

Press Release

Delta Galil Reports Record 2013 Second Quarter Results

***Operating Income Rises 59% from Prior Year on a Sales Increase of 39%,
as Retail, Brand and Regional Expansion Drive Profitable Growth***

***Increased 2013 Full-Year Guidance Raises Expectations for
Growth in Sales, EBIT, Net Income and EPS***

Quarterly Highlights

- Sales rose to \$234.4 million in the 2013 second quarter, up 39% from the same period of 2012.
- Organic sales growth was 18%, excluding the Schiesser Group acquisition.
- Delta Galil delivered its 15th consecutive quarter of year-over-year sales growth.
- Operating income was \$14.0 million in the 2013 second quarter, growing 59% compared to operating income a year ago, before non-recurring items.
- Net income attributed to shareholders rose to \$8.8 million in the 2013 second quarter, increasing 44% from the same 2012 period, before non-recurring items.
- Diluted earnings per share attributed to shareholders increased to \$0.35 for the 2013 second quarter, up 40% from \$0.25 a year ago, before non-recurring items.
- The Board of Directors declared a dividend of \$2.5 million, or \$0.1015 per share, to be distributed on August 22, 2013. The determining and "ex-dividend" date will be August 8, 2013.
- Strong balance sheet was highlighted by \$34.8 million in cash and a record \$290.8 million in equity as of June 30, 2013.
- 2013 full-year guidance increased: sales are now expected to be \$940-950 million, up from prior forecast of \$910-920 million. Full-year 2013 diluted EPS is now expected to be \$1.59-\$1.67, up from prior forecast of \$1.51-\$1.59.
- Isaac Dabah, CEO of Delta Galil, noted: "Our strategies to expand the Company's retail operations, build our branded business, create innovative products and diversify our regional markets led to strong performance in the first half of 2013. We anticipate continued profitable growth through the rest of this year, as reflected in our increased financial guidance."

Tel Aviv, July 31, 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 second quarter and six months ended June 30, 2013.

The Company reported sales of \$234.4 million for the second quarter of 2013, up from \$169.1 million for the same quarter last year, an increase of 39%. Sales in the first six months of 2013 were \$461.6 million, compared to \$337.2 million in the same period of 2012, an increase of 37%.

Delta Galil's continued top-line growth in 2013 demonstrated the Company's strong position across a range of products, channels, customers and regions, reflected in an 18% organic increase in sales from its traditional businesses, excluding the acquired Schiesser Group.

Operating income excluding non-recurring items was \$14.0 million for second quarter 2013, up 59% from \$8.8 million in the same quarter of 2012. In the first six months of 2013, operating income excluding non-recurring items was \$25.5 million, compared to \$15.2 million in the same period of 2012, a 68% increase. In the year-ago periods, non-recurring items included a net gain of \$14.5 million pre-tax, relating to a capital gain on asset sales, net of Schiesser acquisition costs, fixed asset impairment and restructuring expenses; there were no such items in the 2013 periods.

A key contributor to the higher operating income was an expanding gross profit margin, which rose to 26.1% in the 2013 second quarter from 18.9% a year ago. This was partly offset by higher selling, marketing, general and administrative expenses as Delta Galil invested in the growth of its business.

Net income attributable to shareholders was \$8.8 million in the 2013 second quarter, compared to \$6.1 million (excluding non-recurring items) in the same quarter of 2012, a 44% increase. Diluted earnings per share attributed to shareholders were \$0.35 for the 2013 second quarter, up from \$0.25 for the 2012 second quarter. For the first six months of 2013, net income attributable to shareholders was \$15.4 million or \$0.61 per diluted share, compared to \$10.0 million or \$0.41 per diluted share (excluding non-recurring items) for the same period of 2012.

