

**DELTA GALIL INDUSTRIES LTD.**

Concise Consolidated Balance Sheets

As of June 30, 2014

|   | June 30              |                | December 31    |
|---|----------------------|----------------|----------------|
|   | 2014                 | 2013           | 2013           |
|   | (Unaudited)          |                | (Audited)      |
|   | Thousands of Dollars |                |                |
| <b>Assets</b>   |                      |                |                |
| <b>Current assets:</b>                                |                      |                |                |
| Cash and cash equivalents                             | 116,820              | 34,825         | 97,346         |
| Restricted Cash                                       | 453                  | 1,790          | 1,448          |
| Other accounts receivable:                            |                      |                |                |
| Trade receivables                                     | 121,676              | 117,367        | 112,293        |
| Taxes on income receivable                            | 4,084                | 2,389          | 2,427          |
| Others  | 12,110               | 22,797         | 9,522          |
| Financial derivative                                  | 2,875                | 1,262          | 2,955          |
| Inventory   | 188,801              | 159,890        | 169,303        |
| Assets classified as held for sale                    | 1,000                | 1,017          | 1,000          |
| Total current assets                                  | 447,819              | 341,337        | 396,294        |
| <b>Non-current assets:</b>                            |                      |                |                |
| Long-term receivables                                 | 20,493               | 10,910         | 15,520         |
| Investment property                                   | 4,722                | 4,668          | 4,850          |
| Fixed assets, net of accumulated depreciation         | 99,987               | 95,503         | 95,797         |
| Intangible assets, net of accumulated<br>amortization | 124,200              | 112,619        | 118,135        |
| Deferred tax assets                                   | 10,157               | 9,956          | 9,560          |
| Financial derivative                                  | 16,202               | 3,280          | 10,942         |
| Total non-current assets                              | 275,761              | 236,936        | 254,804        |
| <b>Total assets</b>                                   | <b>723,580</b>       | <b>578,273</b> | <b>651,098</b> |

|  | June 30               |                       | December 31           |
|--|-----------------------|-----------------------|-----------------------|
|  | 2014                  | 2013                  | 2013                  |
|  | (Unaudited)           |                       | (Audited)             |
|  | Thousands of Dollars  |                       |                       |
| <b>Liabilities and Equity</b>                                |                       |                       |                       |
| <b>Current liabilities:</b>                                  |                       |                       |                       |
| Short-term bank loans  | 6,566                 | 38,744                | 26,438                |
| Current maturities of long-term loans                        |                       |                       |                       |
| from banking corporations                                    | -                     | 450                   | 150                   |
| Current maturities of debentures                             | 18,667                | 16,468                | 17,847                |
| Other accounts payable:                                      |                       |                       |                       |
| Trade payables   | 82,650                | 72,832                | 71,283                |
| Taxes on income payable                                      | 4,461                 | 4,618                 | 4,401                 |
| Others   | 55,839                | 52,986                | 56,441                |
| Total current liabilities                                    | <u>168,183</u>        | <u>186,098</u>        | <u>176,560</u>        |
| <b>Non-current liabilities:</b>                              |                       |                       |                       |
| Severance pay liabilities less plan assets                   | 2,328                 | 2,985                 | 2,105                 |
| Other non-current liabilities                                | 22,228                | 12,815                | 17,196                |
| Debentures   | 191,866               | 81,857                | 129,717               |
| Reserve for deferred taxes                                   | 2,688                 | 3,693                 | 3,630                 |
| Total non-current liabilities                                | <u>219,110</u>        | <u>101,350</u>        | <u>152,648</u>        |
| <b>Total liabilities</b>                                     | <u><b>387,293</b></u> | <u><b>287,448</b></u> | <u><b>329,208</b></u> |
| <b>Equity:</b>   |                       |                       |                       |
| Equity attributable to equity holders of the parent company: |                       |                       |                       |
| Share capital  | 23,515                | 23,451                | 23,499                |
| Share premium  | 127,257               | 125,896               | 127,024               |
| Other capital reserves                                       | 19,069                | 9,220                 | 16,212                |
| Retained earning   | 176,331               | 141,030               | 163,990               |
| Treasury shares  | (10,996)              | (10,996)              | (10,996)              |
|  | <u>335,176</u>        | <u>288,601</u>        | <u>319,729</u>        |
| Minority interests   | 1,111                 | 2,224                 | 2,161                 |
| <b>Total equity</b>  | <u><b>336,287</b></u> | <u><b>290,825</b></u> | <u><b>321,890</b></u> |
| <b>Total liabilities and equity</b>                          | <u><b>723,580</b></u> | <u><b>578,273</b></u> | <u><b>651,098</b></u> |

