

Press Release

Delta Galil Reports Financial Results for Second Quarter of 2012

Strong Performance Reflects 6% Rise in Sales and 12% Growth in Operating Income before Capital Gains and One-Time Items

Outlook Increased for Full-Year 2012 Business Results

Quarterly Highlights

- Sales were \$169.1 million in the 2012 second quarter, up 6% from the same period of 2011. This is the 11th consecutive quarter in which Delta delivered an increase in sales.
- Operating income before capital gains and one-time items was \$8.8 million for the 2012 second quarter, a 12% increase from a year ago.
- Net income attributed to shareholders before capital gains and one-time items was \$6.1 million in the 2012 second quarter, a 9% increase from the same quarter of 2011.
- Diluted earnings per share attributed to shareholders, excluding capital gains and one-time items, was \$0.25 for the 2012 second quarter and \$0.41 for six months, up from \$0.24 and \$0.35, respectively, for the same periods of 2011.
- Cash flow from current operations in the 2012 second quarter was \$16.1 million, up from \$5.9 million in the same quarter last year.
- Net financial debt of the Company on June 30, 2012 was \$22.7 million, decreasing from \$84.0 million on June 30, 2011 and \$53.8 million on December 31, 2011.
- Delta Galil declared a dividend totaling approximately \$2.1 million, or \$0.0884 per share, to be distributed on August 28, 2012. The determining and "ex-dividend" date for this distribution will be August 15, 2012.
- Isaac Dabah, CEO of Delta Galil, noted: "The Company's performance in the quarter reflected the strong business with our biggest customers which drove solid top-line growth."

TEL AVIV, August 9, 2012 – 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 second quarter of 2012.

Delta Galil reported sales for the second quarter of 2012 of \$169.1 million, compared to \$160.2 million in the same quarter of 2011, an increase of 6%. Sales in the first six months of 2012 also increased by 6% and amounted to \$337.2 million, compared to \$317.6 million in

the first half of 2011. The increased sales in the second quarter and first half of 2012 compared to the corresponding periods last year were due primarily to higher sales in North America.

Operating income before capital gains and one-time items amounted to \$8.8 million in the second quarter of 2012, compared to \$7.9 million in the second quarter of 2011, a 12% increase. In the first half of 2012, operating income before one-time items amounted to \$15.2 million, compared to \$11.9 million in the first half of 2011, a 28% increase.

Net income attributed to shareholders before capital gains and one-time items, net after tax, was \$6.1 million in the second quarter of 2012, compared to \$ 5.6 million in the same quarter of last year, a 9% increase. For the first six months of 2012, net income attributed to shareholders before capital gains and one-time items, net after tax, was \$10.0 million, rising 16% from \$8.6 million in the same period of 2011.

Diluted earnings per share attributed to shareholders, excluding capital gains and one-time items, was \$0.25 for the 2012 second quarter and \$0.41 for six months. In the second quarter and first six months of 2011, the comparable amounts were \$0.24 and \$0.35, respectively.

Results for the second quarter and first half of 2012 included the following capital gains and one-time items: i) a capital gain of \$19.9 million from the sale of real estate; ii) expenses of \$1.2 million arising from the acquisition of Schiesser Group; iii) a write-down of unused fixed assets of \$1.3 million; and iv) restructuring expenses of \$3.0 million, due to efficiency actions that included the consolidation of production sites at Karmiel, Israel and the relocation of the logistics center to Caesarea. The total of all the one-time items included in operating income in the second quarter and first half of 2012 was positive \$14.4 million. This compared to income from one-time items of \$3.6 million in the first half of 2011, reflecting capital gains from realization of a fixed asset and the sale of a franchising agreement.

CEO Comment: Branded Products, Global Markets Drive Growth

Isaac Dabah, CEO of Delta Galil, stated: “We have continued our growth strategy of building a solid offering of branded products and pursuing opportunities in a range of international markets. As a result, we have delivered an increase in sales for the 11th consecutive quarter. The Company’s performance in the quarter reflected the strong business with our biggest customers, which drove solid top-line growth, especially in the U.S. market. In the second half of this year, we expect to benefit from our investment in Schiesser Group, an acquisition that we completed on July 2nd, 2012, which gives us an even greater presence in branded products and in new global markets.”

