

1.2.1. Dividend Distribution

On February 16 2011 the Company declared that it would be distributing dividends to the amount of $2 million, at 8.54 cents per share, which were distributed on March 15 2011 (see February 17 2011 immediate report, ref.

2011-01-052227).

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

On May 19 2011 the Company's Board of Directors decided to distribute dividends to the amount of $2 million, constituting 8.54 cents per share, to be distributed on June 14 2011 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 May 31 2011 and the "X" date shall be June 1 2011. For further details see Section 4 below and the immediate report on the distribution of dividend published alongside this report.

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

In the period between January and March 2011 the Sterling Macro investment fund (managed by Mr. Isaac Dabah) purchased 93,524 Company shares at an average price of 28 NIS, so that after the purchases in question its holdings in the Company's issued and paid-up capital and voting rights is 2% (see references nos. 2011-01-034515, 2011-01-064875, 2011-01-67182, 2011-01-072519, 2011-01-074394, 2011-01-075942, 2011-01-082107, 2011-01-096426).

1.2.4. On January 30 2011 the Company announced that in light of the situation in Egypt at the time and the difficulty in conducting routine activity, Company management had decided, on its own initiative, not to open the factory's gates. The activity in Egypt, which is intended largely for the operations of the Global Division, Upper Market Share, is responsible for supplying 11% of the Company's sales, of that 9% is manufactured at the Company's plant and the balance is provided by local subcontractors.

On February 6 2011 the Company announced that its Egyptian plant had reopened and that work was continuing as usual. Furthermore, it announced that due to the curfew in place, work at the factory would end an hour and a half before the regular closing time, and upon the postponement of the regular closing time, work will resume ending at its usual hour. One week later, work resumed during regular working hours in light of the change in curfew times.

From that date to this report, work at the factory has been as usual.

For further details see immediate reports dated January 31 2011 and February 6 2011 ref. 2011-01-032037, 2011-01-039138.

1.2.5. On February 20 2011, the Company announced that it was intending to open, in Israel, over the course of 2011, a new chain of children's clothing stores under the "Delta Kids" brand. Opening this retail chain will serve as a step in the Company's expansion and growth strategy.

As of this report, the Company has opened ten shops of which two of the new shops are independent and eight are combined and it intends to open an additional five new independent shops and two combined shops this year.

The Company estimates that sales of children's clothing, which in 2010 amounted to 40 million NIS, is expected to increase to 120 million NIS over four years, and to 40 shops by 2015[1].

The Company estimates that the scope of the expected investment in 2011 for the establishment of the shops shall amount to 20 million NIS, including equipment and working capital.[1].

For further details see the immediate report dated February 20 2011 ref. 2011-01-039138.

1.2.6. On March 23 2011, the Company announced that it had signed a sales agreement pursuant to which the Company has sold the purchaser (a private company) an office floor (approximately 900 square meters) in its possession in the Textile Building, Tel Aviv (hereinafter: "the Offices").

As part of the transaction, the Company also sold the purchaser the Company's leasing rights to 12 shops located in the building's parking and its shares in the Textile Center Building Parking Company Ltd. (hereinafter: "the Parking Company") and in the Textile Center Building Management Company

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[1] Note that the above information on the shops, the expected scope of investment for the establishment of the shops and the scope of expected sales of children's clothing is an estimate only and constitutes forward-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 (such as economic, social and other estimates), and due to being based on information available as of the report date, including Company estimates as of the report date.

(hereinafter: “the Management Company”) subject to the precedence rights of the other shareholders in these companies.

According to the sales agreement – in return for the offices and the leasing rights to the shops [and in return for the Company’s shares in the Parking Company and in the Management Company (subject to the precedence rights)] the purchaser will pay the Company a total of $3.5 million (plus VAT). As of this report $3.3 million of the total proceeds have been paid, with $0.3 million of which placed in trust.

The pre-tax capital gain amounts to $2.3 million and is included under other net income in the first quarter of 2011.

The Offices are used as the Company’s headquarters. Therefore, alongside the sales agreement, a rental agreement was signed between the parties according to which the Company with continue to rent the offices from the purchaser, under the terms agreed upon by the parties.

For further details see the immediate report dated March 23 2011 ref. 2011-01-09057.

1.2.7. On March 31 2011, the Company announced that Mr. Gil Admoni, manager of Delta Israel, had concluded his service at the Company. For further details see the immediate report dated March 31 2011 ref. 2011-01-102915.

1.2.8. On April 3 2011, the Company announced that Mr. Gideon Chitayat had announced his resignation as Chairman of the Board of Directors and that Mr. Noam Lautman had been appointed Chairman of the Board in lieu of Mr. Chitayat. For further details see the immediate reports dated April 3 2011, ref. 2011-01-106311 and 2011-01-106329.

1.2.9. On April 17 2011, the Company reported that pursuant to the renewal of its insurance policy, it had expanded the insurance coverage for its activities in Egypt and Jordan significantly, in return for an additional premium of $245,000 a year. The expanded coverage for the next 12 months was purchased through a unique policy issued to the Company to protect its assets in these countries, up to $20 million U.S. (for further details see the immediate report dated April 17 2011, ref. 2011-01-125688).

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 March 31, 2011 amounted to $420.7 million, compared to $390.0 million as of March 31, 2010.

The Group's consolidated current assets as of March 31 2011 amounted to $271.2 million, compared to $237.9 million as of March 31 2010.

The increase in current assets and in the balance sheet total as of March 31 2011 compared to their balance on March 31 2010 derived mainly from a $23.2 million increase in its inventory balance, largely due to the activity of Delta U.S.A (Mass Market Segment), see Section 2.3.3 below, as well as a $12.7 million increase in the balance of cash and cash equivalents.

The Group's consolidated current liabilities in its consolidated balance sheet as of March 31 2011 amounted to $149.4 million, compared to $163.7 million as of March 31 2010.

The decrease in current liabilities as of March 31 2011, compared to March 31, 2010 is primarily due to repayment of short-term borrowing from banks.

The Group's equity as of March 31 2011 amounted to $201.4 million, or 47.9% of the balance sheet total, compared to $183.2 million, or 47.4% of the balance sheet total as of March 31 2010 and compared to $197.3 million, or 47.0% of thee balance sheet total, as of December 31 2010.

The increase in Group equity as of March 31 2011, compared to December 31 2010, is due to net profit in the first quarter of 2011 amounting to $5.8 million, less dividends distributed to the amount of $2 million.

2.2. Operating Results

2.2.1. Below are the Group's concise Statements of Operations for the first quarter of 2011 and 2010, and for all of 2010, in thousands of dollars.

	First Quarter 2011	First Quarter 2010	Year 2010
	Unaudited		Audited
Sales	**157,424**	140,541	620,074
Cost of sales	**128,446**	112,349	498,805
Gross profit	**28,978**	28,192	121,269
Selling and marketing expenses	**17,544**	15,737	65,207
Administrative and general expenses	**6,414**	6,089	25,347
Other income, net	**2,573**	947	2,494
Operating income before restructuring expenses, impairment of fixed assets and capital loss from realization of investment in subsidiary	**7,593**	**7,313**	**33,209**
Restructuring expenses	**-**	485	485
Impairment of fixed assets	**-**	-	992
Loss of capital from the sale of subsidiary	**-**	666	666
Operating earnings	**7,593**	**6,162**	**31,066**
Finance expenses, net	**1,035**	2,040	7,817
Profit before taxes on income	**6,558**	4,122	23,249
Taxes on income	**712**	250	2,067
Net profit for the period	**5,846**	**3,872**	**21,182**
Attribution of net income for the period:			
To Company shareholders	**5,814**	3,842	21,060
To non-controlling interests	**32**	30	122
	5,846	**3,872**	**21,182**
Net earnings per share attributable to Company shareholders:			
Basic	**0.25**	**0.16**	**0.90**
Diluted	**0.24**	**0.16**	**0.87**

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

	Q1 2011	Q1 2010	Last 12 Months	2010
Sales	**157.4**	140.5	637.0	620.1
Earnings before restructuring expenses, impairment of fixed assets and capital loss from realization of investment in subsidiary	**7.6**	7.3	33.5	33.2
Restructuring expenses	**-**	0.5	-	0.5
Impairment of fixed assets	**-**	-,-	1.0	1.0
Loss of capital from the sale of subsidiary	**-**	0.7	-	0.7
Operating income	**7.6**	6.2	32.5	31.1
Standardized EBITDA (*)	**10.4**	10.1	44.6	44.3
Net earnings attributed to for Company shareholders before restructuring expenses, impairment of fixed assets and capital loss from realization of subsidiary	**5.8**	5.0	24.0	23.2
Net earning attributed to company shareholders	**5.8**	3.8	23.2	21.1
Cash flow from operating activities	**(3.1)**	0.8	10.4	14.3

EBITDA Calculating

	Q1 2011	Q1 2010	Last 12 Months	2010
Net income for the period - as reported	**5.8**	3.9	23.2	21.2
Taxes on income	**0.7**	0.2	2.6	2.1
Finance expenses, net	**1.0**	2.0	6.8	7.8
Restructuring expenses	**-**	0.5	-	0.5
Impairment of fixed assets	**-**	-,-	1.0	1.0
Loss of capital from the sale of subsidiary	**-**	0.7	-	0.7
Depreciation and amortization	**2.8**	2.8	11.0	11.0
Standardized EBITDA	**10.4**	10.1	44.6	44.3

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

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

2.3. Analysis of Operating Results

2.3.1. Overview

Group **sales** in the first quarter of 2011 amounted to $157.4 million, compared to $140.5 million in the first quarter of 2010, an increase of 12%.