## DELTA GALIL INDUSTRIES LTD.

### Consolidated Statement of Comprehensive Income For the 3-month and 6-month periods ending June 30, 2014

|   | Six months ended June 30 |         | %                   | Three months ended June 30 |         | %                   |
|---|--------------------------|---------|---------------------|----------------------------|---------|---------------------|
|   | 2014                     | 2013    | Increase/(Decrease) | 2014                       | 2013    | Increase/(Decrease) |
| (Unaudited)   |                          |         |                     |                            |         |                     |
| Thousands of Dollars  |                          |         |                     |                            |         |                     |
| Except for Earnings per Share Data  |                          |         |                     |                            |         |                     |
| <b>Sales</b>  | <b>487,226</b>           | 461,623 | %6                  | <b>249,152</b>             | 234,368 | %6                  |
| Cost of sales   | <b>337,033</b>           | 327,765 |                     | <b>171,398</b>             | 165,136 |                     |
| <b>Gross profit</b>   | <b>150,193</b>           | 133,858 | %12                 | <b>77,754</b>              | 69,232  | %12                 |
| % of sales  | %30.8                    | %29.0   |                     | %31.2                      | %29.5   |                     |
| Selling and marketing expenses  | <b>103,520</b>           | 90,807  | %14                 | <b>53,570</b>              | 46,239  | %16                 |
| % of sales  | %21.2                    | %19.7   |                     | %21.5                      | %19.7   |                     |
| Administrative and general expenses   | <b>17,815</b>            | 19,336  | (%8)                | <b>9,029</b>               | 9,919   | (%9)                |
| % of sales  | %3.7                     | 4.2%    |                     | %3.6                       | %4.2    |                     |
| Other income, net   | <b>1,619</b>             | 1,831   |                     | <b>484</b>                 | 905     |                     |
| Share in losses of associated companies accounted for using the equity method | <b>101</b>               | -       |                     | <b>101</b>                 | -       |                     |
| <b>Operating income</b>   | <b>30,376</b>            | 25,546  | %19                 | <b>15,538</b>              | 13,979  | %11                 |
| % of sales  | %6.2                     | %5.5    |                     | %6.2                       | %6.0    |                     |
| Finance expenses, net   | <b>6,088</b>             | 5,290   | %15                 | <b>3,041</b>               | 2,689   | %13                 |
| Income before tax on income   | <b>24,288</b>            | 20,256  |                     | <b>12,497</b>              | 11,290  |                     |
| Taxes on income   | <b>5,186</b>             | 4,767   |                     | <b>2,725</b>               | 2,457   |                     |
| <b>Net income for the period</b>  | <b>19,102</b>            | 15,489  | %23                 | <b>9,772</b>               | 8,833   | %11                 |
| <b>Attribution of net earnings for the period:</b>                            |                          |         |                     |                            |         |                     |
| <b>Attributed to company's shareholders</b>                                   | <b>18,491</b>            | 15,429  | %20                 | <b>9,742</b>               | 8,803   | %11                 |
| <b>Attributed to non-controlling interests</b>                                | <b>611</b>               | 60      |                     | <b>30</b>                  | 30      |                     |
|   | <b>19,102</b>            | 15,489  |                     | <b>9,772</b>               | 8,833   |                     |
| <b>Net diluted earnings per share attributed to company's shareholders</b>    | <b>0.73</b>              | 0.61    | %20                 | <b>0.38</b>                | 0.35    | %9                  |

