Delta Galil Industries Ltd.

2015 Periodic Report



February 24 2016

Delta Galil Industries Ltd.

2015 Periodic Report

Table of Contents:

1. Chapter A – Description of the Corporation's Business
2. Chapter B – Board of Directors' Report on the State of Corporate Affairs
3. Chapter C – Financial Statements
4. Chapter D – Additional Information Regarding the Corporation
   Corporate Governance Questionnaire
5. Chapter E – Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure

Delta Galil Industries Ltd.

Chapter A

Description of the Corporation's Business
As of December 31 2015

Table of Contents

Page

Part A – Description of the Corporation's Business

1. Corporate Operation Business Development– Introduction 2

2. Segment Operation 6

3. Investments in the Corporation's Capital and Transactions with its Shares 7

4. Dividend Distribution 8

Part B – Other Information

5. Financial Information Regarding the Corporate Segment of Operation **10**

6. General Environment and Impact of External Factors on the Corporate Operation **10**

Part C – Description of the Corporation's Business by Segment of Operation

Delta U.S.A. and Global Division Upper Market Segment of Operation

7. General Segment Information **11**

8. Segment Customers **12**

9. Segment Marketing and Distribution **13**

10. Segment order backlog **14**

11. Segment Competition **15**

12. Segment Manufacturing Capacity **17**

13. Segment Intangible Assets **18**

14. Segment Raw Materials and Suppliers **19**

15. Segment Working Capital **22**

16. Segment Limitation and Supervision of Corporate Operations Segment **25**

Operating Segment Delta Israel and Schiesser Segment

17. General Segment Information **25**

18. Segment Customers **28**

19. Segment Marketing and Distribution **31**

20. Segment Order Backlog **31**

Page

21. Segment Competition **34**

22. Segment Manufacturing Capacity **33**

23. Segment Intangible Assets **36**

24. Segment Raw Materials and Suppliers **37**

25. Segment Working Capital **37**

26. Segment Limitation and Supervision of Corporate Operations **38**

Part D – Additional Information at the Corporate Level

27. General Segment Information **39**

28. Company Products **40**

29. Seasonality **40**

30. Fixed Assets, Real Estate and Facilities **41**

31. Research and Development **45**

32. Human Capital **46**

33. Working Capital **51**

34. Financing **52**

35. Taxation **53**

36. Goals and Business Strategy **53**

37. Projected Developments in the Coming Year **56**

38. Financial Information Regarding Geographical Segments **56**

39. Discussion of Risk Factors **58**

Introduction

The Company, Delta Galil Industries Ltd., hereby submits a report describing the corporation's business for December 31 2015, which reviews the description of the corporation and the development of its business, as they occurred in 2015 ("**the Reported Period**"). The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

The materiality of the information included in this Periodic Report, including the description of material transactions, has been assessed from the Company's point of view, while in some cases, additional descriptive information is given in order to provide a comprehensive picture of the matter being described.

Glossary

For the sake of convenience, in this periodic report, the following abbreviations shall be assigned the meaning listed alongside them:

"The Company" or "Delta"	Delta Galil Industries Ltd.
"The Group" or "the Delta Group"	Delta Galil Industries Ltd. and its subsidiaries
"Delta USA"	Delta Galil USA Inc.
"Schiesser"	Schiesser Group
"The Companies Law"	The Companies Law, 1999.
"The Authority"	The Securities Authority
"The Stock Exchange"	The Tel Aviv Stock Exchange Ltd..
"The Securities Law"	The Securities Law, 1968.
"Dollar"	US dollar
"The State"	The State of Israel

Description of the Corporation's Business

Part A – Description of the General Development of the Corporation's Business

1. **Corporate Operation and Business Development– Introduction**

The following is information regarding the corporation's business, as of February 23 2016.

1.1. The Company was incorporated in Israel in 1975 as a private company in accordance with the Companies Order. In 1982 the Company went public. On March 25 1999 the Company issued American Depositary Shares (hereinafter: "**ADS**") in such a manner that each ADS represents a single ordinary 1 NIS NV Company share, and starting 2008 Company ADS may only be traded on the U.S. International Prime OTCQX trading arena, or on the Tel Aviv Stock Exchange (subject to their conversion to regular Company shares).

1.2. The Company is engaged in the development, design, production, marketing and sales of undergarments, socks, children's wear, leisure wear and active wear.

The Group's customers include leading retail chains such as Wal-Mart, Marmaxx, Target, Victoria's Secret, Odlo, Marks & Spencer, Primark, Ross Stores, Macy's, Kohl's, Hema, Lane Bryant, Nordstrom, Karstadt, Kaufhof as well as leading labels that include Nike, Calvin Klein, Maidenform, Tommy Hilfiger, Spanx, Under Armour, Triumph, J.C. Penney and more.

In addition, the Group sells its products under labels for which it has received a concession, which include Maidenform, Converse, Wilson, Avia, Tommy Hilfiger, Kenneth Cole, Columbia, Original Penguin, Lacoste and more as well as under labels it owns, such as P.J. Salvage, KN Karen Neuburger and Little Miss Matched.

In Israel the Company is active in the retail market through its Delta and FIX shops as well as in the wholesale field. The Company sells its products under labels it has received a license for, including Disney, NICI, Keds, Nike and Power Rangers as well as under labels it owns, which include Matchtonim, Yodfat, Comfort, Punch, Touch and Delta.

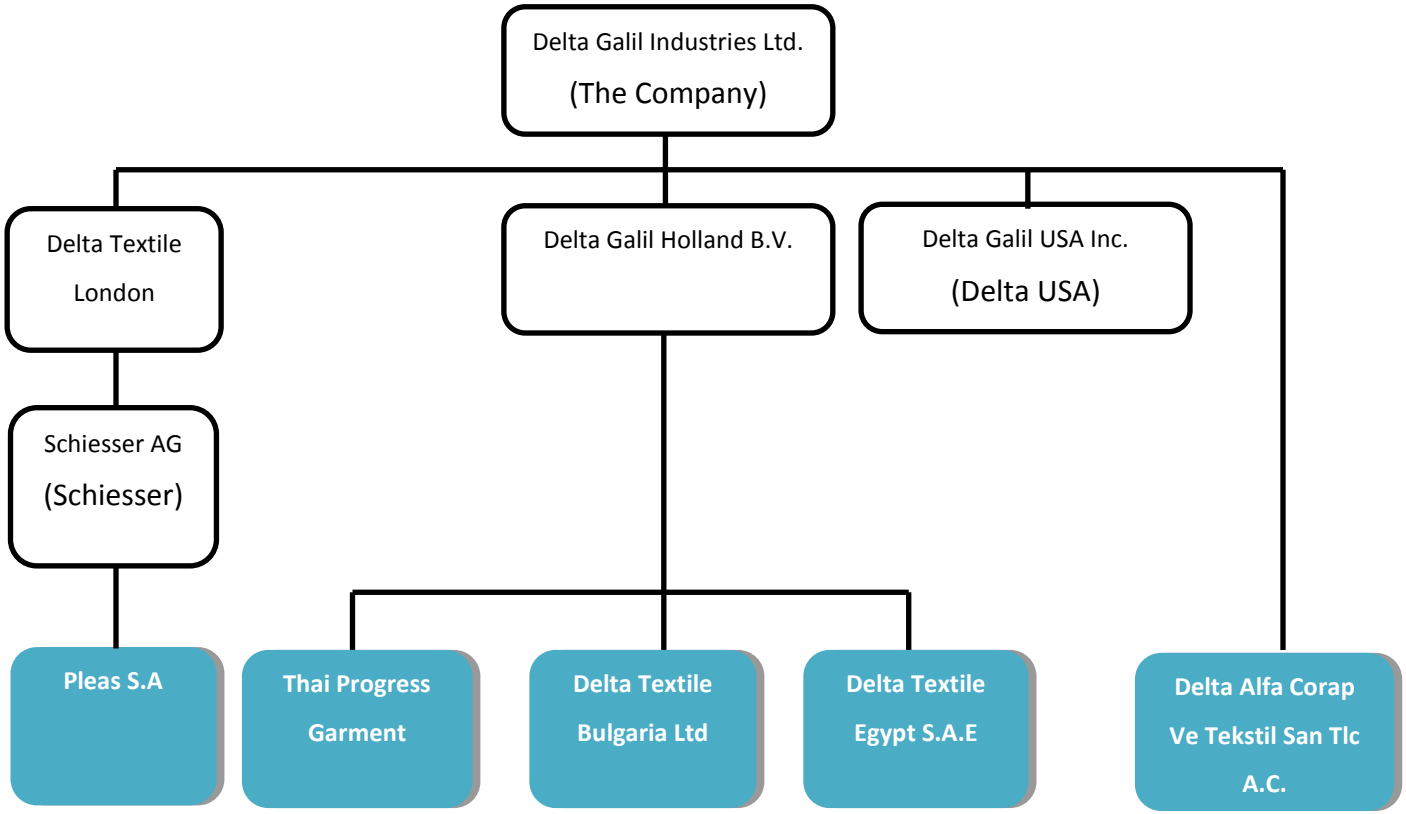
In Germany and in Western Europe the Company sells, through Schiesser, its products under the labels Schiesser, Schiesser Revival and Uncover, which it owns,

as well as under labels for which it has received a license, such as Seidensticker, Lacoste and Marc O'Polo.

In Germany and in Western Europe (primarily in the Benelux countries), Schiesser is active in the retail field through the Schiesser chain of shops as well as in the wholesale field.

The Company designs and develops its products primarily in Israel, in Germany and the US whereas production is mostly done via subcontractors and in its facilities in the Middle East, Eastern Europe and in East Asia.

1.3. The below is the structure of the Company's holdings in its material subsidiaries as of December 31 2015. All of the holdings in the following subsidiaries are 100%.



 Manufacturing companies

2. **Corporate Segment of Operation**

2.1. The Company has four main segment of operation reported as business segments in its December 31 2015 Consolidated Financial Statements: **(a)** Delta USA **(b)** Global Upper Market Segment; **(c)** Delta Israel and **(d)** Schiesser.

2.2. Group Management has established these operating segments based on the reports reviewed on a regular basis by the Company CEO and Board of Directors. The CEO and the Board of Directors, together, have been identified as the Strategic Steering Committee, which make the Company's strategic decisions (Chief Operating Decision Maker - "CODM").

2.3. Following are are brief descriptions of the individualsegment segment of operation listed above:

2.3.1. Delta Israel

In this segment , the Group deals in the development, design and marketing of undergarments, socks and active wear for private labels in the women, men and children categories, sold to the largest retail chains in the United States, as well as in the development, design and marketing of undergarments, socks and active wear under labels it has received a concession for and labels in its possession. Furthermore, this segment of operation concentrates the UK undergarment and sock operation.

For additional details regarding this segment of operation, see section 7 to 16 hereunder.016

2.3.2. Global Upper Market Segment

Pursuant to this segment of operation, the Group mainly deals in the development, design, manufacture and marketing of men's and women's undergarments active wear and seamless clothing for women, manufactured at the Company's factories and sold to retail chains and leading labels in Europe and the U.S. Most of the sales in this segment of operation are to private labels.

For additional details regarding this segment of operation, see sections 7 to 16 hereunder.016

Delta Israel

This segment includes the Company's operation in Israel. As part of this segment operations the Company deals in the development, design and marketing of labelled undergarments for women and men, active wear as well as children's clothing mainly under the Delta label, distributed via the Company's shops in Israel as well as in wholesale operation for Israeli retail chains.

For additional details regarding this segment of operation, see section 17 to 26 hereunder.**Error! Reference source not found.**26

2.3.3. Schiesser

As part of this segment of operation the Company deals in the development, design, manufacture and marketing of labelled undergarments for men, women and children as well as activewear mainly under the Schiesser label, sold to customers in Germany and in other Western European countries both through Schiesser's shops and in retail operation for retail chains. Schiesser products are mainly manufactured at the two production sites owned by the Group in the Czech Republic and in Slovakia; in addition, Schiesser operates a sales office in Hong Kong.

For additional details regarding this segment of operation, see section17 to 26 hereunder.**Error! Reference source not found.**26

3. Investments in the Corporation's Capital and Transactions with its Shares

The following are details of material transactions carried out by Delta interested parties over the past two years (starting January 1 2014):

Name of Interested Party	Date	Number of Ordinary Shares Purchased (Sold)	Share Price (in USD)	Sum of Transaction (in USD)
Sterling Macro Fund		**2015**		
Fund managed by Mr. Dabah	June and total	(250,000)	32.8	8,191,828
	transactions in			
	*2015			

* These shares were sold by Mr. Isaac Dabah through the Sterling Macro Fund, a fund managed by Mr. Dabah. For details see immediate report from June 9 2015 ref. 2015-01-044574.

4. **Distributions of Dividends**

4.1. As of this periodic report, the Company has no dividend distribution policy. From time to time, the Company's Board of Directors studies the distribution of dividends in accordance with the Company's financial results and financial and other needs, subject to the law.

4.2. In 2014 the Company distributed dividends as follows, with no need for court authorization:

Decision Date	Sum Distributed (in USD)	Distribution Date
February 18 2014	3.0 million	March 18 2014
May 7 2014	3.5 million	May 28 2014
July 28 2014	3.5 million	August 20 2014
November 4 2014	3.5 million	November 25 2014

4.3. In 2015 the Company distributed dividends as follows, with no need for court authorization:

Decision Date	Sum Distributed (in USD)	Distribution Date
February 25 2015	3.5 million	March 24 2015
May 11 2015	3.5 million	May 28 2015
July 28 2015	3.5 million	August 20 2015
October 27 2015	3.5 million	November 17 2015

4.4. As of the date of the report, the balance of profits eligible for distribution (unassigned retained earnings less treasury shares), as this term is defined in the Companies Law, is $217,968 thousands.

4.5. For details regarding restrictions on the Company's ability to distribute dividends, by virtue of the provisions of the deeds of trust regarding the Company's

debentures (Series A, B and E), see Note 11 to the Financial Statements, Chapter C of this Periodic Report.

Part B – Other Information

5. Financial Information Regarding the Corporate Segment of Operation

For financial information regarding the corporate segment of operation see explanations in Section 2.3.2 of the Board of Directors' report, Chapter B and Note 5 to the Financial Statements, Chapter C of this Periodic Report.

6. General Environment and Impact of External Factors on the Company

6.1. Description of Market Risks to Which the Group is Exposed

The Group, in its operation, is exposed to multiple market risk factors, including the state of economies in target markets in which the Company operates, fluctuations in cotton prices as well as fluctuations in exchange rates in those markets vs. the Company's functional currency, the USD.

For details regarding the Group's policy in managing the market risks in question and their impact of these risks on its operating results, see Sections 2.3.1 and 4.3 of the Board of Directors' Report and part B of the Periodic Report.

The Group's operation is exposed to macroeconomic risks, to industry risks and to risks unique to its operation. Full details of these risks factors, to which the Group is exposed, can be found in 39 hereunder.

Part C – Description of the Corporation's Business by Segment

The following is a detailed description of the Company's segment of operation:

Delta U.S.A. and Global Upper Market Segment

7. **General Operating Segment Information: Delta U.S.A. and Global Upper Market**

The following is a description of the segment of operation in fields in which the segment of operation have similar business characteristics, and which are different from the characteristics of the Company's other segments of operation. The segment of operation shall hereby be referred to, in Paragraphs 7 to 16, as **"the Segment of Operation".**016 Subjects specific to a certain segment of operation shall be clearly noted separately.

7.1. Segment Structure Changes Occurring Therein

7.1.1. Delta Israel

Delta U.S.A deals with development, design and marketing of undergarments, socks and sportswear for women, men and children to major U.S. retailers. Sales in this segment are to private labels as well as under brand names in accordance with concession agreements it has entered (see 13.3 below), an under labels in its possession, such as P.J. Salvage, Karen Neuburger and Little Miss Matched.

The Company's operation in this segment is managed from the United States.

7.1.2. Global Upper Market Segment

This segment mainly deals with development, design, manufacture and marketing of male and female undergarments active wear and seamless clothing for women, half of which are manufactured at the Company's factories and the remainder are manufactured by subcontractors, for retail chains and leading labels in the U.S. as well as under brand names in accordance with concession agreements the Company has entered into see 13.3 below).

Most of the sales for the upper market segment are to private labels.

The marketing and distribution operation for this segment is performed by the Company, while the manufacturing operation is carried out by the Company in its Israeli factories, through subsidiaries active in Egypt,

Bulgaria, Thailand, Turkey and Jordan, through a joint venture in China as well as subcontracted to the Middle East and the Far East.

7.2. Changes in the Segment's Scope of Operation and Profitability

Changes in global trade laws have increased competition in the segments and have compelled the Company to restructure the Group. The restructuring steps taken by the Company, including related expenses, impacted the Company's revenues and profitability, as described in the Board of Directors Report, see chapter B of this periodic report.

7.3. Developments in the Segment's Markets or Changes in the Customer's Characteristics

The target markets of the Company's products in the above segment t are North America and Europe. The changes in the economic condition in these markets as expressed in recent years, by way of a financial crisis and concerns of the recession's continuation, a reduction in consumption and pressure to reduce prices, may impact consumers' consumption habits and levels. In addition, the garment industry is subject to changes in fashion preferences and consumer fashion trends, which by their nature change more often than in the past, and an increase in the number of product collections needed.

7.4. Critical Segment Success Factors and Changes Thereto

The Company estimates that success in the segment of operation depends on several key factors, the primary of which are as follows:

7.4.1. Innovation – investing resources in design and development departments while constantly focusing on domestic and global developments in the field of undergarments and customer taste and developing and designing fashion collections.

7.4.2. Maintaining long-term relations with customers.

7.4.3. Fabric development – the Company operates in a special fabric development center in Carmiel, which constitutes added value in the product development core.

7.4.4. Adapting products to changing fashions and to the needs of the relevant consumers, while taking care to provide constant innovation.

7.4.5. Upholding a marketing and distribution array that allows the Company to penetrate new markets and establish itself there.

7.4.6. Maintaining a broad variety of suppliers providing high-quality raw materials and high-quality finished products.

7.4.7. Upholding an independent manufacturing infrastructure through subcontractors, which will be steadfast and flexible and keep it competitive.

7.4.8. Guaranteeing product manufacturing quality and quality control in accordance with specifications and Company and customer demand.

7.4.9. Making use of the Company's size advantage, both in the sizes of purchase orders by customers and in the number of items ordered from each model manufactured, which helps reduce manufacturing costs.

7.4.10. Efficient operational arrays and chain of supply providing full support for sales needs and meeting supply times, which have shortened in recent years.

7.4.11. Engagement in license agreements.

The Company estimates that these success factors have been reinforced in light of the changes in its business environment which were expressed in increased competition, the erosion of sales prices and shortened supply times.

7.5. Main Entry and Exit Barriers in the Segment and Changes Occurring Therein

According to the Company's estimates, the main entry barriers for the segment or operation are as follows:

7.5.1. Acquaintance with and understanding of the fashion industry's requirements and consumers tastes.

7.5.2. Stable, long-term relations with large customers (retail chains and branded companies).

7.5.3. Innovation in the development and design of fashion products.

7.5.4. Large companies mainly require a commitment on behalf of the manufacturer to uphold the compliance process testing the fitness of the factory to their needs. In addition, during the commitment period, these customers often conduct periodic inspections of the production array. Failure to meet the quality requirements and standards set by customers may lead to the end of the commitment with them.

7.5.5. The existence of efficient operational arrays, supply chains and logistical centers providing full support for sales needs, meeting quality requirements and meeting supply times, which have shortened in recent years.

To the Company's estimation these operating segment are subject to no significant exit barriers.

7.6. Alternatives to the Segment Products and Changes thereto

Company’s products compete with numerous alternatives as offered both by wholesalers and by manufacturers marketing products of comparable quality. To reinforce and preserve the edge of own products over the competition, the Company relies on differentiation and prominence of innovation, fashion orientation and quality, on the development of special fabrics and on increasing the market share of the labeled operation.

8. **Segment Customers: Delta USA and Global Upper Market**

8.1. A material Group customer, sales to which constitutes over 10% of the Company's total consolidated sales, is the U.S. retail chain Wal-Mart. The Company has a 40-year business relationship with Wal-Mart, which constitutes the Group’s largest customer.

The Company provides Wal-Mart with a broad variety of products for various departments of its network of stores, including products sold under the chain’s house labels and products sold as part of license agreements.

In 2015, sales to Wal-Mart amounted to $190.1 million (18% of consolidated sales) compared to $175.4 million in 2014 (17% of consolidated sales) and $114.7 million in 2013 (12% of total consolidated sales).

The Company believes that a decrease in the sales to Wal-Mart may have a materially negative impact on its financial results.

The increase in sales in 2015 vs. 2014 mainly derived form an increase in active wear sales under the Avia brand , which was launched during the second half of 2014, and was included on a full year basis in the reported year.

The increase in sales in 2014 compared to 2013 derived mainly from an increase in activewear sales under the Avia label, as noted above.

Other important Group customers in Delta U.S.A. segment include: Marmaxx, Target, Kohl's, Lane Bryant, Ross Stores, Kmart-Sears, Macy's, J.C. Penney, Marks & Spencer and Primark.

Important customers in the Global Upper Market segment include Victoria's Secret, Calvin Klein, Tommy Hilfiger, Tommy John, Maidenform, Nike, Hema, Under Armour Spanx, Odlo and Triumph.

8.2. For a breakdown of sales by geographical attribution see Note 5c. to the Company's December 31 2015 Financial Statements, in Chapter C to this periodic report and Chapter 2.3.1 of the Board of Directors report, in Chapter B to this report.

8.3. Major Group Customer Contract Characteristics

The Group maintains long term relationships with its customers, Normally regulated under general blanket agreements and customer purchase orders with the Group. The blanket agreements also provide general directives as apply to customer relations with the Group and which include manufacturer's commitment to meet compliance requirements covering plant's response to customer needs, as well as periodic inspection and other requirements.

Product quantities and dates of supply to the customers are established under the purchase orders, and vary from one order to another.

Company's contracting with its customers is normally based on preparation of a product collection for a specific season.

9. **Segment's Marketing and Distribution: Delta USA and Global Upper Market**

The Company adapts its marketing and sales strategy to its customers based on the geographic location each operates and according to the market segment it addresses. Thus, for instance, one marketing and sales group is responsible for customers in the upper market segment in Europe and the U.S. while a second marketing and sales group is responsible for customers in the U.S. mass market segment. The Company has sales departments located, based on the location of its target markets, in Europe, North America and Israel, and these set its marketing strategy, in coordination with Company HQ. The Company's sales offices are operated by professional staffs which maintain long-term relationships with their customers and provide a direct and immediate response to their

customers' requirements. In addition, the Company employs the services of sales agents as needed.

The Company distributes its products in the U.S. through (owned) distribution centers as well as through direct supply to its customers from the various manufacturing facilities based on purchasing orders. To its European customers, the Company mainly distributes its products directly from its factories. The Company insists on securing sufficient inventory levels at its distribution centers so as to meet customer demands.

The Company has no dependence on its marketing channels.

10. **Segment's Order Backlog: Delta USA and Global Upper Market**

The Company use two sales methods: Ad Hoc (specific) orders, particularly in the Global upper market segment, and replenishment sales, mainly in Delta USA segment.

In replenishment sales, the Company holds inventory in its distribution centers for a period of 8-12 weeks and the customer call off merchandise and issues purchase orders near the withdrawal date. The Company recognizes income on the date of shipment to its customers.

Due to the structure of the industry and the contracting method which relies on both Ad Hoc and Replenishment orders, Company's order backlog covers a relatively short period of time. The Company therefore believes that the order backlog does not provide full indication of the actual volume of orders.

The following is a breakdown of the Company's order backlog in its various operating segments for the next quarter years when recognition of the income is expected (in millions of US dollars):

10.1. Order Backlog in the Delta USA Segment:

	Accumulated Orders as of February 10 2016	Accumulated Orders as of December 31 2015
First quarter	32.3	48.7
Second quarter	21.4	17.7
Third quarter	4.4	2.0
Fourth quarter	1.1	-
Total	59.2	68.4

10.2. Order Backlog in the Global Upper Market Segment

	Accumulated Orders as of February 10 2016	Accumulated Orders as of December 31 2015
First quarter	32.9	57.0
Second quarter	34.9	19.8
Third quarter	3.1	0.7
Fourth quarter		
Total	70.9	77.5

11. Competition in Delta U.S.A. and Global Upper Market segments

11.1. Overview

The Company's line of operation is considered competitive. In recent years, production costs began to increase, which caused a gradual rise in product prices to. Furthermore, a certain level of decrease in competition, which was expressed in a reduction in competitors number Competition in the undergarments segment revolves around three major parameters: product price, product quality, and level of customer service. The Company believes that it has several advantages over its competitors, for reasons which include the following::

11.1.1. Innovative and high-quality product lines – the Company manufactures a broad variety of fashionable, high-quality product lines, and packs its products attractively . The Company invests significant sums in innovative design and in developing fabrics and products. For further details, see section 31 below.

11.1.2. Long-term relations with retailers and leading label marketers – the Company has cultivated long-term relationships with its customers. Despite the fact that the Company's agreements with its customers are largely short-term and do not feature any minimum sales obligations, the Company maintains business relations with most of its main customers over a period of greater than ten years. The Company's design, development and technology teams work in conjunction with customers with the goal of providing a comprehensive service package that includes, among other things, designing, developing, manufacturing and marketing new product lines.

11.1.3. Unique status of free trade zones – the Company's operations in Israel, Jordan and Egypt allows it to enjoy beneficial trade agreements.

11.2. Segment Competitive Conditions

In recent years, retail chains have been trying to circumvent private companies designing and developing undergarments and enter into direct relationships with factories so that they manufacture products directly for them, in order to reduce product costs. For details see 39.3.3 below.

11.3. Major Competitors by Segment

Operation in North America and Europe has dozens of competitors, mainly private companies from the U.S. and Far East.

11.3.1. Delta USA Segment

To the best of the Company's knowledge and according to its internal assessments, the size of the market in which it is active in the Delta USA segment , as regards the customers and categories in which it is active (undergarments and activewear), is estimated at $15 billion per year. The company management estimates that the Company's market share in this field is between 2% and 3%.

The Company's material competitors in this segment include, among others, Ariella Intimates, Saramax Apparel Group Inc., Komar Company, Vanity Fair, Jockey, Fruit of the Loom, MAS Holdings, Brandix Lanka Limited, Richard Leeds and Gelmart.

11.3.2. Global Upper Market Segment

To the best of the Company's knowledge and according to its internal assessments, the market share in which it is active, as regards to the customers and categories in which it operates, is between $5 and $6 billion per year. Company management estimates that the Company's share of this field is averages at between 3% and 5% in the various categories and various customers in the field.

The Company's main competitors in this segment include, among others, MAS Holdings, Clover, Regina, Brandix Lanka Limited, Renfro Corporation, Fillnet, Gildan Active Wear Inc., Tefron, Okamoto and Interloop.

11.4. Methods to Deal with the Competition:

The Company invests a many resources in the design and development of its products in order to provide innovation and fashion to its customers, with the understanding that this innovation is what differentiates it from its competitors. See also Section 31 below for further details.

Also, in order to differentiate and create a competitive edge the Company invests a great deal of resources in increasing the branded segment of its operation by entering into new license agreements and acts to increase its brassiere and activewear sales with existing customers. In addition, the Company invests in establishing new plants and joint ventures in order to strengthen its connection with its customer and improve its level of service.

12. **Segment Manufacturing Capacity in Delta USA and Global Upper Market**

12.1. In the Delta USA segment , some 98% of sales are of products purchased from subcontractors, so production capability is irrelevant to this segment .
In the Global Upper Market Segment ,some 30% of the Company's sales are of products purchased from subcontractors.

When manufacturing needs increase, the process of contracting with and qualification of existing and additional subcontractors requires preparations, including attainment of end customer's approval of the new factory and assurance of new factory's compliance with quality standards as specified by the Company to cover product quality, timetables and working conditions. In Company's estimation, these preparations do not require such an extended length of time which would limit any potential growth of own manufacturing capacity.

12.2. The Company has manufacturing plants in Egypt, Israel, Thailand, Jordan, Turkey and Bulgaria, mainly serving its Global Upper Market Segment. In Company's estimation, own power to increase the manufacturing capacity of these plants is subject to no limitations.

13. **Intangible Assets in Delta USA and Global Upper Market Segments**

The balance of intangible assets referring to the above segments as of December 31 2015 mainly include $70.1 million for goodwill, $18.9 million for customer relations and $24.7 million for usage of license agreements.

13.1. Goodwill

The Company's intangible assets in the segment include goodwill created by the Company over the years, mainly due to the purchase of three American companies in 2000-2004 as well as for the purchase of P.J. Salvage's activity in July 2015.

The balance of goodwill is not amortized. The Company examines the value of goodwill each year, via valuation.