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

	First Quarter						2010	
	% Change in Original Currency	% Change	2011	% of Total	2010	% of Total		% of Total
North America	*11*	***11***	**101.7**	*65*	91.5	*65*	400.2	*65*
Europe	*35*	***34***	**23.4**	*15*	17.5	*13*	83.1	*13*
Israel	*3*	***6***	**19.6**	*12*	18.4	*13*	78.2	*13*
UK	*(2)*	***(2)***	**12.1**	*8*	12.5	*9*	56.0	*9*
Others			**0.6**		0.6		2.6	-
Total	*12*	***12***	**157.4**	*100*	140.5	*100*	620.1	*100*

The increase in sales in the first quarter of 2011, compared to the corresponding period last year, was due to improvement in most sales markets.

North America

North American sales increased by 11% in the first quarter of the year and amounted to $101.7 million, compared to $91.5 million in the corresponding quarter last year due to the recovery in retail chain sales.

Europe

European sales in the first quarter of the year increased 34% in dollar terms and amounted to $23.4 million, compared to $17.5 million in the corresponding quarter last year. Most of the increase in European sales derived from sales to new customers as well as from an increase in the sale of seamless products and socks to existing customers.

Israel

Israeli sales in the first quarter of the year increased 6% in dollar terms and amounted to $19.6 million, compared to $18.4 million in the corresponding quarter last year. NIS sales increased 3% in the first quarter of 2011, compared to the corresponding period last year. The increase in sales derived mainly from the expansion of the Company's chain of stores and the launching of the new chain of children's stores (Delta Kids).

Gross profit in the first quarter of 2011 amounted to $29.0 million, constituting 18.4% of sales, compared to $28.2 million in the first quarter of 2010, constituting 20.0% of sales, a 3% increase.

The increase in gross profits in the first quarter of 2011, compared to the corresponding period last year, was due to the increase in sales despite the drop in gross margin.

The decrease in gross margin rates in the first quarter of 2011 compared to the same quarter last year derives mainly from an increase in raw material prices and in finished products that was expressed mainly in the Delta U.S. – Mass Market areas of activity, see 2.3.3 below.

Selling and marketing expenses increased by 11% and amounted to $17.5 million in the first quarter of 2011, compared to $15.7 million in the first quarter of 2010.

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

	Q1 2011	Q1 2010
Delta Israel	**8.2**	**7.2**
Percentage out of sales expenses from sales	**42.4%**	**39.8%**
Other areas of activity	**9.3**	**8.5**
Percentage out of sales expenses from sales	**6.8%**	**6.9%**
Total sales and marketing expenses	**17.5**	**15.7**
Selling and marketing expenses as % of total sales	**11.1%**	**11.2%**

The increase in Selling and marketing expenses in Delta Israel activity the first quarter of 2011, over the corresponding period last year, is due to the expansion of the retail chain, as well as the launch of the Delta Kids chain of stores. In addition, expenses increased as a result of the revaluation of the NIS by 4% over the average exchange rate in the corresponding quarter last year, which resulted in higher expenses in dollar terms.

Administrative and general expenses increased by 5% in the first quarter of 2011 and amounted to $6.4 million, compared to $6.1 million in the first quarter of 2010.

The increase in administrative and general expenses in the first quarter of 2011 was primarily due to the Delta Israel manager retirement costs and due to 4% revaluation of the average rate of the NIS vs. the USD, compared to the average exchange rates in the corresponding quarter last year, which increase expenses in dollar terms.

Other income net in the first quarter of 2011 amounted to a total of $2.6 million compared to $0.9 million in the first quarter of 2010, as detailed in the following table:

	Q1 2011	Q1 2010
Capital gain from the sale of fixed assets, see 1.2.6 above.	**2.3**	**-**
Capital gain from the sale of franchise, see 2.3.3 above.	**1.3**	**-**
Profit (loss) from the revaluation of currency transactions	**(1.0)**	**0.9**
	2.6	**0.9**

Loss from the revaluation of currency transactions in the first quarter of 2011 derives mainly from the revaluation of existing transaction according to the closing rate as of the balance sheet date, which is 1.42 USD per 1 Euro.

Operating profit in the first quarter of 2011 amounted to $7.6 million, compared to $6.2 million in the first quarter of 2010.

Operating profit in the first quarter of 2011 amounted to $7.6 million compared to an operational profit before restructuring costs, and a capital loss from the realization of a subsidiary to the amount of $7.3 million in the first quarter last year.

Finance expenses dropped 49% in the first quarter of 2011, amounting to $1.0 million compared to $2.0 million in the corresponding quarter last year.

The following table shows the composition of finance expenses in millions of dollars:

	Q1 2011	Q1 2010
Interest and commission expenses	**1.3**	**1.4**
Exchange rate differences	**(0.4)**	**0.4**
IFRS adjustments	**0.1**	**0.2**
Total financing expenses	**1.0**	**2.0**

Tax expenses in the first quarter of 2011 amounted to $0.7 million, compared $0.2 million in the corresponding period last year.

Profit attributed to Company shareholders in the first quarter of 2011 amounted to $5.8 million, compared to $3.8 million in the first quarter of 2010.

The increase in profit attributed to the Company's shareholders from the first quarter of 2011 compared to the corresponding period last year derives from an improvement in operating profits and from a reduction in finance expenses, as noted above.

2.3.2. The following is a summary of the Company's consolidated business results, divided by the three accounting segments in its Financial Statements for the first quarters of 2011 and 2010 and for the year 2010, in thousands of dollars:

	First Quarter Ending March 31					2010 Yearly	
	(Unaudited)					Audited	
	Sales			Operating Profit before Restructuring Expenses, Impairment of Fixed Assets and Capital Loss from Realization of Investment in Subsidiary		Sales	Operating Profit (Loss)
	2011	**2010**	**% Change**	**2011**	**2010**		
Delta USA – "Mass Market"	**76,051**	64,646	*18*	**(266)**	1,383	298,740	6,015
Global Upper Market Segment	**63,720**	62,607	*2*	**6,122**	2,904	257,449	15,965
Delta Israel	**19,280**	18,087	*7*	**1,917**	2,330	76,949	13,060
Cancellation of inter-divisional sales and loss	**(1,981)**	(5,560)	*(64)*	**-**	686	(15,207)	18
Others	**354**	761		**(180)**	10	2,143	(1,849)
Total sales and operating profit before restructuring expenses, capital loss from realization of subsidiary and impairment of fixed assets	**157,424**	140,541	*12*	**7,593**	7,313	620,074	33,209
Restructuring expenses				**-**	485		485
Loss of capital from the sale of subsidiary				**-**	666		666
Impairment of fixed assets				**-**	-		992
Total operating profit in consolidated statement				**7,593**	6,162		31,066

2.3.3. Analysis of Business Results by Operating Segment

Operating Segment: DELTA USA – Mass Market

Sales in the first quarter of 2011 amounted to $76.1 million, compared to $64.6 million in the corresponding period last year, an 18% increase.

The increase in sales in the area of activity in Q1 2011 over the same period last year derived mainly from the expansion of brand activity for men and women and as a result of the increase in UK intimate apparel activity and despite of the decrease in sales to the main customer.

As part of the change in working methods with a main customer and as reported by the Company in its 2010 yearly report, the Company joined the discount arrangement through a financial factor, as a result of which credit days from the customer dropped from 70 to 20 - 30 days. As a result, the customer debt in the March 31 2011 balance sheet dropped by $12 million compared to the balance on March 31 2010.

Operating loss in the first quarter of 2011 amounted to $0.3 million, compared to $1.4 million in operating income in the corresponding period last year.

The operating loss in the first quarter of 2011 includes a capital gain of $1.3 million from the sale of a franchise agreement held by the Company for the sale of products under the name of “Nichole Miller”. The franchise agreement is supposed to expire at the end of 2011, so that the capital gain in question reflects the profit expected from the sale of the products as per the agreement over the course of the next three quarters of 2011.