Outlook for 2012 Results

Delta Galil increased its previous estimate for 2012 business results (originally provided in the 2011 year-end press release), to include the results of Schiesser Group starting in the third

quarter of this year. The following forecast excludes the effect of any one-time items, net of tax:

- Full-year 2012 sales are estimated to range from \$810 million to \$820 million, which would constitute an increase of 19% to 21% compared to reported 2011 sales of approximately \$679 million.
- Full-year 2012 operating income is estimated to range between \$50 million and \$52 million, which would constitute an increase of 26% to 31% compared to reported 2011 operating profit of approximately \$40 million.
- Full-year 2012 net income is estimated to range between \$33 million and \$34.5 million, which would constitute an increase of 20% to 26% compared to reported 2011 net profit of approximately \$27.4 million.
- Full-year 2012 diluted EPS is estimated to range between \$1.37 and \$1.44, which would constitute an increase of 19% to 25% compared to reported 2011 diluted EPS of \$1.15 per share.

Strong Cash Flow

Delta derived positive cash flow from current operations in the second quarter of 2012 of \$16.1 million, compared to \$5.9 million in the same quarter last year, an increase of 174%. Cash flow from current operations in the first half of 2012 was \$35.5 million, compared to \$2.8 million in the same period last year.

The improved cash flow from current operations in the second quarter and first half of 2012 compared to the corresponding periods last year was due to the increase in net income, as well as a decrease in working capital in the first half of 2012, compared to an increase in working capital in the first half of 2011.

Net Financial Debt Reduced; Capital Increased

The net financial debt of Delta Galil amounted to \$22.7 million at June 30, 2012, a sharp decrease from \$84.0 million at June 30, 2011 and \$53.8 million on December 31, 2011. The decrease in financial debt derives from the positive cash flow from current operations in the last 12 months, which amounted to \$69 million.

The capital of the Group as of June 30, 2012 amounted to \$237.3 million, representing 51.1% of the total balance sheet, compared to approximately \$205.4 million, representing 46.9% of the total balance sheet as of June 30, 2011 and \$217.2 million, or 49.0% of the total balance sheet, as of December 31, 2011. The increase in capital derives from total income for the first half of 2012, which amounted to approximately \$22.3 million, less distributed dividend in the amount of \$3.9 million.

Dividend Declaration

Delta Galil declared a dividend totaling approximately \$2.1 million, or \$0.0884 per share, to be distributed on August 28, 2012. The determining and "ex-dividend" date for this distribution will be August 15, 2012.

DELTA GALIL INDUSTRIES LTD.
Concise Consolidated Balance Sheets
As of June 30, 2012

	<u>June 30</u>		<u>December 31</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>Thousands of Dollars</u>		
Assets			
Current assets:			
Cash and cash equivalents	4,099	43,894	65,760
Restricted cash	85,647	-	-
Other accounts receivable:			
Trade receivables	95,435	107,686	103,444
Taxes on income receivable	1,794	29	1,434
Others	10,105	13,435	9,770
Inventories	100,905	116,705	110,824
Assets classified as held for sale	6,183	1,766	1,766
Total current assets	<u>304,168</u>	<u>283,515</u>	<u>292,998</u>
Non-current assets:			
Long-term pre-paid expenses	345	222	322
Long-term receivables	15,618	1,333	1,202
Fixed assets, net of accumulated depreciation	61,139	63,500	64,184
Intangible assets, net of accumulated amortization	77,791	79,588	77,390
Deferred tax assets	5,496	7,331	7,014
Financial derivative	-	2,660	-
Total non-current assets	<u>160,389</u>	<u>154,634</u>	<u>150,112</u>
Total assets	<u>464,557</u>	<u>438,149</u>	<u>443,110</u>

Gideon Chitayat,
Director

Isaac Dabah
CEO

Yossi Hajaj
CFO

Approval date of financial information for the interim period by the Company Board of Directors: August 8, 2012