Management Comment

Isaac Dabah, CEO of Delta Galil, stated: "Our strategies to expand the Company's retail operations, build our branded business, create innovative products and diversify our regional markets led to strong performance in the first half of 2013. We delivered record quarterly sales and operating income for the second quarter, and we anticipate continued profitable growth through the rest of this year, as reflected in our increased financial guidance. Our increasing top-line reflects both organic growth and our Schiesser acquisition. We performed well in key regions such as the US, Germany and Israel, and in product channels including mass merchants, department stores and specialty stores. Today we are announcing an increase in our sales, EBIT, net income and EPS guidance for 2013, and have rewarded shareholders with dividends totaling \$5 million year-to-date. We are confident that Delta Galil has great potential for continued organic growth, while also focusing on identifying select acquisition opportunities that build on our platform of product innovation and operational effectiveness."

EBITDA, Equity, Dividend Declaration

EBITDA was \$18.3 million or 7.8% of sales in the 2013 second quarter, increasing 55% compared with \$11.8 million (before non-recurring items) or 7.0% of sales in the same quarter of 2012. For the first six months of 2013, EBITDA was \$34.0 million or 7.4% of sales, rising 63% compared with \$20.9 million (before non-recurring items) or 6.2% of sales in the same 2012 period.

Operating cash flow was positive \$18.0 million in the 2013 second quarter, versus \$16.1 million in the same period of 2012.

Equity on June 30, 2013 was a record \$290.8 million, compared to \$237.3 million a year earlier.

Delta Galil declared a dividend of \$2.5 million, or \$0.1015 per share, to be distributed on August 22, 2013. The determining and "ex-dividend" date will be August 8, 2013.

Raising Guidance for 2013

The Company today increased its 2013 financial guidance, reflecting a strong outlook for sales and profitability:

- Full-year 2013 sales are expected to range between \$940 million-\$950 million, representing an average increase of over 15% from 2012 sales of \$818.8 million. (Prior forecast was \$910 million-\$920 million).
- Full-year 2013 EBIT is expected to range between \$61 million-\$65 million, representing an average increase of over 24% from 2012 EBIT before capital gains and one-time items of \$50.7 million. (Prior forecast was \$57 million-\$62 million.)
- Full-year 2013 net income is expected to range between \$40 million-\$42 million, representing an average increase of over 21% from 2012 net income before one-time items of \$33.8 million. (Prior forecast was \$38 million-\$40 million.)
- Full-year 2013 diluted EPS is expected to range between \$1.59-\$1.67, representing an average increase of nearly 19% from 2012 EPS before capital gains and one-time items of \$1.37. (Prior forecast was \$1.51-\$1.59.)

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.

For more information:

Nissim Douek
+972-54-5201178
Nissim@unik.co.il

U.S. Media Contact:

Stacy Berns/Melissa Jaffin
Berns Communications Group
+1-212-994-4660
sberns@bcg-pr.com

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets

As of June 30, 2013

	<u>June 30</u>		<u>December 31</u>
	<u>2013</u>	<u>2012</u>	<u>2012</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>Thousands of Dollars</u>		
Assets			
Current assets:			
Cash and cash equivalents	34,825	4,099	45,475
Restricted Cash	1,790	85,647	2,822
Other accounts receivable:			
Trade receivables	117,367	95,435	108,735
Taxes on income receivable	2,389	1,794	125
Others	22,797	10,105	12,124
Financial derivative	1,262		719
Inventory	159,890	100,905	150,309
Assets classified as held for sale	1,017	6,183	6,456
Total current assets	<u>341,337</u>	<u>304,168</u>	<u>326,765</u>
Non-current assets:			
Long-term pre-paid expenses	453	345	562
Investment property	4,668	-	4,795
Long-term receivables	10,457	15,618	12,710
Fixed assets, net of accumulated depreciation	95,503	61,139	93,019
Intangible assets, net of accumulated amortization	112,619	77,791	111,482
Deferred tax assets	9,956	5,496	8,833
Financial derivative	3,280	-	1,045
Total non-current assets	<u>236,936</u>	<u>160,389</u>	<u>232,446</u>
Total assets	<u>578,273</u>	<u>464,557</u>	<u>559,211</u>

