

Press Release

Delta Galil Reports Record 2013 Third Quarter Results

Operating Income Rises 35% from Prior Year Excluding Non-Recurring Items on a Sales Increase of 10%

***Strong Growth Driven by Branded Business, Retail,
and Expanded Global Presence***

***Raising 2013 Guidance; Full-Year EPS Now Expected to Reach \$1.71-1.75
before Non-Recurring Items***

Quarterly Highlights

- Sales increased to \$257.2 million in the 2013 third quarter, up 10% from the same period of 2012.
- Delta Galil delivered its 16th consecutive quarter of year-over-year sales growth.
- Operating income before non-recurring items was \$21.3 million in the 2013 third quarter, growing 35% from the comparable amount a year ago.
- EBITDA before non-recurring items was \$25.2 million or 9.8% of sales in the 2013 third quarter, increasing 28% compared with \$19.7 million before non-recurring items or 8.4% of sales in the same quarter of 2012.
- Net income attributed to shareholders before non-recurring items rose to \$14.2 million in the 2013 third quarter, increasing 43% from the comparable amount in 2012.
- Diluted earnings per share attributed to shareholders before non-recurring items increased to \$0.56 for the 2013 third quarter, up 37% from the comparable amount of \$0.41 a year ago.
- Operating cash flow was positive \$19.4 million in the 2013 third quarter, versus \$4.8 million in the same period of 2012.
- The Board of Directors declared a dividend of \$3 million (an increase from \$2.5 million per quarter), or \$0.1215 per share, to be distributed on November 20, 2013. The determining and "ex-dividend" date will be November 7, 2013, per the Tel Aviv Stock Exchange.
- Strong balance sheet was highlighted by \$85.5 million in cash and a record \$305.7 million in equity as of September 30, 2013.
- 2013 full-year guidance increased: sales are now expected to be \$965-975 million, up from prior forecast of \$940-950 million. Full-year 2013 diluted EPS before non-recurring items is now expected to be \$1.71-\$1.75, up from prior forecast of \$1.59-\$1.67.

- Isaac Dabah, CEO of Delta Galil, noted: “The Company has continued to set records for sales, net profit and EPS throughout 2013. The main growth engines driving our higher top-line and increasing profitability include our branded business, retail operations, the Schiesser acquisition and the Delta USA mass market segment. We are confident in Delta Galil’s bright future based on our dynamic growth, diversified portfolio, financial resources, strong management team and track record of meeting the needs of many of the world’s leading brands and retailers.”

Tel Aviv, October 30, 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 third quarter and nine months ended September 30, 2013.

The Company reported sales of \$257.2 million for the third quarter of 2013, up from \$234.0 million for the same quarter last year, an increase of 10%. Sales in the first nine months of 2013 were \$718.8 million, compared to \$571.2 million in the same period of 2012, an increase of 26%, representing an organic sales growth of 11%.

Operating income excluding non-recurring items was \$21.3 million for third quarter 2013, up 35% from \$15.8 million in the same quarter of 2012. In the first nine months of 2013, operating income excluding non-recurring items was \$46.8 million, compared to \$31.0 million in the same period of 2012, a 51% increase. In the year-ago nine month period, total non-recurring items included a net gain of \$24.2 million pre-tax, relating to a capital gain from a real estate sale and negative goodwill relating to the Schiesser acquisition, net of Schiesser acquisition costs, fixed asset impairment and restructuring expenses. In 2013, non-recurring items included a restructuring expense of \$3.5 million relating to the consolidation of 6 manufacturing sites in to 4 sites in Egypt, offset by restructuring income of \$2.0 million from the reversal of a prior year restructuring accrual.

A key contributor to the higher operating income was an expanding gross profit margin, which rose to 27.4% in the 2013 third quarter from 24.3% 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 excluding non-recurring items was \$14.2 million in the 2013 third quarter, compared to \$10.0 million excluding non-recurring items in the same quarter of 2012, a 43% increase. Diluted earnings per share attributed to shareholders excluding non-recurring items were \$0.56 for the 2013 third quarter, up from \$0.41 for the 2012 third quarter excluding non-recurring items. For the first nine months of 2013, net income attributable to shareholders excluding non-recurring items was \$29.6 million or \$1.18 per diluted share, compared to \$20.0 million or \$0.81 per diluted share excluding non-recurring items for the same period of 2012.