The shift from operating profit in the first quarter of 2010 to operating loss in 2011 derived mainly from the erosion of gross profits due to raising product costs. This erosion was caused mainly as a result of the increase in cotton prices, which grew sharper in the second half of 2010 and due to the amount of time required to adapt sales prices to customers.

In order to deal with the raising prices in question, the Company operated on two levels:

a. Adapting sales prices to customers. Note that according to Company estimates an increase in sales prices will mostly be expressed in the second half of 2011[2].

b. An increase in inventory balances with the aim of reducing the exposure level to the increase in the price of the products in question.

Inventory balance for the area of activity as of March 31, 2011 amounted to $65 million, compared to $51 million as of March 31 2010 and compared to $80 million as of December 31 2010.

The increase in inventory balance as of March 31 2011 compared to March 31 2010 derived from that stated in Section b. above as well as from the conversion of products from packages of 10 units per product (10pp) to packages of 3 units per product (3pp), as demanded by a key customer. Total inventory for the project amounted to $11 million. Inventory as of March 31 2011 amounted to $9 million and is expected to sell over the course of 2011 in conjunction with the customer[2.] The key customer has an obligation to purchase this inventory.

Area of Activity – Global Upper Market Segment

Sales in the first quarter of 2011 amounted to $63.7 million, compared to $62.6 million in the corresponding period last year, a 2% increase.
The increase in sales in the area of activity in the first quarter of 2011 compared to the first quarter of 2010 derived mainly from an increase in sales of seamless products to European customers.

Operating income in the first quarter of 2011 amounted to $6.1 million, compared to $2.9 million in the corresponding quarter last year, a 111% increase.
The improvement in operating profit in the first quarter of 2011 compared to the first quarter of 2010 derived from the increase in sales and the improvement in the package of products that included the sales of innovative products, as well as the increase in manufacturing at the Company's plants in Egypt, Bulgaria and seamless knitting in Israel.

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

Operating Segment Delta Israel

Sales in the first quarter of 2011 amounted to $19.3 million, compared to $18.1 million in the corresponding period last year, a 7% increase.

Sales in NIS in Q1 2011 amounted to 69.5 million NIS, compared to 67.6 million NIS in Q1 2010, a 3% increase.

The increase in NIS sales in the first quarter of 2011 compared to the same quarter last year derived mainly from the expansion of the retail chain including the new children's stores (Delta Kids) which was launched during the first quarter of the year.

Operating income in the first quarter of 2011 amounted to $1.9 million, compared to $2.3 million in the corresponding period last year, a decrease of 18%.

Operating income in the first quarter of 2011, in NIS terms, amounted to 6.7 million NIS, compared to 8.4 million NIS in the corresponding period last year, a 19% decrease.

The decrease in operating income in the first quarter of 2011 compared to the corresponding quarter last year derived from the launching of the children's stores (Delta Kids), which contributed to the increase in sales and marketing costs. Furthermore, the decrease in operating profits derived from the timing of the Passover holiday which fell in the second quarter of this year, after falling in the first quarter of last year, and from the retirement cost of the manager of the area of activity, which was included in the current quarter's results.

3. Liquidity and Financing Sources

Condensed cash flow statement, in millions of dollars:

	First Quarter Ending March 31		Year Ending
	2011	**2010**	**December 31 2010**
Net cash deriving from (used in) operating activities	**(3.1)**	0.8	14.3
Net cash deriving from (used for) investment activities	**1.3**	(1.1)	1.9
Net cash deriving from (used in) financing activities	**2.2**	6.5	1.9
Increase in cash and cash equivalents	**0.4**	6.2	18.1

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

In the first quarter of 2011, the Company generated a negative operating cash flow of $3.1 million, compared to a positive cash flow of $0.8 million in the corresponding period last year.

The negative cash flow from operating activities in Q1 2011 derived from an increase in working capital and mainly in the customers item, as a result of increased sales. In addition, the cash flow from operating activities in Q1 2011 was influenced by a $10.9 million decrease in the inventory balance that was offset by a similar decrease in trade suppliers and other payables.

The following are a number of financial indicators for the first quarter of 2011 and 2010.

	Q1 2011	Q1 2010	2010
Current ratio	**1.81**	1.46	1.77
Quick ratio	**1.07**	0.92	0.98
Customer credit days (quarterly basis)*	**57**	65	53
Supplier credit days (quarterly basis)*	**45**	49	50
Inventory days (quarterly basis)*	**78**	70	89
Positive (negative) operating cash flow (in millions of dollars)	**(3.1)**	0.8	14.3
Standardized EBITDA (millions of dollars)	**10.4**	10.1	44.3
Net financial debt (millions of dollars)	**79.9**	84.3	75.0
Net financial debt coverage ratio to standardized EBITDA (on the basis of the last twelve months)	**1.8**	2.1	1.7
Equity/balance sheet total	**47.9%**	47.0%	47.0%
Equity (in millions of dollars)	**201.4**	183.2	197.3

* For an explanation regarding the decrease in customer credit days and the increase in inventory days compared to a corresponding reporting period, see 2.3.3 above.

The improvement in current ratio and quick ratio from 1.46 and 0.92 respectively on March 31 2010, to 1.81 and 1.07 respectively on March 31 2011 derived from the issue of debentures that took place in December 2010, which was used in part to repay short-term borrowings and the balance of which was deposited in a short-term bank deposit, included under cash and cash equivalents.

Net financial debt as of March 31 2011 amounted to $79.9 million, compared to $84.3 million as of March 31 2010 and compared to $75.0 million as of December 31 2010.

The increase in net debt as of March 31 2011 compared to December 31 2010 derived mainly from the negative cash flow from operating activities in the first quarter of the year.

4. Dividends

4.1. As of the balance sheet date the Company declared that it would be distributing dividends to the amount of $2 million, constituting 8.54 cents per share, to be distributed on June 14 2011 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 May 31 2011 and the “X” date shall be June 1 2011.

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 March 31 2011, 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 2011 and 2012 and expected interest and principal payments for the debentures (Series K) issued by the Company in 2010. 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 forward-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 projections may not be realized, in whole or in part, or be realized in a manner materially different 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 Risk and Management Thereof

Exposure to Market Risk, Risk Factors and Management Thereof

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

The Company manages the market risks based on a policy set by its 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 details of risk factors to which the Company is exposed, see section 1.25 of Part A of the Company’s 2010 periodic report.

5.3. Company policy with regard to market risk management:

1) Increase in Cotton Prices

2010 saw a significant increase of 80% in average cotton prices compared to 2009. This trend continued in the first quarter of 2011 and led to a significant increase in the price of cotton yarns, which constitutes the Company's main raw material. The price of cotton contracts as of July 2011 on March 31 2011 was $1.92 per pound compared to $1.3 per pound on December 31 2010. The Company tracks fluctuations in the price in question and tries to adapt its string and finished product inventory levels to sales projections. In addition, the Company acted to increase prices for customers, but this price adjustment is expected to take several months[3]; see 2.3.3 above.

Subsequent to the balance sheet date the price of cotton dropped sharply, with the price of cotton contracts as of July 2011 amounting to $1.46 per pound, a 24% drop from the price on March 31 2011.

2) Volatility of Exchange Rates of the Euro vs. the USD

The Company had a surplus of proceeds over payments denominated in Euro in Q1 2011, estimated at $5 million.

The Company carried out hedging transactions with an average exchange rate of $1.308 per euro.

In 2011, the Company’s receipts in Euros are expected to shrink to just $20 million in light of the transfer of some of the Company's sales contracts with European customers to dollars.

The Company carried out hedging transactions to the amount of $20 million for 2011 ($5 million in each quarter), with an average exchange rate of $1.359 per euro, this in order to protect the receipt surplus in question, see 5.4 below.

The following are average euro/USD exchange rates for 2011 and 2010:

	2011	2010	% Change
Q1	1.368	$1.384	*(1%)*
Q2 (**)	1.362	$1.275	*7%*
Q3 (**)	1.382	$1.291	*7%*
Q4 (**)	1.384	$1.360	*2%*

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

[3] Note that the above is an estimate only and constitutes forward-looking information, which may or may not materialize or may differ from Company estimates and forecasts, due to circumstances not dependent on the Company (such as economic, social and other estimates), and due to being based on information available as of the report date, including Company estimates as of the report date.

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 purchased. The Company regularly reviews its balance sheet exposure and its economic exposure in accordance with forecast revenues and expenses for the coming 12 months.

The Company's operations are exposed to macroeconomic risks, industry risks and risks unique to its operations. Full details of theses risks factors can be found in Part A of the 2010 periodic report in Section 1.25.1.