In 2015, 2014 and 2013, the Company did not impair goodwill, in light of the yearly examination it conducted, with the exception of a $0.2 million amortization it performed in 2015 for goodwill created for the purchase of FIX activity in Israel, see Note 9b to the Financial Statements, in Part C of this report.

13.2. Customer Relations

The Company's customer relations in the segment created for the Company over the years upon purchasing Burlen in 2004, which is part of the Delta USA segment, and upon the purchase of Gibor's activity in 2009 included under the Global Upper Market Segment. In 2015 customer relations were created for the Company as a result of the purchase of P.J. Salvage's activity, included under Delta USA segment, as well as following the purchase of the Turkish socks plant, included under the Global Upper Market Segment.

The balance of customer relations amounted to $18.9 million as of December 31 2015 and is amortized over a period of 20 years. The original cost amounted to $27.9 million.

The Company estimates that the balance of goodwill and customer relations has no business impact on its segment.

13.3. Agreements to Attain Label Usage Rights

From time to time the Company enters into agreements to receive usage rights for international labels such as a, Columbia, Lacoste, Marc O'Polo, Converse, Wilson, Tommy Hilfiger, Maidenform, Kenneth Cole and Juicy Couture in the Delta USA segment.

The license agreements are usually for a period of 3 to 4 years, and it include the payment of royalties to the concession owner of between 5% and 12% of revenues

and usually feature a royalties payment condition at a minimal sum based on the minimal sales levels over the course of the agreement.

These agreements regulate the obligations of the Company as recipient of the license to manufacture branded products (hereinafter in this section" "**the Products**"), including in the matter of use of brand names, to design and develop the products and to transfer annual sales plans to the license granter.

The agreements generally include commitments on behalf of the Company to provide the party granting the license a prototype and production forms of the products prior to their manufacture, and an obligation to constantly uphold the quality, reputation and image of the license granter's products. The party granting the license has the right to inspect and supervise the manufacture of the products.

Royalty expenses amounted to $16.1, $12.4 and $10.1 million in 2015, 2014 and 2013, respectively.

None of the license granted the Company is material to its operation.

The Company estimates that label usage rights constitute one of the factors behind the segment's success, and integrate into the Company's strategy to grow its branded activity (see 36.4 below).

14. Segment Raw Materials and Suppliers: Delta USA and Global Upper Market

14.1. Segment Major Raw Materials

As shown, most manufacturing operations are accomplished by the Upper Market segment, with any raw and auxiliary materials as required for in-house manufacturing by the Company purchased from subcontractors and suppliers.

The raw materials used by the Group for in-house manufacture of the various garment products are mostly cotton threads, cotton mixes, synthetic threads (such as cotton-Spandex, cotton-Lycra, cotton-Viscose, nylon and polyester threads) and other such materials as elastic bands, lace and other textile ingredients, which are sold for widely ranged prices. The Group purchases the raw materials from a number of international and local suppliers, and has never encountered any difficulties in securing raw materials which meet own manufacturing requirements.

Changing supply and demand conditions and other market factors over which the Company has no control subject the price of raw materials to fluctuations. The Company keeps track of price fluctuations as above and tries to adapt its thread and finished product inventory levels to the sales projections.

With the exception of cotton threads, the Company only purchases the raw materials it requires for the manufacture of its products against purchase orders it receives from its customers. It does not normally hold a stock of raw materials for periods longer than eight weeks. In purchasing basic cotton threads, the Company normally contracts, from time to time and when market conditions are in its favor, with a number of cotton thread suppliers for periods between three and six months.

14.2. Contracts with suppliers

The Company maintains ties with dozens of suppliers, most through regular accounts, and some through letters of credit. Usually, as is normal in the industry, the Company does not enter into agreements with these suppliers. Some of the suppliers used by the Company are approved by the customers and some are dictated by them.

14.3. Supplier Dependence and Supplier Dependent Products

The Company has no material dependence on the various suppliers of raw and finished materials due to the existence of multiple suppliers and factories. However, in the event that a supplier is replaced, the process of locating an appropriate customer that meets the Company's standards and the end customer may take several months.

14.4. In-House Manufacturing

The Company provides its customers with a broad array of high-quality products in accordance with their specific requirements, at competitive prices. The Company manufactures some of its products in-house and purchases some from subcontractors. The following are the stages of the production process:

14.4.1. Purchase of Raw Materials

The Group purchases the raw materials it uses for the manufacture of its products mainly from international and domestic suppliers and has not encountered any difficulties in the past in finding raw materials meeting its manufacturing requirements.

14.4.2. Knitting

The Company knits most of its fabric in-house and purchases the remaining fabrics required to manufacture its products from suppliers.

14.4.3. Sock Knitting

The Company operates sock knitting machines in its Israeli, Turkish and Bulgarian plants and through a new Chinese joint venture.

14.4.4. Dyeing and Finishing

The Company dyes most of the products it manufactures using Egyptian subcontractors. Over the course of the fourth quarter of 2014, the Company began operating a dyeing plant in Egypt, the purchase was concluded during the first quarter of 2015.

14.4.5. Cutting

The Company operates computerized cutting equipment in its factories in Egypt and Thailand.

14.4.6. Sewing

After the cutting stage, products are sewed at Company plants in Egypt, Jordan and Thailand as well as occasionally through subcontractors.

14.4.7. Manufacture of Seamless Clothing

The Company applies a special manufacturing technology through the use of Santoni knitting machines for the purpose of manufacturing seamless clothing in the undergarment, shapewear and sportswear categories.

14.4.8. Outsourcing

The Company engages with subcontractors for the purpose of manufacturing some of its products. The company has relationships with subcontractors in China, Turkey, Pakistan and Bulgaria for socks manufacturing and in Egypt, Jordan and a number of Far East countries (mainly in China and Bangladesh) for undergarments manufacturing and seamless clothing for its other segments . The Company is not dependent on any of these subcontractors.

14.4.9. Quality Assurance ("QA")

The Company greatly emphasizes the quality of the garment items it manufactures, and, to this end, it employs QA teams to inspect the products throughout the process. Company's QA procedures meet the stringent standards demanded by its customers.

15. Working Capital in Delta USA and Global UpperMarket Segments

15.1. Delta Israel Segment

The following are details regarding the average inventory used by the segment and inventory days for 2015 and 2014:

	Year 2015	Year 2014
Average Inventory (Millions of Dollars)	88.3	82.7
Inventory Days (Average)	81	89

The increase in the average balance of inventory in 2015 compared to 2014 derives from an expansion in the scope of operation as well as a result of the purchase of P.J Salvage's activity. The decrease in average inventory days in 2015 compared to 2014 derived from an improvement in inventory management.

15.2. Global Upper Market Segment

The following are details regarding the average inventory used by the segment and inventory days for 2015 and 2014:

	Year 2015	Year 2014
Average Inventory (Millions of Dollars)	25.2	25.0
Inventory Days (Average)	42	43

For information regarding working capital see Section 33 below.33

16. **Restrictions and Regulations Governing the Corporate Operations: Delta USA and Global Upper Market**

16.1. Local Laws in Countries of Operation

The Company is subject to relevant laws as are in effect in the countries where it operates, including as generally apply to imports, customs, consumer protection, product marking (as applicable), licensing, and labor in the countries where it employs own personnel.

16.2. Free Trade Agreements

The Company currently enjoys free trade agreements between Israel and the U.S., Canada and the EU. The trade agreements allow the Company to sell the products manufactured in Israel to the countries in question (according to the terms of the agreement) exempt of customs and import quotas. The U.S. has expanded the benefits covered by the U.S-Israel free trade agreement to goods processed in the Company's Jordanian facilities, exempting these products from customs and quotas as well.

Following a free trade agreement between the U.S. and Israel, the products manufactured by the Company in Jordan and sent to the U.S., even without sharing Israeli inputs, are exempt from customers and quotas upon entering the U.S.

In addition, the trade agreement between Israel and the U.S. was expanded so that products manufactured at the Company's Egyptian plants and which include certain rates of Israeli inputs, are exempt from U.S. customs and quotas.

Following the free trade agreement between the EU and Egypt, the Company's products manufactured in Egypt are exempt of taxes and quotas required upon entry into EU member states.

The segment sales as included in the free trade agreements detailed above constitute 16% of total segment sales in 2015. The balance of sales, which constitutes 84% of the total sales of the segment in 2015 and which is not included above, is liable for taxes and quotas.

In addition, a free trade agreement was recently signed between the U.S. and a number of East Asian countries, including Vietnam, called the Transfer Pacific Partner (TPP). As part of this free trade agreement, relief is expected for customs

and taxes on products manufactured in these countries upon entering the United States. As detailed in Section 3 of the Board of Directors' Report in Part B to this Periodic Report, the Company is currently constructing a plant in Vietnam, so that goods manufacturer there and sold to the United States starting 2016 may receive some of the customs benefits noted above.

16.3. Specific Laws/ Business Licenses/ Export Licenses as Applies to Company's Operations

The Company holds licenses as required and complies with any specific laws as apply in the countries where it operates.

Delta Israel and Schiesser Operating Segments

17. **General Segment Information: Delta Israel and Schiesser**

The description which follows covers similar business characteristics of segments as distinguished from the other Company segments of operation, hereinafter in sections 17 through 26 "**the segments**". Specific concerns as apply to the individual segments are explicitly noted and differentiated.

17.1. Segment Structure and Changes Thereto

In the undergarment and children's wear categories, Group operations in Israel and in Germany are faced with numerous competitors, mostly importers who own retail fashion chains. The garments industry – specifically the undergarments category, has, in recent years, still been operating under intense competition. In recent years, finished product prices have increased with the cost of labor and other inputs in the Far East.

17.1.1. Delta Israel

In this segment, the Company runs retail operations to market a variety of undergarment products, leisurewear and socks in Israel through the Delta Stores chain, some of which it owns and some operated by franchises , and also wholesale operations to sell these products to retail chains and private stores as well as on the internet.

Most of the products marketed are purchased from Far Eastern suppliers. The Company markets several brands in Israel, some owned and some licensed. To the Company's estimation, the branded products it markets under the Delta Israel segment provide it an edge in the Israeli market.

Over the course of 2015 the Company has expanded its chain stores, by opening 18 additional stores (compared to 4 stores that were closed , so that as of the report date there are 170 stores, including 6 of the FIX brand, 143 of which are owned and 27 are operated by franchises .

17.1.2. Schiesser

In the Schiesser segment , the Group markets branded undergarments for men, women and children as well as bathing suits and sports

undergarments, with operation in this segment starting from designing and planning the collection, through purchasing, manufacturing and finishing the fabrics and creating items of clothing, to the distribution of the products.

In the Schiesser segment , the Group sells most of its products under the label – Schiesser, mainly in Germany, in other German-speaking countries, such as Switzerland and Austria, as well as in the Benelux countries (Belgium, the Netherlands and Luxembourg). In Schiesser's segment the Company represents a retro undergarment line ("Schiesser Revival") and positioned a young line ("Uncover") in its undergarments segment. In addition, the Company manufactures and markets undergarments under the brand names Lacoste, Marc O'Polo and Seidensticker, with whom it has entered into concession agreements.

In the Schiesser segment , the Group provides its products to 5,000 wholesale customers in Germany and in Europe, including unique undergarment and clothing retailers, shop and department store chain operators, through the wholesale sales channel. In the retail sector, in Germany and in Europe the Group sells its products through 21 wholesale shops in its possession, 74 factory shops (as of December 31 2015), as well as through its online store.

The Group sells the Schiesser segment undergarment products in medium to high market segments, while observing a high level of comfort, durability, and product quality as well as fashion innovation.

About one half of the manufacture of the undergarment collection takes place at two production sites owned by the Group, in the Czech Republic and in Slovakia. In addition, the Company operates, in Schiesser's segment , a buying office in Hong Kong.

17.2. Changes in the Segment Scope of Operations and Profitability

17.2.1. Delta Israel

Delta Israel's scope of operation has increased in recent years, among other things through the expansion of its chain stores, including through the assimilation of a children's chain (Delta Kids) through combined

shops and the FIX chain stores. The increase in scope of operation is also expressed in the expansion of the production lines sold.

17.2.2. Schiesser

Most of Schiesser's sales were to wholesale customers focusing on Germany and neighboring European countries. As the German and European fashion market is characterized by increasing competition and a decrease in points of sale in recent years, Schiesser developed a growth strategy by expanding the chain of shops in its possession, which in 2015 included opening 11 new shops (8 factory outlets and 3 retail stores), alongside one shop closing.

The target market for the Company's products in the Schiesser segment is Western Europe, and Germany in particular. The continuation of the financial crisis in these markets and concerns of the recession's continuation, a reduction in consumption and pressure to reduce prices, may impact consumers' consumption habits and levels.

17.3. Critical Success Factors in the Segment and Changes Thereto

The Company estimates that success in the segment depends on several key factors, as detailed below:

17.3.1. Marketing and branding Company brands through constant investment in advertising and reinforcing Company brands in order to differentiate the brands and emphasize their advantages, innovation and fashion as well as through the Company's customers' club and its website.

17.3.2. Investing resources in design and development departments while constantly focusing on local and global developments in the field of undergarments and customer taste as well as developing and designing fashion collections, while making sure to apply constant innovation.

17.3.3. Engagement in license agreements.

17.3.4. National deployment and stores location.

17.3.5. Maintaining a steadfast, flexible and competitive manufacturing infrastructure through overseas subcontractors and at competitive costs.

17.3.6. The existence of effective product QA system.

17.3.7. The existence of efficient operational arrays, chains of supply and distributional systems providing full support for sales needs and meeting supply times, which have shortened in recent years.

17.4. Main Segment Entry / Exit Barriers and Changes Thereto

To the Company's estimation, the main entry barriers facing the segments are as follows:

17.4.1. Construction of brands with significant awareness in the fashion market and preserving them on a long-term basis through significant investments in marketing and advertising.

17.4.2. Capital investments in the establishment of a retail chain and shop maintenance.

17.4.3. The need for a critical mass of sales to allow a competitive operational costs structure.

17.4.4. Long-term relationships with primary wholesale customers.

The Company estimates that there are no material exit barriers from these segment.

17.5. Alternatives for the Segment Products and Changes Thereto

In these segments, Company products compete with numerous alternatives as offered by local manufacturers or by importers at numerous sale points. The Company reinforces and preserves the edge of own products over the competition by providing differentiation, prominent fashion orientation, quality and added value through the insistence on leading design, development, competitive pricing, variety and media advertising.

18. **Customers in Delta Israel and Schiesser Segments**

18.1. Delta Israel

The Company’s customers in this segment are divided into retail and wholesale customers in Israel. The Company’s retail customers are the consumers shopping at the Company’s retail outlets.

Delta Israel segment's sales are to the lower to medium market tier.

The Company’s wholesale customers include department stores, supermarkets and fashion chains. Total sales of this segment in Israel in 2015 and 2014 amounted to $126 and $127 million, respectively, 22% of which ($28 million) in 2015 was

through department stores, supermarkets and private stores, and 78% of sales ($98 million) were through the Company's stores . The Company's retail operation in this segment is not material compared to the Group's total operation.

According to the Company's estimates, it is not dependent on any of its customers in this segment .

18.2. Schiesser

The Company's customers in the segment include wholesale customers and retail customers, through its Western European retail chain. The sales of the Schiesser segment are to the medium-high market segment. Sales of the segment in 2015 amounted to €167.0 million or $185.5 million, compared to €152.2 million or $201.7 million in 2014. In 2015 63% of sales (€105 million) took place in the wholesale channel through department stores, supermarkets and direct mailing and 37% of sales (€62 million) were through the Company's retail chain. German sales constitute the largest market out of Schiesser's total sales and these constituted 80% of total sales in 2015 compared to 78% of total sales in 2014; the balance of sales is to Western European countries, primarily Switzerland, Belgium and the Netherlands. The Company's retail operation in this segment is not material compared to the Group's total operation.

19. **Segment Marketing and Distribution**

The Company markets the products of these segments through the following two marketing channels: wholesale marketing, and marketing through the retail chain.

19.1. Wholesale Marketing

19.1.1. Delta Israel

The Company's products are sold through a variety of marketing channels, including the New Mashbir Latzarchan, H&O, Superpharm, Brill, food retailers (Shufersal, Co-Op and Hatzi Hinam) and hundreds of private stores throughout the country.

For marketing purposes, the Company operates an array consisting of sales agents, account executives, sales stewards and ushers and operates with some of its customers using the consignation method, according to which the inventory remains its property until its sale to the end

customer. Alongside marketing the Company's labels, the Company also deals in management, manufacturing and marketing for private labels such as LIFE for Superpharm and Cherokee and D2 for Shufersal.

The company enters into general framework agreements with the retail chains. Amounts and/or supply times are set in the purchase orders and change from order to order.

19.1.2. Schiesser

The Wholesale sales channel is Schiesser's largest scope of sales. 63% of sales in 2015 were carried out on the wholesale sales channel. Customers on the wholesale sales channel are mainly specializing clothing stores, department stores, supermarket and direct mail retailers, offering Schiesser products in their businesses and as part of their product offerings.

In Germany, Schiesser handles own distribution through the wholesale channel. Sales abroad are mainly carried out by seven Schiesser distribution companies and through external commercial agents.

Schiesser helps supervise its wholesale sales potential by selling using the store-within-a-store method, at primary customers.

19.2. Retail Marketing

19.2.1. Delta Israel

Marketing of products in this channel is through the Company's stores which, as of this report, number 170 stores. The retail chain stores are located inside malls, in town centers and in strip malls throughout the country.

For details on sales in identical shops, see Section 2.3.3 of the Board of Directors' Report, Part B to this periodic report.

19.2.2. Schiesser

The retail sales channel includes the direct sale of Schiesser products to end consumers. In the retail sales channel, goods are sold through the company's old retailers, outlets and an online store (B2C).

At the end of 2015, Schiesser operated 21 retail stores (of which 19 were in Germany) located in accessible locations in the centers of cities, in malls or at traditional sites and with sales segment of 120 square meters each.

As noted, Schiesser operated 74 factory outlets as of December 31 2015. 56 of these stores operate in Germany, and 18 operate in other Western European countries. Outlets are located at sites visited often by the public, such a business parks or as part of commercial centers. The sales floor segment in outlets is generally larger, reaching 350 square meters, and serve to sell a significant portion of the Schiesser Group's general collection and production surplus items.

Schiesser intends to expand the number of stores in coming years, by opening additional sales space operated by it.

In addition to land-based retail, Schiesser targets end consumers through the Group's online shop. The stores currently markets a significant portion of its product offerings in Germany and Austria.

For details on sales in identical stores, see Section 2.3.3 of the Board of Directors' Report, Part B of this periodic report.

19.3. Distribution

19.3.1. Delta Israel

The Company's products are stored in the company's logistical center, from which they are distributed to stores and to wholesale customers, with orders collected through the private stores and supermarkets' sales representatives and through a computerized system from the label shops and from department stores. The Caesarea's logistic center employs 115 employees, of which an average of 25 are employed through subcontractors.

19.3.2. Schiesser

The Schiesser distribution center is located in Radolfzell in Germany, where most of the finished goods of the segment are stored. The logistical center employs 115 employees.

20. **Order Backlog in Delta Israel and Schiesser Segments**

20.1. Delta Israel

The Company has no material accumulated orders for the sale of products to wholesale customers and sales to customers through the retail chain stores.

20.2. Schiesser

The Schiesser segment operates using two selling methods: ad hoc orders referring mainly to fashion product orders; and replenishment orders referring mainly to basic (core products) products. Due to this engagement method, the segment accumulated orders referring to a relative small portion and therefore it does not fully indicate the scope of orders in practice.

The following is a breakdown of the Company's accumulated orders in the Schiesser segment , referring mainly to orders of fashion products for retail customers in the coming quarters in which recognition of revenues is expected (in millions of dollars):

	Accumulated Orders as of February 10 2016	Accumulated Orders as of December 31 2015
First quarter	14.3	24.4
Second quarter	5.6	4.8
Third quarter	13.1	0.1
Fourth quarter	1.7	
Total	34.7	29.3

21. **Segment Competition**

21.1. Delta Israel

Fierce competition exists in the Israeli undergarment category between branded chains and private retailers. According to the Company's estimations, in recent years, national chains have strengthened at the expense of local retail shops such as Jack Cuba, Aphrodite, Intima and Castor as well as the introduction of international chains to Israel, such as Aerie (American Eagle), H&M and Etam. Additional Company competitors in the undergarment category in the regulated market are Triumph, Go-Under, Hamashbir Latzarchan, H&O and Srigamish.

The children's wear category is also characterized by fierce competition and by multiple competitors, such as Golf, Fox Kids, GAP, H&M, Shilav, Zara, Carter's, Mango, Castro and others. In addition, Israel has hundreds of shops marketing undergarments and socks.

To the best of the Company's knowledge, and based on its internal evaluations, the market it addresses in Israel in the undergarments and children's fashion categories reaches $1.5 billion a year. The Company estimates that its market share in the undergarment category ranges between 10% and 20% and in the children's fashion category at 5%.

This competition compels the Company to set competitive prices and invest a great deal of money in marketing, advertising and sales.

21.2. Schiesser

Schiesser's main segment is in the undergarment market, in which Schiesser faces various competitors active in the industry. The chief competitors in the various male, female and child labels are Hugo Boss, Mey, Triumph, Calida, Sanetta, Hunkemöller, Esprit, H&M and house labels of department stores and purchase groups. Most of the competitors are active both in the retail and wholesale markets.

To the best of the Company's knowledge, and based on market surveys conducted in Germany, the branded market it addresses in the male, female and children category (without brassieres) is estimated at $0.9-$1 billion a year. According to the Company's estimates, its share of the market ranges between 7% and 30% in the various categories.

In order to face the competition, the Company is expanding the retail chain in its possession, as detailed in 17.2.2 above.

22. **Segment Competition: Delta Israel and Schiesser**

22.1. Delta Israel

Most of the products in the Delta Israel segment are manufactured by suppliers located Far East and the Company estimates that there are no manufacturing capability restrictions in this segment.

22.2. Schiesser

55% of the products sold by Schiesser are manufactured in companies in its possession, in the Czech Republic and in Slovakia, and the remaining products are purchased from various Asian sources. The Company estimates that nothing is restricting it from increasing its production capabilities in its factories.

23. Segment Intangible Assets

23.1. Delta Israel

The Company owns the following labels: Delta, Yodfat, Matchtonim and other which are listed in the Israeli trademarks registry. These labels have no cost in the Company's books.

In addition, the Company signed license agreements to receive use of the NICI, Disney, Keds, Nike, Wilson and other segment, which it uses in the undergarments, socks and children categories.

The concession agreements are generally for a period of 1-2 years and include the payment of royalties to the party granting the concession of between 4% and 12% of sales. As a result of the relative short agreements period, the balance of the amortized cost of the license agreements in question is not material.

The Company estimates that the labels and license agreements are particularly important for the segment and they constitute a material success factor and entrance barriers for operation in the field. In addition, the Company estimates that the labels and license agreements provide a relative advantage that helps differentiate the Company.

None of the license granted the Company is material to its operation.

23.2. Schiesser

Schiesser holds intellectual property rights to the Schiesser, Schiesser Revival and Uncover labels as well as the Pleas label in the Czech market. However, Schiesser does not own the rights to the Schiesser label in China, Hong Kong, Taiwan and Macau, as these rights were sold to a local company marketing in this segment .

The balance of the Schiesser brand in the Company's books amounts to $21 million as of December 31 2015.

The brand's life span is not defined and is tested each year for impairment (see Note 2f in Part C of this periodic report). The importance of the Schiesser brands is material to this segment and constitutes a significant success factor and an entrance barrier to the operation in the field. Furthermore, the Company estimates that the brand creates and preserves the Company's business distinction.

In addition, the Group holds a license for the Seidensticker brand, and licenses serving as beneficiaries for the Schiesser children's label programs, such as Lilifree, Capt'n Sharky, Rebella and NICI.

The concession agreements in the Schiesser segment of operation, are for short periods and do not include a minimum royalties obligation.

23.3. In 2015 royalties expenses at Delta Israel and Schiesser amounted to $2.3 million, compared to $2.4 and $2.5 million in 2014 and 2013, respectively.

24. Segment Raw Materials and Suppliers

As noted above, 55% of Schiesser's sales are manufactured itself. The raw materials and accessories serving production are purchased from subcontractors and suppliers (similar to the details presented in 14.1 above).

25. Segment Working Capital

25.1. Delta Israel

The following are details regarding the average inventory used by the segment and inventory days in 2015 and 2014 in the division's operating currency:

	Year 2015	Year 2014
Average Inventory (Millions of NIS)	119.3	111.8
Inventory Days (Average)	194	206

The increase in average inventory in 2015 vs. 2014 derives from the expansion of the retail chain and the scope of operation, including FIX operation, as well as from the expansion of the products collection and the purchase of inventory in connection with the concession agreement signed with Puma at the end of the year.

The decrease in inventory days in 2015 compared to 2014 derived from an improvement in inventory management.

For information regarding working capital see Section 33 below.33

25.2. Schiesser

The following are details regarding the average inventory used by the segment and inventory days in 2015 and 2014 in the division's operating currency:

	Year 2015	Year 2014
Average Inventory (Millions of Euros)	**45.8**	**40.1**
Inventory Days (Average)	**201**	**201**

The increase in average inventory in 2015 vs. 2014 derives from the expansion of operation and the retail chain as well as the launching of products under the Lacoste and Marc O'Polo labels.

For information regarding working capital see Section 33 below.33

26. **Restrictions and Regulations Governing the Corporate Operations**

26.1. Delta Israel

Company's Operation in Israel is subject to general law on matters of imports; quotas; consumer protection (including the Consumer Protection Regulations (Transaction Cancellation), 2010); product marking; labor and licensing laws (inasmuch as this pertains to operating Company stores); the Packaging Treatment Arrangement Law; and the Equal Rights for People with Disabilities Regulations (Accessibility Adaptations to Service), regarding which the Company is preparing to apply the regulations, in accordance with their incidence provisions.

Furthermore, all of the Company's products are covered by legal restrictions regarding price and component marking and laundry instructions in accordance with the Consumer goods and Services Supervision Law, 1957 and resulting ordinances, and in accordance with the Consumer Protection Law, 1981 and resulting ordinances.

The Company is complying with all of the legal requirements in question and holds the appropriate licenses (inasmuch as these are needed).

26.2. Schiesser

26.2.1. As a large portion of its business operation is carried out in Germany, Schiesser is mainly influenced by the German legal and taxation environment, including in the matter of corporations, antitrust law, product liability, product marking, prohibition of unfair business operation, trademarks and consumer protection. EU laws also apply to Schiesser's organizational and business operation.

26.2.2. Since Schiesser purchases approximately half of its products from non-European countries, its operations are affected materially by the foreign trade and customs regulations. All import and export within the European economy are basically exempt of tax. Schiesser is also governed by any anti-dumping measures which the EU may impose under own laws.

26.2.3. The laws applying to the product also include criminal regulations that prevent, among other things, the use of certain chemical materials, for instance, in the case of textile dyeing.

The Company is in compliance with all of the legal requirements in question and holds the required appropriate licenses.

Part D – Additional Information at the Corporate Level

The following is additional information at the corporate level, related to all of the Company's segments of operation:

27. **General Segment Information**

27.1. Technological Changes that May have a Material Impact on the Company

The Company keeps regular track of technological developments as relevant to its segments of operation and applies these technologies, to the extent possible, to its production processes. Technological developments pertaining to the threads from which the fabric is woven affect operations indirectly since they allow the manufacture of innovative finished products such as those which allow more comfortable movement, high levels of ventilation and other such benefits. Such technological developments in the field of threads allow for manufacture of advanced textile products, secure them a distinct competitive edge and help reduce customers' pressure to lower the prices.

27.2. Changes to the Array of Suppliers and Raw Materials

In recent years there were no material changes in the array of suppliers from which the Company purchases the raw materials used to manufacture its products, and in any event the Company can purchase the raw materials and manufacture all of its products at a large number of other suppliers and subcontractors in Far East with no significant increase in manufacturing costs.

The Company is constantly searching for new suppliers, evaluating existing suppliers and performing quality inspections.

28. **Company's Products**

28.1. Ladies Intimate Apparel

The Company manufactures basic and designer undergarments for women, including panties, brassieres, nightwear and seamless garments such as shapewear and activewear.

28.2. Men's Undergarments

The Company manufactures basic and designer undergarments for men.

28.3. Socks

The Company manufactures a variety of socks for men, women and children in formal, sportive and day-to-day styles, some of which feature prints of familiar cartoon characters as well as prints of other images the Company is licensed to use.

28.4. Children's wear

The Company manufactures a variety of children's clothing in sportive and day-to-day styles, some of which feature prints of familiar cartoon characters as well as prints of other images the Company is licensed to use.

29. **Seasonality**

The Company's revenues are characterized by fluctuations that derive, *inter alia*, from periodic consumer purchases. The Company's revenues in the second half of the year generally exceed its revenues in the first half due to increased consumer purchases in the "back to school" period and during the holiday period.

