

Press Release

Delta Galil Reports Record Financial Results for 2012

***All-Time High Sales, Operating Income and EPS Distinguish
4th Quarter and Full Year Performance***

Increase Guidance for 2013

- Sales reached \$246.6 million in the 2012 fourth quarter, up 40% from the same period of 2011.
- Income was \$13.9 million in the 2012 fourth quarter, a 66% increase from a year ago.
- Diluted earnings per share attributed to shareholders, excluding capital gains and non-recurring items, was \$0.55 for the 2012 fourth quarter and \$1.37 for the full year, up from \$0.36 and \$1.15, respectively, for the 2011 periods.
- Delta Galil achieved its 13th consecutive quarter of year-over-year sales growth.
- Operating cash flow was \$72.9 million for 2012, up 101% from \$36.3 million in the prior year.
- The Board of Directors declared a dividend of approximately \$2.5 million, or \$0.1034 per share, to be distributed on March 12, 2013. The determining and "ex-dividend" date will be February 27, 2013.
- The Company completed the repurchase of approximately \$1.3 million in Delta Galil common stock.
- Financial guidance for 2013 calls for diluted EPS of \$1.51-1.59 on sales of \$910 million to \$920 million.
- Isaac Dabah, CEO of Delta Galil, noted: "We are very proud to achieve a consistent 4 years growth delivering exceptional top-line and bottom-line performance and made great strides in executing Delta Galil's long-term strategies to transform the Company into a leading, diversified global competitor in branded and private label apparel."

Tel Aviv, February 20, 2013 – Delta Galil Industries, Ltd. (DELT/Tel Aviv Stock Exchange, DELTY.PK/OTCQX), the global manufacturer and marketer of

branded and private label apparel products for men, women and children, today reported its financial results for the fourth quarter and full year 2012.

Delta Galil reported record quarterly sales of \$246.6 million for the three months ended December 31, 2012, up from \$176.4 million for the same quarter last year, an increase of 40%. For the full year 2012, sales reached a record \$817.8 million, a 20% increase over sales of \$678.8 million in 2011.

The strong top-line growth in 2012 reflected Delta Galil's acquisition of Schiesser Group, completed in July 2012, as well as a sharp increase in sales in Europe, mainly in Germany, positive momentum in the U.S. mass market channel.

Operating income was \$19.7 million in the fourth quarter of 2012, rising 73% from the \$11.4 million reported in the same quarter of 2011. For the full year 2012, operating income excluding capital gains and non-recurring items was \$50.7 million, compared to \$39.7 million in 2011, a 28% increase.

Net income attributed to shareholders was \$13.8 million in the fourth quarter of 2012, compared to \$8.3 million in the same quarter of 2011, a 66% increase. For the full year 2012, income attributed to shareholders excluding capital gains and non-recurring items was \$33.8 million, rising 23% from \$23.4 million in 2011.

Diluted earnings per share attributed to shareholders excluding capital gains and non-recurring items was \$0.55 for the 2012 fourth quarter and \$1.37 for the year. In the respective 2011 periods, the comparable amounts were \$0.36 and \$1.15, respectively.

Net income for the year attributed to shareholders was \$56.9 million compared to \$27.4 million in 2011, an increase of 107%.

Results for the full year 2012 included a capital gain of \$19.9 million from the sale of real estate, expenses of \$1.2 million from the Schiesser acquisition, a net gain of \$12.2 million due to negative goodwill attributed to Schiesser acquisition, partially offset by a write-down of unused fixed assets of \$1.3 million, and restructuring expenses of \$5.4 million.

Management Comment: Strategic Transformation and Growth

Isaac Dabah, CEO of Delta Galil, stated: "In 2012 we delivered exceptional top-line and bottom-line performance and made great strides in executing Delta Galil's long-term strategies to transform the Company into a leading, diversified global competitor in branded and private label intimate apparel. We increased our branded business and our European footprint through the Schiesser acquisition, further penetrated the U.S. mass market channel, and expanded our socks category and U.S. kids business, through our recent acquisition of Little Miss Matched.