Management Comment

Isaac Dabah, CEO of Delta Galil, stated: “The Company has continued to set records for sales, net profit and EPS throughout 2013. The main growth engines driving our higher top-line and increasing profitability include our branded business, retail operations, the Schiesser acquisition and the Delta USA mass market segment. As a result of the powerful forward momentum in our business, we are pleased to be able to raise our financial guidance and

reward our shareholders with a higher dividend payout. Credit for our solid accomplishments goes to our senior management team, which is sharply focused on driving innovation, excellence and shareholder value.”

“Looking ahead, we are continuing to invest in innovation and a world-class supply chain. For example, we are shifting some production from Egypt to Southeast Asia to satisfy our customers’ requirements for dependable, timely and cost-efficient manufacturing processes. We are confident in Delta Galil’s bright future based on our dynamic growth, diversified portfolio, solid financial resources, strong management team and track record of meeting the needs of many of the world’s leading brands and retailers.”

EBITDA, Cash Flow, Net Debt, Equity and Dividend

EBITDA before non-recurring items was \$25.2 million or 9.8% of sales in the 2013 third quarter, increasing 28% compared with \$19.7 million before non-recurring items or 8.4% of sales in the same quarter of 2012. For the first nine months of 2013, EBITDA before non-recurring items was \$59.3 million or 8.2% of sales, rising 46% compared with \$40.7 million before non-recurring items or 7.1% of sales in the same 2012 period.

Operating cash flow was positive \$19.4 million in the 2013 third quarter, versus \$4.8 million in the same period of 2012.

Net financial debt decreased substantially, to \$85.4 million at September 30, 2013 from \$109.4 million a year earlier.

Equity on September 30, 2013 was a record \$305.7 million, compared to \$259.0 million a year earlier.

Delta Galil declared a dividend of \$3.0 million (an increase from \$2.5 million per quarter), or \$0.1215 per share, to be distributed on November 20, 2013. The determining and "ex-dividend" date will be November 7, 2013, per the Tel Aviv Stock Exchange.

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 \$965 million-\$975 million, representing an average increase of over 18.6% from 2012 sales of \$817.8 million. (Prior forecast was \$940 million-\$950 million).
- Full-year 2013 EBIT before non-recurring items is expected to range between \$66.5 million-\$68.5 million, representing an average increase of over 33.2% from 2012 EBIT before capital gains and one-time items of \$50.7 million. (Prior forecast was \$61 million-\$65 million).
- Full-year 2013 EBITDA before non-recurring items is expected to range between \$83.4 million-\$85.4 million, representing an average increase of over 30.2% from 2012 EBITDA (2012 EBITDA was \$64.8 million).

- Full-year 2013 net income before non-recurring items is expected to range between \$43.0 million-\$44.5 million, representing an average increase of over 29.5% from 2012 net income before one-time items of \$33.8 million. (Prior forecast was \$40 million-\$42 million).
- Full-year 2013 diluted EPS before non-recurring items is expected to range between \$1.71-\$1.75, representing an average increase of nearly 26.2% from 2012 EPS before capital gains and one-time items of \$1.37. (Prior forecast was \$1.59-\$1.67).

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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DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets

As of September 30, 2013

	September 30		December 31
	2013	2012	2012
	(Unaudited)		(Audited)
	Thousands of Dollars		
Assets			
Current assets:			
Cash and cash equivalents	85,541	10,976	45,475
Restricted Cash	1,421	2,860	2,822
Other accounts receivable:			
Trade receivables	113,968	112,986	108,735
Taxes on income receivable	2,040	976	125
Others	23,435	14,637	12,124
Financial derivative	1,994	-	719
Inventory	175,433	159,677	150,309
Assets classified as held for sale	1,018	6,183	6,456
Total current assets	404,850	308,295	326,765
Non-current assets:			
Long-term pre-paid expenses	419	385	562
Investment property	4,790	4,749	4,795
Long-term receivables	7,596	12,525	12,710
Fixed assets, net of accumulated depreciation	97,906	90,836	93,019
Intangible assets, net of accumulated amortization	119,143	102,266	111,482
Deferred tax assets	9,232	6,635	8,833
Financial derivative	7,256	-	1,045
Total non-current assets	246,342	217,396	232,446
Total assets	651,192	525,691	559,211