5.4. Financial Instruments

The following open positions as of March 31 2011 are not recognized as an accounting hedge against the euro:

	Redemption Date	**Exchange Rate for Transaction (USD per €1)**	**Sum in Thousands of Dollars**	**Average Rate of Exchange**
	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			**5,000**	**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	100	
	8/12/11	1.380	1,100	
	24/12/11	1.394	1,400	
Q4 2011			**5,000**	**1.384**
Total transactions			**15,000**	**1.376**

In its results for the first quarter of 2011, the Company included the results of transactions which closed in the reporting period under other income, net, as well as the estimated results of the aforementioned open transactions, which amounted to a loss of $1.0 million.

5.5. Linkage Basis Report, in Thousands of Dollars

	As of March 31 2011					
	Unaudited					
	In USD	**In Euro**	**In NIS**	**In Other Currencies**	**Non-Monetary Balances**	**Total**
Assets:						
Cash and cash equivalents	44,985	348	113	1,348	-	46,794
Trade receivables	70,200	13,046	14,763	1,817	-	99,826
Other accounts receivable	4,137	322	583	3,399	3,320	11,761
Inventories	-	-	-	-	111,070	111,070
Assets classified as held for sale	-	-	-	-	1,766	1,766
Debit balances and long-term prepaid expenses	836	-	32	-	212	1,080
Financial derivative	1,629	-	-	-	-	1,629
Deferred tax assets	-	-	-	-	6,495	6,495
Fixed assets, net of accumulated depreciation	-	-	-	-	63,362	63,362
Intangible assets, net of accumulated amortization	-	-	-	-	76,886	76,886
Total assets	**121,787**	**13,716**	**15,491**	**6,564**	**263,111**	**420,669**
Liabilities:						
Credit from banking corporations	58,199	5,873	7	-	-	64,079
Trade payables	32,856	4,681	9,041	2,103	-	48,681
Other accounts payable	13,838	615	18,111	3,557	560	36,681
Long-term loans from banking corporations	3,465	-	-	-	-	3,465
Severance pay liabilities, net of plan assets	-	-	-	-	461	461
Debentures (*)	59,141	-	-	-	-	59,141
Long-term loans and other liabilities	6,344	164	32	240	-	6,780
Total liabilities	**173,843**	**11,333**	**27,191**	**5,900**	**1,021**	**219,288**
Balance sheet total, net	**(52,056)**	**2,383**	**(11,700)**	**664**	**262,090**	**201,381**

(*) Debentures issued in January and December 2010, are denominated in NIS, bear fixed NIS interest and are not linked. The Company has entered into a swap agreement with a bank to swap NIS cash flows for dollar cash flows, and vice versa, hence this liability is presented as linked to the USD.

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 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 = 3.83 NIS	$1 = 3.66 NIS	$1 = 3.48 NIS	$1 = 3.31 NIS	$1 = 3.13 NIS
Cash and cash equivalents	(11)	(6)	113	6	11
Trade receivables [5]	(1,476)	(738)	14,763	738	1,476
Other accounts receivable	(58)	(29)	583	29	58
Long-term debit balances	(3)	(2)	32	2	3
Short-term credit from banks	1	-	(7)	-	(1)
Trade payables	904	452	(9,041)	(452)	(904)
Other accounts payable	1,811	906	(18,111)	(906)	(1,811)
Long-term loans and other liabilities	3	2	(32)	(2)	(3)
Off-balance-sheet liabilities in respect of rental agreements	941	470	(9,409)	(470)	(941)
Total	2,112	1,055	(21,109)	(1,055)	(2,112)

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]	Discount rate of 12%	5% Decrease [3]	10% Decrease [4]
Change in fair value, before tax [6]	105	53	(9,588)	(53)	(108)

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 = 1.56$	€1 = 1.49$	€1 = 1.42$	€1 = 1.35$	€1 = 1.28$
Cash and cash equivalents	35	17	348	(17)	(35)
Trade receivables [5]	1,305	652	13,046	(652)	(1,305)
Other accounts receivable	32	16	322	(16)	(32)
Short-term credit from banks	(587)	(294)	(5,873)	294	587
Trade payables	(468)	(234)	(4,681)	234	468
Other accounts payable	(62)	(31)	(615)	31	62
Long-term loans and other liabilities	(16)	(8)	(164)	8	16
Total	239	118	2,383	(118)	(239)

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

	10% increase [1]	5% increase [2]	Discount rate of 12%	5% Decrease [3]	10% Decrease [4]
Change in Fair Value Before Tax	3	2	(248)	(2)	(3)

Sensitivity to changes in weighted LIBOR interest rate. The following calculation relates to cash flow exposure and not to changes in fair value to a loan portfolio amounting to $64.1 million (in thousands of dollars) while the weighted interest on the investment portfolio of March 31 2011 is 2.4% :

Change in interest rate	10% Increase	5% Increase	5% Decrease	10% Decrease
Interest rate expected after change	2.64%	2.52%	2.28%	2.16%
Pre-tax gain (loss) due to changes	(138)	(69)	69	138

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 = 3.13 NIS	$1 = 3.31 NIS	$1 = 3.48 NIS	$1 = 3.66 NIS	$1 = 3.83 NIS
Forward contract value	8,788	5,020	1,629	(1,438)	(4,227)
Difference	7,159	3,391	-	(3,068)	(5,856)

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	6.30%	6.70%	7%	7.35%	7.70%
Forward contract value	2,472	2,049	1,629	1,214	802
Difference	842	419	-	(415)	(828)

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	1,082	1,356	1,629	1,901	2,170
Difference	(547)	(273)	-	271	541

[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 balance of trade receivables 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 of non-material sums.

Aspects of Corporate Governance

6. **Disclosure with Regard to the Financial Statement Approval Process**

The Company's Board of Directors has decided that the organ in charge of entity-level control of the Company's financial statements will be the Financial Statement Examination Committee (hereinafter: **the Committee**").

This committee consists of three directors, as follows:

Yehezkel Dovrat, Chair of the Committee – External director, with expertise in accounting and finance.

Shaul Ben Ze'ev – External director, with expertise in accounting and finance.

Gideon Chitayat – director, with expertise in accounting and finance.

Prior to their appointment, the three members of the Committee provided the Company with a statement in accordance with Section 3 of the Companies Regulations (Instructions and Conditions Pertaining to the Financial Statement Approval Process), 2010. For additional information regarding the committee members in question, including as pertains to their qualifications, education, experience and knowledge, base upon which the Company considers them as possessing accounting and financial expertise, see Part D of the Company's 2010 periodic report – "Additional Information Regarding the Corporation", published February 17 2011 (ref. 2011-01-052224).

Ratification of the Q1 2011 Financial Statements involved two meetings, as detailed below:

(1) A meeting in which the Committee held a comprehensive and in-depth discussion of material reporting issues and formulated its recommendations to the Board of Directors regarding the Financial Statements.

(2) A meeting of the Board of Directors to discuss and ratify the Financial Statements.

Prior to the approval of the Company's Financial Statements by the Board of Directors, a draft of the Financial Statements and associated reports and notes to these Statements was sent to members of the Committee 6 days before the meeting.

Invited to the meeting of the Committee discussing the approval of the Financial Statements are: the CEO, the CFO and Company Comptroller, the Auditor as well as the independent CPAs, who present the Financial Statements to Committee members and answer any questions.

Over the course of the Committee's meeting, the Company's Financial Statements are reviewed and discussed, examining key changes, internal controls pertaining to financial reporting, estimates and evaluations made regarding the Financial Statements, the completeness and propriety of disclosure and the accounting policy adopted and the accounting treatment applied to the Company’s material issues. In addition, reference is made to comments by Company management and the Auditor and the compliance between the Financial Statements and events that have occurred in the Company and standards used by the Company in the preparation of its Financial Statements is tested.

After the discussion, the Chair of the Financial Statement Examination Committee calls a vote on the recommendation of the Committee to the Board of Directors to approve the Financial Statements, and queries whether any Committee members still have any unanswered questions or issues.

The Committee formulated recommendations regarding the approval of the Company’s Q1 2011 Financial Statements, which were passed on to the Company's Board of Directors 2 business day prior to the Board convening, a reasonable amount of time in the opinion of the Board of Directors, taking the scope and complexity of the recommendations into account. After the Committee recommends approval of the Financial Statements as set forth above, the Financial Statements and attached notes were brought to the Company Board of Directors for approval.

The names of the Finance Committee members who attended the meeting on May 16 2011, in which the Finance Committee recommended that the Company Board of Directors ratify the Financial Statements and Board of Directors' Report as of March 31 2011 are: Yehezkel Dovrat, Committee Chairman; Shaul Ben-Ze’ev and Gideon Chitayat.

Also present were Company CEO Isaac Dabah, Board member, CFO Yossi Hajaj and Company Comptroller and Secretary Miki Laxer.