	June 30		December 31
	2013	2012	2012
	(Unaudited)		(Audited)
Thousands of Dollars			
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	38,744	9,143	40,175
Current maturities of long-term loans from banking corporations	450	2,110	1,357
Current maturities of debentures	16,468	15,547	15,965
Financial Derivative	-	30	
Other accounts payable:			
Trade payables	72,832	64,234	72,351
Taxes on income payable	4,618	657	5,029
Others	52,986	35,411	47,479
Total current liabilities	<u>186,098</u>	<u>127,132</u>	<u>182,356</u>
Non-current liabilities:			
Loans from financial institutions, less current maturities	-	450	150
Severance pay liabilities less plan assets	2,985	1,257	2,679
Other non-current liabilities	12,815	5,275	13,543
Debentures	81,857	85,206	79,323
Financial derivative	-	6,327	-
Reserve for deferred taxes	3,693	1,640	3,361
Total non-current liabilities	<u>101,350</u>	<u>100,155</u>	<u>99,056</u>
Total liabilities	<u>287,448</u>	<u>227,287</u>	<u>281,412</u>
Equity:			
Equity attributable to equity holders of the parent company:			
Share capital	23,451	23,166	23,311
Share premium	125,896	122,403	124,220
Other capital reserves	9,220	(1,275)	8,736
Unassigned income balance	141,030	100,512	130,364
Treasury shares	(10,996)	(9,700)	(10,996)
	<u>288,601</u>	<u>235,106</u>	<u>275,635</u>
Minority interests	2,224	2,164	2,164
Total equity	<u>290,825</u>	<u>237,270</u>	<u>277,799</u>
Total liabilities and equity	<u>578,273</u>	<u>464,557</u>	<u>559,211</u>

DELTA GALIL INDUSTRIES LTD.

Consolidated Statement of Comprehensive Income
For the 3-month and 6-month periods ending June 30, 2013

	Six months ended June 30		% Increase	Three month ended June 30		% Increase
	2013	2012		2013	2012	
(Unaudited)						
Thousands of Dollars						
Except for Earnings per Share Data						
Sales	461,623	337,216	37%	234,368	169,149	39%
Cost of sales	343,476	273,999		173,098	137,226	
Gross profit	118,147	63,217		61,270	31,923	
% of sales	25.6%	18.7%		26.1%	18.9%	
Selling and marketing expenses	75,096	37,112	102%	38,277	18,545	106%
% of sales	16.3%	11.0%		16.3%	11.0%	
Administrative and general expenses	19,336	11,340	71%	9,919	5,349	85%
% of sales	4.2%	3.4%		4.2%	3.2%	
Other income, net	1,831	410		905	756	
Operating income excluding non-recurring items	25,546	15,175	68%	13,979	8,785	59%
% of sales	5.5%	4.5%		6.0%	5.2%	
Capital gain from selling of asset held for sale		19,910			19,910	
Schiesser acquisition cost		1,160			1,160	
Impairment of fixed assets		1,309			1,309	
Restructuring expenses		2,982			2,982	
Operating income	25,546	29,634		13,979	23,244	
Finance expenses, net	5,290	3,977	33%	2,689	1,856	45%
Income before tax on income	20,256	25,657		11,290	21,388	
Taxes on income	4,767	2,739		2,457	2,401	
Net income for the period	15,489	22,918		8,833	18,987	
Income for period excluding non-recurring items, net of tax	15,489	10,055	54%	8,833	6,124	44%
Attribution of net earnings for the period:						
Attributed to company's shareholders	15,429	22,858		8,803	18,957	
Attributed to non-controlling interests	60	60		30	30	
	15,489	22,918		8,833	18,987	
Net diluted earnings per share attributed to shareholders of the company	0.61	0.41	49%	0.35	0.25	40%

DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports
For the 3-month and 6-month periods ending June 30, 2013