29.1. The following are the Group's sales by quarter in the past three years in thousands of dollars:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2015 sales - USD	252,838	255,537	284,556	287,056	1,079,987
2015 sales - %	23.4%	23.7%	26.3%	26.6%	100%
2014 sales - USD	238,074	249,152	267,237	277,398	1,031,861
2014 sales - %	23.1%	24.1%	25.9%	26.9%	100%
2013 sales - USD	227,255	234,368	257,199	255,897	974,719
2013 sales - %	23.3%	24.0%	26.4%	26.3%	100%

30. **Fixed Assets, Real Estate and Facilities**

30.1. Real Estate and Facilities

The Company has manufacturing facilities in Israel, Jordan, Egypt, Bulgaria, Thailand, the Czech Republic, Turkey and Slovakia.

As of this periodic report, the Company owns several real estate properties in Israel. Furthermore, the Company rents additional properties in Israel serving as warehouses, offices and shops. The rental agreements for the properties, including option periods for their extension, end between 2016 and 2033. The Company believes that it will be capable of renewing these rental agreements under terms not inferior to those in effect today.

The Company rents offices in London. This rental period is expected to expire in 2017.

The Company rents manufacturing and storage facilities in Egypt. This rental period is expected to expire in 2020.

The Company's joint Jordanian venture is located in Irbid and includes a number of sewing facilities and warehouses, rented by the Company.

The Company rents warehouses and offices in the U.S., Europe and China. These rental periods in these agreements are expected to expire between 2016 and 2033. The Company believes that it will be capable of renewing these rental agreements under terms not inferior to those in effect today.

The above information pertaining to the Company's estimates regarding the extension of its rental agreements constitutes forward-looking information as defined in the Securities Law. No certainty may be attached to the Company's estimate, this, *inter alia*, due to it being based on information existing as of this Periodic Report and its realization is dependent on factors external to the Company such as market conditions, agreements with landlords and more.

The Company owns additional facilities in Bulgaria, the U.S., Thailand, Czech Republic, Turkey and Germany. Company management believes that these facilities are in good operational condition, are properly maintained, and their segment is appropriate to the Company's current level of operation. In addition, the Company believes that its operation and facilities are in compliance with current government standards pertaining to safety, health and environmental issues. As a rule, the Company has complied with these rules without said compliance having any material impact on the Company's expenses, profitability or competitive ability.

The Company owns a logistical center in Hungary, which has been cleared and is intended for sale but due to the low probability of its realization was included under fixed assets and not in current assets, under assets available for sale.

30.2. Real Estate Assets Held for Sale

As of this report date, real estate properties held for sale include two properties in Israel which their historic cost amounts to $1.0 million.

30.3. The following table concentrates material real estate properties owned by the Company or rented by it as of this periodic report:

Country	Town	Area in Square meters	Main Use	Rented/Owned	Amortized Cost in the Financial Statements. As of December 31 2015 In Millions of Dollars	Yearly rental fees (in 2015) In Millions of Dollars
Israel	Carmiel	14,014 – structure 20,000 land	Fabric development and dyeing, knitting operation and warehouses	Owned	4.3	
		7,500	Offices and development knitting workshop	Rented		0.3
		2,500 buildings 4,700 land	Intended for sale, one rented to 3rd party	Leased from the state	1.0	
	Cesarea	9,440	Logistical center	Rented	3.0	0.8
		4,750	Offices	Rented	7.6	0.7
	Rosh Ha'ayin	1,450	Offices [(1)]	Rented	*	0.2
	Chain with 142 shops**	20,000	Delta stores –national retail chain	Rented	7.2	8.8
UK	London	1,400	Offices	Rental – part rented to 3rd party		0.3
Jordan	Irbid	5,330	Sewing workshops and warehouses	Rented	0.1	*
Egypt	Cairo	35,300	Knitting, cutting and sewing plant, offices and warehouses	Rented	3.1	0.4
	Khanka City - Qalyubia Governate	4,000	Dyeing plant	Owned	2.0	
Turkey	Duzce	9,400	Sock manufacturing plant	Rented	0.3	0.3
Vietnam	Phuong Thao	43,700	Factory under	Owned	1.5	

Country	Town	Area in Square meters	Main Use	Rented/Owned	Amortized Cost in the Financial Statements. As of December 31 2015 In Millions of Dollars	Yearly rental fees (in 2015) In Millions of Dollars
			construction			
U.S.A.	New Jersey	2,000	Offices	Rented	1.2	0.4
	New York	4,400	Offices	Rented	6.4	2.0
	Williamsport, Pennsylvania	22,480	Warehouse, logistic center and offices	Owned	1.3	
	Tifton, Georgia	46,000	Warehouse, logistical center and offices	Owned	3.3	
Hungary	Tizalok	12,000	Logistical center. Not in use and intended for sale	Owned	1.9	
Bulgaria	Rousse	8,640	Sock manufacturing plant	Owned and rental	1.8	0.1
Thailand	Ayutaya	1,700	Cutting and sewing plant	Owned	0.8	
Czech Republic	Havirska	148,000	Knitting, cutting and sowing plant, warehouses and offices	Owned	7.8	
Slovakia	Slovakia	28,700	Sewing workshop	Owned	1.9	
Germany	Radolfzell	64,000	Warehouse, logistical center and offices	Owned and rental	0.6	1.1
		4,540	Investment property	Owned	3.6	
	Chain including 92 self-managed stores	35,330	Retail chain	Rented	3.3	6.8
Western Europe	Belgium, the Netherlands, Switzerland, Denmark	8,900	Stores and offices	Rented and owned	1.0	1.8

(1) Wil be emptied over the course of Q1 2016.

* Under $100,000.

** Not including stores operated by concessionaires, not rented by the Company.

30.4. Equipment

The Company operates equipment and machinery in its possession in its various plants and it estimates that there are no restrictions influencing the scope of production using them.

31. **Research and Development**

The Company has a number of creative teams featuring a design team, fashion, textile and graphic designers, knitting, finishing and dyeing technologists, and product designers. These teams keep up to date on global market trends and relevant technological innovations.

The Company's development and design teams mainly reside in Israel, Germany and the U.S.

Design and development work is carried out using SIP – Systematic Innovation Process. This method is designed for innovative thinking intended to bring about groundbreaking products for Company Customers, which emphasize and maintain the Company's added value and competitive edge.

The process includes integrated work by all disciplines – design, marketing, development and technology, from the search and research stage, through development and design to presentation to the end customer and reaching conclusions.

In addition, the Company creates "cross-Company" projects employing the same method, placing emphasis on creative thinking, designed to bring about breakthroughs for markets in the Company's product categories.

The work of the development and design teams is integrated with the work of the Company's sales and marketing systems.

In addition, the Company operates in a special fabric development center, which constitutes added value in the product development core; a sock development center, which places and emphasis on specializing in professional sports socks (Performance); and a seamless development center, specializing in shapewear and activewear for men and women. The Company also operates a strategic development center for socks and seamless sewing products in conjunction with Nike, at the client's U.S. site.

Development and Design costs amounted to $37 and $36 million in 2015 and 2014, respectively.

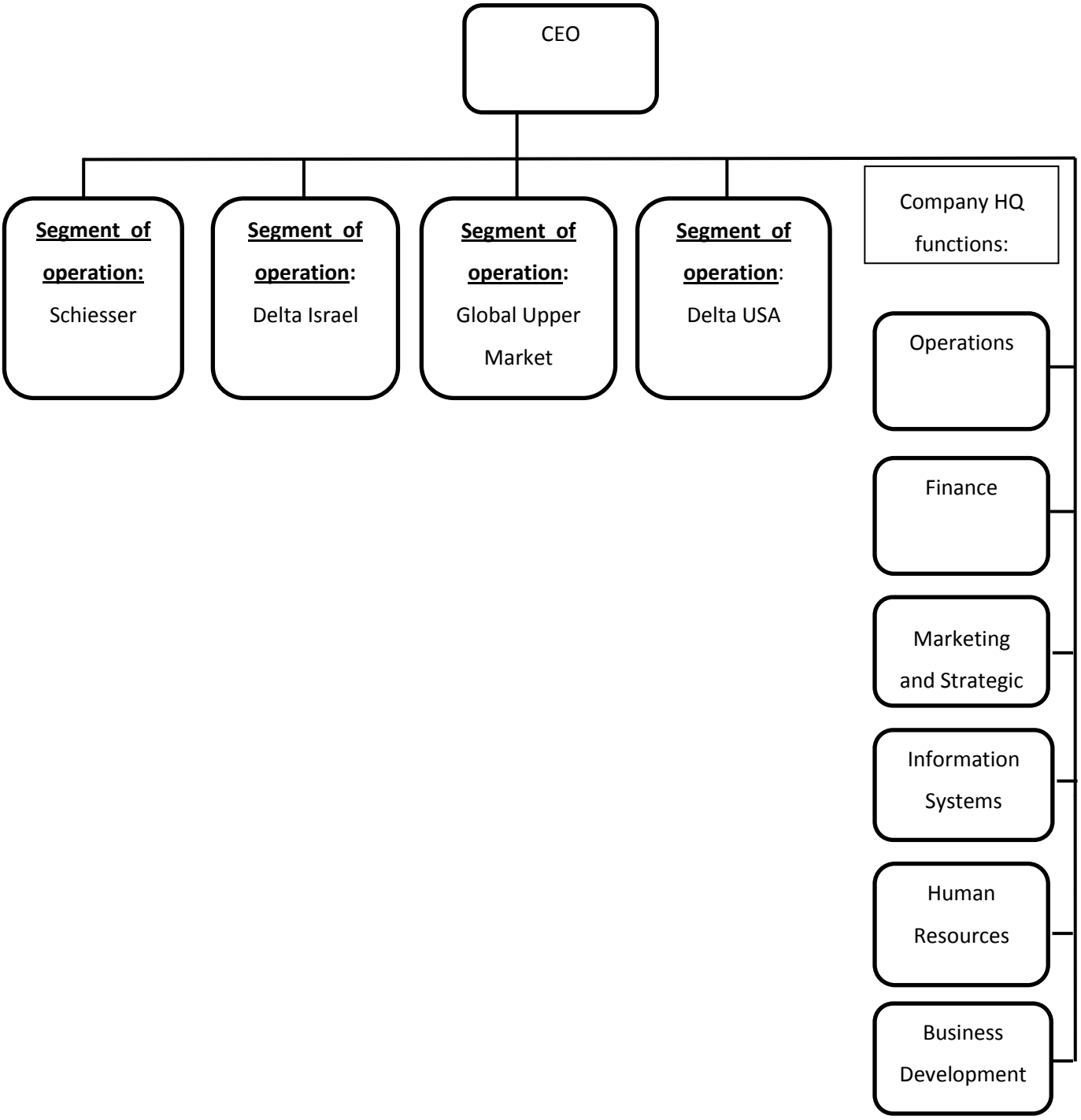
Design and development costs in 2016 are expected to amount to $38 million, constituting 3.5% of total sales[1].

[1] The above is an estimate and forward-looking information, which may or may not materialize or may differ from Company estimates and forecasts, due to circumstances outside of the Company's control, and due to being based on information available as of the report date, including Company estimates as of the report date.

32. **Human Capital**

32.1. Organizational Structure

Following is a description of Group Management's organizational structure and segments of operation:



32.2. Workforce

As of December 31th 2015, the Group employs approximately 8,750 employees.

32.3. The following is a breakdown of employees by countries and segment:

	As of December 31 2015	As of December 31 2014
Egypt (Upper Market)	2,015	2,320
Israel (Upper Market, Delta Israel and head office)	1,360	1,620
Far East– mainly Thailand (Upper Market)	980	915
Bulgaria (Upper Market)	620	595
Turkey (Upper Market)	510	-
Czech Republic (Schiesser)	715	735
Germany (Schiesser)	960	820
U.S.A.	640	580
Jordan (Upper Market)	475	430
Slovakia (Schiesser)	275	275
Others (mainly Schiesser)	200	210
Total employees	8,750	8,500

32.4. Of all employees as of December 31 2015, 5,100 employees are employed in manufacturing and 3,650 employees are employed in development, logistics, marketing, sales and administrative activities.

32.5. Workforce Material Changes

The increase in the number of employees as of December 31 2015 compared to December 2014 mainly derived from the purchase of the Turkish plant, which employs 510 employees. This increase was partially offset by a decrease in the number of employees in Egypt, due to a reduction in operation there.

32.6. Compensation Plans (Options and Restricted Share Units) for Company Employees

For details regarding the compensation plans for Company employees see Note 13b to the Financial Statements, in Chapter C of this periodic report.

32.7. Human Capital Development Plants

The Company invests in developing its human capital by holding courses and training programs with the goal of developing management in professional and in administrative positions. In addition, the Company holds various lectures for all

employees on various subjects such as thinking outside the box, personal growth and more, which encourage employees to initiate and develop, each in their own field.

32.8. Benefits and the Nature of Employment Agreements

As of December 31 2015, 1,360 of the Company's employees work in Israel. The Company's engagement with most of the employees is according to general collective work agreements for the textile and garment industry and general expansion orders applicable to them.

The workers employed by Schiesser in Germany are employed under a collective agreement signed between the Company and the Commerce Branch Committee. Employees of Schiesser subsidiaries in the Czech Republic and Slovakia are also employed under similar agreements.

The Company upholds the directives of these agreements.

The engagement in Israel with 194 employees, including senior officers and management employees, is via personal agreements.

Company's personal contracts with its Israeli employees regulate, inter alia, the following matters: monthly salaries, social benefits such as annual vacation pay, advance notices, and provisions to pension funds, executive insurance funds and education funds. Each party may terminate the contract by a prior, written notice of one to 2.5 days per month of employment and of approximately one month after the first year of employment and subsequently.

32.9. Agreements with Senior Executives and Senior Management (Except the Internal Auditor)

32.9.1. Agreements with Senior Executives (Except the Internal Auditor)

The employment agreements of senior executives include, among other things, details of the senior executives' social rights and other benefits to which the senior executive is entitled. In addition to salaries, senior executives are generally entitled to a yearly bonus of up to 50% of their yearly pay, based on goals met and according to the formula set in their employment agreement, except in cases in which a higher ceiling was set, as approved by the Company. The Company places at the senior executive's disposal a vehicle and mobile phone and bears all related costs. Senior Company executives undertake to uphold absolute

confidentiality in the matter of all issues pertaining to the Company's business, and to make no use of the confidential information even after the end of their employment at the Company. As a rule, the company or senior executive may end the senior executive's employment at the Company by providing 90 to 180 days' written notice, with the exception of exceptional cases established.

For further details on the terms of service and employment of some of the Company's officers and interested parties, see details in Additional Information Regarding the Corporation, Chapter D of this periodic report.

32.9.2. Group Executive Compensation Plan – Payment for Performance

Starting 2006, the Company has operated a remuneration plan for 370 Group executives. This plan consists of three components of the remuneration: **(a)** remuneration on the basis of personal goals achieved; **(b)** remuneration on the basis of achieving goals derived from the budget of the division in which the executive works (sales and profitability); and **(c)** remuneration on the basis of achieving goals derived from the Company's consolidated budget.

The composition of the compensation varies by the rank of the executive, and may change from one year to the next. Also, the goals are changed from one year to the next, at the beginning of every year, subject to disposition by the Company Management.

Starting 2013, 25% of the yearly remuneration of some of the senior executives for 2013-2015 is attributed to the long term and depends on meeting performance in 2015. Part of the bonus in question will be paid in accordance with compliance with goals set for early 2016. Long-term remuneration in the plan in question exists once every three years.

The rate of compensation under the plan generally ranges between 20% and 50% of the executive's annual salary, except where a higher rate was set and authorized by Company organs.

32.9.3. Executives Compensation Policy

The Company's revised compensation policy was approved by the Company's Shareholders General Meeting on January 20 2016. For details see an immediate report from December 16 2015 and the report

regarding the meeting results from January 20 2016 (Ref. no. 2015-01-181197 and 2016-01-0149259), as included herein by reference.

32.9.4. Severance Pay Liability

The Group's obligations resulting from the termination of employer-employee relations for Group employees in Israel are mostly covered by provisions to executive insurance policies, comprehensive pension funds and Company provident funds or other provident funds.

In other countries in which the Company has significant operations, which mainly consist in Thailand, Bulgaria and Egypt, the employees have no pension rights or other rights to compensation or other payments in the event of termination.

Rights for Schiesser employees in Germany and for its subsidiaries are covered by ongoing provisions.

33. **Working Capital**

The following is composition of net working capital as of December 31 2015 and 2014 on a consolidated basis, in millions of dollars:

	2015	2014
Current Assets *	326.6	310.4
Current Liabilities **	169.4	143.2
Working Capital, Net	157.2	167.2
% of Sales	14.6%	16.2%

* Including customer balances, other liabilities (after neutralizing the debit balance for the sale of real estate in Nahariya), income tax receivable and inventory.

** Including supplier balances, other payables and income tax payable.

The decrease in net working capital and in its rate of sales on December 31 2015 compared to December 31 2014 mainly derived from an increase in current liabilities, derived from an improvement in credit terms with finished product suppliers in China, which led to an increase from an average of 38 days last year to an average of 46 days in December 2015.

33.1. Raw Material Inventory Holding Policy

The chief raw materials used by the Company are cotton string, cotton blends and synthetic string and other textile components. Most raw materials are purchased by the Company parallel to receiving manufacturing orders from customers, therefore the Company does not generally hold raw material inventories for extended periods of time.

33.2. Policy of Finished goods Inventory level

The Company's sales are mostly conducted in two manners, either on the basis of specific production orders or on the basis of replenishment orders. For details see 10 above.

The Company places a great deal of emphasis on high levels of inventory maintenance, so that its ability to satisfy customer demands is not impacted.

34. **Finance**

34.1. Financial Covenants

For details regarding financial covenants connected to agreements with banks, see Note 18d to the financial statements, in part C of this periodic report.

For details regarding financial covenants included in deeds of trust for debentures (Series A, B and E), see Note 11.a.(3) to the Financial Statements, in part C of this periodic report.

34.2. The Corporation's Credit Facilities and Terms and Unused Credit Facilities as of the Report Date

For details regarding the Group's credit facilities, see Note 18d to the financial statements, in part C of this periodic report.

34.3. The Corporation's Credit Rating

For details regarding the credit rating of Company debentures, see he designated disclosure for debenture holders detailed in Section 11 of the Board of Directors' Report, in Part B of this periodic report.

34.4. The Corporation's Estimate Regarding the Need to Raise Sources of Finance

The Company finances its operations from its cash flow from current operation, from bank credit frameworks and from the proceeds from the issuance of debentures. From time to time, based on market conditions and its changing needs, the Company studies the possibility of making its various sources of finance more variable.

34.5. Bank Liabilities

34.5.1. From time to time the Company has bank liabilities mainly deriving from the need to finance working capital and investments in fixed assets. These liabilities are guaranteed by liens on assets of the Company and some of its subsidiaries.

The Company's credit facilities permit short-term loans and the receipt of documentary credit, and issuing collateral. The Company's short-term loans reach their redemption date within a period of up to one year. The redemption date of some of the loans is shorter, in order to maintain flexibility in financial management.

As of the reported date, these credit facilities are barely used.

34.5.2. In Israel, the Company has credit facilities renewable for a period of up to one year from a number of banks. The banks have current liens on the Company's assets including its stock capital and goodwill. Interest for the credit facilities is set from time to time in negotiations between the Company and each of the banks separately. The banks have entered into a "pari passu" agreement among themselves regarding the manner in which this collateral is realized.

34.6. Liabilities to Debenture Holders

For further details regarding liabilities to debenture holders and the cash flow swap agreements for debentures, see Note 11 to the Financial Statements in Part C of this report.

35. Taxation

For details regarding tax laws applicable to the Company, see Note 14 to the Financial Statements in Part C of this periodic report.

36. Goals and Business Strategy

This section, covering Company goals, strategy and expectations with regard to continued growth and expansion in the coming year, represents forward-looking information. Forward-looking information is defined as uncertain information regarding the future, based on information as available to the Company on the periodic report date and including Company estimates or intents as of the date of the periodic report considering past experience, various estimates with regard to the state of the economies where the Company operates, and dependent on a large number of external factors uncontrollable by the Company. The actual results may therefore be materially different from the results estimated or implied from this information, e.g. in the event of new or additional deterioration in the state of the economies where the Company and to the extent that relevant risk factors are realized.

36.1. Overview

Attainment of business operation growth is the Company's main strategic goal, to be attained by expanded business operations with current and new customers, offering then a broad range of products and new categories.

To attain these goals, the Company invests in innovation, research and development, streamlining of production processes and the chain of supply, and branding. The Company also considers strategic acquisitions to supplement its product lines and customer relations.

36.2. Strategic Acquisitions

To secure growth, the Company considers strategic acquisitions to supplement its product lines and customer relations, and to allow its penetration on new markets and customer operations.

In considering these acquisitions, the Company focuses on increasing the volume of its labeled operations.

Due to the size of the North American market, the Company has marked this market as a strategic target that can have a significant contribution to the Company's growth and profitability. By way of a series of acquisitions made by the Group in North America, the latest of which took place over the course of the year (P.J. Salvage), its presence has increased significantly in this market in such a manner that the scope of sales to North America leapt from a total of $47 million in 1998, which constituted 16% of the Company's sales that year to $621 million in 2015, 57% of the Company's sales.

In addition, the Company has marked the European market as having major expansion potential, and as proof it purchased Schiesser, which mainly sells to Germany and other European countries.

36.3. Customers

One of the Company's main assets is its customers. The Company places an emphasis on the level of service and innovation provided to customers and acts on several levels to develop business with them, as follows:

36.3.1. Increasing the Volume of Sales to Existing Customers

The Company is interested in increasing the volume of sales of existing products and of new products presented to existing customers. The Company believes that the broad selection of products it offers, placing an emphasis on customer service and reliability, provides the Company with a competitive advantage over its competitors, as retailers generally prefer engaging a small number of suppliers. The Company intends to

continue this trend by reinforcing and expanding the Company's relationship with its customers.

36.3.2. Maintaining Relationships with Company Customers

The Company's presence in the U.S. and in Europe allows the Company's design team to advise Company management on marketing and sales in Europe and the U.S. Despite the fact that a large portion of the Company's products are sold under its customers' private brand names, the Company's development and design experts cooperate closely with the Company's customers in designing and developing products. The development and design teams prepare presentations for customers that include, among other things, an analysis of successes and failures from previous seasons, and develop, along with customers, the basic idea, the product and the packaging, all in accordance with the customers' needs. The Company believes that the comprehensive package of services it offers its customers is a significant factor in the steadfastness of relations with it.

36.3.3. Developing Relations with New Customers

The Company develops relations with new customers who demand high quality products to sell under their private labels, and are capable of making large-scale orders, as well as display significant growth potential and demand the high level of service offered by the Company.

36.3.4. Innovation and Investment in Research and Development

The Company invests extensive resources in the development and design of its products in order to present its customers with groundbreaking products, to allow penetration of new categories and to preserve its competitive advantage.

36.3.5. Streamlining Production Processes and the Chain of Supply

The Company is constantly working to streamline its production processes, by continuing to transfer manufacturing processes requiring significant manpower to countries offering a cheap workforce, and by continued automation of manufacturing processes and presenting new technologies.

The Company invests in the development of its chain of supply while recognizing its importance in guaranteeing high standards of service to its customers.

36.4. Branding

The importance of branding is constantly increasing and plays a major role in the end customer's (the consumer's) decision whether or not to purchase a product. Every brand represents a message generating an emotional connection to the product on the part of the consumer. Having operated as a manufacturer for private labels, the Company now inverts in the development of own labeled operations both by making acquisitions as above and by strengthening the labels it owns.

In addition, the Company enters into license agreements to market men's and women's undergarments, socks and activewear under leading brands names (see 1.2 above). Accordingly, the Company intends to continue to act to acquire licenses for marketing under additional brand names, this strengthening its position with the end customer (the consumer).

36.5. Strengthening and Expansion of Labeled Retail Operations

The Company aims to reinforce the branded retail operation , whether by expanding existing Delta Israel and Schiesser or by making new strategic purchases in order to strengthen its competitive positioning.

37. **Projected Developments in the Coming Year**

Provided hereunder is forward-looking information, which is uncertain information regarding the future, based on information as available to the Company on the periodic report date and including Company estimates or intents as of the date of the periodic report considering past experience and various estimates with regard to developments as expected in the economies where the Company operates and in own customer operations. Hence, there is no certainty that the projections presented herein will indeed prove correct, and the actual results may be materially different from the results estimated or implied from this information, e.g. in the event of changed market conditions, inability to reach agreement with customers or suppliers, non-realization of Company's financial assessments, or realization of relevant risk factors, and more.

37.1. The Company's Forecasts and Estimates Regarding its Business in 2016

The following is the Company's forecast for 2016, excluding the impact of non-recurring items, based on current market conditions and on an exchange rates of $1.10 per 1 EUR and 3.90 NIS per 1 USD:

The Company estimates that its total sales in 2016 will amount to $1,090 to $1,110 million US, constituting an increase of between 1% and 3% compared to $1,080.0 million in 2015.

The Company estimates that its total operating income in 2016 will amount to $78 to $82 million US, constituting an increase of between 3% and 8% compared to $75.5 million in 2015.

The Company estimates that its operating income before depreciation and amortization (EBITDA) in 2016 will amount to $99 to $103 million US, constituting an increase of between 3% and 8% compared to $95.3 million in 2015.

The Company estimates that its total net profit in 2016 will amount to $49.5 to $52.0 million US, constituting an increase of between 2% and 7% compared a net profit amounting to $48.5 million in 2015.

The Company estimates that its diluted profit per share in 2016 will amount to $1.93 to $2.02 per share US, constituting an increase of between 2% and 7% compared to $1.88 per share in 2015.

The Company estimates that the permanent tax rate that will apply to its profits in the coming year will be approximately 25% of its pre-tax profit.

37.2. Projected Material purchase of Fixed Assets .

From time to time, the Company invests in the purchase of fixed asset items, such as knitting, dyeing and sewing machine and other equipment based on requirements and needs at various production sites. In addition, the Company is investing in expanding its retail chain in Israel and Germany.

In 2016 the Company estimates that its capital investments will amount to $35 million.

38. **Financial Information Regarding Geographical Segments**

The Company does not operate according to geographical segments.

For further details on sales and asset balances see Note 5c to the Financial Statements.

39. **Discussion of Risk Factors**

The following is a description of the possible impact of the risk factors relevant to the Company's operations, in accordance with Company management's estimates. Note that the following estimates regarding the impact of the risk factor reflect the impact of the risk factor assuming the risk factor will be realized, and this shall not express an assessment or give weight to the chances of such realization.

39.1. Macro-Economic Risk Factors

39.1.1. Increased Costs of Purchasing Finished Products from East Asian Manufacturers.

The Company purchases and manufactures a significant portion of the products it sells, from subcontractors or at its factories located in Easy Asian countries. Increases in the costs of finished products and self-manufacturing costs, that may derive from an increase in raw material prices as well as a result of increased salaries and other inputs, among other things, as a result of the strengthening of local currencies vs. the USD, may erode the Company's gross profits.

39.1.2. Exchange Rate Volatility

As the Company is active in a variety of countries, it is exposed to risks deriving from changes in exchange rates of various currencies. Fluctuations in the exchange rates of various currencies may have an impact on the Company's operating results, mainly in light of the fact that the Company's sales are carried out around the world in a variety of currencies.

In order to limit the Company's exposure to fluctuations in exchange rates of the various currencies, from time to time the Company considers taking action to protect its currency exposure so that purchases and other costs will be denominated in the sales currency, including by purchasing future contracts to convert foreign currency to the USD at a pre-fixed price, and is acts to change the sales currency to the dollar.

At the same time, these hedging agreements will not protect the Company if the depreciation of these currencies against the USD continues after the end of the future contracts period. For further details, see Section 4.3 of the Board of Directors' Report, Chapter B of the Periodic Report.

39.1.3. Free Trade Agreements

The Company currently enjoys free trade agreements between Israel and the U.S., Canada, the EU and the European Free Trade Association. The trade agreements allow the Company to sell the products manufactured in Israel to the relevant countries in question, exempt of customs and import quotas. Changes to global free trade agreements may lead to changes in customs and quotas procedures in the countries constituting the Company's chief target and production countries.

Loss of the free trade advantages will cancel one of the Company's most important competitive advantages and may lead to an erosion in profitability.

39.1.4. Target Markets Economic

The economic situation in the target markets and concerns of continued recession in these markets may impact consumer habits and the volume of consumption in the segment and may lead to a reduction in the Company's sales.

39.1.5. Defense and Political Situation.

The political, economic and security status of the State of Israel and of the countries in which the Company is active, has a direct impact on the Company, the management, offices and some of the manufacturing facilities of which are located in Israel. Hostilities and/or conflicts between Israel and its Arab neighbors may have a material impact on the Company's operation, including delays to Israel's international trade operation. In addition, Israel features a reserve duty obligation, both on a yearly basis and/or during emergencies, applicable to citizens of the State of Israel and permanent residents. The Company cannot predict the full impact of this reserve duty on the Company's work force, in the event that some of the Company's workers and executives are called up to reserve duty.