The remaining members of the Board of Directors received a draft of the Financial Statements to study 9 dates before the date of the Board Meeting set to approve the Financial Statements and the Committee’s recommendation were provided for them to study. Over the course of the Board meeting, the financial results and material issues in the Financial Statements were studied by the Company CFO, along with the Committee’s recommendations. Questions were raised by the various members of the Board of Directors regarding Financial Statement data. The questions were asked an answered by Company management and by the Auditor. The Statements were ratified and signed by the authorized parties.

Note also that if, during compilation of the financial statements, the CFO or the Company CEO have any material questions or issues requiring preliminary discussion before submitting the Financial Statements to the Board of Directors for approval, the CFO or the Company CEO will instruct that the Board of Directors convene for a preliminary meeting to discuss and resolve these issues.

The names of Board members who attended the Board of Directors' meeting on May 19, 2011 at which the Financial Statements and the Board of Directors' report as of March 31 2010 were approved, were: Chairman of the Board Noam Lautman, Gideon Chitayat, Israel Baum, Itzhak Weinstock, Shaul Ben-Ze'ev, Tzipa Carmon, Yehezkel Dovrat and Isaac Dabah. Also present at the Meeting were: CFO Yossi Hajaj, Deputy CEO and VP of Operations Shlomo Doron, and Company's Comptroller and Secretary Miki Laxer.

Disclosure Provisions with Regard to the Corporation's Financial Reporting

7. Disclosure on Critical Accounting Estimates

In preparing the Financial Statements according to generally accepted accounting practices, management is required to use estimates and assessments which impact the reported information on assets and liabilities, on data on contingent assets and pending liabilities disclosed in the Financial Statements and on revenue and expense data for the reported period. Some of these estimates that may have a material impact on the presentation of data in the Financial Statements require discretion in an uncertain environment.

Details regarding accounting estimates and assumptions can be found in Note 3 to the 2010 Yearly Financial Statements published February 17 2011.

Special Disclosure for Debenture Holders.

8. Outstanding Obligatory Notes

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

Series	K
Issuing Date	113,000,000 NIS NV debentures listed for trade on January 24 2010 pursuant to a shelf offering report published by the Company on January 18 2010 pursuant to the Company's shelf prospectus dated May 29 2008. 92,632,000 NIS NV debentures listed for trade on January 28 2010 pursuant to a shelf offering report

Series	K
	published by the Company on December 23 2010 pursuant to the Company's shelf prospectus dated December 22 2010.
Extent of N.V. debentures at issuance (in NIS)	205,632,000
Extent of N.V. debentures as of March 31 2011 (in NIS) including linkage	205,632,000
Start date of principal repayment	July 19 2012
Number of annual installments of principal repayment	1
Interest accrued as of March 31 2011	2.9 million NIS
Value on stock exchange soon prior to March 31 2011.	216 million NIS
Interest type	Fixed - 7%
Effective interest as of issuance date (including issuing costs)	7.45%
Effective interest upon issue of debenture expansion (not including issuance expenses)	6.62%
Interest payment dates	Semi-annual installments on July 19 and on January 19 of each of the years from 2010 through 2016.
Linkage type	Non-linked.
Conversion right	The 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 to said de-listing.
Guarantee to secure payment	Not guaranteed by any liens.

Series	K
Rating	Rated A3/Stable by Midroog Ltd. (see report dated December 31 2009 (ref. 2009-01-338541) and December 19 2010 (ref: 2010-01-721767).
Details and contact information of trustee	Strauss Lazar Trust Company (1992) Ltd., 17 Yitzhak Sadeh 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 deed for said debentures, and no cause existed to demand the immediate repayment of said debentures.

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

Signed: May 19 2011.

Noam Lautman	Isaac Dabah
Chairman of the Board of Directors	CEO and Director

DELTA GALIL Industries Ltd.

Interim Financial Information

(Unaudited)

March 31 2011

DELTA GALIL INDUSTRIES LTD.

Interim Financial Information

(Unaudited)

March 31 2011

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Auditors' review Report to the Shareholders of Delta Galil Industries Ltd.

Introduction

We have reviewed the accompanying financial information of DELTA GALIL Industries Ltd. and its subsidiaries (hereafter: the group), which includes the condensed consolidated statement of financial position as of March 31, 2011 and the related condensed consolidated statements of comprehensive income, changes to equity and cash flows for the three-month period then ended. The Board of Directors and management are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting", and they are also responsible to draw up interim financial information based on Chapter D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated companies, whose assets included in consolidation constitute approximately 8% of total consolidated assets as of March 31, 2011. The condensed interim financial information of these companies were reviewed by other independent auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial information for those companies, is based on review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Israeli Review Standard No. 1, issued by the Israeli Institute of Certified Public Accountants, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of the other independent auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to what is said in the previous paragraph, based on our review and the review reports of the other independent auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure provisions of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel	Kesselman & Kesselman
May 19, 2011	Certified Public Accountants (lsr.)
	A member firm of PricewaterhouseCoopers International Limited

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets
As of March 31, 2011

	March 31		December 31
	2011	**2010**	**2010**
	(Unaudited)		**(Audited)**
	Thousands of Dollars		
Assets			
Current assets:			
Cash and cash equivalents	46,794	34,069	46,215
Other accounts receivable:			
Trade receivables	99,826	101,998	90,317
Taxes on income receivable	30	1,268	725
Others	11,731	7,290	12,028
Inventories	111,070	87,881	121,275
Assets classified as held for sale	1,766	5,436	2,838
Total current assets	271,217	237,942	273,398
Non-current assets:			
Long-term pre-paid expenses	197	101	198
Long-term receivables	883	1,092	890
Surplus of plan assets over liabilities from the termination of employer - employee relations	-	85	-
Fixed assets, net of accumulated depreciation	63,362	69,017	62,704
Intangible assets, net of accumulated amortization	76,886	77,986	75,464
Deferred tax assets	6,495	3,595	5,127
Financial derivative	1,629	231	1,830
Total non-current assets	149,452	152,107	146,213
Total assets	420,669	390,049	419,611

Noam Lautman,
Chairman of the Board of Directors

Isaac Dabah
CEO

Yossi Hajaj
CFO

Approval date of financial information for the interim period by the Company Board of Directors: May 19, 2011

	March 31		December 31
	2011	2010	2010
	(Unaudited)		(Audited)
	Thousands of Dollars		
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	61,969	80,645	57,439
Current maturities of long-term loans from banking corporations	2,110	2,114	2,110
Other accounts payable:			
Trade payables	48,681	47,373	52,959
Taxes on income - payable	1,951	995	854
Others	34,730	32,567	41,506
Total current liabilities	149,441	163,694	154,868
Non-current liabilities:			
Loans from financial institutions, less current maturities	3,465	5,571	3,614
Severance pay liabilities less plan assets	461	385	472
Other non-current liabilities	6,780	6,302	5,296
Reserve for deferred taxes	-	771	-
Debentures	59,141	30,081	58,023
Total non-current liabilities	69,847	43,110	67,405
Total liabilities	219,288	206,804	222,273
Equity:			
Equity attributable equity holders of the parent company:			
Share capital	23,097	23,090	23,091
Share premium	121,121	120,942	120,966
Other capital reserves	1,198	494	1,465
Unassigned income balance	63,086	45,844	58,969
Treasury shares	(9,700)	(9,700)	(9,700)
	198,802	180,670	194,791
Minority interests	2,579	2,575	2,547
Total equity	201,381	183,245	197,338
Total liabilities and equity	420,669	390,049	419,611

The enclosed notes constitute an integral part of these Financial Statements

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Comprehensive Income
For the 3-month period ending March 31 2011

	Three months ended March 31		Year Ending December 31
	2011	**2010**	**2010**
	(Unaudited)		**(Audited)**
	Thousands of Dollars (Except for Net Ernings per Share Data)		
Sales	157,424	140,541	620,074
Cost of sales	128,446	112,349	498,805
Gross profit	28,978	28,192	121,269
Selling and marketing expenses	17,544	15,737	65,207
Administrative and general expenses	6,414	6,089	25,347
Other income, net	2,573	947	2,494
Restructuring expenses, net	-	485	485
Impairment of fixed assets	-	-	992
Loss of capital from the sale of subsidiary	-	666	666
Operating earnings	7,593	6,162	31,066
Finance expenses, net	1,035	2,040	7,817
Profit before tax on income	6,558	4,122	23,249
Taxes on income	712	250	2,067
Income for the period	5,846	3,872	21,182
Other Comprehensive Income			
Actuary losses – defined employee benefit plan	-	-	(139)
Net change in cash flow hedging transactions	(1,470)	260	47
Differences from the translation of financial statements prepared in foreign currency	886	234	1,429
Taxes on income and expenses charged directly to other comprehensive earnings	317	-	54
Other comprehensive earnings (loss) for the period, net of tax	(267)	494	1,391
Total comprehensive earnings for the period	5,579	4,366	22,573
Attribution of net earnings for the period:			
To shareholders of the parent company	5,814	3,842	21,060
To minority interests	32	30	122
	5,846	3,872	21,182
Attribution of total comprehensive earnings for the period:			
To shareholders of the parent company	5,547	4,336	22,451
To minority interests	32	30	122
Total recognized revenues and expenses	5,579	4,366	22,573
Earnings per share attributed to shareholders of the parent company:			
Basic	0.25	0.16	0.90
Diluted	0.24	0.16	0.87

