

Press Release

Delta Galil Reports Financial Results for First Quarter of 2012

*Expanding Product Range and Retail Business Drive
Sales Growth and Higher Profitability*

Quarterly Highlights

- Sales were \$168.1 million in the 2012 first quarter, up 7% from the same period of 2011.
- Operating income before capital gains was \$6.4 million, a 60% increase over the first quarter of 2011.
- Net income before capital gains (net of tax) was \$3.9 million in the 2012 first quarter, compared to \$3.0 million a year earlier, an increase of 30%.
- Net diluted EPS before capital gains attributable to shareholders was \$0.16 in the 2012 first quarter, up from \$0.12 in the 2011 first quarter.
- Net financial debt at March 31, 2012 was \$40.8 million, decreasing from \$79.9 million at March 31, 2011 and \$53.8 million at December 31, 2011.
- Delta Galil declared a dividend totaling \$1.9 million, or \$0.0807 per share, to be distributed on June 20, 2012. The determining and "ex-dividend" date for this distribution will be June 6, 2012.
- Isaac Dabah, CEO of Delta Galil, noted: "Delta Galil continues to successfully pursue strategies to grow our branded business, geographic presence and product breadth."

Tel Aviv, May 10, 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 first quarter of 2012.

Delta Galil reported sales of \$168.1 million for the 2012 first quarter, compared to \$157.4 million for the same period last year, an increase of 7%. The sales growth was primarily driven by strong performance of the Company's business in North America and Israel.

Net income for the 2012 first quarter was \$3.9 million before capital gains (net of tax), increasing 30% from \$3.0 million for the year-ago quarter. Diluted earnings per share before capital gains (net of tax) attributable to shareholders was \$0.16 in Q1 2012, up from \$0.12 in Q1 2011. Including capital gains, net income for the first quarter of 2011 (net of tax) was \$5.8 million, or \$0.24 per diluted share.

Growth in Global Markets, Continued Expansion

Isaac Dabah, CEO of Delta Galil, stated: "We have started 2012 on a strong footing, delivering a solid performance in the first quarter. Our sales increase primarily reflected our growth in North America, where we have gained share in the higher end of the market, and in Israel, where our retail business including

the Delta Kids chain continues to expand. Overall, we have continued to focus on innovation, inspired by our 'body-before-fabric' philosophy, with the goal of creating an expanding portfolio of products that are differentiated in the marketplace and have a strong consumer appeal."

"Delta Galil continues to successfully pursue strategies to grow our branded business, geographic presence and product breadth. In this regard, we recently announced an agreement to acquire Schiesser AG, the leading underwear manufacturer and marketer in Germany, in a deal that is expected to close in July 2012. The Schiesser transaction will significantly increase our sales of branded products, add depth in Europe's strongest market, and increase the Men's component of our business – while being solidly accretive to earnings this year."

Increasing Gross Profit and Operating Profit

The gross profit of Delta Galil was \$31.3 million in the first quarter of 2012, an increase of 8% over the gross profit of \$29.0 million for the first quarter of 2011. Gross margin increased to 18.6% of sales for the 2012 first quarter, from 18.4% of sales in the 2011 period.

Operating income was \$6.4 million for the 2012 first quarter. This represents an increase of 60% over the comparable operating income of \$4.0 million (before \$3.6 million of capital gains from asset and franchise agreement sales) in the 2011 first quarter. In addition to the growth in sales, the trend in recurring operating income reflected lower general, administrative and other expenses, largely due to favorable currency exchange rates. The operating margin increased to 3.8% in the recent quarter from 2.5% a year ago, excluding the effect of the capital gains in the 2011 period.

Strengthening Financial Position

Delta Galil had \$75.1 million in cash and cash equivalents on March 31, 2012, an increase from \$46.8 million on March 31, 2011 and \$65.8 million on December 31, 2011, primarily as a result of a positive cash flow from current operations. Cash flow from current operations in Q1 2012 amounted to \$19.4 million, compared to a negative cash flow of \$3.1 million in Q1 2011.

Net financial debt as of March 31, 2012 amounted to \$40.8 million, down from \$79.9 million on March 31, 2011 and \$53.8 million on December 31, 2011. The reduction in debt also was a result of the positive cash flow from operations in the recent quarter.

Equity as of March 31, 2012 amounted to \$220.0 million or 50.9% of the total balance sheet, as compared with approximately \$201.4 million or 47.9% of total balance sheet on March 31, 2011.