In light of the Company's activities in Jordan and Egypt, the deterioration of the security situation between Israel and the Arab states in general and with Jordan and Egypt in particular, as well as the deterioration of the internal political conditions in Egypt, Jordan and Turkey, may impact the Company's activities and production capabilities in these countries.

Operation in Egypt is responsible for supplying 4% of the Company's sales in 2015. A worsening of the political, economic and social instability in that country may impact the Company's operation. Products sewed in Jordan constitute 2% of the Company's sales in 2015, with these products largely manufactured in Israel, with only the sewing and finishing taking place in Jordan. Of the Company's 2015 sales, some 3% derived from sales of merchandise manufactured in Turkey through the joint venture the Company is a party to owned by the Company as well as through subcontractors. In the event that the relations between the countries worsen, this may have a negative impact on the Company.

39.2. Industry Risk Factors

39.2.1. Competition

The Company might be incapable of dealing with competition on behalf of different manufacturers with economic, geographic and other advantages over the Company. The Company is in direct competition with a number of garment manufacturers who enjoy reduced manufacturing costs due to economy of scale, cheaper work force, geographic proximity to consumers and suppliers and who have larger economic and marketing resources at their disposal. Increasing competition on behalf of the competitors may lead to pressure to reduce prices or loss of market shares, and thus have a negative impact on the Company's revenues and profitability. No certainty exists that the Company will successfully handle competition with existing or new competitors.

39.2.2. Seasonality

As a result of seasonal fluctuations, the results of the Company's operations on a quarterly basis might not reflect the Company's future performance. In light of seasonal consumer purchases, the Company's revenues underwent fluctuations in its yearly and quarterly operating results in certain years, in such a manner that the Company's revenues in the last two quarters of certain years exceeded the Company's revenues in the first two quarters thanks to holiday and back-to-school purchases. In light of this inconsistency, the results of the Company's operation on a quarterly basis might not reflect the Company's future performance. The

above inconsistency may make it harder for investors to properly estimate the Company's future performance.

39.2.3. Changes in Fashion Preferences

The garment industry is subject to changes in fashion preferences and consumer fashion trends. The Company's sales rates may decrease if the Company or its customers err in evaluating current fashion. The Company's success is partially dependent on its ability to design and produce products its customers like and which withstand changes in fashion trends. The Company may fail in its attempt to predict fashion trends. In the event that the Company, or its customers, err in evaluating fashion trends, product orders from Company customers may decrease, which may have a negative impact on the Company.

39.2.4. Changes in Raw Material Costs and Shipping Prices

The Company has no control of changes in the prices of raw materials it uses or changes in shipping prices. Increases in costs of raw materials or shipping may harm the Company's profitability. The majority of raw materials used by the Company for the manufacture of its products are cotton strings, Lycra, nylon strings and rubber. The Company's financial results are to a large degree dependent on the cost and availability of raw materials. Raw material prices, as well as shipping prices, are unstable, in light of variable supply and demand conditions and in light of other market factors over which the Company has no control. The Company might not be able to pass on the increase in costs in question to its customers. This situation may have a negative impact on the Company and on its economic status.

39.2.5. Regulatory Developments

As the Company is active in the international market, it is exposed to changes in foreign laws, export restrictions, protective tariffs, trade blocks, changes in tax laws, difficulties in hiring appropriate personnel and management of international operations, social, political and economic changes as well as other risks inherent to international business operation, any of which may have a significant impact on the Company's financial results. Any of the above factors may have a negative impact on the Company's ability to provide or receive merchandise under

competitive conditions and according to worthwhile timetables and may have a negative impact on its operating results.

39.3. Risk Factors Unique to the Company

39.3.1. Dependence on Large Customers

A substantial part of the Company's revenues is derived from sales to large customers. A reduction in orders from these customers may have a material negative impact on the Company's revenues. The Company's agreements with its customers, including with the customers detailed in this report, are short-term agreements and do not include minimum purchase requirements. Company customers may decide not to purchase Company products in the future at the same amount or under the same conditions as in the past. Any decrease in purchases on behalf of these customers, or of any material customer, may have a negative impact on the Company's economic results.

39.3.2. Completion of Integration Proceedings with Subsidiaries

In recent years, the Group has purchase a number of companies, integration with which has not been completed and which claim administrative resources. In July 2012 the Company purchase Schiesser. The possibility exists that the Company will not successfully complete the integration proceedings. The Company is continuing with the integration process with the aim of merging and combining the facilities, the IT systems and the personnel of the purchased companies into the Company. For the purpose of this integration, the Company diverts a great deal of the time inputs of its senior management from their day-to-day activities, and as a result a significant work load is created for the Company's management team. Completion of the integration process may be negatively influenced by economic conditions, by failure to integrate economic and operational systems, by reactions from competitors or customers or by regulatory developments, insomuch as such exist. The Company's inability to successfully complete integration may have a negative impact on the Company.

39.3.3. Direct Engagement by Retailers with East Asian Manufacturers

In recent years, a number of retail chains have been trying to circumvent companies designing and developing undergarment labels and enter into

direct relationships with factories so that they manufacture products for them. The Company believes that this phenomenon largely occurs with basic products intended for the general market, where the design element is less significant. The Company's sales may be impacted in the event that this phenomenon becomes more common.

39.3.4. Reduction in the Market Share of Company Customers

The Company's sales may be impacted in the event that Company customers are unsuccessful in competing in the competitive markets in which they are active. If a central customer's sales have decreased for some reason, whether or not it has any connection to the Company and its products, the Company's sales to such a customer may also drop.

39.4. The following table shows the Company's estimation of the extent of own impact by the risk factors detailed above:

	Degree of Impact of Risk Factor on the Company		
	Major Impact	Medium Impact	Minor Impact
Macroeconomic Risks			
Increased Costs of Purchasing Finished Products from East Asian Manufacturers.	X		
Exchange Rate Volatility		X	
Free Trade Agreements		X	
Economic Situation in Target Markets	X		
Security and Political Situation.	X		
Industry Risk Factors			
Competition	X		
Seasonal Factors			X
Changes in Fashion Preferences			X
Changes in Raw Material Costs and Shipping Prices	X		
Regulatory Developments			X
Risk Factors Unique to the Company			
Dependence on Major Customers	X		
Completion of Integration Proceedings with Subsidiaries			X
Direct Engagement by Retailers with East Asian Manufacturers	X		
Reduction in the Market Share of Company Customers		X	

Delta Galil Industries Ltd.

Part B

Report of the Board of Directors on the State of the Corporation's Affairs

As of December 31, 2015

Report of the Board of Directors on the State of the Corporation's Affairs

We hereby present to you the report of the Board of Directors of DELTA GALIL Industries Ltd. (hereinafter: "**the Company**" or "**Delta**") in reference to the Consolidated Financial Statements of the Company and its subsidiaries in Israel and overseas (hereinafter: "**the Group**") for the year ending December 31, 2015 in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. The Board of Directors' Report is an inseparable part of the Periodic Report, and the Periodic Reports as a whole must be read as a single unit.

1. Summary Description of the Corporation and its Business Environment

1.1. General

The Company is engaged in the design, development, production, marketing and sales of underwear, socks, child's wear, leisure wear and active wear.

The Group's customers include leading retail chains such as Wal-Mart, Marmaxx, Target, Victoria's Secret, Odlo, Marks & Spencer, Primark, Ross Stores, Macy's, Kohl's, Hema, Lane Bryant, Nordstrom, Karstadt, Kaufhof as well as leading labels that include Nike, Calvin Klein, Maidenform, Tommy Hilfiger, Spanx, Under Armour, Triumph, J.C. Penney and more.

In addition, the Group sells its products under labels for which it has received a concession, which include Maidenform, Converse, Wilson, Avia, Tommy Hilfiger, Kenneth Cole, Columbia, Original Penguin, Lacoste and more as well as under labels it owns, such as P.J. Salvage, KN Karen Neuburger and Little Miss Matched.

In Israel the Company is active in the retail market through its Delta shops as well as in the wholesale field. The Company sells its products under labels it has received a franchise for, including Disney, NICI, Keds, Nike and Power Rangers as well as under labels it owns, which include Matchtonim, Yodfat, Comfort, Punch, Touch and Delta.

In Germany and in Western Europe the Company sells, through Schiesser, its products under the labels Schiesser, Schiesser Revival and Uncover, which it owns,

as well as under labels for which it has received a franchise, such as Seidensticker, Lacoste and Marc O'Polo.

In Germany and in Western Europe (primarily in the Benelux countries), Schiesser is active in the retail field through the Schiesser chain of shops as well as in the wholesale field.

The Company designs and develops its products primarily in Israel, in Germany and the US whereas production is mostly done via subcontractors and in its facilities in the Middle East, Eastern Europe and in East Asia.

1.2. Material Events in the Corporation's Activities During and After the Reported Period

1.2.1. Changes in Company Management

During the first quarter of 2015 Mr. Maurice Reznik was appointed President of Delta U.S.A. Furthermore, Mr. Steve Klein concluded his service as CEO of Burlen.

In July 2015, the Company announced the appointment of Mr. Yossi Hajaj as Deputy CEO and COO and the appointment of Mr. Jacob Heen as CFO, starting October 2015. Furthermore, on the same date the Company announced the appointment of Mr. Miki Laxer as V.P. Finance and Company Secretary and the appointment of Mr. Yaniv Benedek as Company Controller.

For further details regarding the appointments see immediate reports from July 28, 2015 (ref. no: 2015-01-084171, 2015-01-084174, 2015-01-084177, 2015-01-084183, 2015-01-084186 and 2015-01-084192) and immediate reports from October 19, 2015 (ref. no. 2015-01-137373, 2015-01-137370 and 2015-01-137388), as included herein by reference.

1.2.2. Dividend Distribution

For details regarding dividend distributed during 2015 see Section 4 to the Description of Corporate Business, Part A in this periodic report.

1.2.3. Declaration of Dividends Distributed Subsequent to the Balance Sheet Date

Declaration Date	Distribution amount (In Cents per Share)	Distribution amount (In Millions of Dollars)	Distribution Date	X Date
February 23 2016	13.9	3.5	March 15 2016	March 2 2016

The dividend distribution shall be according to the dollar's representative rate of exchange as published the day prior to the payment date. For further details, see the immediate report on the distribution of dividend published concurrently to this report.

1.2.4. Extension of Company Shelf Prospectus

On April 21 2015 the Company received notice from the Securities Authority that the Securities Authority had decided, by virtue of its authority as per Section 23.a.(b) of the Securities Law, 1968, and following the Company's request, to extend the period for a securities offering in accordance with the Company's shelf prospectus from May 28, 2013 (as amended on August 5, 2013) by 12 additional months, meaning to May 28, 2016 ("**The Shelf Prospectus**"). For further details, see Immediate Report from April 22, 2015 (ref. no. 2015-01-004749) as included herein by reference.

1.2.5. Midroog Rating Report

On May 18, 2015, the Company announced that Midroog Ltd. had reapproved the A1 stable outlook rating for the debentures (Series A, B, T and E) issued by the Company. For further details, see Immediate Report from May 18, 2015 (ref. no. 2015-01-021957) as included herein by reference.

1.2.6. Expansion of Debentures (Series B)

On May 24, 2015 the Company issued 159,577,000 NIS NV debentures (Series B) worth 1 NIS NV each, by expanding a traded series, according to the shelf offering report from May 21, 2015 and the shelf prospectus.

The (gross) proceeds from the debentures (Series B) issued according to the shelf offering report amounted to 156.7 million NIS (or $40.4 million).

For further details, see Immediate Reports from May 24, 2015 and May 25, 2015 (ref. no. 2015-01-026223 and 2015-01-026715, respectively) as included herein by reference.

1.2.7. Interested Parties and Senior Officers Holdings

For details regarding the holdings of interested parties and senior officers see the Company's immediate report dated January 7, 2016 (ref. no. 2016-01-006154), as included herein by reference.

For details regarding material transactions engaged in by Delta Israel shares interested parties in the past two years see Section 3 to the Description of Corporate Business, Part A to this periodic report.

1.2.8. Acquisition of Activity

On July 19, 2015 the Company announced that on July 17, 2015 an agreement had been signed between Loomwork Apparel Inc. (in this Section 1.2.8: "**the Seller**") and the Company, by itself or through its subsidiaries (in this Section 1.2.8 "**the Buyers**"), to purchase the Seller's action. As part of the purchase, the Buyers shall take upon themselves the Seller's obligations discussed within the framework of working capital. The expected sales on purchase activity in 2015 are estimated at $25 million. The Seller is an American clothing company dealing in the design, import and marketing of labeled clothing products, including sleepwear, leisure wear, underwear and accessories. The purchased activity includes the P.J. Savage label and other labels.

The transaction was completed on July 31, 2015 in return for $37.4 million.

For further details regarding the purchase see the immediate reports from July 19 2015, August 2 2015 and August 31, 2015 (ref. no. 2015-01-075279, 2015-01-086628 and 2015-01-110067, respectively), as included herein by reference.

1.2.9. Shareholders' Meeting Assembly

For details regarding the assembly of a shareholders' meeting see details in accordance with Regulation 39 in the Report on Other Details on by the Company, Part D of this periodic report.

1.2.10. Company Shares Purchase Plan

On February 23, 2016 the Company Board of Directors approved purchase plan for Company shares. For further details, see Note 20.(3) to the Financial Statements as well as the immediate report published concurrently with this periodic report.

Board of Directors' Discussion of the State of Corporate Affairs

2. Analysis of Financial Position

2.1. Balance Sheet

Presented below are changes as were mode to the Balance Sheet items, in millions of US dollars:

Section	December 31 2015	December 31 2014	Explanation for Key Changes
Cash and Cash Equivalents	167.5	167.0	The stability in cash balance as of December 31 2015 mainly derived from the cash flow from current operations and from the issuing of debentures, which was mainly offset by the purchase of P.J. Salvage activity, investments in fixed assets, dividends paid and debenture principal repayments.
Current Assets	495.9	491.2	No material change.
Non-Current Assets	302.3	242.1	The increase in the balance of non-current assets as of December 31 2015 compared to December 31 2015 mainly due to a $41.5 million increase in the balance of intangible assets mainly due to the purchase of P.J. Salvage activity on July 2015 as well as from the increase in the balance of fixed assets, as a result of the Company's investment in its factories and the movement of offices in the U.S. and in Israel. For further details, see chapter on liquidity and sources of finance, below.
Balance Sheet Total	798.2	733.3	The increase in the balance sheet total as of December 31 2015 compared to December 2014 mainly derives from an increase in non-current assets, as detailed above.
Current Liabilities	195.9	169.4	The increase in the balance of current liabilities as of December 31 2015 compared to December 31 2014 mainly derives from an increase in the balance of suppliers as a result of improvement in credit conditions as detailed in the Liquidity and Sources of Finance Chapter below, as well as a result of the purchase of P.J. Salvage activity.
Non-Current Liabilities	244.8	231.3	The increase in the balance of non-current liabilities as of December 31

			2015 compared to December 31 2014 mainly derives from the issue of debentures over the course of the year, partially offset by debenture redemptions over the course of the period, see Note 11 to the Financial Statements.
Capital	357.5	332.6	The increase in capital balance as of December 31 2015 mainly derives from the comprehensive profit derived in 2015 and from proceeds from the exercise of employee options, less dividends distributed to shareholders.

2.2. Operating Results

The following are the Group's Statements of Operations for 2015 and 2014 on a quarterly basis for 2015 and for the fourth quarter of 2014, in which certain sections are sorted differently than in the Financial Statements, in order to allow analysis and comparison with corresponding reporting periods. An adaptation of the reported net profit to the net profit before non-recurring items, is presented in 2.2.2 below:

In Thousands of Dollars, Except for Earnings per Share Data	Year		Q4	Q3	Q2	Q1	Q4
	2015	**2014**	**2015**	**2015**	**2015**	**2015**	**2014**
	Audited			**Unaudited**			
Sales	**1,079,987**	**1,031,861**	**287,056**	284,556	255,537	252,838	**277,398**
Cost of sales	**763,261**	**713,798**	**198,712**	201,539	183,038	179,972	**192,178**
Gross Profit	**316,726**	**318,063**	**88,344**	83,017	72,499	72,866	**85,220**
% of sales	***29.3%***	***30.8%***	***30.8%***	*29.2%*	*28.4%*	*28.8%*	***30.7%***
Selling and marketing expenses	**208,283**	**211,507**	**57,495**	51,613	49,316	49,859	**54,735**
% of sales	***19.3%***	***20.5%***	***20.0%***	*18.1%*	*19.3%*	*19.7%*	***19.7%***
General and Administrative expenses	**35,828**	**34,698**	**8,692**	9,616	8,324	9,280	**8,297**
% of sales	***3.3%***	***3.4%***	***3.0%***	*3.4%*	*3.3%*	*3.7%*	***3.0%***
Other income (expenses), net	**2,208**	**2,674**	**1,407**	66	(604)	1,423	**(29)**
Share in loss (profit) of associated companies accounted for using the equity method	**710**	**178**	**116**	199	216	179	**(146)**
Operating profit excluding non-recurring items	**75,533**	**74,354**	**23,680**	22,053	14,471	15,329	**22,305**
% of sales	***7.0%***	***7.2%***	***8.2%***	*7.7%*	*5.7%*	*6.1%*	***8.0%***
Costs associated with purchase of activity /e due diligence cost	**809**	**1,082**	**-**	*809*	-	-	**1,082**
Restructuring expenses, impairment of assets and impact of onerous contracts.	**5,747**	**182**	**5,747**	-	-	-	**-**
Operating Profit	**68,977**	**73,090**	**17,933**	21,244	14,471	15,329	**21,223**
Finance expenses, net	**16,594**	**15,806**	**4,472**	4,555	3,368	4,199	**5,054**
Income before taxes on income	**52,383**	**57,284**	**13,461**	16,689	11,103	11,130	**16,169**
Taxes on income	**8,435**	**9,853**	**1,188**	3,245	1,791	2,211	**1,639**
Net income for the period	**43,948**	**47,431**	**12,273**	13,444	9,312	8,919	**14,530**
Net income before non-recurring items, net of tax for the period, see 2.2.4.	**48,454**	**48,389**	**16,051**	14,172	9,312	8,919	**15,325**
Attribution of net income for the period:							
To Company shareholders	**43,828**	**46,760**	**12,243**	13,414	9,282	8,889	**14,500**
To non-controlling interests	**120**	**671**	**30**	30	30	30	**30**
	43,948	**47,431**	**12,273**	13,444	9,312	8,919	**14,530**
Diluted profit per share attributable to Company shareholders	**1.71**	**1.82**	**0.48**	0.52	0.36	0.35	**0.56**
Diluted profit per share before non-recurring items net of tax, attributable to Company shareholders	**1.88**	**1.86**	**0.62**	0.55	0.36	0.35	**0.60**

2.2.1. The following tables lists major data in millions of dollars:

	Fourth Quarter		Year	
	2015	2014	2015	2014
Sales	**287.1**	277.4	**1,080.0**	1,031.9
Operating profit before non-recurrent items	**23.7**	22.3	**75.5**	74.4
Operating profit	**17.9**	21.2	**69.0**	73.1
EBITDA	**29.5**	28.0	**95.3**	93.0
Net profit before non-recurring items net of tax	**16.0**	15.3	**48.5**	48.4
Net profit before non-recurring items net of tax attributed to Company shareholders	**16.0**	15.3	**48.3**	47.7
Net profit attributed to company shareholders	**12.2**	14.5	**43.8**	46.8
Cash flow from current activity	**60.3**	34.9	**70.5**	53.3

The EBITDA in Q4 of 2015 increased by 6% to $29.5 million, compared to $28.0 million in Q4 last year.

The EBITDA in 2015 increased by 3% to $95.3 million, compared to $93.0 million in 2014.

The increase in EBITDA in the reported periods compared to the same periods last year derived from an increase in sales and an improvement in operating profit in the various areas of activity and was achieved despite the devaluation in the EUR/USD exchange rate, see 2.3.3 below.

Calculating EBITDA [(1)]:

	Fourth Quarter		Year	
	2015	2014	2015	2014
Net income for the period - as reported	**12.3**	14.5	**44.0**	47.4
Taxes on income	**1.2**	1.6	**8.4**	9.9
Net financing expenses	**4.5**	5.1	**16.6**	15.8
Non-recurring items				
Costs associated with purchase of activity / due diligence	**-**	1.1	**0.8**	1.1
Restructuring expenses and impairment of assets	**5.7**		**5.7**	0.2
Depreciation and amortization	**5.8**	5.7	**19.8**	18.6
EBITDA	**29.5**	28.0	**95.3**	93.0

(1) EBITDA is a benchmark which is not in accordance with GAAP, which the Company uses to measure its results from continued operations; to the best of the Company's knowledge this is a benchmark commonly used by other companies in the Company's operating sectors. EBITDA is calculated as follows: net income plus taxes on income, net financing expenses, depreciation and amortization, and neutralizing non-recurring items.

2.2.2. The following is the adjustment between net profit reported for the period and net profit before non-recurring items net of tax, in thousands of USD:

	Fourth Quarter		Year	
	2015	2014	2015	2014
Net profit for the period - as reported	**12,273**	14,530	**43,948**	47,431
Plus:				
Company purchasing examination expenses	**-**	1,082	**809**	1,082
Restructuring expenses, impairment of assets and impact of onerous contract, see 2.3.1 below	**5,747**	**-**	**5,747**	182
Less:				
Tax adjustments due to non-recurring items	**(1,969)**	(287)	**(2,050)**	(306)
Net profit for the period before non-recurring items net of tax	**16,051**	15,325	**48,454**	48,389

2.3. Analysis of Operating Results (as Shown in Table 2.2 Above)

2.3.1. Overview

The Group's **sales** in Q4 2015 amounted to $287.1 million, compared $277.4 million in Q4 2014, a 3% increase, reflecting stability in organic terms.

The Group's sales in original currency terms increased by 8% in Q4 2015, reflecting an organic growth rate of 5% in original currency terms compared to Q4 last year.

Sales increased by 5% in 2015, and amounted to $1,080.0 million compared to $1,031.9 million in 2014.

The Group's sales in origin currency terms increased by 10% in 2015 compared to 2014, reflecting an organic growth rate of 9% in the original currency.

The following is the distribution of Company sales by geographical areas, in millions of dollars:

	Fourth Quarter						Yearly					
	% Change in Original Currency	**% Change**	**2015**	**% of total**	**2014**	**% of total**	**% Change in Original Currency**	**% Change**	**2015**	**% of total**	**2014**	**% of total**
North America	*1*	*1*	**151.6**	*53*	**149.6**	*54*	*13*	*13*	**621.4**	*57*	**550.9**	*53*
Europe (Except Germany)	*12*	*6*	**39.2**	*14*	**37.0**	*13*	*2*	*(5)*	**154.3**	*14*	**163.1**	*16*
Germany	*13*	*0*	**45.1**	*16*	**45.2**	*16*	*11*	*(7)*	**152.5**	*14*	**163.4**	*16*
Israel	*5*	*3*	**39.9**	*14*	**38.8**	*14*	*7*	*(1)*	**125.8**	*12*	**127.1**	*12*
Others		-	**11.3**	*3*	**6.8**	*3*		-	**26.0**	*3*	**27.4**	*3*
Total	*8%*	*3%*	**287.1**	*100%*	**277.4**	*100%*	*10%*	*5%*	**1,080.0**	*100%*	**1,031.9**	*100%*

North America

North American sales increased by 1% in Q4 of this year, amounting to $151.6 million, compared to $149.6 million in Q4 last year.

In organic terms (after neutralizing P.J. Salvage sales), North American sales decreased by 6% in Q4 2015 compared to Q4 last year, as a result of a decrease in sales in the Delta USA area of activity, see 2.3.3 below.

North American sales increased by 13% in 2015 amounted to $621.4 million, compared to $550.9 million in 2014, a 10% increase in organic terms.

The increase in North American sales in 2015 compared to 2014 derived from an increase in sales in the Delta U.S.A. and Global Upper Market Segment, see 2.3.3 below, as well as a result of the consolidation of P.J. Salvage results starting August this year.

Europe (Except Germany)

European sales (except Germany) increased by 6% in Q4 of this year, amounting to $39.2 million, compared to $37.0 million in Q4 last year.

Most of the Company's sales in Europe (except Germany) are made in USD, and the balance is in euros.

Sales in original currency terms increase by 12% compared to the corresponding period last year.

In 2015 European sales (except Germany) decreased by 5% and amounted to $154.3 million compared to $163.1 million in the corresponding period last year.

Sales in origin currency terms increased by 2% in 2015 compared to 2014.

The increase in sales in Europe (except Germany) in euro terms in the 2015 reported period compared to 2014 derived from an increase in sales in the Global Upper Market Segment area of activity and from Schiesser sales (outside of Germany). See section 2.3.3 below.

Germany

German sales remained almost unchanged in Q4 this year and amounted to $45.1 million, compared to $45.2 million in Q4 last year.

The Company's sales in Germany are mostly in euros.

Sales in original currency terms increase by 13% in the fourth quarter of 2015 compared to the corresponding quarter last year.

German sales decreased by 7% in 2015, and amounted to $152.5 million compared to $163.4 million in 2014.

Sales in original currency terms increase by 11% compared to 2014.

The increase in sales in euro terms in the 2015 reporting periods compared to the same periods last year derived from an increase in Schiesser sales and mainly derives from the expansion of the retail chain, an increase in sales in same stores and the successful launch of the Marc O'Polo brand, see 2.3.3 below.

Israel

Israeli sales in Q4 this year increased 3% in dollar terms and amounted to $39.9 million, compared to $38.8 million in Q4 last year. Sales in Israel are made in NIS. NIS sales increased 5% in Q4 this year, compared to Q4 last year.

Israeli sales decreased by 1% in 2015 in dollar terms, and amounted to $125.8 million compared to $127.1 million in 2014. Sales in NIS in 2015 increased in 7% vs. 2014.

The increase in NIS sales in the 2015 reporting periods compared to corresponding reporting periods last year derived from the expansion of the retail chain as well as an increase in sales in same stores, see 2.3.3 below.

Gross profit in Q4 2015 amounted to $88.3 million and constituted 30.8% of sales compared to $85.2 million Q4 of 2014, which constituted 30.7% of total sales.

The increase in gross profits in Q4 of 2015 compared to Q4 last year derived from the increase in sales and the first-time consolidation of P.J. Salvage results, partially offset by the 12% devaluation of the euro vs. the dollar compared to the same quarter last year.

Gross profits amounted to $316.7 million in 2015, and represented 29.3% of total sales compared to $318.1 million or 30.8% of total sales in 2014.

The decrease in gross profit and of its share of sales in 2015 compared to 2014 derived from the decrease of the relative share of Schiesser ad Delta Israel sales, which are characterized by a higher gross profit rate, out of total sales. A decrease in the relative portion of Schiesser and Delta Israel sales mainly derived from the translation of their operating result from UER and NIS, respectively, in exchange rates 16% and 9% lower in 2015 than in 2014.

Selling and Marketing Expenses in Q4, increased by 5% to $57.5 million, compared to $54.7 million in Q4 last year. The increase in sales and marketing expenses in Q4 2015 compared to the same quarter last year derived mainly from the expansion of Delta Israel activity and from the first-time consolidation of P.J. Salvage results.

Sales and marketing expenses decreased by 2% in 2015, and amounted to $208.3 million compared to $211.5 million in 2014.

The decrease in selling and marketing expenses in 2015 compared to 2014 derives from the translation of Schiesser and Delta Israel segments at low exchange rates (see details under gross profits section above).

The following table shows the breakdown of selling and marketing expenses for the Delta Israel and Schiesser segments, compared to the other Group operating segments, in millions of dollars:

	Fourth quarter		Year	
	2015	2014	2015	2014
Delta Israel	**16.0**	14.0	**56.3**	54.4
% of total Delta Israel sales	***40.2%***	*36.0%*	***44.8%***	*42.8%*
Schiesser	**20.5**	20.5	**72.7**	79.1
% of total Schiesser sales	***38.3%***	*38.4%*	***39.2%***	*39.2%*
Other segments	**21.0**	20.2	**79.3**	78.1
% of total sales in other segments	***10.8%***	*10.8%*	***10.3%***	*10.9%*
Total selling and marketing expenses	**57.5**	54.7	**208.3**	211.5
% of selling and marketing expenses out of total sales	***20.0%***	*19.7%*	***19.3%***	*20.5%*

The increase in selling and marketing expenses in Delta Israel in the 2015 reported periods compared to last year's reported period derives from the expansion of activity and the launch of the FIX retail chain.

The decrease in selling and marketing expenses in Schiesser in 2015 derives from a 16% devaluation of the euro vs. the dollar, compared to the average rate of exchange in 2014, for further details see 2.3.2 below.