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

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Changes in Equity
For the 3-month period ending March 31 2011

	Attributable to Company Shareholders										
	Ordinary Share Capital										
	Number of Shares	Amount	Share Premium	Capital Reserve from Translation Differences	Capital Reserves in Respect of Cash Flow Hedging	Actuary Loss due to Severance Pay Liabilities	Unassigned Income Balance	Treasury Shares	Total	Non-Controlling Interest	Total Equity
	In Thousands	Thousands of Dollars									
Balance as of January 1, 2011 (audited)											
Movement in period ending March 31, 2011 (unaudited):	24,605	23,091	120,966	1,429	36	(1,499)	60,468	(9,700)	194,791	2,547	197,338
Comprehensive earnings	-	-	-	886	(1,153)	-	5,814	-	5,547	32	5,579
Proceeds from exercise of options	22	6	155	-	-	-	-	-	161	-	161
Dividend distribution	-	-	-	-	-	-	(2,000)	-	(2,000)	-	(2,000)
Benefit component of options granted	-	-	-	-	-	-	303	-	303	-	303
Balance as of March 31 2011 (unaudited)	24,627	23,097	121,121	2,315	(1,117)	(1,499)	64,585	(9,700)	198,802	2,579	201,381
Balance As of January 1, 2010 (audited)	24,586	23,086	120,854	-,-	-,-	(1,425)	43,146	(9,700)	175,961	2,545	178,506
Movement in period ending March 31, 2010 (unaudited):											
Comprehensive earnings	-	-	-	494	-	-	3,842		4,336	30	4,366
Proceeds from exercise of options	13	4	88	-	-	-			92		92
Benefit component of options granted	-	-	-	-	-	-	281		281		281
Balance as of March 31, 2010 (unaudited)	24,599	23,090	120,942	494	-,-	(1,425)	47,269	(9,700)	180,670	2,575	183,245

	Ordinary Share Capital		Attributable to Company Shareholders								
	Number of Shares	Amount	Share Premium	Capital Reserve from Trans-lation Differ-ences	Capital Reserves in Respect of Cash Flow Hedging	Actuary Loss due to Severance Pay Liabilities	Unassig-ned Income Balance	Treasury Shares	Total	Non-Control-ling Interest	Total Equity
	In Thous-ands	Thousands of Dollars									
Balance As of January 1, 2010 (audited)	24,586	23,086	120,854	-,-	-,-	(1,425)	43,146	(9,700)	175,961	2,545	178,506
Movement in 2010 (audited):											
Comprehensive earnings	-	-	-	1,429	36	(74)	21,060	-	22,451	122	22,573
Proceeds from exercise of options	19	5	112	-	-	-	-	-	117	-	117
Dividends to non-controlling interest holders	-	-	-	-	-	-	-	-	-	(120)	(120)
Dividend distribution	-	-	-	-	-	-	(5,000)	-	(5,000)	-	(5,000)
Benefit component of options granted	-	-	-	-	-	-	1,262	-	1,262	-	1,262
Balance as of December 31, 2010 (audited)	24,605	23,091	120,966	1,429	36	(1,499)	60,468	(9,700)	194,791	2,547	197,338

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Cash Flow Reports
For the 3-month period ending March 31 2011

	Three months ended March 31		Year Ending December 31
	2011	2010	2010
	(Unaudited)		(Audited)
	Thousands of Dollars		
Cash flows from operating activities			
Net profit for the period	5,846	3,872	21,182
Adjustments required to reflect cash flows deriving from operating activities	(7,415)	(2,296)	448
Interest paid in cash	(1,548)	(778)	(4,002)
Taxes on income refunded (paid) in cash, net	3	(11)	(3,368)
Net cash generated from operating activities	(3,113)	787	14,260
Cash flows from investment activities:			
Proceeds from the sale of subsidiary, net (see Appendix A)	-	-	816
Acquisition of fixed assets and intangible assets	(2,588)	(1,179)	(4,617)
Acquisition of trademark	-	(600)	(600)
Proceeds from sale of fixed assets	70	38	710
Proceeds from the issue of option to sell asset available for sale	-	538	682
Proceeds from the sale of land, net of attached tax payments	-	-	4,218
Proceeds from the sale of asset held for sale	3,767	-	644
Repayment of long-term receivables	-	44	132
Loans granted to employees	(2)	(7)	(12)
Repayment of loans to employees	15	5	25
Long-term deposits	-	16	(80)
Net cash used in (generated by) Company investment activities	1,262	(1,145)	1,918
Cash flows from financing activities:			
Dividends paid holders of minority rights in consolidated subsidiary	-	-	(120)
Dividend paid	(2,000)	-	(5,000)
Repayment of loans and other long-term liabilities	(150)	(150)	(2,220)
Short-term credit from banking corporations, net	4,159	(23,482)	(47,205)
Proceeds from the issuance of debentures, less issuance expenses	-	30,081	56,331
Proceeds from exercise of employee options	161	92	117
Net cash deriving from financing activities	2,170	6,541	1,903
Net increase in cash and cash equivalents	319	6,183	18,081
Profit (loss) due to exchange rate differentials on cash and cash equivalents	260	(7)	241
Balance of cash and cash equivalents at the beginning of the period	46,215	27,893	27,893
Balance of cash and cash equivalents at the end of the period	46,794	34,069	46,215

The enclosed notes constitute an integral part of these Financial Statements

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Cash Flow Reports
For the 3-month period ending March 31 2011

	Three months ended March 31		Year Ending December 31
	2011	**2010**	**2010**
	(Unaudited)		**(Audited)**
	Thousands of Dollars		
Adjustments required to reflect cash flows from operating activities:			
Revenues and expenses not involving cash flow:			
Depreciation	2,368	2,414	9,291
Amortization	464	433	1,739
Impairment of fixed assets	-	-	992
Loss of capital from the sale of subsidiary	-	666	666
Cash erosion, net	(260)	7	(241)
Interest paid in cash	1,548	778	4,002
Taxes on income paid in cash, net	(3)	11	3,368
Deferred taxes on income, net	(1,051)	(70)	(2,319)
Severance pay liability, net	(11)	5	44
Restructuring expenses	-	485	327
Capital loss (gain) from sale of fixed assets	7	-	(249)
Capital gain from realization of asset classified as held for sale	(2,330)	(26)	(483)
Change in benefit component of options granted to employees	303	281	1,262
Loss (profit) from changes in the fair value of current financial derivatives	757	(385)	(505)
Long-term pre-paid expenses	1	(8)	(6)
Others	372	50	760
	2,165	4,641	18,648
Changes to operating assets and liabilities:			
Decrease (increase) in trade receivables	(9,603)	919	13,645
Increase in other receivables	-	(23)	(1,379)
Increase (decrease) in trade payables	(4,834)	3,010	7,926
Increase (decrease) in other payables	(6,022)	(2,797)	2,403
Decrease (increase) in inventory	10,879	(8,046)	(40,795)
	(9,580)	(6,937)	(18,200)
	(7,415)	(2,296)	448

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

Trade payables with respect to fixed assets and other non-cash assets	470	(441)	(89)
Receivables with respect to non-cash fixed assets	-	(35)	-
Liability for minimum royalty payments	1,472	3,050	1,358
Receivables as a result of the sale of subsidiary	-	-	1,454
Payables as a result of the sale of subsidiary	(42)	-	63
Receivables from the realization of fixed assets intended for sale	242	-	(997)
Payables from the realization of fixed assets intended for sale	120	-	-

The enclosed notes constitute an integral part of these Financial Statements

Appendix A:

Yield from the sale of company consolidated in the past:

	Year Ending December 31 2010
	(Audited)
	Thousands of Dollars
Trade receivables	223
Other receivables	202
Inventories	888
Long-term deposits	122
Fixed assets	1,536
Suppliers	(307)
Other payables	232
Capitalization component from the sale of company	40
Capital loss	(666)
Total proceeds	2,270
Less receivables due to sale of subsidiary	(1,454)
	816

* Over the course of the second quarter of 2010, the Company completed the sale of its Indian subsidiary. Total yield from the sale is $2.3 million, $0.9 million of which was received in cash, with the balance expected by April 2012.

Note 1 - Overview

DELTA GALIL Industries Ltd. (hereinafter: “the Company”) is an Israeli corporation that, 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 – Delta USA Mass Market, Global Upper Market Segment and Delta Israel. Information on major operating segments is presented in Note 4.