	June 30		December 31
	2012	2011	2011
	(Unaudited)		(Audited)
	Thousands of Dollars		
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	9,143	62,924	62,053
Current maturities of long-term loans			
from banking corporations	2,110	2,110	2,110
Current maturities of Debentures	15,547	-	12,367
Financial Derivative	30	-	297
Other accounts payable:			
Trade payables	64,234	55,459	55,290
Taxes on income – payable	657	1,867	1,770
Others	35,411	41,219	39,096
Total current liabilities	127,132	163,579	173,613
Non-current liabilities:			
Loans from financial institutions, less			
current maturities	450	2,559	1,504
Severance pay over liabilities from termination			
of employer – employee relations less plan assets	1,257	477	1,183
Other non-current liabilities	5,275	5,812	3,900
Debentures	85,206	60,277	41,506
Financial Derivative	6,327	-	2,978
Reserve for deferred taxes	1,640	-	1,182
Total non-current liabilities	100,155	69,125	52,253
Total liabilities	227,287	232,704	225,866
Equity:			
Equity attributable equity holders of the			
parent company:			
Share capital	23,166	23,097	23,106
Share premium	122,403	121,121	121,216
Other capital reserves	(1,275)	1,416	(633)
Unassigned income balance	100,512	66,963	81,084
Treasury shares	(9,700)	(9,700)	(9,700)
	235,106	202,897	215,073
Minority interests	2,164	2,548	2,171
Total equity	237,270	205,445	217,244
Total liabilities and equity	464,557	438,149	443,100

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 and 6-month periods ending June 30, 2012

• Six months ended June 30 • % Increase
 % Increase
 (Decrease)

	Six months ended June 30		Three month ended June 30	
	2012	2011	2012	2011
	(Unaudited)			
	Thousands of Dollars			
	Except for Earnings per Share Data			
Sales	337,216	317,650	169,149	160,226
Cost of sales	273,999	255,929	137,226	127,483
Gross profit	63,217	61,721	31,923	32,743
% of sales	<i>%18.7</i>	<i>%19.4</i>	<i>%18.9</i>	<i>%20.4</i>
Selling and marketing expenses	37,112	35,859	18,545	18,315
% of sales	<i>%11.0</i>	<i>%11.3</i>	<i>%1.0</i>	<i>%11.4</i>
Administrative and general expenses	11,340	12,791	5,349	6,377
% of sales	<i>%3.4</i>	<i>%4.0</i>	<i>%3.2</i>	<i>%4.0</i>
Other income (expenses), net	410	(1,219)	756	(195)
Operating income excluding capital gains and non-recurring items	15,175	11,852	8,785	7,856
% of sales	<i>%4.5</i>	<i>%3.7</i>	<i>%5.2</i>	<i>%4.9</i>
Capital gain from selling of asset held for sale	19,910		19,910	
Capital gain from realization of fixed asset and franchising agreement		3,597		
Schiesser acquisition cost	1,160		1,160	
Impairment of fixed assets	1,309		1,309	
Restructuring expenses	2,982		2,982	
Operating income	29,634	15,449	23,244	7,856
Finance expenses, net	3,977	2,752	1,856	1,717
Profit before tax on income	25,657	12,697	21,388	6,139
Taxes on income	2,739	1,222	2,401	510
Income for the period	22,918	11,475	18,987	5,629
Income for period excluding capital gain and non-recurring items, net for period	10,055	8,645	6,124	5,629
Attribution of net earnings for the period				
To shareholders of the parent company	22,858	11,413	18,957	5,599
To minority interests	60	62	30	30
	22,918	11,475	18,987	5,629
Diluted earnings per share attributed to shareholders of the company	0.95	0.47	0.79	0.24
Diluted earnings per share attributed to shareholders of the company excluding capital gain and non-recurring items	0.41	0.35	0.25	0.24

DELTA GALIL INDUSTRIES LTD.
 Concise Consolidated Cash Flow Reports
 For the 3-month and 6-month periods ending June 30, 2012