The increase in selling expenses in other segment in the 2015 reporting periods mainly derive from the first-time consolidation of P.J. Salvage results.

General and administrative expenses (before non-recurring items) increased by 5% in Q4 of 2015 and amounted to $8.7 million, compared to $8.3 million in Q4 of 2014.

General and administrative expenses (before non-recurring items) increased by 3% in 2015 and amounted to $35.8 million, compared to $34.7 million in 2014.

The increase in general and administrative expenses in the 2015 reporting period compared to the reporting period last year mainly due to an increase in salary expenses as a result of an increase in performance-based bonuses and the allocation of restricted shares and employee options. The increase in management expenses also derived as a result of the listing of profit from doubtful debt in the corresponding reporting periods last year, as a result of old debts collection .

Other net income in Q4 of 2015 amounted to $1.4 million, mainly due to profits from currency transaction, compared to other expenses of $29,000 for losses from the revaluation of currency transactions, in the corresponding period last year.

In 2015 other net income amounted to $2.2 million and included profits from currency transactions. In 2014 other net revenues amounted to $2.7 million and included mainly profits from currency transactions to the sum of $1.5 million and capital gains from the sale of a building in Jordan to the sum of $1.0 million.

Operating income excluding non-recurring items in Q4 2015 amounted to $23.7 million, compared to $22.3 million in Q4 2014, a 6% increase.

Operating income before non-recurring items in 2015 amounted to $75.5 million, compared to $74.4 million in the corresponding period last year, a 2% increase.

The increase in operating income before non-recurring items in the reporting periods compared to corresponding reporting periods last year was achieved despite the significant devaluation of the euro vs. the USD of 12% in the fourth quarter and 16% in 2015 on average, as the following table shows:

	Impact of Euro Devaluation on Operating Profit (In Millions of Dollars)				
	Q1	**Q2**	**Q3**	**Q4**	**2015**
Average EUR/USD exchange rate – 2015	1.128	1.107	1.112	1.095	1.111
Average EUR/USD exchange rate – 2014	1.370	1.372	1.326	1.249	1.327
Erosion in %	*17.6%*	*19.3%*	*16.1%*	*12.3%*	*16.3%*
Erosion in operating profit compared to corresponding reported period last year.	(3.2)	(0.7)	(3.1)	(2.4)	(9.4)

Profit (loss) from the revaluation of currency transactions	1.4	(0.7)	0.1	1.3	2.1
Total erosion in operating profit	(1.8)	(1.4)	(3.0)	(1.1)	(7.3)

After neutralizing the EUR devaluation in question, operating income before non-recurring items in the fourth quarter and in 2015 amounted to $24.8 million and $82.8 million, respectively.

Non-recurring items:

The following table describes the non-recurring items included in the 2015 reporting period compared to 2014, in thousands of dollars:

	Fourth quarter		Year	
	2015	2014	2015	2014
Restructuring expenses, net (a)	**1,693**	-	**1,693**	182
Impairment of intangible assets (b)	**1,911**	-	**1,911**	-
Impact of Onerous contracts (b)	**1,908**	-	**1,908**	-
Impairment of fixed assets (b)	**235**	-	**235**	-
Costs associated with purchase of activity /due diligence of company (c)	**-**	1,082	**809**	1,082
	5,747	1,082	**6,556**	1,264

a. Restructuring expenses include severance pay costs due to streamlining actions performed by the Company in the Egyptian plant as well as as a result of the transfer to its Israeli offices to Caesarea.

b. As part of the Company's risk management policy, and in order to decrease the activity regarding the profitability of the Delta USA area of activity, the Company decided in the fourth quarter of the year to focus on wholesale activity and to close the retail chain it operates for the Little Miss Matched brand. Regarding this decision, costs arose for the Company to the sum of $4.0 million, including a $1.9 impairment of the brand, $0.2 million in impairment of fixed asset items in stores and a $1.9 million influence of encumbering contracts due to rental agreements in stores that will close.

c. The costs of purchasing activity in the 2015 reporting periods included professional consulting expenses and others due to the purchase of P.J. Salvage activity. In the corresponding reporting periods last year, these expenses largely consisted of expenses for the examination of non-realized transactions.

Operating profit in the fourth quarter and in 2015 amounted to $17.9 and $69.0 million, respectively; compared to $21.2 million and $73.1 million in the compared periods last year, a 16% and 6% decrease respectively. The decrease in operating income in the 2015 reporting period compared to corresponding periods last year derived from the impact of the non-recurring items described above.

Finance expenses decreased 12% in Q4 of 2015, amounting to $4.5 million – compared to $5.1 million in Q4 last year. Finance expenses increased by 5% in 2015, and amounted to $16.6 million compared to $15.8 million in 2014.

The table below presents the composition of finance expenses, in millions of dollars:

	Fourth Quarter 2015	Fourth Quarter 2014	2015	2014
Net interest and commissions expenses	**3.8**	2.5	**14.5**	11.3
Exchange rate expenses	**0.2**	1.6	**0.7**	2.6
Capitalization component of assets and liabilities	**0.5**	1.0	**1.4**	1.9
Total finance expenses	**4.5**	5.1	**16.6**	15.8

The decrease in finance expenses in Q4 of 2015 compared to Q4 last year derived from a decrease in expenses due to exchange rate differences, which was offset by an increase in finance expenses.

The increase in finance expenses in 2015 compared to 2014 derived from an increase in interest expenses as a result of the expansion of the debentures series (Series A) and the issue of Series B debentures.

Tax expenses in the fourth quarter of 2015 amounted to $1.2 million, compared $1.6 million in the corresponding period last year.

Tax expenses in 2015 amounted to $8.4 million compared to $9.9 million in 2014.

The effective tax rate in the reported year is lower than the Company's permanent tax rate, as a result of the creation of tax savings in the reported year as a result of losses and tax benefits from previous years.

Profit attributed to Company shareholders before non-recurring items in Q4 of 2015 amounted to $16.0 million, compared to $15.3 million in Q4 last year, a 5% increase.

The increase in profit attributed to the Company's shareholders before non-recurring items in Q4 of 2015 compared to Q4 last year derives from an improvement in operational profits before non-recurring items and from a decrease in finance costs and taxes.

Profit attributed to Company shareholders in Q4 of 2015 amounted to $12.2 million, compared to $14.5 million in Q4 last year.

The decrease in profit attributed to the Company's shareholders in Q4 of 2015 compared Q4 last year derives from the inclusion of non-recurring items as noted above.

Profit attributed to Company shareholders in 2015 before non-recurring items amounted to $48.3 million compared to $47.7 million in 2014, an 11% increase.

Profit attributed to Company shareholders in 2015 amounted to $43.8 million compared to $46.8 million in 2014.

The decrease in profit attributed to shareholders in the 2015 reporting periods compared to 2014 largely derived from an increase in expenses due to non-recurring items net of tax, as explained above.

2.3.2. The following is a summary of the Company's consolidated business results, divided by the four accounting segments in its Financial Statements, for the entire year and for Q4 of the 2015 and 2014, in thousands of dollars:

	Fourth Quarter Ended on December 31 (Audited)						
	(Audited)						
	Sales				Operating profit (Loss) Before Non-Recurring Items		Non-Recurring Items:
	2015	2014	% Change	% Change in Original Currency Terms	2015	2014	2015
Delta USA	122,285	123,023	(1%)	(1%)	6,762	7,254	4,054
Global Upper Market Segment	74,577	64,686	15%	17%	7,716	4,230	1,693
Schiesser	53,437	53,550	-	13%	3,991	5,687	
Delta Israel	39,847	38,804	3%	5%	5,404	5,299	
Cancellation of inter-segment sales	(3,090)	(2,665)					
Other adjustments [1]					(193)	(165)	
Total sales and operating profit before non-recurring items	287,056	277,398	3%	8%	23,680	22,305	5,747
Company purchasing examination expenses					-	1,082	
Restructuring expenses, impairment of assets and impact of onerous contracts.					5,747	-	
Total operating loss in consolidated statement					17,933	21,223	

[1] The other adjustments to operating income include expenses not attributed to operational segment.

	Year Ending December 31 (Audited)							
	Sales				Operating profit (Loss) Before Non-Recurring Items		Non-Recurring Items:	
	2015	2014	% Change	% Change in Original Currency Terms	2015	2014	2015	2014
Delta USA	491,013	448,957	9%	9%	29,961	26,946	4,054	400
Global Upper Market Segment	288,002	267,418	8%	12%	25,838	20,592	1,693	(218)
Schiesser	185,458	201,675	(8%)	10%	13,880	18,428		
Delta Israel	125,719	126,983	(1%)	7%	6,673	8,422		
Cancellations of inter-segment sales	(10,205)	(13,172)						
Other adjustments [1]					(819)	(34)		
Total sales and operating profit before non-recurring items	1,079,987	1,031,861	5%	10%	75,533	74,354	5,747	182
Costs associated with purchase of activity / due diligence costs					809	1,082		
Restructuring expenses, impairment of assets and impact of onerous contracts.					5,747	182		
Total operating loss in consolidated statement					68,977	73,090		

(1) The other adjustments to operating income item includes, in 2015, expenses not attributed to operating segment and in 2014 capital gains from the sale of a building in Jordan to the sum of $1.0 million less expenses not attributed to the segment.

2.3.3. Analysis of Business Results by Operating Segment excluding the effect of Non-Recurring Items

Delta USA Segment

Sales in Q4 2015, decreased by 1% to $122.3 million, compared to $123.0 million in Q4 last year.

The decrease in sales in Q4 of 2015 compared to Q4 last year derived resulting unusually hot weather during the winter seasons, which lead to a decrease in shoppers' movement to retail chains. This decrease in sales was mainly offset by an increase in sales as result of the consolidation of P.J. Salvage activity.

Sales increased by 9% in 2015, and amounted to $491.0 million compared to $449.0 million in 2014.

The increase in sales in 2015 compared to 2014 derived from an increase in activity with Company customers in the United States as well as a result of the first-time consolidation of P.J. Salvage activity starting August 2015.

Operating income in Q4 of 2015 amounted to $6.8 million, compared to $7.3 million in Q4 last year.

The decrease in operating income in Q4 of 2015 compared to Q4 last year derives from a decrease in sales and a change in product mixture.

Operating income in 2015 amounted to $30.0 million compared to $26.9 million in 2014.

The increase in operating income in 2015 compared to 2014 largely derived from the increase in sales and as a result of the first-time consolidation of P.J. Salvage brand activity.

During Q4 this year, the Company decided to discontinue its retail activity for the Little Miss Matched label in the United States. The expenses attributed to the closing in question amounted to $4.0 million as detailed in 2.3.1 above, and included $2.1 million in impairment of non-cash assets and $1.9 million in the impact of an encumbering contract due to rental agreements connected to shops closed.

Global Upper Market Segment

Sales in Q4 2015 amounted to $74.6 million, compared to $64.7 million in Q4 last year, a 15% increase.

Sales in 2015 amounted to $288.0 million, compared to $267.4 million in the corresponding period last year, an 8% increase.

The increase in the segment sales in 2015 compared to 2014, mainly derived from an increase in the sale of seamless products in the United States and in Europe and was achieved despite the decrease in the exchange rate of the EUR relative to the USD, which decreased European sales.

Operating income in Q4 of 2015 amounted to $7.7 million, compared to $4.2 million in Q4 last year.

Operating income in 2015 amounted to $25.8 million compared to $20.6 million in 2014.

The increase in operating income in the 2015 reporting period compared to 2014 derived from an increase in sales and improvements in factory profitability, among other things as a result of the consolidation of the results of Turkish sock factories starting October 1, 2015. The improvement in question in operating income in 2015 compared to 2014 as partially offset by the influence of devaluation in the exchange rate of the euro vs. the dollar, which amounted to $1.6 million.

The results of the segment in question do not include $1.7 million in restructuring expenses, as detailed in 2.3.1 above.

Schiesser Segment

Schiesser sales remained almost unchanged and amounted to $53.4 million in Q4 of this year, compared to $53.5 million in Q4 last year.

Euro sales in Q4 of 2015 increased by 13% and amounted to €48.8 million compared to €43.3 million in Q4 last year.

Schiesser sales in 2015 amounted to $185.5 million, compared to $201.7 million in 2014, an 8% decrease.

Schiesser sales in euro terms in 2015 amounted to €167.0 million compared to €152.2 million in 2014, a 10% increase.

The increase in Schiesser sales in the 2015 reporting periods compared to the 2014 reporting periods largely derived from the expansion of the retail chain, consisting

of 95 stores at the end of 2015 compared to 85 at the end of 2014, from the successful launch of the Marc O'Polo brand as well as from an increase in sales to retail customers, and was achieved despite stagnation in the German market in the reported year.

Following is same stores sales data in the segment in the reported period:

	Same Stores Sales increase in % stores:	Year Ended on December 31 In Thousands of Euros 2015	2014	Same Stores Sales increase in % stores:	Year Ended December 31 In Thousands of Euros 2014	2013
Sales [1]	4.4%	47,311	45,300	0.5%	39,279	39,079
Number of stores [2]		75			63	

[1] The proceeds data used for the calculation include total means of payment received at the shop registers, less VAT, as well as deducting all discounts and sales listed in the registers.

[2] The shops used to calculate redemption are shops that acted in a continuous and regular manner during the years in question and whose are or the nature of their activity had not undergone any changes.

Operating income in Q4 of 2015 amounted to $4.0 million, compared to $5.7 million in Q4 last year, and included negative impact due to the depreciation of $0.8 million. Operating income after neutralizing the impact of depreciation as noted above amounted to $4.8 million.

Operating income in 2015 amounted to $13.9 million compared to $18.4 million in 2014, and included negative impact due to the devaluation of the euro by $5.7 million. The operating income after neutralizing the above impact amounted to $19.6 million.

Delta Israel Segment

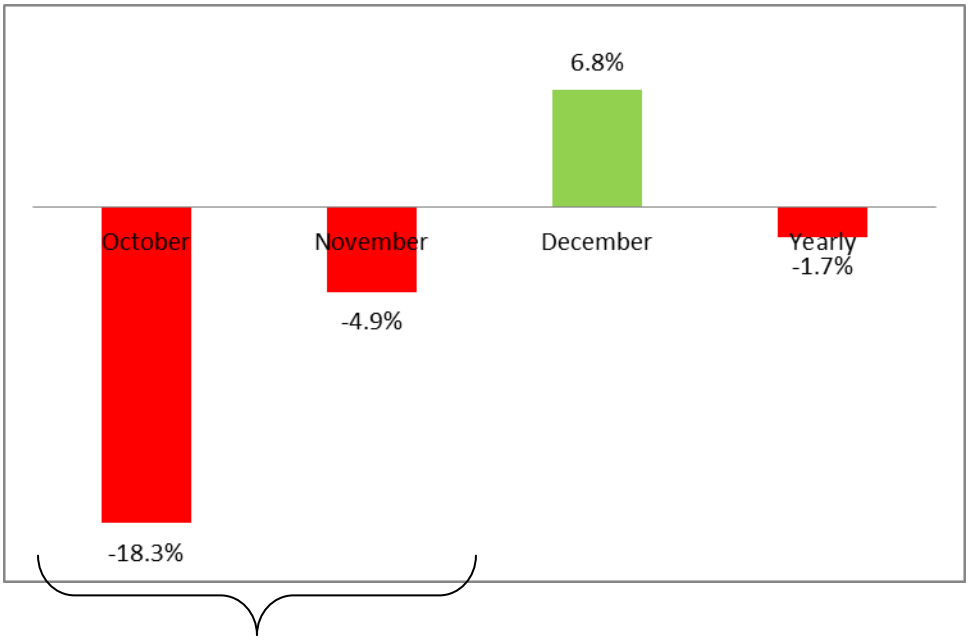
Sales in Q4 2015 amounted to $39.8 million, compared to $38.8 million in Q4 last year, a 3% increase.

Sales in NIS in Q4 5 increased 5% and amounted to 154.6 million NIS, compared to 146.4 million NIS in Q4 last year.

Sales in 2015 amounted to $125.8 million, compared to $127.0 million in 2013, a 1% decrease.

Sales in NIS in 2015 amounted to 488.9 million NIS, compared to 454.6 million NIS in the same period in 2014, a 7% increase.

The data in the following diagram presents the sales trend in same stores sales in the Israeli market on a monthly basis in Q4 of 2015 and 2015 compared with corresponding periods last year, according to RIS (Retail Information Systems) data.



(5.2%)

* RIS engages in analysis of the Israeli retail market and specializes in the provision of comparative business data to retail chains and shopping malls.

According to this data, based on 1,840 stores, including retail chains in malls and large city centers and other stores, sales in the Israeli market in Q4 of 2015 presents a 5.2$% decrease in same stores sales compared to Q4 last year, and on a yearly basis, sales in 2015 decreased by 1.7% vs. 2014.

Presented below are segment's same store sales data for the reported periods:

	Same Stores Sales increase in %:	The Year Ending December 31 In Thousands of NIS 2015	2014	Same Stores Sales increase in %:	The Year Ending December 31 In Thousands of NIS 2014	2013
Sales [1]	5.7%	274,850	259,918	5.3%	229,413	217,778
Number of stores [2]		111			97	

(1) Revenue data used for calculation include all means of payment received by the cash registers in the stores, less VAT and less all the discounts and campaigns recorded in the cash registers (including club credit points and shopping voucher discounts).

(2) The stores used in calculation of the revenues are such which had been operating continuously and regularly in the calculated years and which have shown no change to their respective areas of occupation or nature of operation.

Operating profit in Q4 of 2015 amounted to $5.4 million, compared to $5.3 million in Q4 last year.

Operating income in 2015 amounted to $6.7 million compared to $8.4 million in 2014, a 21% decrease.

The decrease in operating profit in 2015 compared to 2014 mainly due to an erosion in gross profit rates as a result of a 9% depreciation in the exchange rate of the NIS vs. the USD compared to the average rate of exchange last year and as a result of selling products at reduced prices, while using sales and increased discounts.

2.3.4. Forecast Regarding the Company's 2016 Results

For details regarding the Company's 2016 results forecast see Section 37.1 under the Corporate Business Description, Part A of this periodic report.

3. Liquidity and Financing Sources

Condensed cash flow statement, in millions of dollars:

	Q4 Ended on December 31		For the Year Ended on December 31	
	2015	2014	2015	2014
Net cash from operating activity	**60.3**	34.9	**70.5**	53.3
Net cash used in investment operations	**(7.3)**	(8.5)	**(65.8)**	(32.4)
Net cash deriving from (used in) financing operations	**(13.3)**	(6.5)	**(2.8)**	50.6
Increase in cash and cash equivalents	**39.7**	19.9	**1.9**	71.6

The Company finances its activity by its operating cash flow and by issuance of debentures.

In Q4 of 2015, the Company generated a positive cash flow from operating activity of $60.3 million, compared to $34.9 million in Q4 last year.

The increase in cash flow from operating activity in Q4 of 2015 derived from a decrease of $36.5 million in working capital compared to a decrease of $13.2 million in Q4 last year. Most of the decrease in working capital in Q4 of 2015 derives from improved credit conditions with finished goods manufacturers in China.

In 2015 the Company cash flow from operating activity was positive and amounted to $70.5 million, compared to a positive cash flow of $53.3 million in 2014.

The increase in cash flow from operating activity in 2015 compared to 2015 mainly due to a $0.3 million decrease in working capital this year compared to an increase of $13.8 million in working capital last year, mainly resulting of the above.

The increase in cash flow used for investment activity in 2015 compared to 2014 mainly due to the purchase of P.J. Salvage operations, to the sum of $37.4 million, which was partially offset by $10.9 from the sale of a real estate property in Israel. After neutralizing the purchase and the proceeds of the realization in question, the cash used for investment activity in 2015 amounted to $39.3 million compared to $32.4 million last year. This increase in cash flow from operating investment is in accordance with the Company's plan and included investment in the new plant in Vietnam and investments in the Company’s offices in Israel and in the United States.

The cash flow that served for finance operations amounted to $2.8 million compared to a cash flow deriving from finance operation last year to the amount of $50.6 million. The change in question mainly derives from the issue of debentures in the sum of $115.7 million last year compared to proceeds from the issue of debentures in the sum of $40.0 million this year.

The following are several financial indicators for Q4 and for 2015, 2014 and 2013:

	2015	2014	2013
Current ratio	**2.53**	2.90	2.24
Quick ratio	**1.53**	1.83	1.29
Days of sales outstanding	**33**	35	39
Days of payable outstanding	**46**	38	37
Inventory days	**89**	85	87
Positive operating cash flow ($ millions) – year	**70.5**	53.3	46.2
Positive operating cash flow ($ millions) – Q4	**60.3**	34.9	22.1
EBITDA ($ millions) – year	**95.3**	93.0	86.2
EBITDA ($ millions) – Q4	**29.5**	28.0	26.9
Net financial debt ($ millions)	**74.5**	64.5	63.3
Net financial debt coverage ratio to adjusted EBITDA	**0.8**	0.7	0.7
Equity/balance sheet total	**44.8%**	45.4%	49.4%
Equity ($ millions)	**357.5**	332.6	321.9
Net financial debt to CAP*	**12.4%**	11.4%	13.0%

* CAP as defined in the addendum to the trust deeds of (A and B series) debentures – financial debt, plus total equity in the balance sheet (including minority rights) plus long term deferred taxes.

	2015	2014	2013
Debentures, bank debt and financial lease.	235.9	222.4	176.0
Less cash and cash equivalents and restricted cash	(168.1)	(167.3)	(98.8)
Total financial debt before financial derivative	**67.8**	**55.1**	**77.2**
Financial derivative	10.0	14.3	(13.9)
Deposit with a banking corporation serving as collateral for financial derivative	(3.3)	(4.9)	-
Total net financial debt	**74.5**	**64.5**	**63.3**

The increase in net financial debt as of December 31, 2015 compared December 31, 2014 mainly derived from the purchase of P.J. Salvage's operations which amounted to $37.4 million and from an increase in investments as a result of operating the factory in Vietnam and investment in the Company's offices in Israel and in the U.S., carried out over the course of the year, mainly offset by the positive cash flow from current activity.

4. Exposure to Market Risk and Management Thereof

4.1. The person responsible for market risk management at the Company:

The Company manages the market risks based on a policy set by its Board of Directors and senior management.

Mr. Isaac Dabah, Company's CEO, is the person responsible for market risk management at the Company. For details regarding Mr. Dabah, see details in accordance with Regulation 26 in the Report on Other Details on by the Company, Part D of this periodic report. Mr. Jacob Heen, Company's CFO, is responsible for management of market risk associated

with exchange rates and interest. For details regarding Mr. Heen, see details in accordance with Regulation 26a in the Report on Other Details on by the Company, Part D of this periodic report.

Decisions in the matter of market risk management in the field of exchange rates and interest are made jointly by the Company CEO and CFO.

4.2. Description of Market Risks

Group operations are exposed to several market risks, including the financial state of the target markets where the Company operates and exchange rate fluctuations in these markets vs. the operating currency which is the USD..

For details of risk factors to which the Company is exposed, see section 39 of Part I of the Description of the Corporation's Business, Part A of this Periodic Report.

4.3. Company Policy with Regard to Market Risk Management

Volatility of Exchange Rates of the Euro vs. the USD

The Company manages the market risk deriving from the volatility of the exchange rate of the euro vs. the USD in order to decrease economic exposure. Company policy is to protect the exposures estimated by it on the basis of orders in practice as well as on the basis of the approved yearly budget or the budget draft and for a period of up to the end of the consecutive year, but in any event for a period not exceeding 18 months from the transaction date.

In 2015 the Company's receipts surplus amounted to $50 million. In order to protect from the risk that the exchange rate of the euro will continue to weaken relative to the US, the Company entered into a hedging agreement in which it purchase put options for the year at an exercise price of $1.14 per €1 to the amount of $20 million, in return for $580,000. In addition, the Company wrote a call option for the year at an exercise rate of $1.25 per €1 to the amount of $40 million, in return for $390,000.

The Company's receipts surplus in euros is expected to drop in 2016 and amount to $46 million compared to $50 million in 2014, mainly as a result of the transfer of activity with one of the customers of the Global Upper Market Segment from euros to dollars.

As part of the Company's preparations for 2016, the Company performed a number of forward transactions with the euro. The following open positions as of December 31, 2015 are not recognized as an accounting hedge against the euro, for the first, second and third quarters of 2016:

	Redemption Date	Exchange Rate for Transaction (USD per €1)	Sum in Thousands of Dollars	Average Exchange Rate
	January	1.110	5,000	
	February	1.115	5,000	
	March	1.120	4,000	
Q1 2016			14,000	1.115
	April	1.149	1,000	
	May	1.149	1,000	
	June	1.150	3,000	
Q2 2016			5,000	1.150
	July	1.138	5,000	
	August	1.139	6,000	
	September	1.140	6,000	
Q3 2016			17,000	1.139
Total transactions (weighted average)			36,000	1.131

After the report date, the Company performed additional hedging transactions for the first quarter of 2016, to the sum of $10.2 million at an average exchange rate of $1.113 per €1.

The Company includes under other net income (expenses) the results of the above hedging transactions, which amounted to a profit of $1.3 and $2.1 million in the fourth quarter of 2015 and in 2015, respectively.

Volatility of Exchange Rates of the Czech Koruna vs. the USD

Schiesser purchase 55% of the products it sells from its Czech subsidiary, some of the expenses of which are denoted in local currency (koruna) In order to protect itself from the exposure in question, from time to time Schiesser performs hedging transactions by way of forward agreements.

Schiesser had not open positions of euro vs. the Czech koruna as of December 31 2015.

Volatility of Exchange Rates of the NIS vs. the USD

In light of the expansion of its activity in Israel, the Company expects a surplus of NIS receipts in 2016, to the sum of $30 million.

The Company is studying options for hedging the above exposure.

4.4. Supervision of Market Risk Management Policy and its Realization

The Company's Board of Directors discusses the subject of various currency exposures when approving the yearly budget. Furthermore, when approving the quarterly reports, the Company Board of Directors reviews the state of exposures at the end of each quarter.

4.5. Linkage Bases of Monetary Items and Sensitivity Tests

For details of linkage bases of monetary items in the Company's December 31 2015 and 2014 balance sheet and for details regarding sensitivity tests on the influence of changes in the exchange rates of the euro and the NIS vis the USD and regarding changes in interest rates on the Company's net profit and the value of swap agreements the Company has entered into, see Notes 4 and 11b in the Financial Statements in Part C of this Periodic Report.

Aspects of Corporate Governance

5. **Charitable Donations**

The Company believes in involvement in the community the environment in which it works and in assisting populations with potential. For many years, Delta has been assisting in educational and cultural activities in Israel and has made contributions to co-existence and community assistance activities. In addition, the Company transfers products to welfare organizations and to non-profit organizations.

The total donations the Company (including subsidiaries abroad) has donated to educational and cultural institutions amounted to $360,000 in 2015. Subject to the bodies supported by the Company complying with the agreements with them, the Company has an obligation to give donations amounting to $300,000 per year in 2016-2017.

6. Auditing Accountant's Fee

The Company's independent CPA is the firm of Kesselman and Kesselman - PWC.

The auditing accountant's' fees for auditing services, tax services and others at the Company and at Schiesser (Germany) remained unchanged in 2014 and 2015 and amounted to $1.0 million, detailed as follows:

	2015	[1]2014
	Thousands of Dollars	
Audit services	557	605
Tax services and Others	411	398
Total	968	1,003

The total volume of auditing hours was similar in 2014 and 2015 and amounted to 8,400 hours per year.

The volume of employment and salary of the Company's accountant for 2015 was examined by the Finance Committee, which received details regarding the scope of work and its compatibility with the Company's needs from Company management. The Committee recommended that the Company Board of Directors approve the scope of work and found that the fee is reasonable and acceptable regarding the Company's nature and the scope of its activity, and these were approved by the Company Board of Directors.

7. Disclosure Regarding the Company Internal Auditor

Details of internal auditor:

Mr. Moshe Cohen of Chaykin, Cohen, Rubin & Co. serves as the Company's Internal Auditor.

To the best of the Company's knowledge, the internal auditor meets all of the threshold conditions set in Sections 3(a) and 8 of the Internal Audit Law, 1992 and Section 146(b) of the Companies Law.

To the best of the Company's knowledge, in accordance with an inquiry it conducted with the Internal Auditor, he does not hold securities of the Company or of any entity affiliated with the Company.

To the best of the Company's knowledge, in accordance with an inquiry it conducted with the Internal Auditor, the Internal Auditor has no material business relationships or other material relationships with the Company or with its affiliated entities.

The Internal Auditor is not an employee of the corporation. Internal audit services are provided by the auditor, as a personal appointment, via an accounting from that employs a staff with various skills, including internal auditing skills.

[1] 2014 data includes fees paid the PwC firm in Israel and abroad and do not include the fee for the auditor of Delta USA, which is audited by a different firm, which were included in the past.