The main stock exchange on which the Company’s shares are traded is the Israeli Tel Aviv Securities Exchange Ltd.

The financial information for the interim period is reviewed and not audited.

Note 2 - Preparation Basis of Concise Financial Statements:

a. General

Following de-listing of Company shares from NASDAQ (March 2008), the Company started reporting to the stock exchange pursuant to provisions of Chapter F of the Securities Act, and to compile its financial statements, starting with the 2007 annual report, pursuant to the Securities Regulations (Periodic and Immediate Reports), 1970.

b. Preparation Basis of Concise Financial Statements

The Group's concise consolidated financial information as of March 31, 2011 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" (hereinafter – "IAS 3"), and includes the supplementary disclosure required in accordance with Securities Regulations (Periodic and Immediate Reports), 1970. The financial information for the interim period should be perused along with the 2010 Yearly Financial Statements and attached notes, which have been prepared in accordance with International Financial reporting Standards (IFRS), and included the supplementary disclosure required in accordance with Securities Regulations (Yearly Financial Statements), 2010.

Note 3 – 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 2010 Yearly 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, amendments and interpretations for the existing standards coming into effect and binding for accounting periods starting January 1 2011:

1) Revision to International Accounting Standard 34 – "Financial Reporting for Interim Periods" (Hereinafter – the IAS 34 Revision). The revision in question constitutes part of the IFRS improvement paper published May 2010. The IAS Revision clarifies and corrects the disclosure requirements in the interim reports regarding material transactions or events and regarding other matters, while adding disclosure requirements regarding:

   a. Material changes in business or economic conditions influencing the fair value of financial instruments in the Financial Statement, whether they are measured at fair value or are measured at depreciated cost;
   b. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments;
   c. Changes in the classification of financial assets as a result of changes in the purpose of use of these assets; as well as
   d. Changes in pending liabilities or pending assets.

   The Group applied the revision in question starting January 1 2011 and expanded accordingly, when relevant, the disclosure given pursuant to interim financial information.

2) Standards, amendments and interpretations for the existing standards coming into effect and binding for accounting periods starting January 1 2011, but the first-time application of which has no material impact on the Group's financial information for the 3-month interim period ending March 31 2011 (including comparison numbers):

   a. Revisions to IFRS 3 - "Business Combinations (hereinafter – IFRS 3R): the revisions in question constitute part of the IFRS improvement paper published May 2010. The following are the key revisions:

      A clarification that treatment of conditional proceeds due to business combinations occurring prior to the application of IFRS 3R shall be in accordance with the provisions of the previous version of IFRS 3 (published 2004).

      The statement that the selection options of for measuring non-controlling interests on the date of purchase at fair value or according to the relative portion of the net identified assets of the purchased item recognized, shall only refer to non-controlling interests granting present ownership and awarding their owners with the relative portion of the entity's net assets in the event of liquidation. All other components of non-controlling interests shall be measured according to their fair value on the date of the business combination, unless a different basis of measurement is required in accordance with the IFRS.

      A clarification that IFRS 3R measurement provisions shall apply to all of the purchased party's share-based payment transactions, whether or not they were replaced with the purchaser's share-based payment transactions. In addition, a statement that share-based payment transactions of the purchased party shall be measured according to IFRS 2, "Share Based Payment", as of the date of the purchase.

b. Revision to International Financial Reporting Standard 7 – “Financial Instruments: Disclosure”. The revision in question constitutes part of the IFRS improvement paper published May 2010. The revision in question corrects several of the required qualitative and quantitative disclosures resulting from the nature and scope of risks deriving from financial instruments and clarifies the interaction between these qualitative and quantitative disclosures.

c. Revision to International Accounting Standard 1 – “Presentation of Financial Statements” (hereinafter – the IAS 1 Revision. The revision in question constitutes part of the IFRS improvement paper published May 2010. The IAS 1 Revision allows entities to present an analysis of the components of other comprehensive earnings, pursuant to the report on changes in equity or as part of the notes to the Financial Statements.

The IAS 1 Revision has no impact on the Group’s Financial Statements, as an analysis of the components of other comprehensive earnings is presented in its Financial Statements pursuant to the report on changes in equity.

d. Revision to International Accounting Standard 27 – “Presentation of Consolidated and Separate Financial Statements” (hereinafter – the IAS 27R Revision). The revision in question constitutes part of the IFRS improvement paper published May 2010. The IAS 27R Revision clarifies which of the following revisions to international standards: IAS 21 “Influence of Changes in Exchange Rates of Foreign Currency”, IAS 28 “Investments in Associates” and IAS 31 “Rights to Shared Transactions”, which were revised pursuant to the publication of IAS 27R, will be applied on a prospective basis, and which will be applied on a retroactive basis.

DELTA GALIL INDUSTRIES LTD.

Notes to the Concise Consolidated Financial Statements
As of March 31, 2011 (un-audited)

Note 4 – Segment-Based Reporting:

	Delta USA – Mass Market	Global Division Upper Market Segment.	Delta Israel	Other	Inter-Divisional Write-Offs	Total
	Thousands of Dollars					
For the three-month period ending March 31 2011:						
Sales to external customers	76,051	61,817	19,280	276	-	157,424
Inter-segment	-	1,903	-	78	(1,981)	-
Total sales, net	76,051	63,720	19,280	354	(1,981)	157,424
Segment income (loss)	(266)	6,122	1,917	(180)	-	7,593
Net financing expenses				1,035		1,035
Profit before taxes on income						6,558

	Delta USA – Mass Market	Global Division Upper Market Segment.	Delta Israel	Other	Inter-Divisional Write-Offs	Total
	Thousands of Dollars					
For the three-month period ending March 31 2010:						
Sales to external customers	64,646	57,154	18,087	654	-	140,541
Inter-segment	-	5,453	-	107	(5,560)	-
Total sales, net	64,646	62,607	18,087	761	(5,560)	140,541
Segment profits before restructuring costs and capital loss from the sale of consolidated subsidiary	1,383	2,904	2,330	10	686	7,313
Restructuring expenses	-	485	-	-	-	485
Loss of capital from the sale of subsidiary	-	666	-	-	-	666
Segment earnings	1,383	1,753	2,330	10	686	6,162
Net financing expenses				2,040		2,040
Profit before taxes on income						4,122

Note 4 – Segment-Based Reporting (continuance)**:**

For the year ending December 31, 2010:	Delta USA – Mass Market	Global Division Upper Market Segment.	Delta Israel	Other	Inter-Divisional Write-Offs	Total
	Thousands of Dollars					
Sales to external customers	298,740	242,645	76,949	1,740	-	620,074
Inter-segment	-	14,804	-	403	(15,207)	-
Total sales, net	298,740	257,449	76,949	2,143	(15,207)	620,074
Segment profits (losses) before restructuring expenses, capital loss from the sale of subsidiary and impairment of fixed assets	6,015	15,965	13,060	(1,849)	18	33,209
Restructuring expenses	-	485	-	-	-	485
Loss of capital from the sale of subsidiary	-	666	-	-	-	666
Impairment of fixed assets	-	-	-	992	-	992
Segment profits (loss) after restructuring expenses, capital loss from the sale of subsidiary and impairment of fixed assets	6,015	14,814	13,060	(2,841)	18	31,066
Net financing expenses				7,817		7,817
Profit before taxes on income						23,249

Note 5 – Employee Options

On February 16 2011, the Company Board of Directors resolved to grant an executive at a U.S. subsidiary 15,000 options, out of options available for allocation under the 2009 plan, at an exercise price of $8.91 per option.

The exercise price is equal to the average share price on the 30 days of trade days preceding the date of the decision.

Note 6 – Sake of Real Estate Property

On March 23 2011 the Company signed a sales agreement pursuant to which it sold a floor of an office building (900 square meters) in its possession, in the Textile Building in Tel Aviv (hereinafter: “the Offices"), as well as leasing rights to 12 shops located in the building’s parking area and its shares in the Textile Center Building Parking Company.
According to the sales agreement, the proceeds amounted to a total of $3.5 million U.S. (plus VAT).
The pre-tax capital gain amounted to $2.3 million US and is included under other net revenues in the results of the first quarter of 2011.
The Offices are used as the Company’s headquarters. Therefore, alongside the sales agreement, a rental agreement was signed between the parties according to which the Company will continue to rent the offices from the purchaser, under the terms agreed upon by the parties.

Note 7 – Events Subsequent to the Balance Sheet Date

1. On May 19 2011 the Company declared that it would be distributing dividends to the amount of $2 million, constituting 8.54 cents per share, to be distributed on Jun 14 2011 according to the dollar’s representative rate of exchange as published on the day prior to payment. The determining date for this distribution shall be May 31 2011 and the “X” date shall be June 1 2011.
2. On May 19 2011, the Company's Board of directors resolved to grant 7,000 options to two employees, out of options available for allocation under the 2006 plan, at an exercise price of $7.56 per option.