“Our outlook for 2013 calls for Delta Galil to approach \$1 billion in sales, accompanied by further growth in profitability. We plan to get there through continued organic growth in areas such as in Delta USA, Socks business and Delta Israel retail operations. We have increased our guidance to 2013 from \$55-\$60 million EBIT to \$57-\$62 million.”

Cash Flow, Equity, Dividend Declaration

Operating cash flow increased to \$32.7 million for the 2012 fourth quarter and \$72.9 million for the full year, up from \$21.1 million and \$36.3 million for the respective 2011 periods.

EBITDA rose by 66% to \$24.1 million in the 2012 fourth quarter from \$14.5 million in the same period of 2011. For the full year 2012, EBITDA grew by 26% to \$64.8 million, from \$51.5 million in 2011.

Equity on December 31, 2012 was a record \$277.8 million, or 50% of the total balance sheet, compared to \$217.2 million, or 49% of the balance sheet a year earlier.

Delta Galil declared a dividend of \$2.5 million, or \$0.1034 per share, to be distributed on March 12, 2013. The determining and "ex-dividend" date will be February 27, 2013. This brings total dividend declared for 2012 to \$8.5 million or \$0.3566 per share.

Strong Outlook for 2013

Delta Galil increasing its financial guidance for 2013, calling for higher EBIT and net profit than originally estimated, The following forecast excludes the effect of any one-time items, net of tax:

- Full-year 2013 sales are estimated to range from \$910 million to \$920 million, which would constitute an average increase of 12% compared to 2012 actual.
- Full-year 2013 EBIT is estimated to range between \$57 million and \$62 million, which would constitute an average increase of 17% compared to 2012 actual.
- Full-year 2013 net profit is estimated to range between \$38 million and \$40 million, which would constitute an average increase of 15% compared to 2012 actual.

- Full-year 2013 diluted EPS is estimated to range between \$1.51 and \$1.59, which would constitute an average increase of 13% compared to the 2012 actual.

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets

As of December 31, 2012

	December 31	
	2012	2011
	Thousands of Dollars	
Assets		
Current assets:		
Cash and cash equivalents	45,475	65,760
Restricted cash	2,822	-
Other accounts receivable:		
Trade receivables	108,735	103,444
Taxes on income receivable	125	1,434
Others	12,124	9,770
Financial Derivative	719	-
Inventories	150,309	110,824
Assets classified as held for sale	6,456	1,766
Total current assets	<u>326,765</u>	<u>292,998</u>
Non-current assets:		
Long-term pre-paid expenses	562	322
Investment property	4,795	-
Long-term receivables	12,710	1,202
Fixed assets, net of accumulated depreciation	93,019	64,184
Intangible assets, net of accumulated amortization	111,482	77,390
Deferred tax assets	8,833	7,014
Financial Derivative	1,045	-
Total non-current assets	<u>232,446</u>	<u>150,112</u>
Total assets	<u><u>559,211</u></u>	<u><u>443,110</u></u>

	December 31	
	2012	2011
	Thousands of Dollars	
Liabilities and Equity		
Current liabilities:		
Short-term bank loans	40,175	62,053
Current maturities of long-term loans from banking corporations	1,357	2,110
Current maturities of Debentures	15,965	12,367
Financial Derivative	-	297
Other accounts payable:		
Trade payables	72,351	55,920
Taxes on income – payable	5,029	1,770
Others	47,479	39,096
Total current liabilities	182,356	173,613
Non-current liabilities:		
Loans from financial institutions, less current maturities	150	1,504
Severance pay over liabilities from termination of employer – employee relations less plan assets	2,679	1,183
Other non-current liabilities	13,543	3,900
Debentures	79,323	41,506
Financial Derivative	-	2,978
Reserve for deferred taxes	3,361	1,182
Total non-current liabilities	99,056	52,253
Total liabilities	281,412	225,866
Equity:		
Equity attributable equity holders of the parent company:		
Share capital	23,311	23,106
Share premium	124,220	121,216
Other capital reserves	8,736	(633)
Retained earnings	130,364	81,084
Treasury shares	(10,996)	(9,700)
	275,635	215,073
Minority interests	2,164	2,171
Total equity	277,799	217,244
Total liabilities and equity	559,211	443,100