Method of appointment:

The appointment of Mr. Moshe Cohen as Internal Auditor was approved by the Audit Committee and by the Board of Directors in January 2013.

Identity of the internal auditor's supervisor:

The supervisor of the internal auditor is the Company's CEO.

Work Plan:

The internal auditor's work plan is yearly and is approved by The Audit Committee.

The yearly work plan followed by the internal auditor in 2015 was decided, *inter alia*, based on:

- Risk management conducted in the Company in 2012 and relevant adjustments made as needed.
- Proposals by members of the Audit Committee and the Company Board of Directors based, *inter alia*, on proposals of the internal auditor and of Company management.
- The scope of Company operations, its organizational structure and the nature of its business operations.

The yearly work plan contains no restrictions on deviating from said plan. The internal auditor may propose adding and/or replacing issues, subject to approval by the Audit Committee.

The 2015 yearly work plan included audits of the Company in Israel and of corporations fully-owned by the Company overseas.

Scope of employment:

In 2015, the Internal Auditor spent 894 hours in practice on internal auditing, divided as follows:

	Audits in the Company Itself	Audits in Subsidiaries
Activity in Israel	444	
Activity outside of Israel		450

In addition to the audit work performed by the Internal Auditor, the Company employs an Internal Audit Manager who performs control and auditing works on a regular and full-time basis. In 2015 the Internal Audit Manager performed 2,000 hours of internal auditing and control, of which 1,250 was for activities in Israel and the balance of 750 hours was for activity abroad.

Audit proceedings:

By internal auditor's own notification, internal audit is conducted under instruction by the Internal Audit Act of 1992 and under generally accepted standards as published by the Israel Chamber of Internal Auditors.

Based on self-assessment by the internal auditor, Company's Board of Directors is satisfied that the internal auditor has complied with all of these standard requirements.

Access to information:

The internal auditor was granted free access to the Company's documents and information systems, including its financial data, all provided for the purpose of carrying out his duties, as set forth in Section 9 of the Internal Audit Act, 1992.

Over the course of the Internal Auditors investigations abroad, he was given free access to the subsidiary sites. The audit conducted in the Egyptian subsidiary was performed by employees of the KPMG firm in the UAE, in order to ensure proper understanding of the audited body's documents, which are written in Arabic.

Internal auditor's report:

Reports of the internal auditor were submitted in writing to the Chairman and members of the Audit Committee and to Company management.

The Audit Committee convened for 4 meetings during 2015, 3 of which involved the internal audit reports, on January 7, July 29 and November 14. The audit reports referring to the above meetings were submitted on January 25 and July 1, respectively.

Board of Directors' assessment of internal auditor's activities:

The Board of Directors believes that the internal auditor's actual scope of work in 2015, as set forth above, as well as the nature and continuity of its activity and its work plan, are reasonable under the circumstances and achieve the Company's internal auditing objectives.

Compensation:

In exchange for his work during the reported period, and as agreed with the internal auditor, his fee amounted to a total of 188,000 NIS ($50,000).

No securities were granted to the internal auditor as part of the terms of his employment.

The Company's Board of Directors believes that this compensation is reasonable and should not affect the internal auditor's professional judgment.

8. Discussion and Examination of Connection Between the Compensation Given Interested Parties and Senior Officers in Accordance with Regulation 21 and the Contribution of their Corresponding Company Members

For details on compensation given Company senior officers and interested parties, see details in accordance with Regulation 21 in the Report on Other Details on by the Company, Part D of this periodic report.

In the meeting held on February 23, 2016, the Board of Directors held a discussion on the terms of service and deployment of each of the Company's officers and interested parties detailed under Regulation 21 of the Securities Regulations (Periodic and Immediate Reports), 1970, separately.

Regarding the Company's officers and interested parties to whom the Company's remuneration applies, the Board of Directors studied the terms of their employment and the provision of the compensation policy, and found that all of their compensation matches the remuneration policy.

In addition to the above, the Company Board of Directors examined the terms of employment of the daughter of the Company controlling shareholder, Ms. Gloria Dabah, which were lawfully approved by the general meeting of Company shareholders on December 31 2013 and the terms of which are not included in the Company's remuneration policy. The Company Board of Directors examined the works and contribution Ms. Dabah made to the Company, as well as various aspects pertaining to here areas of responsibility at the Company and after this examination it found that the proceeds granted her were fair and reasonable and reflected her contribution to the Company in 2015.

9. Directors with Accounting and Financial Capabilities

The Company Board of Directors has determined that the minimum appropriate number of directors with accounting and financial skills in the Company is two directors. This decision referred to the obligations, authorities and duties borne by the Board of Defectors in accordance with the law, taking into account, among other things, the Company's size, as well as the scope, type and complexity of its activity.

As of this report, the Board members determined by the Board of Directors to have accounting and financial capabilities (who are not Company employees) are Yehezakel Dovrat, Shaul Ben Ze'ev and Gideon Chitayat. For further details, see details in accordance with Regulation 26 in the Report on Other Details on by the Company, Part D of this periodic report.

Disclosure Regarding the Rate of Independent Directors

As of the report date, the company did not adopt the directive regarding the rate of independent directors (as this term is defined in the Companies Law, 1999) in its bylaws.

10. Disclosure with Regard to the Financial Statement Approval Process

The Company's Board of Directors has decided that the organ in charge of oversight at the corporation is the Financial Statement Examination Committee (hereinafter: "**the Committee**").

This Committee consists of three directors, as follows:

- Yehezakel Dovrat, Chairman of the Committee – external director, with expertise in accounting and finance.
- Shaul Ben Ze'ev – external director, with expertise in accounting and finance.
- Gideon Chitayat – director, with expertise in accounting and finance.

Prior to their appointment, the three members of the Committee provided the Company with a statement in accordance with Section 3 of the Companies Regulations (Instructions and Conditions Pertaining to the Financial Statement Approval Process), 2010. For further details on the Committee members, including their skills, education, experience and knowledge, see details in accordance with Regulation 26 in the Report on Other Details on by the Company, Part D of this periodic report.

Approval of the Q4 2015 Financial Statements involved two meetings, as detailed below:

(1) A meeting in which the Committee held a comprehensive and in-depth discussion of material reporting issues and formulated its recommendations to the Board of Directors regarding the Financial Statements.

(2) A meeting of the Board of Directors to discuss and ratify the Financial Statements.

Prior to the approval of the Company's Financial Statements, a draft of the Financial Statements, associated reports and notes to these Statements was sent to members of the Committee 5 days before the meeting.

Invited to the meeting of the Committee discussing the approval of the Financial Statements are the CEO, the CFO, the VP Finance, the Company Controller, the Internal Auditor as well as the independent CPAs who present the Financial Statements to Committee members and answer questions. The Company's attorneys were also invited to the Committee meeting.

Over the course of the Committee's meeting, the Company's Financial Statements were reviewed and discussed, examining key changes, internal controls pertaining to financial reporting, estimates and evaluations made regarding the Financial Statements, the completeness and propriety of disclosure and the accounting policy adopted and the accounting treatment applied to the Company's material issues. In addition, reference was made to comments by Company management and the Auditor and the compliance between the Financial Statements and events

that have occurred in the Company and standards used by the Company in the preparation of its Financial Statements was tested.

After the discussion, the Chair of the Financial Statement Examination Committee presented for a vote the recommendation of the Committee to the Board of Directors to approve the Financial Statements, and queries whether any Committee members still had any unanswered questions or issues.

The Committee formulated recommendations regarding the approval of the Company's Q4 2015 Financial Statements, which were passed on to the Company's Board of Directors 2 business days prior to the Board convening, a reasonable amount of time in the opinion of the Board of Directors, taking into account the scope and complexity of the recommendations. After the Committee recommends approval of the Financial Statements as set forth above, the Financial Statements and attached notes were brought to the Company Board of Directors for approval.

Names of the Finance Committee members who attended the meeting on February 21 2016, in which the Finance Committee recommended that the Company Board of Directors approve the financial statements and Board of Directors' Report as of December 31 2010 are: Yehezakel Dovrat (Committee Chairman), Shaul Ben-Ze'ev and Gideon Chitayat.

Also attending the meeting were Isaac Dabah, Company's CEO; Jacob Heen, CFO; Miki Laxer, VP Finance and Company Secretary; Yaniv Benedek, Company Controller, the accountants, the Internal Auditor and the Company attorney.

The remaining members of the Board of Directors received a draft of the Financial Statements to study 7 dates before the date of the Board meeting set to approve the Financial Statements and the Committee's recommendation were provided for them to study. Over the course of the Board meeting, the financial results and material issues in the Financial Statements were studied by the Company CEO and its CFO, along with the Committee's recommendations. Questions were raised by the various members of the Board of Directors, regarding Financial Statement data. The questions were asked and answered by Company management and by the Auditor. The Statements were ratified and signed by the authorized parties.

Note also that if, during compilation of the financial statements, the CFO or the Company CEO had any material questions or issues requiring preliminary discussion before submitting the Financial Statements to the Board of Directors for approval – the CFO or the Company CEO would summon a preliminary meeting to discuss and resolve these issues.

The names of Board members who attended the Board of Directors' meeting on February 23 2016 at which the December 31 2015 periodic report was approved were: Chairman of the Board Noam

Lautman, Isaac Dabah, Itzhak Weinstock, Shaul Ben-Ze'ev (external director), Yehezakel Dovrat (external director), Gideon Chitayat, Israel Baum, and Tzipa Carmon. Also attending were Yossi Hajaj, Deputy CEO and COO, Jacob Heen, CFO, Miki Laxer, VP Finance, and Company Secretary Yaniv Benedek, Controller, the accountants and the attorneys.

Special Disclosure for Debenture Holders.

11. Outstanding Obligatory Notes

The following is a description of outstanding Company debenture series as of this report:

Series	K	E	A	B
Issue Date and Scope of Debentures Issued on the Issue Date (in NIS)	113,000,000 NIS NV debentures listed for trade on January 24 2010 pursuant to a shelf offering report published by the Company on January 18 2010 pursuant to the Company's shelf prospectus dated May 29 2008. 92,632,000 NIS NV debentures listed for trade on December 28 2010 pursuant to a shelf offering report published by the Company on December 23 2010 pursuant to the Company's shelf prospectus dated December 22 2010.	192,909,000 NIS NV debentures listed for trade on April 5 2012 pursuant to the shelf offering report published by the Company on April 4 2012 pursuant to the Company's shelf prospectus dated November 225 2010, as revised in the prospectus revision from April 14 2011 and as revised in the prospectus revision from April 2 2012.	178,543,000 NIS NV debentures listed for trade on August 12 2013 pursuant to the shelf offering report published by the Company on August 8 2013 pursuant to the Company's shelf prospectus dated May 27 2013, as revised in the prospectus revision from August 5 2013 (**"the Shelf Prospectus"**). 21,457,000 NIS NV debentures listed for trade on October 27 2013 pursuant to a private offering report. 161,734,000 NIS NV debentures listed for trade on May 15 2014 pursuant to the shelf offering report published by the Company on May 13 2014 pursuant to the Company's shelf prospectus. 38,266,000 NIS NV debentures listed for trade on June 2 2014 pursuant to the shelf offering report published by the Company on June 1 2014 pursuant to the Company's shelf prospectus.	168,423,000 NIS NV debentures listed for trade on September 22 2014 pursuant to the shelf offering report published by the Company on September 17 2014 pursuant to the Company's shelf prospectus. 31,577,000 NIS NV debentures listed for trade on November 20 2014 pursuant to a private offering report. 159,577,000 NIS NV debentures listed for trade on May 24 2015 pursuant to a shelf offering report published by the Company on May 21 2015.
Scope of debentures NV as of December 31 2015 in NIS.	41,126,400	144,681,750	371,428,571	359,577,000

Series	K	E	A	B
Start Date of Principal Repayment and the Manner of its Repayment	Starting July 19 2012, in semiannual installments on July 19 and on January 19 of each year through 2016.	Starting December 31 2014, in annual installments on December 31 of each year through December 31 2021.	Starting August 31 2015, in annual installments on August 31 of each year through August 31 2028.	In a single payment on October 1 2014.
Interest accrued as of December 31, 2015	1.3 million NIS	-	6.1 million NIS	1.9 million NIS
Value as included in the December 31 2015 Financial Statements	41.1 million NIS	143.7 million NIS	379.1 million NIS	353.4 million NIS
Market value on stock exchange on December 31 2015	43.7 million NIS	174.5 million NIS	431.2 million NIS	362.5 million NIS
Interest type	Fixed - 7%	Fixed - 7.6%	Fixed - 5.0%	Variable –2.1% above Telbor, 3 months
Interest Payment Dates	Semi-annual installments on July 19 and on January 19 of each of the years from 2010 through 2016.	Semi-annual installments on June 30 and on December 31 of each of the years from 2012 through 2021, starting December 31 2012 and ending December 31 2021.	Semi-annual installments on February 28 and on August 31 of each of the years from 2014 through 2028.	Semi-annual installments on April 1 and on October 1 of each of the years from 2015 through 2024.
Linkage type	Unlinked.	Unlinked.	Unlinked.	Unlinked.
Conversion right	The debentures are not convertible.	The debentures are not convertible.	The debentures are not convertible.	The debentures are not convertible.

Series	K	E	A	B
Right to early redemption or forced conversion	Should the stock exchange decide to de-list the debentures from trading due to a decline in the value of the debenture series below the threshold determined by the stock exchange, the Company shall not allow early redemption of debentures due to said de-listing.	Should the stock exchange decide to de-list the debentures from trading due to a decline in the value of the debenture series below the threshold determined by the stock exchange, the Company shall not allow early redemption of debentures due to said de-listing. The Company shall be entitled (but not required) at its sole discretion to perform an early redemption, in full or in part, of the debentures (Series E) at a price, according to the mechanism, according to the timetables and under the other terms set in Section 7 to Addendum 1 to the deed of trust of the debentures (Series E).	Should the stock exchange decide to de-list the debentures from trading due to a decline in the value of the debenture series below the threshold determined by the stock exchange, the Company shall perform early redemption of debentures due to said de-listing. The Company shall be entitled (but not required) at its sole discretion to perform an early redemption, in full or in part, of the debentures (Series A) at a price, according to the mechanism, according to the timetables and under the other terms set in Section 8.2 of the deed of trust and Section 7 to Addendum 1 to the deed of trust of the debentures (Series A).	Should the stock exchange decide to de-list the debentures from trading due to a decline in the value of the debenture series below the threshold determined by the stock exchange, the Company shall perform early redemption of debentures due to said de-listing. The Company shall be entitled (but not required) at its sole discretion to perform an early redemption, in full or in part, of the debentures (Series B) at a price, according to the mechanism, according to the timetables and under the other terms set in Section 8.2 of the combined wording of the deed of trust with Addendum 2.
Liability guarantee and other securities	Not guaranteed	Not guaranteed	Not guaranteed	Not guaranteed
Rating Company	Midroog Ltd.	Midroog Ltd.	Midroog Ltd.	Midroog Ltd.
Rating upon series issue	A3 stable outlook	A3 positive outlook	A2 stable outlook	A1 stable outlook
Rating as of December 31 2015 (see report from May 18 2015 (ref. no. 2015-01-021957))	A1 stable outlook	A1 stable outlook	A1 stable outlook	A1 stable outlook

Series	K	E	A	B
Additional ratings [make sure that these are the ratings given the debentures	a. On September 2 2014: A1 stable outlook b. On March 30 2014: A1 stable outlook c. On December 24 2012: A2 stable outlook d. On May 7 2012: A3 positive outlook e. On March 26 2012: A3 positive outlook f. On January 1 2012: A3 stable outlook (removal from tracking list) g. On October 23 2011: A3 stable outlook (entrance into tracking list)	a. On September 2 2014: A1 stable outlook b. On March 30 2014: A1 stable outlook c. On December 24 2012: A2 stable outlook d. On May 7 2012: A3 positive outlook	a. On September 2 2014: A1 stable outlook b. On March 30 2014: A1 stable outlook	On September 2 2014: A1 stable outlook
Details and Contact Information of Trustee	Strauss Lazar Trust Company (1992) Ltd., 17 Yitzhak Sadeh Street, Tel Aviv (Tel. 03-623777, Fax: 03-5613824). The contact at the trustee is Mr. Ori Lazar, email: ori@slcpa.co.il.	Hermetic Trusteeship (1975) Ltd. 113 Hayarkon St., Tel Aviv (phone no.: 03-5274867 fax: 03-5271736). The contact at the trustee is Mr. Idan Knobel, email: idan@hermetic.co.il.	Hermetic Trusteeship (1975) Ltd. 113 Hayarkon St., Tel Aviv (phone no.: 03-5274867 fax: 03-5271736). The contact at the trustee is Mr. Idan Knobel, email: idan@hermetic.co.il.	Hermetic Trusteeship (1975) Ltd. 113 Hayarkon St., Tel Aviv (phone no.: 03-5274867 fax: 03-5271736). The contact at the trustee is Mr. Idan Knobel, email: idan@hermetic.co.il.
Material (over 5% of the Company's total liabilities)	No	Yes	Yes	Yes

As of the report date, the Company is in compliance with all terms and conditions and commitments to holders of outstanding debentures, including pursuant to the trust deed for said debentures, and there was no cause to demand immediate repayment of said debentures.

The general assembly of debenture holders (Series A) convened on April 9 2015 and decide to appoint the trustee – Hermetic Trusteeship (1975) Ltd. – as trustee for the debenture holders (Series A) for the balance of the trust period.

The Board of Directors and management express their deep appreciation of Delta employees and managers.

Signed: February 23, 2016

Noam Lautman Chairman of the Board of Directors	Isaac Dabah CEO and Director

Delta Galil Industries Ltd.

2015 Yearly Report

Delta Galil Industries Ltd.

2015 Yearly Report

Table of Contents

	Page
Independent Auditors' Report - Internal Controls over Financial Reporting	2-3
Report of the Auditing Accountant	4
Consolidated Financial Statements – in USD	
Consolidated Balance Sheets	5-6
Consolidated Statement of Comprehensive Income	7
Consolidated Statements of Changes to Equity	8
Consolidated Cash Flow Reports	9-10
Notes to the Financial Statements	
Note 1 – Overview	11
Note 2 – Principal Accounting Policies	11-29
Note 3 – Material Accounting Estimates and Judgments	29-30
Note 4 – Financial Instruments and Financial Risk Management	31-37
Note 5–Segment-Based Reporting	38-43
Note 6 – Business Combinations	43-44
Note 7 – Fixed Assets	45-47
Note 8 – Assets Classified as Held for Sale	47
Note 9 – Intangible Assets	48-52
Note 10 – Investments in associated companies accounted using the equity method and other long term receivables.	52
Note 11a – Debentures	53-58
Note 11b –Financial Derivative	59-62
Note 12 – Other Non-Current Liabilities	63
Note 13 – Equity	64-71
Note 14 – Taxes on Income	72-79
Note 15 – Earnings Per Share	80
Note 16 – Engagements	81
Note 17 – Transactions and Balances with Interested and Related Parties	81-83
Note 18 – Additional Information Pertaining to the Financial Statements:	84-91
Note 19 – Additional Details Regarding Material Investments in Direct Investees of December 31	91
Note 20 – Events Subsequent to the Balance Sheet Date	92
Appendix A - Details of Investees	

Report of the Auditing Accountant

To the Shareholders of

Delta Galil Industries Ltd.

On the Matter of Inspection of Components of Internal Controls of Financial Reporting

In Accordance with Section 9.b.(c) of the Securities Regulations

(Periodic and Immediate Reports), 1970

We have inspected components of the internal controls of the financial reporting of Delta Galil Industries Ltd. (hereinafter – the Company) and its subsidiaries (hereinafter together - "the Company") as of December 31 2015. These control components have been determined as explained in the following paragraph. The Company's Board of Directors and management are responsible for maintaining effective internal controls over financial reporting, and for evaluating the effectiveness of the internal controls over financial reporting which is included in the periodic report for the date in question. Our responsibility is to express our opinion on the internal control elements of the Company's financial reporting, based on our audit.

Components of internal control of financial reporting inspected were determined according to Audit Standard 104 of the Institute of Certified Public Accountants in Israel "Inspection of Components of Internal Controls for Financial Reporting" (hereinafter "Audit Standard 104"). These components are: (1) organization-level controls, including controls of the process of preparing and closing financial reporting and general controls of information systems and including assessing the balance of goodwill; (2) controls for the inventory purchasing process, including inventory assessment and measurement, including provisions to impairment due to slow and/or dead inventory; (3) controls for the sales process (all of the above together are referred to as the "Audited Control Components").

We have conducted our audit in accordance with Audit Standard 104. According to this standard, we were required to plan the audit and carry it out with the aim of identifying the inspected control components and achieve a reasonable level of assurance as to whether these control components were upheld effectively in all material aspects. Our audit included achieving an understanding of the internal controls over financial reporting, evaluation of the risk of the presence of any material weakness in the inspected control components, as well as testing and evaluating those control components based on the evaluated risk. Our audit, regarding those control components, also included additional procedures that we believed to be necessary under the circumstances. Our audit referred solely to the audited control components, unlike an internal audit on all processes material to financial reporting, and therefore our opinion refers to the audited control components only. Furthermore, our audit did not refer to mutual influences between audited and unaudited control components and therefore, our opinion does not bring such negative impacts into account. We believe that our audit provides a sufficient basis for our opinion in the context described above.

Due to their understandable limitations, internal controls over financial reporting in general, and components thereof in particular, may fail to prevent or discover a misrepresentation. Likewise, conclusions regarding the future on the basis of any present effectiveness assessment may be exposed to the risk that the controls become inappropriate due to changes in circumstances or that the application of the policy or the procedures changes to the worse.

In our opinion, the Company has upheld in an effective manner, in all material aspects, its audited control components as of December 31 2015.

We have also conducted an audit, in accordance with generally accepted Israeli auditing standards, of the Company's Consolidated Financial Statements for December 31 2015 and 2014 and for each of the three years of the period ending December 31 2015 and our report, published February 23 2016, includes our unreserved opinion of those Financial Statements based on our audit and on the reports of the other accountants.

Tel Aviv
February 23 2016

Kesselman and Kesselman
Certified Public Accountants
A PricewaterhouseCoopers International Limited member firm

Kesselman and Kesselman, Trade Tower, 25 Hamered Street, Tel Aviv 6812508, Israel, P.O. Box 50005 Tel Aviv 6150001
Telephone no: +972-3-7954555, Fax: +972-3-7954556, *www.pwc.com/il*

Auditors' Report
To the Shareholders of
Delta Galil Industries Ltd.

We have audited the accompanying consolidated financial statements of Delta Galil Industries Ltd. (hereinafter – the Company) dated December 31 2015 and 2014, and the Consolidated Reports on Comprehensive Earnings, Changes in Equity and Cash Flow Reports for each of the three years in the period ending December 31 2015. These Financial Statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express our opinion of these Financial Statements on the basis of our audit.

We did not audit the financial statements of consolidated subsidiaries, the assets of which included in the consolidation represent approximately 2.6% and 3% of total consolidated assets as of December 31 2015 and 2014, respectively, and whose revenues included in consolidation constitute 0.02%, 0.16% and 0.25% of total consolidated revenues for the years ending December 31 2015, 2014 and 2013, respectively. The financial statements of those companies have been audited by other accountants, whose reports have been submitted to us, and our opinion, to the extent that it relates to the sums consolidated in respect of such companies, is based on the reports of those other accountants.

We conducted our audit in accordance with generally accepted Israeli auditing standards, including standards set in the Accountants Regulations (The Accountant's Method of Operation), 1973. These Standards require that we plan and perform the audit with the aim of obtaining reasonable assurance that the Financial Statements are free of any material misrepresentations. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also features an examination of the accounting rules implemented and of the material estimates made by the Company's Board of Directors and Management, as well as an evaluation of the propriety of presentation in the Financial Statements as a whole. We believe that our audit and the reports of the other accountant provide adequate basis for our opinion.

In our opinion, based on our audits and the reports of other accountants as noted above, these Consolidated Financial Statements adequately reflect, in all material respects, the financial status of the Company and its subsidiaries as of December 31 2015 and 2014 and the results of their activities, changes to their equity and their cash flows for each of the three years in the period ending December 31 2015, in accordance with International Financial Reporting Standards ("IFRS") and with the provisions of the Securities Regulations (Yearly Financial Statements), 2010.

We have also audited, in accordance with Audit Standard 104 of the Institute of Certified Public Accountants in Israel "Inspection of Components of Internal Controls for Financial Reporting", components of internal controls of the Company's financial reporting as of December 31 2015, and our February 23 2016 report includes our unreserved opinion on the effective existence of those components.

Tel Aviv
February 23 2016

Kesselman and Kesselman
Certified Public Accountants
A PricewaterhouseCoopers International Limited member firm

Kesselman and Kesselman, Trade Tower, 25 Hamered Street, Tel Aviv 6812508, Israel, P.O. Box 50005 Tel Aviv 6150001
Telephone no: +972-3-7954555, Fax: +972-3-7954556, *www.pwc.com/il*

Delta Galil Industries Ltd.

Consolidated Balance Sheets

	Note	December 31	
		2015	2014
		Thousands of Dollars	
Assets			
Current assets:			
Cash and cash equivalents	2m, 18a	**167,532**	166,958
Restricted cash		**532**	369
Other accounts receivable:	18b		
Trade receivables		**105,630**	108,559
Income tax receivable		**8,963**	6,096
Others		**15,882**	26,202
Financial derivative	11b	**209**	329
Inventory	18c	**196,172**	181,687
Assets classified as held for sale	8	**1,000**	1,000
Total current assets		**495,920**	491,200
Non-current assets:			
Investments in associated companies accounted for using the equity method and other long term receivables.	10	**5,421**	8,013
Investment property		**3,573**	4,132
Fixed assets, net of accumulated depreciation	7	**122,129**	98,861
Goodwill		**70,101**	51,501
Intangible assets, net of accumulated amortization	9	**89,734**	67,005
Deferred Tax Assets	14e	**9,877**	11,348
Financial derivative	11b	**1,439**	1,254
Total non-current assets		**302,274**	242,114
Total assets		**798,194**	733,314

_____) Noam Lautman,
) Chairman of the Board of Directors

_____) Isaac Dabah,
CEO

_____ Jacob Heen,
) CFO

Date of approval of Financial Statements by Company Board of Directors: February 23 2016

The attached notes constitute an integral part of these Financial Statements.

	Note	December 31 2015	2014
		Thousands of Dollars	
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	18d	**52**	931
Current maturities of debentures	11a	**23,365**	23,054
Financial derivative	11b	**3,049**	2,235
Other accounts payable:			
Trade payables		**100,956**	80,648
Taxes on income - payable		**2,690**	4,961
Others	18e	**65,807**	57,548
Total current liabilities		**195,919**	169,377
Non-current liabilities:			
Severance pay liabilities, less plan assets		**2,696**	2,339
Other non-current liabilities	12	**22,533**	19,999
Debentures	11a	**211,728**	197,262
Deferred tax reserve	14e	**2,528**	2,954
Financial derivative	11b	**5,311**	8,784
Total non-current liabilities		**244,796**	231,338
Total liabilities		**440,715**	400,715
Engagements	16		
Equity:	13		
Equity attributable to parent company shareholders:			
Share capital		**23,666**	23,579
Share premium		**130,421**	128,274
Other capital reserves		**(15,692)**	(6,598)
Retained earnings		**228,817**	197,135
Treasury shares		**(10,849)**	(10,933)
		356,363	331,457
Non-controlling interests		**1,116**	1,142
Total equity		**357,479**	332,599
Total liabilities and equity		**798,194**	733,314

The attached notes constitute an integral part of these Financial Statements.

Delta Galil Industries Ltd.

Consolidated Statement of Comprehensive Income

	Note	For the Year Ending December 31		
		2015	**2014**	**2013**
		Thousands of Dollars		
Sales	5c-d	**1,079,987**	1,031,861	974,719
Cost of Sales	18h	**763,261**	713,798	680,426
Gross profit		**316,726**	318,063	294,293
selling and Marketing Expenses	18i	**208,283**	211,507	190,593
General and Administrative Expenses	18i	**36,637**	35,780	36,250
Other Income, net	18k	**2,208**	2,674	472
Share of the profits (losses) of associates companies accounted for using the equity method		**710**	(178)	-
Restructuring expenses and impairment of assets, net	18f	**5,747**	182	1,529
Operating income		**68,977**	73,090	66,393
Financing expenses, net	18l	**16,594**	15,806	10,981
Profit before taxes on income		**52,383**	57,284	55,412
Taxes on income	**14**	**8,435**	9,853	12,732
Yearly profit		**43,948**	47,431	42,680
Other comprehensive earnings:				
Items not reclassified to gain/loss:				
Reassessment of severance pay liabilities		**(378)**	(1,054)	1,259
The impact of taxes on income (expense)		**65**	223	(256)
		(313)	(831)	1,003
Items that may be reclassified to gain or loss:				
Cash flow hedging		**3,705**	(2,967)	2,516
Differences from the translation of financial statements prepared in foreign currency		**(11,816)**	(20,841)	5,590
Impact of taxes on income (expense)		**(983)**	998	(630)
		(9,094)	(22,810)	7,476
Total comprehensive income for the year		**34,541**	23,790	51,159
Attribution of net income for the year:				
To shareholders of the parent company		**43,828**	46,760	42,560
To non-controlling interests		**120**	671	120
Total net profit for the year:		**43,948**	47,431	42,680
Attribution of total comprehensive earnings for the year:				
To the shareholders of the parent company		**34,421**	23,119	51,039
To non-controlling interests		**120**	671	120
Total comprehensive earnings for the year		**34,541**	23,790	51,159
			In USD	
Profit per share attributed to parent company shareholders (in USD)	2v, 15			
Basic		1.73	1.88	1.74
Diluted		1.71	1.82	1.69

The attached notes constitute an integral part of these Financial Statements.