	Six months ending June 30		Three months ending June 30	
	2013	2012	2013	2012
(Unaudited)				
Thousands of Dollars				
Cash flows from operating activities:				
Net profit for the period	15,489	22,918	8,833	18,987
Adjustments required to reflect cash flows deriving from operating activities	(715)	17,434	14,079	(1,208)
Interest paid in cash	(2,584)	(3,086)	(634)	(525)
Interest received in cash	107	539	77	219
Taxes on income paid in cash, net	(7,568)	(2,324)	(4,353)	(1,385)
Net cash generated from operating activities	4,729	35,481	18,002	16,088
Cash flows from investment activities:				
Acquisition of fixed assets and intangible assets	(9,611)	(6,410)	(5,024)	(4,220)
Restricted cash deposit	1,010	(86,527)	389	(86,527)
Proceeds from realization of assets held for sale	1,003	1,865	655	1,824
Payments related to realization of asset held for sale	-	(705)	-	(244)
Proceeds from selling of fixed asset	466	506	408	6
Loans to subcontractor, net	(400)	(400)	(227)	-
Loans granted to employees	(21)	(28)	(14)	(15)
Repayment of loans from employees	24	31	15	15
Others	(52)	(126)	(20)	96
Net cash used for Investing activities	(7,581)	(91,794)	(3,818)	(89,065)
Cash flows from financing activities:				
Dividends paid to non-controlling interest holders in consolidated subsidiary	-	(67)	-	(67)
Payments of long-term credit related to purchase of fixed asset	(1,376)	-	(1,376)	-
Dividend paid	(5,000)	(3,900)	(2,500)	(1,900)
Repayment of loans and other long-term liabilities	(1,883)	(1,056)	(1,317)	(906)
Short-term credit from banking corporations, net	(1,284)	(53,182)	(17,056)	(48,020)
Issuance of debentures, net	-	50,987	-	50,987
Proceeds from exercise of employee options	1,816	1,247	1,355	1,044
Net cash generated from (used in) financing activities	(7,727)	(5,971)	(20,894)	1,138
Net decrease in cash and cash equivalents	(10,579)	(62,284)	(6,710)	(71,839)
Exchange rate differences and revaluation of cash and cash equivalents, net	(71)	623	308	884
Balance of cash and cash equivalents at the beginning of the period	45,475	65,760	41,227	75,054
Balance of cash and cash equivalents at the end of the Period	34,825	4,099	34,825	4,099

DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports
For the 3-month and 6-month periods ending June 30, 2013

	Six months ending June 30		Three months ending June 30	
	2013	2012	2013	2012
(Unaudited)				
Thousands of Dollars				
Adjustments required to reflect cash flows from operating activities:				
Revenues and expenses not involving cash flow:				
Depreciation	7,304	4,589	3,708	2,397
Amortization	1,197	1,139	601	592
Cash revaluation, net	(16)	(623)	(20)	(884)
Interest paid in cash	2,584	3,086	634	525
Interest received in cash	(107)	(539)	(77)	(219)
Taxes on income paid in cash, net	7,568	2,324	4,353	1,385
Deferred taxes on income, net	(773)	1,976	(1,232)	2,141
Severance pay liability, net	300	76	179	(28)
Capital gain from sale of fixed assets and asset held for sale	(1,343)	-	(1,174)	-
Capital gain from realization of asset classified as held for sale	-	(19,910)	-	(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	237	470	113	182
Change in fair value of financial instruments derived from hedging against currency exposure	(491)	(374)	279	(696)
Long-term pre-paid expenses	(239)	22	(19)	38
Others	(58)	746	(72)	612
	16,163	(4,615)	7,273	(11,462)
Changes to operating assets and liabilities:				
Decrease (increase) in trade receivables	(7,475)	7,011	(5,442)	(2,395)
Increase in other receivable and balances	(3,925)	(1,124)	(346)	(2,090)
Increase (decrease) in trade payables	(236)	6,834	13,519	11,897
Increase (decrease) in other payables	4,309	(135)	3,631	5,280
Decrease (increase) in inventory	(9,551)	9,463	(4,556)	(2,438)
	(16,878)	22,049	6,806	10,254
	(715)	17,434	14,079	(1,208)