The Company declared a dividend totaling \$1.9 million, or \$0.0807 per share, to be distributed on June 20, 2012. The determining and "ex-dividend" date for this distribution will be June 6, 2012.

Outlook for 2012 Results

Delta Galil reconfirmed its previous estimate for 2012 business results, as provided in the 2011 annual report (this estimate excludes any one-time income items).

DELTA GALIL INDUSTRIES LTD.
Concise Consolidated Balance Sheets
As of March 31, 2012

	<u>March 31</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	75,054	46,794	65,760
Other accounts receivable:			
Trade receivables	94,038	99,826	103,444
Taxes on income receivable	1,229	30	1,434
Others	7,303	11,731	9,770
Inventory	98,690	111,070	110,824
Financial derivative	92	-	-
Assets classified as held for sale	1,766	1,766	1,766
Total current assets	<u>278,172</u>	<u>271,217</u>	<u>292,998</u>
Non-current assets:			
Long-term pre-paid expenses	376	197	322
Long-term receivables	1,494	883	1,202
Fixed assets, net of accumulated depreciation	65,682	63,362	64,184
Intangible assets, net of accumulated amortization	79,457	76,886	77,390
Deferred tax assets	7,002	6,495	7,014
Financial derivative	-	1,629	-
Total non-current assets	<u>154,011</u>	<u>149,452</u>	<u>150,112</u>
Total assets	<u>432,183</u>	<u>420,669</u>	<u>443,110</u>

	March 31		December 31
	2012	2011	2011
	(Unaudited)		(Audited)
	Thousands of Dollars		
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	57,024	61,969	62,053
Current maturities of long-term loans from banking corporations	2,110	2,110	2,110
Current maturities of debentures	14,021	-	12,367
Financial derivative	-	-	297
Other accounts payable:			
Trade payables	51,161	48,681	55,920
Taxes on income payable	1,232	1,951	1,770
Others	33,684	34,730	39,096
Total current liabilities	<u>159,232</u>	<u>149,441</u>	<u>173,613</u>
Non-current liabilities:			
Loans from financial institutions, less current maturities	1,355	3,465	1,504
Severance pay liabilities less plan assets	1,289	461	1,183
Other non-current liabilities	5,927	6,780	3,900
Debentures	41,382	59,141	41,506
Financial derivative	1,984		2,978
Reserve for deferred taxes	1,005		1,182
Total non-current liabilities	<u>52,942</u>	<u>69,847</u>	<u>52,253</u>
Total liabilities	<u>212,174</u>	<u>219,288</u>	<u>225,866</u>
Equity:			
Equity attributable to equity holders of the parent company:			
Share capital	23,117	23,097	23,106
Share premium	121,408	121,121	121,216
Other capital reserves	(290)	1,198	(633)
Unassigned income balance	83,273	63,086	81,084
Treasury shares	(9,700)	(9,700)	(9,700)
	<u>217,808</u>	<u>198,802</u>	<u>215,073</u>
Minority interests	2,201	2,579	2,171
Total equity	<u>220,009</u>	<u>201,381</u>	<u>217,244</u>
Total liabilities and equity	<u>432,183</u>	<u>420,669</u>	<u>443,110</u>

DELTA GALIL INDUSTRIES LTD.

Consolidated Statement of Comprehensive Income
For the 3-month period ending March 31, 2012

	First Quarter <u>2012</u>	First Quarter <u>2011</u>	<i>% Increase (Decrease)</i>
Sales	168,067	157,424	%7
Cost of sales	<u>136,773</u>	<u>128,446</u>	
Gross profit	31,294	28,978	%8
% of sales	<i>%18.6</i>	<i>%18.4</i>	
Sale and marketing expenses	18,567	17,544	%6
% of sales	<i>%11.1</i>	<i>%11.1</i>	
General and administrative expenses	5,991	6,414	(%6)
% of sales	<i>%3.6</i>	<i>%4.1</i>	
Other expenses	<u>346</u>	<u>1,024</u>	
Operating income before of capital gains	6,390	3,996	%60
% of sales	<i>%3.8</i>	<i>%2.5</i>	
Capital gains from realization of fixed asset and from sale of franchise agreement	-	3,597	
Operating income	6,390	7,593	(%16)
Finance expenses, net	<u>2,121</u>	<u>1,035</u>	%105
Income before taxes on income	4,269	6,558	
Taxes on income	<u>338</u>	<u>712</u>	
Net income for the period	<u>3,931</u>	<u>5,846</u>	(%33)
Net income before of capital gains net of tax for the period	<u>3,931</u>	<u>3,016</u>	30%
Net diluted earnings per share attributable to Company shareholders:	<u>0.16</u>	<u>0.24</u>	(%33)
Net diluted earnings per share before capital gains net of tax, attributable to Company shareholders	<u>0.16</u>	<u>0.12</u>	33%

DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports
For the 3-month period ending March 31, 2012

	Three months ended March 31		Year Ending
	2012	2011	December 31
	(Unaudited)		(Audited)
	Thousands of Dollars		
Cash flows from operating activities			
Net profit for the period	3,931	5,846	27,575
Adjustments required to reflect cash flows deriving from operating activities	18,642	(7,414)	18,135
Interest paid in cash	(2,561)	(1,707)	(5,720)
Interest received in cash	320	159	750
Taxes on income refunded (paid) in cash, net	(939)	3	(4,419)
Net cash generated (used) in operating activities	<u>19,393</u>	<u>(3,113)</u>	<u>36,321</u>
Cash flows from investment activities:			
Acquisition of operation	-	-	(4,000)
Acquisition of fixed assets and intangible assets	(2,190)	(2,588)	(12,490)
Grant received for acquisition of fixed assets	-	-	178
Proceeds from realization of assets held for sale	41	3,767	4,489
Payments related to realization of asset held for sale	(461)	-	-
Proceeds from amortization of fixed assets	500	70	218
Loan to subcontractor	(400)	-	(888)
Loans granted to employees	(13)	(2)	(37)
Repayment of loans from employees	16	15	31
Others	(222)	-	(208)
Net cash from (used in) investment activities	<u>(2,729)</u>	<u>1,262</u>	<u>(12,707)</u>
Cash flows from financing activities:			
Dividends paid to non-controlling interest holders in consolidated subsidiary	-	-	(133)
Dividend paid	(2,000)	(2,000)	(6,000)
Repayment of loans and other long-term liabilities	(150)	(150)	(2,229)
Short-term credit from banking corporations, net	(5,162)	4,159	4,194
Proceeds from exercise of employee options	203	161	265
Net cash deriving from (used in) financing activities	<u>(7,109)</u>	<u>2,170</u>	<u>(3,903)</u>
Net increase in cash and cash equivalents	<u>9,555</u>	<u>319</u>	<u>19,711</u>
Exchange rate differences and revaluation of cash and cash equivalents, net	(261)	260	(166)
Balance of cash and cash equivalents at the beginning of the period	<u>65,760</u>	<u>46,215</u>	<u>42,215</u>
Balance of cash and cash equivalents at the end of the period	<u><u>75,054</u></u>	<u><u>46,794</u></u>	<u><u>65,760</u></u>

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Cash Flow Reports
For the 3-month period ending March 31, 2012

	Three months ended March 31		Year Ending
	2012	2011	December 31
	(Unaudited)		2011
	Thousands of Dollars		
			(Audited)
Adjustments required to reflect cash flows from operating activities:			
Revenues and expenses not involving cash flow:			
Depreciation	2,192	2,368	9,660
Amortization	547	464	2,182
Cash erosion (revaluation), net	261	(260)	166
Interest paid in cash	2,561	1,707	5,720
Interest received in cash	(320)	(159)	(750)
Taxes on income paid (returned) in cash, net	939	(3)	4,419
Deferred taxes on income, net	(165)	(1,051)	(392)
Severance pay liability, net	104	(11)	157
Capital gain from sale of fixed assets	-	7	(128)
Capital gain from realization of assets classified as held for sale	-	(2,330)	(2,330)
Change to the benefit component of options granted to employees	288	303	924
Change to the fair value of financial derivatives	322	757	1,034
Others	116	374	1,116
	<u>6,845</u>	<u>2,166</u>	<u>21,778</u>
Changes to operating assets and liabilities:			
Decrease (increase) in trade receivables	9,406	(9,603)	(16,352)
Increase (decrease) in other receivables	969	-	(877)
Increase (decrease) in trade payables	(5,063)	(4,834)	3,354
Decrease in other payables	(5,416)	(6,022)	(2,122)
Decrease in inventory	11,901	10,879	12,354
	<u>11,797</u>	<u>(9,580)</u>	<u>(3,643)</u>
	<u>18,642</u>	<u>(7,414)</u>	<u>18,135</u>

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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