Delta Galil Industries Ltd.
Consolidated Statements of Changes to Equity

	Attributable to parent company shareholders:										
	Ordinary Share Capital										
	Number of Shares	Sum	Share Premium	Capital Reserve from Translation Differences	Capital Reserves in Respect of Cash Flow Hedging	Components of Reassessment of Severance Pay Liabilities	Unas-signed Retained Earnings	Treasury Shares	Total	Non-Control-ling Interests	Total Equity
	In Thousands	Thousands of Dollars									
Balance as of January 1 2013	25,431	23,311	124,220	6,734	2,002	(2,240)	132,604	(10,996)	275,635	2,164	277,799
Movement in 2013:											
Comprehensive earnings	-	-	-	5,590	1,886	1,003	42,560	-	51,039	120	51,159
Proceeds from exercise of options (including tax)	681	188	2,804	-	-	-	-	-	2,992	-	2,992
Dividend distribution	-	-	-	-	-	-	(10,500)	-	(10,500)	-	(10,500)
Dividends to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(123)	(123)
Component of benefit for options granted	-	-	-	-	-	-	563	-	563	-	563
Balance as of December 31 2013	26,112	23,499	127,024	12,324	3,888	(1,237)	165,227	(10,996)	319,729	2,161	321,890
Movement in 2014:											
Comprehensive income (loss)	-	-	-	(20,841)	(1,969)	(831)	46,760	-	23,119	671	23,790
Proceeds from exercise of options and restricted share units (including tax)restricted	293	80	1,250	-	-	-	-	63	1,393	-	1,393
Dividend distribution	-	-	-	-	-	-	(13,500)	-	(13,500)	-	(13,500)
Dividends to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(1,690)	(1,690)
Component of benefit for options and share units granted	-	-	-	-	-	-	716	-	716	-	716
Balance as of December 31 2014	26,405	23,579	128,274	(8,517)	1,919	(2,068)	199,203	(10,933)	331,457	1,142	332,599
Movement in 2015:											
Comprehensive income (loss)	-	-	-	(11,816)	2,722	(313)	43,828	-	34,421	120	34,541
Proceeds from exercise of options and restricted share units (including tax)	338	87	2,147	-	-	-	-	84	2,318	-	2,318
Dividend distribution	-	-	-	-	-	-	(14,073)	-	(14,073)	-	(14,073)
Dividends to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(146)	(146)
Component of benefit for options and share units granted	-	-	-	-	-	-	2,240	-	2,240	-	2,240
Balance as of December 31 2015	**26,743**	**23,666**	**130,421**	**(20,333)**	**4,641**	**(2,381)**	**231,198**	**(10,849)**	**356,363**	**1,116**	**357,479**

Delta Galil Industries Ltd.

Consolidated Cash Flow Reports

	For the Year Ending December 31		
	2015	**2014**	**2013**
	Thousands of Dollars		
Cash flow from Operating activities:			
Net profit for the year	**43,948**	47,431	42,680
Adjustments required to reflect cash flows from Current Activities	**49,811**	28,352	28,910
Interest paid in cash	**(13,573)**	(11,693)	(10,001)
Interest received in cash	**1,697**	895	471
Taxes on income paid in cash, net	**(11,421)**	(11,652)	(15,820)
Net cash generating from Operating activities	**70,462**	53,333	46,240
Cash flows from investment activities			
Acquisition of fixed assets and intangible assets	**(38,077)**	(26,913)	(20,649)
Restricted cash release (deposit)	**(184)**	1,037	1,448
Investments in associated companies	**(2,000)**	(1,500)	-
Aquisition of a subsidiary	**-**	(5,000)	-
Aquisition of activity (see Note 6a)	**(37,368)**	-	-
Acquisition of subsidiary , net of cash in Aquired company	**673**	-	-
Proceeds from the realization of assets held for sale, net of tax	**-**	-	6,233
Proceeds from the sale of fixed assets	**291**	1,914	632
Proceeds from the realization of real estate asset (tax payment related to the realization)	**10,879**	(1,989)	3,161
Others	**(8)**	68	(911)
Net cash used for investment activity	**(65,794)**	(32,383)	(10,086)
Cash flows from financing activities:			
Dividends paid to non-controling interest holders in consolidated susidiary	**(146)**	(1,690)	(123)
Long term payables credit for for fixed assets purchase	**(2,347)**	(2,459)	(1,867)
Debenture principals repayment	**(25,792)**	(17,699)	(11,285)
Dividends paid	**(14,073)**	(13,500)	(10,500)
Repayment of loans and other long-term liabilities	**(916)**	(696)	(3,155)
Short-term credit from banking corporations, net	**(3,212)**	(25,173)	(14,716)
Debentures Issuance return excluding issuance expenses	**40,006**	115,689	55,704
A deposit in banking corporation as security in respect of SWAP transaction	**1,660**	(4,950)	-
Proceeds from exercise of employee options	**2,044**	1,115	2,542
Net cash deriving from (used for) financing activities	**(2,776)**	50,637	16,600
Net increase in cash and cash equivalents	**1,892**	71,587	52,754
Exchange rate differences of cash and cash equivelant, net	**(1,318)**	(1,975)	(883)
Balance of cash and cash equivalents at the beginning of the year	**166,958**	97,346	45,475
Balance of cash and cash equivalents at the end of the year	**167,532**	166,958	97,346

The attached notes constitute an integral part of these Financial Statements.

Delta Galil Industries Ltd.

Consolidated Cash Flow Reports

	For the Year Ending December 31		
	2015	**2014**	**2013**
	Thousands of Dollars		
Adjustments required to reflect cash flows From Operating activities:			
Revenues and expenses not involving cash flow:			
Depreciation	17,091	15,851	15,722
Amortization	2,678	2,751	2,528
Cash erosion, net	443	652	1,155
Interest paid in cash	13,573	11,693	10,001
Interest received in cash	(1,697)	(895)	(471)
Tax on income paid in cash, net	11,421	11,652	15,820
Deferred taxes on income, net	1,075	(2,124)	(694)
Severance pay liability, net	86	124	(159)
Restructuring expenses and impairment of intangible assets	5,320	(77)	1,328
Capital loss (gain) from the sale of fixed assets and asset held for sale, net	203	(1,257)	(1,121)
Change in benefit component of options and restricted share units granted To Employees	2,240	716	563
Share of losses (profits) of associates companies accounted for using the equity method	(710)	178	-
Increase in liability of long-term employee bonuses	-	608	1,266
Others	(2,195)	2,298	225
	49,528	42,170	46,163
Changes to operating assets and liabilities:			
Decrease (increase) in trade receivables	3,518	(538)	(2,528)
Increase in other receivables	(4,970)	(8,002)	(1,302)
Increase (decrease) in trade payables	19,092	11,816	(729)
Increase (decrease) in other payables	(1,326)	4,600	3,989
Increase in inventory	(16,031)	(21,694)	(16,683)
	283	(13,818)	(17,253)
	49,811	28,352	28,910

Additional information on investment and finance activities not involving cash flows:

	For the Year Ending December 31		
	2015	**2014**	**2013**
	Thousands of Dollars		
Trade and other payables for non-cash acquisition of fixed and other assets	(2,165)	(3,361)	(556)
Liability for minimal royalty payments	12,453	9,604	12,132
Conditional proceeds from the purchase of P.J. Salvage activity	(3,334)	-	-

The attached notes constitute an integral part of these Financial Statements.

Delta Galil Industries Ltd.

Notes to the Financial Statements

Note 1 – Overview

Delta Galil Industries Ltd. (hereinafter: "the Company") is an Israeli corporation that jointly with its subsidiaries (hereinafter: "the Group") is primarily engaged in the design, manufacture and marketing of undergarments, and operates in four operating segments – Delta U.S.A, Global Upper Market, Delta Israel and Schiesser. See note 5for Information on Group's operating segments and principle markets.

The Company's securities are listed for trade on the Tel Aviv Stock Exchange ("TASE").

The Company's official address is 45 Ha'eshel Street, Caesarea Industrial Zone.

Note 2 – Principal Accounting Policies

a. Basis of Preparation of the Financial Statements

The Group's Financial Statements as of December 31 2015 and December 31 2014 and for each of the three years in the period ending December 31 2015, are in compliance with International Financial Reporting Standards, which are standards and interpretations published by the International Accounting Standards Board (hereinafter – IFRS Standards), and include the additional disclosure required in accordance with the Securities Regulations (Yearly Financial Statements), 2010.

The following shall be noted regarding the presentation of these Financial Statements:

1) The principal account policies, described below, have been applied consistently in relation to all years presented, unless noted otherwise.

2) The Consolidated Financial Statements have been prepared according to the historical cost convention, subject to adjustments due to the adjustment of derivatives and of compensation fund assets, presented at fair value.

3) The preparation of the Financial Statements in accordance with the IFRS requires the use of certain critical accounting estimates. It also requires that Group management exercise its judgment in the process of applying the group's accounting policies. Note 3 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have a material impact on the consolidated financial statements. Results in practice may be fundamentally different from the estimates and assumptions used by Company management.

4) The Group's operational turnover period is 12 months.

5) The Group analyses the expenses acknowledged in the Statement of Operations according to a classification method based on the expenses' activity characteristic.

Note 2 – Principal Accounting Policies

b. Consolidated Financial Statements:

Subsidiaries and Business Combinations

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group has the power to influence the invested entity, exposure or rights to variable yields as a result of its involvement in the entity as well as the ability to use its power to influence the invested entity in order to influence the sum of the yields deriving from the entity. Subsidiaries are fully consolidated starting on the date when the Group achieves control over them. Their consolidation ceases starting on the date when control ends.

The Group applies the acquisition method in its accounting treatment of business combinations. The proceeds transferred for the purchase of a subsidiary (hereinafter – the Purchased Company) are calculated as the sum of the fair value qualities of the assets transferred by the Group, the liabilities created for the Group to the previous owners of the purchased company and the capital rights issued by the Group as part of the business combination agreement. The proceeds transferred include the fair value of any asset or liability deriving as a result of a conditional yield arrangement. Costs pertaining to the purchase are recognized under gain or loss upon creation. Identified assets purchased as well as liabilities and pending liabilities the Group takes upon itself as part of business combinations (with the exception of certain cases detailed in IFRS 3 – Business Combinations (Revised) (IFRS 3R), are first measured at fair value upon purchase.

The surplus of proceeds transferred, the sum of any rights not granting control of the purchased company, and the fair value on the date of purchase of any earlier rights to the capital of the purchased company, above a net sum, as of the purchase date, of identifiable assets purchased and liabilities taken, all measured as denoted above, is recognized as goodwill (see also f. below).

In the event that the net sum, on the date of purchase, of identifiable assets purchased and liabilities taken, exceeds the total sum of proceeds transferred, the sum of any rights not granting control of the purchased company, and the fair value on the date of purchase of any earlier rights to the capital of the purchased company, as above, the difference shall be recognized directly to gain or loss on the date of purchase and is defined as profit from opportunistic purchases.

In business condonations achieved in stages, the equity rights held at the purchased company by the Group prior to the business combination are measured at fair value as of the business combination date, and resulting gain or loss is charged to gain/loss.

Note 2 – Principal Accounting Policies

Conditional proceeds created for the Group as part of a business combination are measured at fair value as of the business combination date. Consecutive changes in the fair value of the conditional proceeds, classified as liabilities, are recognized in accordance with IAS 39, Financial Instruments: Recognition and Measurement, in the Statement of Operations or Other Comprehensive Earnings. Conditional proceeds classified as equity is not re-measured, and its subsequent clearance is treated within the framework of equity transactions, balances and profits not yet realized in transaction between Group companies are cancelled.

Accounting policy implemented for subsidiaries was changed as required, in order to guarantee consistency with the accounting policy adopted by the Group.

Associated Companies

An associated company is an entity in which the Company has material influence, but not control, which is mostly expressed in a 20% to 50% share in voting rights. Investments in associated companies are treated according to the book value method.

In accordance with the book value method, investments are first recognized at cost, and the book value changes in such a manner that the Company recognizes its share of the associate's or the joint venture's gain or loss on the date of purchase.

The Company's share of the gain or loss of associates after the purchase date is charged to gain or loss, and its share of movements in other comprehensive earnings after the purchase date is charged to other comprehensive earnings against the book value of the investment.

The Company determines at each reporting date whether there are any signs that the investment in the associate or the joint transaction has been impaired. In the event that any such sign exists, the Company calculates the sum of the impairment as the difference between the recoverable sum of the investment (the value in use or the fair value less sales costs, whichever is higher) and their book value and recognizes the impairment sum in gain or loss under "share of profits (losses) of investees treated according to the book value method".

Profits or losses deriving from transactions between the Company and the affiliates and joint ventures are recognized in the Company's statements only at the level of their share in the associated company of investors not connected to the Company. The Company's share of the profits or losses of the associate due to these transactions is written off.

The affiliates' or joint ventures' accounting policy was changed as required, in order to guarantee consistency with the accounting policy implemented by the Company.

Note 2 – Principal Accounting Policies

c. **Translation of functional currency to presentation currency and translation of balances and transactions in foreign currency**:

1) Functional and Presentation Currency

Items included in the financial statements of each Group member are measured using the currency of the primary economic environment in which that entity operates (hereinafter – the Functional Currency). The Consolidated Financial Statements are presented in USD, which is both the Company's functional and its presentation currency.

The following are the changes occurring during the reported periods in the exchange rate of the U.S. dollar (hereinafter – the USD) versus the NIS and the rate of the euro versus the USD:

	Change in Exchange Rate of USD vs. the NIS:	**Change in Exchange Rate of Euro vs. the USD**
	%	%
Year Ending December 31, 2015	0.3	(10.5)
Year Ending December 31, 2014	12.0	(12.0)
Year Ending December 31, 2013	(7.0)	4.5

The exchange rate of the USD vs. the NIS on December 31, 2015 is $1 = 3.902 NIS.

The exchange rate of the USD vs. the NIS on December 31, 2014 is $1 = 3.889 NIS.

The exchange rate of the euro vs. the USD on December 31, 2015 is €1 = $1.088

The exchange rate of the euro vs. the USD on December 31, 2014 is €1 = $1.215

2) Transactions and Balances

Transactions in currency other than the functional currency (hereinafter – foreign currency) are translated into the functional currency using the exchange rates in effect on the transaction date. Exchange rate differences resulting from the settlement of such transactions and from the translation monetary assets and liabilities denominated in foreign currencies according to exchange rates at the end of the period are charged to gain/loss, except when charged under other comprehensive earnings as cash flow hedging and as hedging of net investment in foreign activity.

Profit and loss from exchange rate differences pertaining to monetary assets or liabilities are presented in the Report on Comprehensive Earnings under "Financing Expenses, Net". All other profits and losses resulting from changes in exchange rates are presented in the Statement of Operations under "other losses (profits) – net".

Note 2 – Principal Accounting Policies

3) Translation of Financial Statements of Group Companies

The results and financial status of all group members (the functional currency of none of which is a currency from a hyper-inflationary economy) the functional currency of which differs from the presentation currency, are translated to the presentation currency in the following manner:

a) Assets and liabilities for each balance sheet presented are translated according to the closing rate on that balance sheet date;

b) Revenues and expenses for each Statement of Operations are translated according to the average exchange rates for the period (unless this average is not a near approximation of the accumulated impact of the exchange rates on the transaction dates. In this case, the revenues and expenses are translated according to the exchange rate on the transaction dates);

c) All exchange rate differences created are recognized under other comprehensive earnings.

d. Fixed Assets

Fixed assets are presented at cost net of accumulated depreciation, provision to impairment and deduction of referring investment grant sum. Historic cost includes expenses directly attributable to the acquisition of the items. Impairment of assets, other than owned land which is not depreciated, is calculated using the straight line method over the estimated useful life of the fixed asset items in the following manner:

	%
Buildings	2-7 Mainly 4%
Machinery and equipment	7-25 (Mainly 7%)
Furnishings, office equipment and vehicles	6-25 (Mainly 7%)

General significant renovation costs are amortized across the asset's remaining useful life span, or until the next general renovation, whichever comes first.

All other repairs and maintenance works are charged to the Statement of Operations during the reported period in which they were created.

Leasehold improvements are amortized using the equal depreciation method over the term of the lease or the expected life span of these improvements, whichever is shorter.

Note 2 – Principal Accounting Policies

e. Investment Property

Investment property includes an office building owned by Schiesser in Germany, and is not used by the Group for manufacturing or supplying goods or services or for administrative purposes, or for sale over the normal course of business.

Investment property is initially measured at fair value, within the framework of allocating the cost of purchases made by the Company.

After initial recognition, the Group measures its investment property at historic cost, less accumulated depreciation.

f. Intangible Assets

1) Goodwill

Goodwill represents the surplus of proceeds transferred fie to the purchase of a subsidiary over the net sum on the date of purchase of identifiable assets purchased and liabilities. The Group reviews goodwill for impairment at the end of each year. Goodwill is presented at cost, less losses accumulated due to impairments, if any. Losses from the impairment of goodwill are not written off by later revaluations.
Goodwill is charged to cash-generating units for the purpose of testing impairment. The allocation is carried out for each cash-generating unit or group of cash-generating units that are expected to benefit from the business combination from which the goodwill was derived, which is no greater than the operating segment.

Regarding the examination of impairment of goodwill, see Note 9b.

2) Contractual Customer Relations

Customer relationships acquired as part of the business combination are included at their fair value on the date of purchase and amortized using the straight line method over their useful life span.

3) Trademarks

a. Rights to use trademarks are recorded at the discounted sum of the liability for minimum royalty payments, and are amortized over their contract period (usually 3-4 years) or their estimated period of use, whichever is shorter; see also note 9c.

b. Certain trademarks acquired as part of a business combination are recognized at fair value on the date of purchase, and are amortized over the course of their usage period.

Note 2 – Principal Accounting Policies

4) Brands

The brands were included at fair value on the purchase date. Owned brands have an undefined useful life span and are therefore not amortized.
Brand value is tested once per year or when indications exist that this test is necessary.
Regarding the examination of brand impairment, see Note 9d.

5) Computer Software

Acquired computer software licenses are capitalized on the basis of the costs accumulated in the acquisition and utilization of the software. These costs are amortized over the estimated useful life span of the software (4 years). Costs associated with the maintenance of computer software are recognized as expenses upon creation. Costs directly associated with the development of unique and identified software products under Group control and for which a high probability exists that they will generate economic benefits in excess of direct costs related to employees, accumulated as a result of the software's development and an appropriate part of the relevant indirect expenses discounted as intangible assets.

g. Impairment of Non-Financial Assets

Assets with an indefinite useful life span, such as goodwill and brands, are not subjected to amortization and are tested annually for impairment.
Assets with a defined useful life span are reviewed for impairment whenever events or changes in circumstances indicate that their book value may not be recoverable. The impairment loss recognized for impairment is equal to the sum by which the asset's book value exceeds its recoverable sum. The recoverable sum is the fair value of the asset, less sales costs, or its value in use, whichever is higher. For the purpose of assessing impairment, assets are distributed at the lowest levels for which there are separate identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment recognized for them at each financial status reporting date.

h. Non-Current Assets Held for Sale

Non-current assets are classified in the balance sheet under current assets as assets held for sale when the Group is about to recover their book value, mainly through a sales transaction, and the assessment is that and a sale is expected to highly probable. These assets are recognized at their book value or their fair value less sales costs, whichever is lower.

Note 2 – Principal Accounting Policies

i. Financial Assets

1) Classification

The Group classifies its financial assets into the following categories: "Financial Assets at Fair Value through Gain and Loss" and "Loans and Receivables". Classification is determined according to the goal for which the financial assets were purchased. Group management determines the classification of the financial assets upon first recognition.
The Company does not have financial assets held for maturity or financial assets available for sale.

a. Financial Assets Measured at Fair Value Through Profit or Loss**:**

Derivative financial instruments are classified as available for sale, unless they are intended for hedging purposes.

b. Loans and accounts receivable

Loans and receivables are non-derivative financial assets with fixed or fixable payments which are not quoted on an active market. These assets are included under current assets, with the exception of cases in which the period until redemption exceeds one year from the balance sheet date, in which assets are classified as non-current.

2) Recognition and Measurement

Regular purchases and sales of financial assets are listed in the Group's books on the date the transaction is cleared, which is the date on which the asset is delivered to the Group or delivered by the Group. Financial assets presented at fair value through gain/loss are first recognized at fair value, and the transaction expenses are charged to the Statement of Operations. Financial assets subtracted when the rights to receive cash flows from the investments expire or are passed on, and the Group has passed on all risks and yields from ownership of these assets. Financial values at fair value via gain/loss are presented in consecutive periods at fair value. Loans and receivables first recognized at fair value plus transaction costs are presented at amortized cost, on the basis of the effective interest method.

As for the method by which the fair value of the Group's financial assets is measured see Note 4.

3) Impairment of Loans and Accounts Receivable

On each balance sheet date, the Group assesses whether there is objective evidence that the financial asset or group of financial assets is has been impaired. A financial asset of a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as result of one or more events that occurred after the initial recognition of the asset ("Loss Event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be estimated reliably.

Note 2 – Principal Accounting Policies

The group first assesses whether objective evidence of impairment exists.
In the event that evidence of impairment exists, the sum of the impairment loss recognized in the Financial Statements is measured as the difference between the asset's book value and the present value of estimated future cash flows expected to derive from it (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (meaning the effective interest rate calculated for it upon the initial recognition in the Financial Statements).
If in a subsequent period, the amount of the impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognized (such as an improvement to the debtor's credit rating), the reversal of the previously recognized impairment loss shall be recognized in the referring section.

Impairment testing of customer balances is described in l. below.

4) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net sums presented in the Balance Sheet when there is an immediate legal right (not stipulated on any future event) to offset the recognized sums, legally enforceable under all of the following circumstances: over the normal course of business, in the event of credit failure and in the event of insolvency or bankruptcy by the entity and of all opposing parties, and there is an intention to clear the financial assets and financial liabilities on a net basis, or realize the asset and clear the liability simultaneously.

j. Derivative Financial Instruments and Hedging Activities

Derivative instruments are initially recognized at their fair value upon engagement in the derivative contract, and are measured anew in consecutive periods at fair value.

The method for recognizing gain or loss deriving from changes in fair value depends on the question whether the derived instrument is intended as a hedging instrument, and if so, on the nature of the protected item.
Changes to the fair value or derivative financial instruments not fit for hedging are charged to gain/loss under "other revenues (expenses), net."

The Group designates specific derivative instruments to hedge the cash flow:

The Group documents, as of the date of the hedging's creation, the link between protecting instruments and protected items, as well as the goals of risk management and strategy as they pertain to various hedging agreements. In addition, the Group documents its estimates, both on the date the hedging was created and on a continuing basis, as to whether the derivative instruments, used in hedging transactions, which are highly effective in achieving offsetting changes in cash flows of hedged items.

Note 2 – Principal Accounting Policies

The fair value of derivative instruments used for hedging purposes is detailed in Note 11b. The change is charged to other comprehensive earnings and is presented as part of the Report on Changes in Capital. The full fair value of a hedging derivative is classified as a non-current asset or liability, when the time remaining until redemption is no longer than 12 months after the balance sheet date, or as a non-current asset or liability, when the time remaining until redemption is less than 12 months after the balance sheet date.

The gain or loss connected to the non-effective part is recognized in the Statement of Operations under "Other Income (Expenses) – Net". Sums accumulated in equity are reclassified to the Statement of Operations under financing expenses in periods in which the hedged item influences the profit or loss.

k. Inventory

Inventory of finished products purchased by the Company is measured at cost or according to its realization value, whichever is lower. Cost is determined based on a moving average.
The cost of finished products and mid-process inventory includes direct manufacturing costs, cost of labor and loading indirect costs according to normal capacity. Amortization of inventory values is carried out in accordance with projections of its discontinuation, based on assumptions regarding demand and future market conditions.
The net realization price is the estimated sales price over the normal course of business, less completion and sales costs.

l. Customers

Customers are initially recognized at fair value, and are subsequently measured at amortized cost less provision to doubtful debt. The provision to doubtful debt is created when objective evidence exists of the fact that the Group is unable to collect all sums owed it according to the original terns of the debit balances. Material customer difficulties, the probability they will go bankrupt or undergo economic reorganization and insolvency or material delays in payments are considered signs of the fact that the value of the debtor's balance has decreased. The debt's book value is reduced through the provision account, and the sum of the loss is recognized in the Report on Comprehensive Earnings under administrative and general expenses. When a customer debt cannot be collected, it is erased against the provision to doubtful debt.

The Company performs a discount to the debit balance of a central customer and an additional customer. The discount takes place through banking corporations in the U.S. and UK, with no recourse. The results of the discount action are charged to financing expenses.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and short-term bank deposits, with deposit periods not exceeding 3 months.

Note 2 – Principal Accounting Policies

n. Treasury Shares

The cost of purchasing the Company's shares in its own possession (treasury shares) is deducted from equity attributed to the owners of the parent company until the shares are cancelled or re-issued.

o. Debentures

Debentures are initially recognized at fair value, less transaction costs. In subsequent periods, the debentures are presented at amortized cost with the difference between the sum of the loan initially recognized and the redemption value recognized in the Report on Comprehensive Earnings across the debenture period using the effective interest method.

p. Current and Deferred Taxes

Taxes on income include current and deferred taxes. Taxes on income are charged to gain/loss, with the exception of items charged to other comprehensive earnings (loss) or directly to equity, respectively, along with the item for which they were created. In these cases, the tax influence is also charged to other comprehensive earnings (loss), or directly to equity.
Current taxes are tax sums expected to be payable for taxable income, calculated according to tax rates and tax statutes legislated or effectively legislated as of the balance sheet date, in countries in which the Company and its subsidiaries are active, including tax payments referring to previous years.

From time to time, Group management studies tax aspects applicable to its taxable income, in accordance with relevant tax laws, and creates provisions as needed.

Deferred taxes are calculated in full, using the liability method for all temporary differences between the sums of assets and liabilities as reported in the Consolidated Financial Statements, and sums taken into account for tax purposes, with the exception of temporary differences created upon first-time recognition of goodwill, and temporary differences created upon initial recognition of the asset or liability with no impact on profit or loss on that date – whether for accounting purposes or that reported for tax purposes (unless the temporary difference arises from an initial recognition of a business combination transaction).

Recognition of deferred tax assets is conducted for all temporary differences deductible for tax purposes, within the sum of the differentials that may be expected to be used in the future in return for taxable revenues. Deferred tax assets are reviewed at each reporting date and are impaired if it is no longer probable that the related tax benefit will be realized.

Deferred tax balances are calculated using tax rates expected to apply upon realization of the deferred tax asset, or settlement of the deferred tax liability, in accordance with tax rates and tax laws that have been enacted, or effectively enacted, in the countries in which those companies are active, as of the balance sheet date.

Note 2 – Principal Accounting Policies

In calculating deferred taxes, taxes that would have been created in the event of realization of investments in subsidiaries and companies handled using the book value method are not taken into account, as it is Company policy to hold these investments and not realize them.

The Group may be liable for additional taxes in the event of inter-company dividend distribution. This added tax has not been accounted for in light of Company policy not to have dividends involving additional tax distributed in the foreseeable future.

q. Employee Benefits

The Group operates a number of post-employment employee benefit plans, which include defined benefit plans and defined deposit plans.

1) Retirement/Pension Compensation Liability

A defined deposit plan is an employee post-employment benefits plan in which the Group companies make fixed deposits to a separate and independent entity in such a manner that the Group has no obligation, legal or implied, to make additional deposits, in situations in which the fund's assets are not sufficient to pay all employees the benefits for work services in the current period and during earlier periods.

A defined deposit plan is an employee post-employment benefits plan that is not a defined deposit plan.

The Group members operate a number of pension plans. The plans are financed by payments made to insurance companies or pension funds held in trust.
According to their terms, the pension plans in question meet the definition of a defined benefit plan as above.

In accordance with labor law Israeli work agreements and in accordance with Company practices, the Company is required to pay severance pay to employees dismissed or departing work under certain circumstances. The Company severance pay liability for some of the employees is treated as a defined benefit plan, and for the remaining employees it is treated as a defined deposit plan.