The enclosed notes constitute an integral part of these Financial Statements

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Comprehensive Income –(Non GAAP)

For the 3-month and 12-month periods ending December 31, 2012

	For the year ended December 31		% Increase	Three months ended December 31		% Increase
	2012	2011		2012	2011	
	Thousands of Dollars			Thousands of Dollars		
Sales	817,782	678,819	20%	246,570	176,388	40%
Cost of sales	633,945	542,496		182,864	139,006	
Gross profit	183,837	136,323		63,706	37,382	
% of sales	22.5%	20.1%		25.8%	21.2%	
Selling and marketing expenses	107,059	73,815	45%	36,632	19,110	92%
% of sales	13.1%	10.9%		14.9%	10.8%	
Administrative and general expenses	26,691	25,705	4%	7,497	6,936	8%
% of sales	3.3%	3.8%		3.0%	3.9%	
Other income (expenses), net	571	2,858		103	70	
Operating income excluding capital gains and non-recurring items	50,658	39,661	28%	19,680	11,406	72%
% of sales	6.2%	5.8%		8.0%	6.5%	
Capital gain from selling of asset held for sale	19,910	-		-	-	
Schiesser acquisition cost	1,160	-		-	-	
Net income derived from adjustments due to Purchase Price Allocation of Schiesser*	12,163	-		-	-	
Impairment of fixed assets	1,309	-		-	-	
Restructuring expenses	5,424	-		-	-	
Operating income	74,838	39,661	89%	19,680	11,406	72%
Finance expenses, net	8,925	7,077	26%	2,120	1,090	94%
Profit before tax on income	65,913	32,584		17,560	10,316	
Taxes on income	9,029	5,009		3,691	1,945	
Equity income	93	-		-	-	
Income for the period	56,977	27,575		13,869	8,371	
Income for period excluding capital gain and non-recurring items, net for period	33,920	27,575	37%	13,869	8,371	66%
Attribution of net earnings for the period						
To shareholders of the parent company	56,857	27,441		13,839	8,330	
To minority interests	120	134		30	41	
	56,977	27,575		13,869	8,371	
Diluted earnings per share attributed to shareholders of the company	2.30	1.15		0.55	0.36	
Diluted earnings per share attributed to shareholders of the company excluding capital gains and non-recurring items	1.37	1.15		0.55	0.36	

* Net Income includes, Lucky Buy of \$12.6 million offset by inventory Step-Up of \$0.4 million which is included in the GAAP financials among Cost of Sales.