	Six months ending June 30		Three months ending June 30	
	2012	2011	2012	2011
(Unaudited)				
Thousands of Dollars				
Cash flows from operating activities:				
Net profit for the period	22,918	11,475	18,987	5,629
Adjustments required to reflect cash flows deriving from operating activities	17,434	(5,523)	(1,208)	1,891
Interest paid in cash	(3,086)	(2,441)	(525)	(734)
Interest received in cash	539	396	219	237
Taxes on income paid in cash, net	(2,324)	(1,153)	(1,385)	(1,153)
Net cash generated from operating activities	<u>35,481</u>	<u>2,754</u>	<u>16,088</u>	<u>5,867</u>
Cash flows from investment activities:				
Acquisition of activity	-	(4,000)	-	(4,000)
Acquisition of fixed assets and intangible assets	(6,410)	(5,644)	(4,220)	(3,056)
Restricted cash deposit	(86,527)	-	(86,527)	-
Proceeds from sale of assets held for sale	1,865	191	1,824	121
Payments relating to realizations of assets held for sale	(705)	-	(244)	-
Proceeds from selling of fixed asset	506	4,035	6	268
Loans to subcontractor	(400)	(400)	-	(400)
Loans granted to employees	(28)	(10)	(15)	(8)
Employees' loans return	31	22	15	7
Others	(126)	(52)	96	(52)
Net cash used for Investing activities	<u>(91,794)</u>	<u>(5,858)</u>	<u>(89,065)</u>	<u>(7,120)</u>
Cash flows from financing activities:				
Dividends paid holders of minority rights in consolidated Subsidiary	(67)	(61)	(67)	(61)
Proceeds from the issuance of debentures, less issuance Expenses	50,987	-	50,987	-
Dividend paid	(3,900)	(4,000)	(1,900)	(2,000)
Repayment of loans and other long-term liabilities	(1,056)	(1,057)	(906)	(907)
Short-term credit from banking corporations, net	(53,182)	5,250	(48,020)	1,091
Proceeds from exercise of employee options	1,247	161	1,044	-
Net cash generated from financing activities (used for financing activities)	<u>(5,971)</u>	<u>293</u>	<u>1,138</u>	<u>(1,877)</u>
Net increase (decrease) in cash and cash equivalents	(62,284)	(2,811)	(71,839)	(3,130)
Profit due to exchange rate differentials on cash and cash equivalents	623	490	884	230
Balance of cash and cash equivalents at the beginning of the period	65,760	46,215	75,054	46,794
Balance of cash and cash equivalents at the end of the Period	<u>4,099</u>	<u>43,894</u>	<u>4,099</u>	<u>43,894</u>

DELTA GALIL INDUSTRIES LTD.
 Concise Consolidated Cash Flow Reports
 For the 3-month and six-month periods ending June 30, 2012

Six months ending June 30		Three months ending June 30	
2012	2011	2012	2011
(Unaudited)			
Thousands of Dollars			

Adjustments required to reflect cash flows

from operating activities:

Revenues and expenses not involving cash flow:

Depreciation	4,589	4,701	2,397	2,333
Amortization	1,139	922	592	458
Profit due to exchange rate differences	(623)	(490)	(884)	(230)
Interest paid in cash	3,086	2,441	525	734
Interest received in cash	(539)	(396)	(219)	(237)
Taxes on income paid in cash	2,324	1,153	1,385	1,156
Deferred taxes on income, net	1,976	(1,818)	2,141	(767)
Liabilities from termination of employer – employee relations, net	76	5	(28)	16
Capital gain from sale of fixed assets	-	(101)	-	(108)
Capital gain from realization of asset classified as held for sale	(19,910)	(2,330)	(19,910)	-
Impairment of fixed assets	1,309	-	1,309	-
Restructuring expenses	1,094	-	1,094	-
Change in benefit component of options granted to employees	470	581	182	278
Change in fair value of financial instruments derived from hedging against currency exposure	(374)	918	(696)	161
Long-term pre-paid expenses	22	(24)	38	(26)
Others	746	237	612	(135)
	(4,615)	5,799	(11,462)	3,633
Changes to operating assets and liabilities:				
Decrease (increase) in trade receivables	7,011	(17,196)	(2,395)	(7,593)
Increase in other receivable and balances	(1,124)	(2,195)	(2,090)	(2,195)
Increase in trade payables	6,834	2,229	11,897	7,063
Increase (decrease) in other payables	(135)	(578)	5,280	5,444
Decrease (increase) in inventory	9,463	6,418	(2,438)	(4,461)
	22,049	(11,322)	10,254	(1,742)
	17,434	(5,523)	(1,208)	1,891

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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