   The exercise price is equal to the average share price on the 30 days of trade days preceding the date of the decision.

Part C
Quarterly report on the effectiveness of internal control on financial reporting and on disclosure as per Regulation 38c of the Securities Regulations (Periodic and Immediate Reports), 1970:

Attached herein is a quarterly report on the effectiveness of internal control on financial reporting and disclosure as per Regulation 38.c.(a) of the Securities Regulations (Periodic and Immediate Reports), 1970 as well as according to the guiding principles for implementing an evaluation of the effectiveness of internal controls on financial reporting and disclosure on the Board of Directors and management, as published by the Securities Authority in Legal Position 199-9 from November 23 2010:

Management, under the supervision of the Board of Directors of Delta Galil Industries Ltd. (hereinafter – the Corporation), is responsible for establishing and maintaining adequate internal controls over financial reporting and disclosure in the corporation.

In this regard, senior executives and members of management consist of:

1. Mr. Isaac Dabah, CEO and director;
2. Shlomo Doron, Deputy CEO, Chief Operations Officer and Head of Global Division Upper Market Segment;
3. Yossi Hajaj, CFO;
4. Esti Maoz, VP of Marketing and Strategic Development;
5. Tim Regan, Manager, Delta Galil USA;
6. Steve Klein, Manager, Burlen;
7. Motti Feirmann, VP of Human Resources;
8. Avi Avital, VP of Information Systems;
9. Gil Shimon, Manager of Socks and Seamless Knitting Operations
10. Miki Laxer, Accountant and Secretary;

Internal controls for financial reporting and disclosure includes existing Corporation controls and procedures, designed by the CEO and the senior finance executive or under their supervision, or by the parties carrying out the duties in question in practice, under the supervision of the Corporation's Board of Directors, which were designed to provide a reasonable level of certitude regarding the reliability of financial reporting and the preparation of the reports in accordance with the law, and to guarantee that information the corporation is required to disclose that it has published in accordance with the law has been collected, processed, summarized and reported in the date and in the format set in law.

Internal control includes, among other things, controls and procedures designed to ensure that this information the corporation is required to disclose has been accumulated and passed on to the Corporation's management, including the CEO, the COO and the senior executive from the field of finance or whoever carries out these duties in practice, in order to allow decisions to be made in a timely manner, taking the disclosure requirements into account.

Due to its structural limitations, internal control of financial reporting and disclosure is not intended to provide absolute certainty that misrepresentation or omission of information in the reports will be avoided or discovered.

In the yearly report on the effectiveness of internal controls on financial reporting and disclosure attached to the periodic report for the period ending December 31 2010 (hereinafter – the Latest Yearly Report on Internal Controls), the Board of Directors and management have assessed internal controls in the corporation; based on this evaluation, the Corporation's Board of Directors and management have reached the conclusion that the internal controls in question as of March 31, 2011 are effective.

As of the date of the report, the Board of Directors and management have not been informed of any event or issue changing the evaluation of the effectiveness of internal controls, as presented pursuant to the Latest Yearly Report on Internal Controls. At the beginning of the year the Company replaced the financial system it employed in its Israeli HQ and in Burlen in the U.S. with the corporation's ERP system.

The system's replacement was carried out and reviewed according to the Company's existing change procedure on changes in information systems. The Company has confirmed that the separation of duties and relevant controls has also been saved in the new system.

As of the report, based on an evaluation of the effectiveness of internal controls in the Latest Yearly Report on Internal Controls, and based on information brought to the attention of management and the Board of Directors as noted above: internal controls are effective.

Executive statements:

(a) CEO Statement According to Regulation 38.c.(d).(1)

Executive Statement

CEO's Statement

I, Isaac Dabach, to hereby state that:

1. I have studied the interim financial statements and the other financial information included in the interim reports of Delta Galil Industries Ltd. (hereinafter – the Corporation) for the first quarter of 2011 (hereinafter – the Statements or the Interim Reports).
2. To the best of my knowledge, the Interim Financial Statements and other financial information included in the reports for the interim period do not contain any untrue statement of a material fact, nor omit to state a material fact necessary so that the exhibits included therein, in light of the circumstances under which such exhibits were made, will not be misleading with respect to the reported period;
3. In my opinion, the Interim Financial Statements and any other financial information included in the Interim Reports adequately reflect, in all material aspects, the financial standing, operating results and cash flows of the Corporation for the dates and periods referred to in the Statements;
4. I have disclosed, to the Corporation's independent auditor, the Board of Directors and the Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal controls of financial reporting and disclosure:
   a. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting and disclosure insomuch as its refers to the Interim Financial Statements and other financial information included in the Interim Reports, that are reasonably likely to negatively impact the Corporation's ability to record, process, summarize and report financial information in such a manner so as to cast doubt on the reliability of the financial reporting and the preparation of the Financial Statements in accordance with the law, and –
   b. Any fraud, material or not, involving the CEO or his direct subordinates or other employees who have a significant role in internal controls over financial reporting and disclosure;
5. I, by myself or along with others in the Corporation:
   a. Have established controls and procedures, or confirmed that the establishment and upholding of controls and procedures under our supervision, intended to ensure that material information referring to the Corporation, including its subsidiaries as defined in the Securities Regulations (Yearly Financial Statements), 2010, has been brought to my attention by others in the Corporation and in its subsidiaries, particularly over the course of the preparation of the reports; and –
   b. Have established controls and procedures, or confirmed that the establishment and upholding of controls and procedures under my supervision, designed to provide reasonable assurance of the reliability of financial reporting and preparation of the Financial Statements in accordance with the law, including in accordance with generally accepted accounting practices;
   c. No event or issue has come to my attention which has occurred during the period between the last report date (the 2010 periodic report) and this report date, that refers to the Interim Financial Statements and any other financial information feat6ured in the Interim Reports, with the exception of the replacement of the financial system as noted above, that may change, in my estimate, the conclusions of the Board of Directors and management regarding the effectiveness of internal controls over the Corporation's financial reporting and disclosure.

The above does not detract from my responsibility or the responsibility of any other person in accordance with the law.

May 19 2011	Isaac Dabah – CEO

(b) Statement of the Most Senior Executive from the Field of Finance as per Regulation 38.c.(d).(2)

Executive Statement

Statement of the Most Senior Executive from the Field of Finance

I, Yossi Hajaj, do hereby state that:

1. I have studied the interim financial statements and the other financial information included in the interim reports of Delta Galil Industries Ltd. (hereinafter – the Corporation) for the first quarter of 2011 (hereinafter – the Statements or the Interim Reports).
2. To the best of my knowledge, the Interim Financial Statements and other financial information included in the reports for the interim period do not contain any untrue statement of a material fact, nor omit to state a material fact necessary so that the exhibits included therein, in light of the circumstances under which such exhibits were made, will not be misleading with respect to the reported period;
3. To the best of my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports adequately reflect, in all material aspects, the corporation's financial status, operating results and cash flows for the dates and periods referred to in the Reports;
4. I have disclosed, to the Corporation's independent auditor, the Board of Directors and the Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal controls of financial reporting and disclosure:
    a. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting and disclosure insomuch as its refers to the Interim Financial Statements and other financial information included in the Interim Reports, that are reasonably likely to negatively impact the Corporation's ability to record, process, summarize and report financial information in such a manner so as to cast doubt on the reliability of the financial reporting and the preparation of the Financial Statements in accordance with the law, and –
    b. Any fraud, material or not, involving the CEO or his direct subordinates or other employees who have a significant role in internal controls over financial reporting and disclosure;
5. I, by myself or along with others in the Corporation:
    a. Have established controls and procedures, or confirmed that the establishment and upholding of controls and procedures under our supervision, intended to ensure that material information referring to the Corporation, including its subsidiaries as defined in the Securities Regulations (Yearly Financial Statements), 2010, has been brought to my attention by others in the Corporation and in its subsidiaries, particularly over the course of the preparation of the reports; and –
    b. Have established controls and procedures, or confirmed that the establishment and upholding of controls and procedures under my supervision, designed to provide reasonable assurance of the reliability of financial reporting and preparation of the Financial Statements in accordance with the law, including in accordance with generally accepted accounting practices;
    c. No event or issue has come to my attention which has occurred during the period between the last report date (the 2010 periodic report) and this report date, that refers to the Interim Financial Statements and any other financial information featured in the Interim Reports, with the exception of the replacement of the financial system as noted above, that may change, in my estimate, the conclusions of the Board of Directors and management regarding the effectiveness of internal controls over the Corporation's financial reporting and disclosure.

The above does not detract from my responsibility or the responsibility of any other person in accordance with the law.

May 19 2011	Yossi Hajaj - CFO