	September 30		December 31
	2013	2012	2012
	(Unaudited)		(Audited)
	Thousands of Dollars		
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	40,202	26,523	40,175
Current maturities of long-term loans from banking corporations	300	2,110	1,357
Current maturities of debentures	18,051	14,863	15,965
Financial Derivative	-	52	
Other accounts payable:			
Trade payables	81,099	73,161	72,351
Taxes on income payable	4,552	8,016	5,029
Others	55,725	47,986	47,479
Total current liabilities	<u>199,929</u>	<u>172,711</u>	<u>182,356</u>
Non-current liabilities:			
Loans from financial institutions, less current maturities	-	302	150
Severance pay liabilities less plan assets	2,950	1,574	2,679
Other non-current liabilities	17,997	8,386	13,543
Debentures	120,793	75,682	79,323
Financial derivative	-	5,416	-
Reserve for deferred taxes	3,786	2,663	3,361
Total non-current liabilities	<u>145,526</u>	<u>94,023</u>	<u>99,056</u>
Total liabilities	<u>345,455</u>	<u>266,734</u>	<u>281,412</u>
Equity:			
Equity attributable to equity holders of the parent company:			
Share capital	23,467	23,191	23,311
Share premium	126,092	122,839	124,220
Other capital reserves	13,639	1,637	8,736
Unassigned income balance	151,343	118,826	130,364
Treasury shares	(10,996)	(9,700)	(10,996)
	<u>303,545</u>	<u>256,793</u>	<u>275,635</u>
Minority interests	2,192	2,164	2,164
Total equity	<u>305,737</u>	<u>258,957</u>	<u>277,799</u>
Total liabilities and equity	<u>651,192</u>	<u>525,691</u>	<u>559,211</u>

DELTA GALIL INDUSTRIES LTD.

Consolidated Statement of Comprehensive Income
For the 3-month and 9-month periods ending September 30, 2013

	Nine months ended September 30		% Increase	Three months ended September 30		% Increase (Decrease)
	2013	2012		2013	2012	
(Unaudited)						
Thousands of Dollars						
Except for Earnings per Share Data						
Sales	718,822	571,212	26%	257,199	233,996	10%
Cost of sales	530,317	451,081		186,841	177,082	
Gross profit	188,505	120,131	57%	70,358	56,914	24%
% of sales	26.2%	21.0%		27.4%	24.3%	
Selling and marketing expenses	114,919	70,426	63%	39,823	33,315	20%
% of sales	16.0%	12.3%		15.5%	14.2%	
Administrative and general expenses	27,791	19,194	45%	8,455	7,855	8%
% of sales	3.9%	3.4%		3.3%	3.4%	
Other income, net	1,037	468		(794)	58	
Operating income excluding non-recurring items	46,832	30,979	51%	21,286	15,802	35%
% of sales	6.5%	5.4%		8.3%	6.8%	
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			12,163	
Impairment of fixed assets		1,309				
Restructuring expenses	1,529	5,424		1,529	2,441	
Operating income	45,303	55,159		19,757	25,524	
Finance expenses, net	7,518	6,805	10%	2,228	2,828	(21%)
Income before tax on income	37,785	48,354		17,529	22,696	
Taxes on income	9,622	5,338		4,855	2,599	
Equity income		93			93	
Net income for the period	28,163	43,109		12,674	20,190	
Income for period excluding non-recurring items, net of tax	29,737	20,052	48%	14,248	9,995	43%
Attribution of net earnings for the period:						
Attributed to company's shareholders	28,073	43,019		12,644	20,160	
Attributed to non-controlling interests	90	90		30	30	
	28,163	43,109		12,674	20,190	
Net diluted earnings per share attributed to shareholders of the company	1.11	1.75		0.50	0.82	
Net diluted earnings per share excluding non-recurring items net of tax, attributed to shareholders of the company	1.18	0.81	46%	0.56	0.41	37%

DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports
For the 3-month and 9-month periods ending September 30, 2013