DELTA GALIL INDUSTRIES LTD.
Concise Consolidated Cash Flow Reports

	For the year ended December 31	
	2012	2011
	Thousands of Dollars	
Cash flows from operating activities:		
Net profit for the period	56,977	27,575
Adjustments required to reflect cash flows deriving from operating activities	31,807	18,135
Interest paid in cash	(8,475)	(5,720)
Interest received in cash	604	750
Taxes on income paid in cash, net	(8,009)	(4,419)
Net cash generated from operating activities	<u>72,904</u>	<u>36,321</u>
Cash flows from investment activities:		
Cash added from purchased subsidiary	12,258	-
Purchase of subsidiary	(86,052)	-
Acquisition of activity	-	(4,000)
Acquisition of fixed assets and intangible assets	(21,550)	(12,490)
Restricted cash deposit	(2,822)	-
Receiving grant for the purchase of fixed assets	-	178
Proceeds from sale of assets held for sale	41	4,489
Proceeds from selling of fixed asset	765	218
Proceeds from a given option exercised as held for sale	-	-
Proceeds from sale of real estate in Naharia, net of related expense	2,010	-
Loans to subcontractor	(400)	(888)
Repayment of long-term receivables balances	-	-
Loans granted to employees	(144)	(37)
Employees' loans return	155	31
Others	(89)	(208)
Net cash used for Investing activities	<u>(95,837)</u>	<u>(12,707)</u>
Cash flows from financing activities:		
Dividends paid holders of minority rights in consolidated subsidiary	(127)	(133)
Debentures repayment	(11,285)	-
Dividend paid	(7,995)	(6,000)
Repurchase of shares	(1,296)	-
Repayment of loans and other long-term liabilities	(2,875)	(2,229)
Short-term credit from banking corporations, net	(29,253)	4,194
Issuance of debentures	50,987	-
Proceeds from exercise of employee options	3,209	265
Net cash generated from financing activities (used for financing activities)	<u>1,365</u>	<u>(3,903)</u>
Net increase (decrease) in cash and cash equivalents	<u>(21,568)</u>	<u>19,711</u>
Profit (Loss) due to exchange rate differentials on cash and cash equivalents	1,283	(166)
Balance of cash and cash equivalents at the beginning of the period	<u>65,760</u>	<u>46,215</u>
Balance of cash and cash equivalents at the end of the Period	<u>45,475</u>	<u>65,760</u>

DELTA GALIL INDUSTRIES LTD.
Concise Consolidated Cash Flow Reports

	For the year ended December 31	
	2012	2011
	Thousands of Dollars	
Adjustments required to reflect cash flows from operating activities:		
Revenues and expenses not involving cash flow:		
Depreciation	11,709	9,660
Amortization	2,386	2,182
Impairment of fixed assets	1,309	-
Revaluation of cash, net	(556)	166
Interest paid in cash	8,475	5,720
Interest received in cash	(604)	(750)
Taxes on income paid in cash, net	8,009	4,419
Deferred taxes on income, net	1,287	(392)
Liabilities from termination of employer – employee relations, net	395	157
Restructuring expenses	2,485	-
Capital gain from sale of fixed assets	(137)	(128)
Capital gain from realization of asset classified as held for sale	(19,910)	(2,330)
Change in benefit component of options granted to employees	903	924
Change in fair value of financial instruments	77	1,034
Long-term pre-paid expenses	220	-
Income adjustments due to Purchase Price Allocation	(12,619)	-
Others	443	1,116
	3,872	21,778
Changes to operating assets and liabilities:		
Increase in trade receivables	1,401	(16,352)
Decrease (increase) in other receivable and balances	4,037	(877)
Increase in trade payables	9,246	3,354
Decrease in other payables	(4,051)	(2,122)
Decrease (increase) in inventory	17,302	12,354
	27,935	(3,643)
	31,807	18,135

About Delta Galil Industries

Delta Galil Industries is a global manufacturer and marketer of branded and private label apparel products for men, women and children. Since its inception in 1975, the Company has continually strived to create products that follow a body-before-fabric philosophy, placing equal emphasis on comfort, aesthetics and quality. Delta Galil develops innovative seamless apparel including bras, shapewear and socks; intimate apparel for women; extensive lines of underwear for men; babywear, activewear, sleepwear, and leisurewear. For more information, visit www.deltagalil.com.

Safe Harbor Statement

Matters discussed in this press release contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "anticipate," "believe," "estimate," "may," "intend," "expect" and similar expressions identify such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein, and while expected, there is no guarantee that we will attain the aforementioned anticipated developmental milestones. These forward-looking statements are based largely on the expectations of the Company and are subject to a number of risks and uncertainties. These include, but are not limited to, risks and uncertainties associated with: the impact of economic, competitive and other factors affecting the Company and its operations, markets, product, and distributor performance, the impact on the national and local economies resulting from terrorist actions, and U.S. actions subsequently; and other factors detailed in reports filed by the Company.

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