## DELTA GALIL INDUSTRIES LTD.

### Consolidated Cash Flow Reports For the 3-month and 6-month periods ending June 30, 2014

|   | Six months ending<br>June 30 |                      | Three months ending<br>June 30 |                      |
|---|------------------------------|----------------------|--------------------------------|----------------------|
|   | 2014                         | 2013                 | 2014                           | 2013                 |
| (Unaudited)   |                              |                      |                                |                      |
| Thousands of Dollars  |                              |                      |                                |                      |
| <b>Cash flows from operating activities:</b>  |                              |                      |                                |                      |
| Net income for the period   | 19,102                       | 15,489               | 9,772                          | 8,833                |
| Adjustments required to reflect cash flows deriving from operating activities                   | (5,733)                      | (715)                | 6,318                          | 14,079               |
| Interest paid in cash   | (4,866)                      | (2,584)              | (1,889)                        | (634)                |
| Interest received in cash   | 182                          | 107                  | 81                             | 77                   |
| Taxes on income paid in cash, net   | (5,080)                      | (7,568)              | (4,063)                        | (4,353)              |
| Net cash generated from operating activities  | <u>3,605</u>                 | <u>4,729</u>         | <u>10,219</u>                  | <u>18,002</u>        |
| <b>Cash flows from investment activities:</b>   |                              |                      |                                |                      |
| Acquisition of fixed assets and intangible assets   | (12,368)                     | (9,611)              | (6,186)                        | (5,024)              |
| Investments in associated companies   | (5,002)                      | -                    | (2,204)                        | -                    |
| Restricted cash release   | 981                          | 1,010                | 1,091                          | 389                  |
| Proceeds from realization of assets held for sale, net of tax                                   | -                            | 1,003                | -                              | 655                  |
| Proceeds from selling of fixed asset  | 1,739                        | 466                  | 285                            | 408                  |
| Payments related to realization of asset held for sale (Tax payment related to the realization) | (1,989)                      | -                    | -                              | -                    |
| Loans to subcontractor, net   | 36                           | (400)                | 18                             | (227)                |
| Others  | 9                            | (49)                 | 6                              | (19)                 |
| Net cash used for Investing activities  | <u>(16,612)</u>              | <u>(7,581)</u>       | <u>(7,002)</u>                 | <u>(3,818)</u>       |
| <b>Cash flows from financing activities:</b>  |                              |                      |                                |                      |
| Dividends paid to non-controlling interest holders in consolidated subsidiary                   | (1,661)                      | -                    | (86)                           | -                    |
| Long term payables credit for fixed assets purchase   | (1,802)                      | (1,376)              | (734)                          | (1,376)              |
| Dividend paid   | (6,500)                      | (5,000)              | (3,500)                        | (2,500)              |
| Repayment of loans and other long-term liabilities  | (330)                        | (1,883)              | (91)                           | (1,317)              |
| Short-term credit from banking corporations, net  | (19,829)                     | (1,284)              | 4,416                          | (17,056)             |
| Issuance of debentures, net   | 61,882                       | -                    | 61,882                         | -                    |
| Proceeds from exercise of employee options  | 249                          | 1,816                | 68                             | 1,355                |
| Net cash generated from (used in) financing activities  | <u>32,009</u>                | <u>(7,727)</u>       | <u>61,955</u>                  | <u>(20,894)</u>      |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                     | <b>19,002</b>                | <b>(10,579)</b>      | <b>65,172</b>                  | <b>(6,710)</b>       |
| <b>Exchange rate differences and revaluation of cash and cash equivalents, net</b>              | <b>472</b>                   | <b>(71)</b>          | <b>420</b>                     | <b>308</b>           |
| <b>Balance of cash and cash equivalents at the beginning of the period</b>                      | <b>97,346</b>                | <b>45,475</b>        | <b>51,228</b>                  | <b>41,227</b>        |
| <b>Balance of cash and cash equivalents at the end of the Period</b>                            | <b><u>116,820</u></b>        | <b><u>34,825</u></b> | <b><u>116,820</u></b>          | <b><u>34,825</u></b> |

## DELTA GALIL INDUSTRIES LTD.

### Consolidated Cash Flow Reports For the 3-month and 6-month periods ending June 30, 2014

| Six months ending<br>June 30 |      | Three months ending<br>June 30 |      |
|------------------------------|------|--------------------------------|------|
| 2014                         | 2013 | 2014                           | 2013 |
| (Unaudited)                  |      |                                |      |
| Thousands of Dollars         |      |                                |      |

#### Adjustments required to reflect cash flows from operating activities:

Revenues and expenses not involving cash flow:

|   |                 |          |                |         |
|---|-----------------|----------|----------------|---------|
| Depreciation  | 7,232           | 7,304    | 3,691          | 3,708   |
| Amortization  | 1,281           | 1,197    | 634            | 601     |
| Cash erosion (revaluation), net   | (539)           | (16)     | (537)          | (20)    |
| Interest paid in cash   | 4,866           | 2,584    | 1,889          | 634     |
| Interest received in cash   | (182)           | (107)    | (81)           | (77)    |
| Taxes on income paid in cash, net   | 5,080           | 7,568    | 4,063          | 4,353   |
| Deferred taxes on income, net   | (1,395)         | (773)    | (1,551)        | (1,232) |
| Severance pay liability, net  | 224             | 300      | 103            | 179     |
| Capital gain from sale of fixed assets and asset held for sale                | (1,319)         | (1,343)  | (264)          | (1,174) |
| Change to the benefit component of options granted to employees               | 350             | 237      | 174            | 113     |
| Change to the fair value of financial derivatives                             | (557)           | (491)    | (114)          | 279     |
| Share in losses of associated companies accounted for using the equity method | 101             | -        | 101            | -       |
| Increase in liabilities of Long-term employee bonuses                         | 995             | -        | 829            | -       |
| Changes in long term balances   | 314             | (239)    | 685            | (19)    |
| Others  | (379)           | (58)     | (229)          | (72)    |
|   | <b>16,072</b>   | 16,163   | <b>9,393</b>   | 7,273   |
| Changes to operating assets and liabilities:                                  |                 |          |                |         |
| Increase in trade receivables   | (8,538)         | (7,475)  | (13,942)       | (5,442) |
| Increase in other receivable and balances                                     | (3,453)         | (3,925)  | (185)          | (346)   |
| Increase (decrease) in trade payables   | 11,746          | (236)    | 20,344         | 13,519  |
| Increase (decrease) in other payables   | (2,198)         | 4,309    | 793            | 3,631   |
| Increase in inventory   | (19,362)        | (9,551)  | (10,085)       | (4,556) |
|   | <b>(21,805)</b> | (16,878) | <b>(3,075)</b> | 6,806   |
|   | <b>(5,733)</b>  | (715)    | <b>6,318</b>   | 14,079  |