	Nine months ending September 30		Three months ending September 30	
	2013	2012	2013	2012
(Unaudited)				
Thousands of Dollars				
Cash flows from operating activities:				
Net profit for the period	28,163	43,109	12,674	20,190
Adjustments required to reflect cash flows deriving from operating activities	14,067	5,021	14,782	(12,412)
Interest paid in cash	(6,166)	(5,385)	(3,583)	(2,299)
Interest received in cash	287	541	180	2
Taxes on income paid in cash, net	(12,247)	(3,050)	(4,678)	(727)
Net cash generated from operating activities	24,104	40,236	19,375	4,754
Cash flows from investment activities:				
Cash added from purchased subsidiary	-	12,258	-	12,258
Insolvency and other payments regarding subsidiary purchase	-	(86,052)	-	(85,172)
Acquisition of fixed assets and intangible assets	(15,904)	(12,260)	(6,293)	(5,850)
Restricted cash deposit	1,434	(2,860)	424	82,787
Proceeds from realization of assets held for sale	1,577	2,903	574	1,038
Proceeds from selling of fixed asset	526	563	60	57
Proceeds from the sale of a real estate asset in Nahariya	2,118	(705)	2,118	-
Loan to a subcontractor	(412)	(400)	(12)	-
Loans granted to employees	(33)	(37)	(12)	(9)
Repayment of loans from employees	36	40	12	9
Others	(118)	(292)	(67)	(164)
Net cash used for (generated from) Investing activities	(10,776)	(86,842)	(3,196)	4,954
Cash flows from financing activities:				
Dividends paid to non-controlling interest holders in consolidated subsidiary	(63)	(97)	(63)	(30)
Long term payables credit for fixed assets purchase	(1,577)	-	(201)	-
Debentures repayment	(11,285)	(11,285)	(11,285)	(11,285)
Proceeds from the issuance of debentures, less issuance expenses	49,710	50,987	49,710	-
Dividend paid	(7,500)	(6,000)	(2,500)	(2,100)
Repayment of loans and other long-term liabilities	(2,723)	(1,730)	(839)	(675)
Short-term credit from banking corporations, net	(795)	(42,526)	(489)	10,656
Proceeds from exercise of employee options	2,028	1,708	212	461
Net cash generated from (used in) financing activities	27,795	(8,943)	35,523	(2,973)
Net decrease in cash and cash equivalents	41,123	(55,549)	51,703	6,735
Exchange rate differences and revaluation of cash and cash equivalents, net	(1,057)	765	(986)	142
Balance of cash and cash equivalents at the beginning of the period	45,475	65,760	34,825	4,099
Balance of cash and cash equivalents at the end of the Period	85,541	10,976	85,541	10,976

DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports
For the 3-month and 9-month periods ending September 30, 2013

	Nine months ending September 30		Three months ending September 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	10,701	7,939	3,397	3,350
Amortization	1,750	1,727	552	588
Impairment of fixed assets	-	1,309	-	-
Cash revaluation, net	1,175	(484)	1,191	139
Interest paid in cash	6,166	5,385	3,583	2,299
Interest received in cash	(287)	(541)	(180)	(2)
Taxes on income paid in cash, net	12,247	3,050	4,678	727
Deferred taxes on income, net	106	2,545	879	569
Severance pay liability, net	275	158	(25)	82
Restructuring expenses, net	1,529	2,286	1,529	1,193
Capital gain from sale of fixed assets and asset held for sale	(1,103)	23	240	23
Capital gain from sale of a real estate in Nahariya	-	(19,910)	-	-
Change in benefit component of options granted to employees	377	723	140	254
Change in fair value of financial instruments	262	(93)	753	281
Changes in long term balances	(416)	(59)	(177)	(81)
Income adjustments due to Purchase Price Allocation	-	(12,619)	-	(12,619)
Others	123	906	181	159
	32,905	(7,655)	16,741	(3,038)
Changes to operating assets and liabilities:				
Decrease (increase) in trade receivables	(4,768)	(2,891)	2,707	(9,902)
Decrease (increase) in other receivable and balances	(4,002)	(25)	(77)	1,099
Increase in trade payables	9,205	9,582	9,442	2,748
Increase (decrease) in other payables	3,777	(1,839)	(532)	(1,705)
Increase in long term liabilities	814	-	814	-
Decrease (increase) in inventory	(23,864)	7,849	(14,313)	(1,614)
	(18,838)	12,676	(1,959)	(9,374)
	14,067	5,021	14,782	(12,412)