The obligation borne by the Company toward employees covered by a defined deposit plan is to make fixed deposits to a separate and independent entity, with the Company having no legal or implied obligations to make additional deposits, in situations in which the sums of the fund will be insufficient to pay all of the employees for all the benefits owed for work services in the current period and in earlier periods.

Note 2 – Principal Accounting Policies

In accordance with the obligations borne by Group members to employees covered by a plan constituting a defined benefit plan, the sums of benefits received by the employee entitled to compensation upon retirement are based on their years of seniority and their last paycheck.

The total retirement compensation liability presented in the balance sheet is the current value of the defined benefit liabilities as of the balance sheet date less the fair value of the plan assets. The defined benefit liability is measured on a yearly basis by an actuary, using the projected unit credit method.

The current value of the liability is determined by discounting expected future cash flows (after taking expected pay increase rates into account), on the basis of interest rates on government debentures or corporate debentures in accordance with the tradability of the debentures in countries in which the Group companies reside, denominated in the currency in which the benefits will be paid, the validity of which until redemption is near the period of the liabilities referring to retirement compensation.

In accordance with International Accounting Standard 19, Employee Benefits (hereinafter – IAS 19), the discount rate used to calculate actuary obligation shall be determined using market yields as of the balance sheet date of high-quality corporate debentures. At the same time, IAS 19 notes that in countries lacking a deep market for these debentures, market yields as of the balance sheet date of government debentures must be used.

Starting from the transition date for the implementation of International Financial Standards in Israel, on January 1 2008, a practice developed in Israel according to which Israel does not have a deep market in high-quality corporate debentures, and as such the rate used by the Company to discount defined benefit liabilities in the financial statements prepared by the third quarter of 2014 was based on the market yield on government debentures.

As of November 25 2014, the Securities Authority published a staff position according to which Israel has a deep market in high-quality CPI-linked corporate debentures, whose currency is the NIS. Therefore, in accordance with staff's opinion, when measuring commitments for employees defined as defined benefit plans, a transition must be made form use of a yield rate on government debentures to use of a yield rate on high--quality corporate debentures. In accordance with the staff's position, the manner of proper implementation for the transition in question is on a prospective basis, meaning as a change in estimate.

Note 2 – Principal Accounting Policies

As a result, the interest rate used by the Company to capitalize expected future cash flows for the purpose of calculating obligations for defined benefit plans in the Financial Statements for the end of 2014 was established based on the interest rates of high-rated corporate NIS debentures. The influence of the change in the discount rate on the commitments in question was charted to other comprehensive earnings under "Re-measurements of net severance-pay liabilities".

The Group companies charge re-measurements of net liabilities in respect of defined benefit to other comprehensive earnings, in the period they were created. Such re-measurements are created as a result of changes in actuary assumptions, from differences between assumptions made in the past and results in practice and difference between yields on plan assets and sums included in the net interest on the net defined benefit liabilities (asset)

Costs for past services are charged to the Statement of Operations on a regular basis.

Compensation reserves are measured at fair value. The reserves in question due not constitute "plan assets" as defined in IAS 19, and therefore were not offset from the balance of the severance pay liability for the purpose of presentation in the balance sheet.

As noted above, the Group companies purchase insurance policies and make deposits in pension and compensation funds to finance its defined deposit plan liability. Upon making the deposits, it is not obligated to make additional payments. The deposits are recognized as expenses due to employee benefits concurrent with receiving service from employees for which they are entitled to deposits. Advance deposits are recognized as an asset, in the event that the Group is entitled to cash refunds or a reduction in future payments.

2) Vacation and Convalescence Pay

According to labor laws in Israel and in some of the other countries in which the Group is active, each employee is entitled to vacation days and convalescence days, both calculated on a yearly basis. This right is established throughout the employee's employment at the Company. The Group recognizes the liability and expense for vacation and convalescence pay based on the benefit created for each employee on a non-capitalized basis.

3) Executive Compensation

The Company recognizes its liability and expense for executive compensation based on various compensation components that vary according to the rank of the executive and may change from year to year based on the decision of Company management. The Company recognizes the provision in question when a contractual obligation exists or when practice in the past created an implies obligation

Note 2 – Principal Accounting Policies

r. Share-Based Payment

The Company's Board of Directors approves a plan for the issue of options and/or restricted share units to Group employees from time to time, see Note 13 below. Some of the options and/or restricted share units granted from time to time are stipulated on achieving operational goals. The fair value upon issue is charged as a salary expense concurrent with an increase in undesignated retained earnings, across the period in which the employees become entitled to them and it upholds all of the defined conditions for the maturation of a share-based payment arrangement. The sum charged as an expense is adapted in order to reflect the number of options and/or restricted share units for shares expected to vest.

When the options to purchase the shares are exercised, the resulting exercise bonus is charged to stock capital (according to their notational value) and stock premium.

s. Provisions

Provisions for re-structuring cost are recognized in the Financial Statements when the Group has a legal or implied liability as a result of past events; the Group is expected to bear the cash flows in order to redeem the liabilities and the sum can be reliably estimated. Provisions for restructuring expenses include employee compensation payments when the Group approves a formal and detailed restructuring plan, and when the restructuring begins in practice, or when it is announced (see Note 18f). The provisions do not include future operational costs.

The provisions are measured according to the current value of management's best estimates regarding the cash flows expected to be required to clear existing commitments as of the
balance sheet date.

t. Revenues

The Group's sales reflect revenues from the sale of goods. The Group's revenues are measured at fair value of proceeds received or proceeds the group is entitled to receive in respect of sales over the ordinary course of the Group's business. The revenues are presented net of VAT, returns, credits and discounts and after writing off inter-group revenues.
The Group recognizes revenues from the sale of goods when all the following conditions are met: (a) the significant risks and rewards arising from ownership of the goods have been transferred to the buyer; (b) the Group no longer maintains effective control of goods or ongoing managerial involvement at a level characteristic of ownership; (c) the revenue sum may be measured reliably; (d) the economic benefits associated with the transaction are expected to accrue to the Group; and (e) all costs incurred or to be incurred with regard to the transaction may be measured reliably.

Note 2 – Principal Accounting Policies

Discounts given to customers at the point of sale or as a function of purchase volume, whether pursuant to an agreement with the customer or not, are deducted from revenues in the Financial Statements.
The Company bases its estimates on past experience, taking into account the type of customer, type of transaction and the specific details of each arrangement.

u. Operational Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Report on Comprehensive Earnings on a straight-line basis for the duration of the lease.

v. Earnings per share

Calculation of basic profit per share is based on the net profit (loss) distributable to regular shareholders, divided by the weighted average of the number of regular shares in circulation during the period, less treasury shares.

When calculating the diluted profit or loss per share, the weighted average of the number of shares issued is also added to the average of regular shares used in the basic calculation, assuming that all diluting potential shares are converted to shares. The potential shares are only taken into account when their influence is diluting (reducing the profit or increasing the loss per share).

w. Dividend Distribution

Dividends distributed to the Company's shareholders are recognized as liabilities in the Group's balance sheet in the period the dividends were approved for distribution by the Company's Board of Directors.

Standards, revisions and interpretations of existing standards that have not yet come into effect and which the Group has elected not to implement early:

a. IFRS 9 - Financial Instruments
IFRS 9 deals in the classification, measurement and recognition of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014. This standard replaces the instructions present in IAS 39 Financial Instruments: Recognition and Measurement on the matter of classifying and measuring financial instruments. IFRS 9 retains the mixed measurement model for measuring financial assets, but simplifies it and establishes three main categories: amortized cost, fair value via other comprehensive earnings and fair value via gain/loss. Classification is based on the entity's business model and on the characteristics of the financial asset's contractual cash flow. Investments in capital instruments shall be measured in fair value via gain/loss. At the same time, the entity's management can choose, upon first recognition, irrevocably, to present the changes in the fair value of a capital instrument under other comprehensive earnings, without reclassification to gain/loss (recycling).

Note 2 – Principal Accounting Policies

The standard presents a new model for the impairment of financial assets, based on the expected credit losses ("Expected Credit Loss Model"). This model replaces the model present in IAS 39, which is based on losses that occurred (the incurred loss model).

Regarding the classification and measurement of financial liabilities, no changes have taken place, with the exception of recognition of changes in liabilities intended for fair value via gain/loss, deriving from the entity's own credit risk, in other comprehensive earnings.

IFRS 9 eases requirements for testing hedging effectiveness by replacing the requirement to meet clear quantitative guidelines for testing hedging effectiveness. IFRS 9 requires that a financial exist ratio between the hedging instrument and the hedged item, and that the "hedging ratio" be identical to the hedging ration the entity management uses in practice to identify its risks. The standard preserves the documentation requirement for the entire hedging period, but the documentation is different than that required as per IAS 39.

The standard will be applied retroactively starting from yearly periods starting January 1 2018. In accordance with IFRS 9, its early implementation is possible. The Company is studying the expected impact of IFRS 9 on its Financial Statements.

b. IFRS 15 - Revenue from Contracts with Customers

Upon first implementation, IFRS 15 shall replace instructions regarding recognition of revenue existing today in International Financial Reporting Standards.

The core principle of IFRS 15 is that revenue from contracts with customers need to be recognized in a manner reflecting the transfer of control of goods or services provided customers within the framework of the contracts, at sums replacing the proceeds the entity expects to be entitled to receive for these goods or services.

IFRS 15 establishes a single model for recognizing income, according to which the entity will recognize the income in accordance with the core principle in question by implementing five stages:
(1) Identifying the contract with the customer.
(2) Identifying the implementation obligation in the contract.
(3) Establishing the transaction price.
(4) Allocating the transaction price to the implementation obligations.
(5) recognition of income when one of the performance obligations is carried out.

IFRS 15 refers to the accounting treatment of a broad variety of subjects connected to implementing the model in question, including recognizing income from variable proceeds set in contract, adjustment to the transaction price set in the contract in order to reflect the time value of the money and contractual achievement and existence costs.

Note 2 – Principal Accounting Policies

The standard expands disclosure requirements regarding revenues, and among other things requires that quantitative and qualitative information be provided regarding management's material considerations, which were taken into account in order to determine the income recognized.

On July 22 2015 the IASB published notice on its decision to postpone the standard's first-time implementation dated by one year, so that the standard would be applied retroactively to yearly periods starting January 1 2018 or subsequently, taking into account the easements detailed in the IFRS 15 transition instructions. In accordance with the provisions of IFRS 15, its early implementation is possible. The Company is studying the expected impact of IFRS 15 on its Financial Statements.

c. Revision to International Accounting Standard 1 – "Presentation of Financial Statements" (Hereinafter – IAS 1R)

The amendment to IAS 1 deals with the following subjects: materiality and its implications on the disclosures provided in the Financial Statements, presentation of secondary summaries, the order in which the Notes to the Financial Statements are presented and disclosure regarding accounting policy.

This amendment applies to yearly periods starting January 1 2016 or subsequently. In accordance with the amendment, early implementation is possible.

d. IFRS 16 - Leases

Upon first implementation, IFRS 16 shall replace instructions currently featured in IFRS 17 Leases. The standard deals in the recognition, measurement, presentation and disclosure of leases, and is expected to have a material impact primarily on the accounting treatment implemented by the leasing party in a lease agreement.

IFRS 16 alters the instructions appearing in IAS 17, and requires that lessors recognize a lease obligation that reflects future lease payments, and alternately an "asset for usage right", referring to all lease agreements (with the exception of the following), with no distinction between a financial lease and an operational lease. IFRS 16 exempts lessors from implementing its provisions for short-term leases and for leases in which the asset being leased is of low value.

For lessors, the accounting rules covered by IFRS 16 remain almost identical to those in IAS 17, so that lessors will continue to classify leases as operational leases or as financial leases, similar to rules in IAS 17.

IFRS 16 also changes the definition of "lease" and the nature of the test whether a contract features a lease.

Note 2 – Principal Accounting Policies

IFRS 16 shall be applied retroactively to yearly periods starting January 1 2019 or subsequently, taking into account the easements detailed in the IFRS 16 transition instructions. In accordance with the provisions of IFRS 16, its early implementation is only possible for entities who apply the provisions of IFRS 105 before or simultaneously with the early implementation of IFRS 16. The Group is studying the expected impact of IFRS 16 on its Financial Statements.

Note 3 – Material Accounting Estimates and Judgments

As part of the financial reporting process, Company management is required to make certain assumptions and estimates which may impact the value of its assets, liabilities, revenues, expenses and part of the disclosures provided in the Group's consolidated statements. By their nature, these estimates may be subjective and complex, and may therefore differ from actual results.

The accounting estimates and assumptions used in preparing the Financial Statements are reviewed regularly and are based on past experience and other factors, including future events which are reasonably likely to occur in view of current circumstances.

Below is a description of critical accounting estimates used in preparing the Financial Statements, the formulation of which required the Company to make assumptions with regard to circumstances and events which involve significant uncertainty. In exercising its judgment for the purpose of making accounting estimates,
the Company takes into account, respectively, the relevant facts, past experience, the impact of external factors and assumptions reasonable under the circumstances.

a. Critical Accounting Estimates and Assumptions

1) Inventory

The Company makes monthly estimates for the purpose of amortization of slow or dead inventory, based on past experience, remaining inventory balances from previous seasons and sales forecasts.

2) Goodwill

At least once a year, or if certain events take place, the Company reviews the need for recognizing the impairment of goodwill, based on management forecasts on the discounted amount of the cash flow expected from the cash generating unit to which goodwill refers, see Note 96b.

3) fixed assets

Depreciation expenses due to fixed assets is calculated using the straight line method on the basis of the estimated period of time they will be used by the Company.
In addition, the Company reviews the need for additional depreciation whenever indications exist of the possibility of impairment.

Note 3 – Material Accounting Estimates and Judgments

4) Brands

The balance of brands includes the brand names Schiesser and P.J. Salvage, which were purchased in 2012 and 2015, respectively. The book value of the brands is presented at fair value upon their date of purchase and was calculated as part of the allocation of purchasing costs made by external assessors.

In addition, the balance of brands also includes the brand names Karen Neuberger, Little Miss Matched and FIX, which were purchased in 2011, 2012 and 2014, respectively, and which are presented at historical cost, with an undefined life span and which are not amortized on a regular basis.

At least once per year, and in the case of certain events, the Company reviews the need for an impairment provision, see Note 9d.

5) Taxes on Income and Deferred Taxes

The Group is assessed for tax purposes in a large number of jurisdictions, and accordingly, Group management is required to apply considerable judgment in order to determine the overall provision for taxes on income. The Group lists provisions in its books based on its estimates regarding the possible likelihood of additional tax payments for these transactions.

When the final tax liability determined by the tax authorities differs from the tax liability accounted for in previous periods, the difference shall be charged to gain/loss in the period when the final assessment in question was made by the tax authorities.

Furthermore, the Group records deferred tax assets and deferred tax liabilities on the basis of differences between carrying amounts of assets and liabilities and their sums taken into account for tax purposes. The Group regularly reviews the recoverability of deferred tax assets included in its accounts, on the basis of historical taxable revenues, projected taxable revenues, the timing of the expected reversal of temporary differences and implementation of tax planning strategies. If the Company is unable to derive sufficient future taxable revenues, or in the event of a material change in effective tax rates in the period during which the temporary differences become taxable or deductible, the Group may be required to reverse part of its deferred tax assets or to increase its deferred tax liabilities, which may increase its effective tax rate and negatively impact its operating results

Note 4 – Financial Instruments and Financial Risk Management

a. Financial Risk Factors

The Group's activities are exposed to a variety of financial risks: market risks (including exchange rate risk, cash flow interest rate risk), credit risks and liquidity risks. The Group's risk management program is focuses on the uncertainty of financial markets and seeks ways to minimize potential adverse effects on Group financial performance. The Group makes use from time to time of financial derivatives to hedge certain risk exposures.
The Group manages financial risks based on a policy approved by its Board of Directors and senior management. This policy refers to the management of exchange rate risk, credit risk and cash management.

1) Market risks:

a) Exchange Rate Risks

The Group operates on a global scale and is exposed to fluctuations in various exchange rate, primarily of the euro and NIS vs. the dollar. Exchange rate risks arise from commercial transactions, assets or liabilities or net investments in foreign activity denominated in a currency that is not the entity's functional currency.

The Group invests from time to time in foreign currency derivatives - forward contracts - in order to protect itself from the risk in which cash flows deriving from excess receipts in euros and NIS will be impacted by changes in exchange rates. In addition, the Group from time to time invests in foreign currency derivatives (EUR vs. Czech korunas), forward contracts or options, in order to protect itself from the cash flow risk deriving from production costs at the Company's plant in the Czech Republic, which is impacted by changes in exchange rates. The duration of these contracts usually less than one year. These transactions are primarily intended to protect against change in the exchange rates in question, but as of the balance sheet date, do not constitute accounting hedges.

As of December 31 2015 the Company has hedging agreements totaling $36,000,000 vs. the euro at an average exchange rate of 1.13.

Regarding hedging agreements for cash flows from the issue of NIS debentures, see Note 11b.

Exchange rate risk exists when future commercial transactions or assets and liabilities recognized in the Financial Statements are measured and denominated in a currency other than the entity's functional currency.

Note 4 – Financial Instruments and Financial Risk Management

As of December 31 2015, if the group's functional currency had weakened/strengthened by 5% or 10% against the NIS with all other variables remained unchanged, the total profit for the year would have been higher/lower by $108,000 or $216,000, respectively (2014 – $202,000 and $404,000), mainly as a result of profits from changes in exchange rates due to the translation of net financial balances presented in the Company's balance sheet denominated in NIS.

As of December 31 2015, if the group's functional currency had weakened/strengthened by 5% or 10% against the euro with all other variables held constant, the total profit/loss for the year would have been higher/lower by $480,000 or $960,000, respectively (2014 – $23,000 or $46,000), mainly as a result of profits/losses from exchange rate differences due to the translation of net financial balances presented in the Company’s balance sheet denominated in euro.

Note 4 – Financial Instruments and Financial Risk Management

b) Note on linking financial items:

	As of December 31 2015				
	In Dollars	**In EUR**	**In NIS**	**In Other Currencies**	**Total**
	Thousands of Dollars				
Assets:					
Current assets:					
Cash and cash equivalents	147,400	15,431	1,624	3,077	167,532
Restricted cash	292	53	-	187	532
Trade receivables	68,335	13,728	21,542	2,025	105,630
Other accounts receivable	3,968	2,347	9,140	3,539	18,994
Financial derivative (*)	209	-	-	-	209
Long-term receivable	924	74	133	-	1,131
Long-term financial derivative (*)	1,439	-	-	-	1,439
Total assets	**222,567**	**31,633**	**32,439**	**8,828**	**295,467**
Liabilities:					
Current liabilities:					
Short-term loans and current maturities of long-term loans from banking corporations	47	-	5	-	52
Current maturities of debentures (*)	23,365	-	-	-	23,365
Financial derivative (*)	3,049	-	-	-	3,049
Trade payables	80,729	7,973	8,200	4,054	100,956
Other accounts payable	29,129	10,867	21,419	7,083	68,498
Debentures (*)	211,728	-	-	-	211,728
Long-term financial derivative (*)	5,311	-	-	-	5,311
Long-term loans and other liabilities	18,692	3,182	659	-	22,533
Total liabilities	**372,050**	**22,022**	**30,283**	**11,137**	**435,492**
Balance sheet total, net	**(149,483)**	**9,611**	**2,156**	**(2,309)**	**(140,025)**

(*) The debenture series issued are denominated in NIS and bear fixed NIS interest. The Company has entered into a swap agreement with banking corporations to swap NIS cash flows for a dollar cash flow, and vice versa, hence this liability is presented as linked to the USD. (See Note 11a and b).

Analysis of sensitivity to changes in the discount rate of extra-balance sheet liabilities, in thousands of dollars:

Sensitivity to changes in the discount rate of liabilities in respect of rental and franchise agreements denominated in NIS:

	10% increase [1]	5% increase [2]	Discount rate of 12%	5% Decrease [3]	10% Decrease [4]
Change in Fair Value Before Tax	374	189	23,204	(193)	(389)

Note 4 – Financial Instruments and Financial Risk Management

Sensitivity to change in discount rate of liabilities with respect to rental and franchise agreements denominated in euros:

	10% increase [1]	5% increase [2]	Discount rate of 12%	5% Decrease [3]	10% Decrease [4]
Change in Fair Value Before Tax	864	439	30,937	(452)	(918)

(1) For a 13.2% discount rate.
(2) For a 12.6% discount rate.
(3) For a 11.4% discount rate.
(4) For a 10.8% discount rate.

Note on linking financial items:

	As of December 31 2014				
	In Dollars	**In EUR**	**In NIS**	**In Other Currencies**	**Total**
	Thousands of Dollars				
Assets:					
Current assets:					
Cash and cash equivalents	151,015	11,202	1,652	3,089	166,958
Restricted cash	179	71	-	119	369
Trade receivables	68,257	13,756	23,568	2,978	108,559
Other accounts receivable	19,653	354	6,539	2,020	28,566
Financial derivative (*)	329	-	-	-	329
Long-term receivable balances	2,323	159	275	-	2,757
Long-term financial derivative (*)	1,254	-	-	-	1,254
Total assets	**243,010**	**25,542**	**32,034**	**8,206**	**308,792**
Liabilities:					
Current liabilities:					
Short-term loans and current maturities of long-term loans from banking corporations	-	-	-	931	931
Current maturities of debentures (*)	23,054	-	-	-	23,054
Financial derivative (*)	2,235	-	-	-	2,235
Trade payables	61,357	7,434	8,512	3,345	80,648
Other accounts payable	25,110	14,911	16,906	5,359	62,286
Debentures (*)	197,262	-	-	-	197,262
Long-term financial derivative (*)	8,784	-	-	-	8,784
Long-term loans and other liabilities	13,760	3,660	2,579	-	19,999
Total liabilities	**331,562**	**26,005**	**27,997**	**9,635**	**395,199**
Balance sheet total, net	**(88,552)**	**(463)**	**4,037**	**(1,429)**	**(86,407)**

(*) The debenture series issued are denominated in NIS and bear fixed NIS interest. The Company has entered into a swap agreement with banking corporations to swap NIS cash flows for a dollar cash flow, and vice versa, hence this liability is presented as linked to the USD. (See Note 11a and b).

Note 4 – Financial Instruments and Financial Risk Management

c) Risk due to Change in Interest Rate

Risks related to interest rates derive from changes to interest rates which may have a negative impact on the Group's net profit or cash flow. The changes in interest rates lead to changes in the Group's revenues and interest expenses due to interest-bearing assets and liabilities.

The Group has no material variable interest-bearing assets or liabilities with the exception of Series B debentures (see below), and therefore the Group's revenues and operational cash flows are not directly affected by changes in market interest rates.

For the impact of the sensitivity to changes in interest rates on Series B debentures which is the only series of debentures issued at variable interest) issued by the Company over the course of 2014-2015, see Note 11b.

2) Credit Risks

Credit risks are managed at the Group level. Credit risks derive primarily from cash and cash equivalents, bank deposits and credit exposure to customers. The Company assesses risk associated with the quality of customer credit by weighing the customer's financial standing, past experience and other factors. Sales to Company customers are generally carried out under credit terms of up to 90 days. Sales to retail customers are made in cash or credit card, through the major credit card companies.

Most of the balance of the Group's cash and cash equivalents as of December 31 2015 are deposited in short-term deposits in Israeli banks, primarily Mizrahi Tefahot, the credit rating of which as published by S&P Maalot is AAA.

The Company estimates that credit risk with regard to balances in these banks is low.

3) Liquidity Risks

Prudent liquidity risk management requires the maintenance of sufficient cash and available credit frameworks to finance activity in light of the dynamic nature of its business activity, the Group maintains financial flexibility by taking care to maintain available credit frameworks (see Note 18d).

Note 4 – Financial Instruments and Financial Risk Management

The following table analyzes the Group's financial liabilities according to redemption dates based on the balance for the period as of the projected repayment date. The sums presented in the table represent a non-capitalized cash flow.

	Less Than 1 Year	Between 1 and 2 Years	Between 3 and 5 Years	Over 5 Years	Total
	Thousands of Dollars				
December 31 2015:					
Debentures	36,861	24,086	67,563	192,811	321,321
Financial derivative	2,874	2,093	4,005	1,030	10,002
Collateral due to financial derivative	-	-	-	(3,290)	(3,290)
Credit and loans from banking corporations	52	-	-	-	52
Trade and other payables	151,894	-	-	-	151,894
Other liabilities	16,832	13,800	12,293	1,029	43,954
	208,513	39,979	83,861	191,580	523,933
December 31 2014:					
Debentures	35,283	33,676	62,017	153,900	284,876
Financial derivative	1,906	1,954	3,050	7,476	14,386
Guarantees against financial derivative	-	-	-	(4,950)	(4,950)
Credit and loans from banking corporations	931	-	-	-	931
Trade and other payables	130,712	-	-	-	130,712
Other liabilities	11,164	14,536	5,833	2,195	33,728
	179,996	50,166	70,900	158,621	459,683

Group management periodically reviews the ratio between future cash flows derived from maturities of its liabilities and future cash flows derived from maturities of its financial assets. If needed, the Group modifies its liability mix and their maturities.
In the opinion of Group management, the Group's liquidity risk is low.

b. Capital Risk Management

The Group's capital risk management goals are to preserved the Group's ability to continue functioning as a going concern in order to provide shareholders with returns on their investments, and benefits for other interested parties, and to maintain an optimal capital structure to reduce the costs of equity.

From time to time, as needed, the Company considers the need to raise outside capital.

For details regarding the company's share buyback plan see Note 20(3)

Note 4 – Financial Instruments and Financial Risk Management

Leverage:

The following is the calculation of the net financial debt to comprehensive equity (CAP) as of December 31 2015 and 2014:

	December 31	
	2015	**2014**
	Thousands of Dollars	
Net financial debt [(1)]	74,533	64,517
Total equity (CAP) [(2)]	602,604	567,397
Leverage ratio – net financial debt to CAP	12.4%	11.4%

(1) Net financial debt includes short and long-term bank credit, debentures, derivative financial instruments and deposits set as collateral for the derivatives in question, and financial leases, less cash and cash equivalents and restricted cash.

(2) The CAP refers to the gross financial debt plus a financial derivative and less a deposit deposited as collateral for the derivative in question, equity and a deferred tax reserve.

c. Fair Value Assessments

The following is an analysis of financial instruments measured at fair value, by assessment method. The various levels are defined as follows:

1. Quoted prices (unadjusted) in active markets in which identical assets or liabilities are traded (Level 1).
2. Data other than quoted prices included in level 1, which may be directly or indirectly observed regarding the asset or liability, whether directly (meaning as prices) or indirectly (meaning derived from the prices) (Level 2)
3. Data regarding the asset or liability not based on observable market information (unobservable input) (Level 3).

Forward contracts in which the Company invests to hedge its cash flow are included under Level 1.
Financial derivatives are included under Level 2 (see Note 11).
A conditional liability payable for the P.J. Salvage purchase agreement is included under Level 3 (see Note 6a).

Note 5–Segment-Based Reporting

a. Operating segments:

1) Overview

Group Management has determined the operational segments on the basis of the reports examined by the Company's CEO and Board of Directors on a regular basis. The CEO and Board of Directors were identified together as the strategic steering committee, which makes the Company's strategic decisions(CODM).

The following is a short description of each of the reported areas of activity:

a) Delta U.S.A – this segment deals in designing, developing and marketing undergarments, socks and activewear for private labels in the ladies, men and children categories as well as under labels for which it has received a franchise and labels in its possession; (c) Global Division Upper Market Segment – this segment deals in designing, developing, manufacturing and marketing undergarments, for men and ladies, socks and seamless items for ladies, for customers in upper market segments in the United States and in Europe; (c) Delta Israel – this segment deals in designing, developing and marketing branded undergarments and children's clothing, mainly under the Delta label, to various customers in Israel through retail and wholesale activity; (d) Schiesser – this segment deals in the design, development and marketing of labelled undergarments and children's clothing, mainly under the Schiesser label, to various customers in Europe via wholesale and retail activity.

2) Information on sales, segment earnings (losses) and assets of reportable segments:

a) Measuring sales, segment earnings (losses) and segment assets:
Measuring sales, segment earnings (losses) and segment assets is based on the same accounting principles applied in the Consolidated Financial Statements.

Segment earnings (losses) reflect the profit (loss) from the segment's activities, and exclude net financing expenses and taxes on income, as these items are not attributed to segments and are not analyzed by the CODM by segment.

Sales prices between segments are based on negotiations between the segments, when possible, on market prices.

b) Segment assets mostly include fixed assets, intangible assets, investments in companies handled using the book value method, inventory, trade receivables and other accounts receivable. Assets not attributed to segments include mainly cash and cash equivalents, deferred taxes, financial derivatives and assets held for sale. In addition, the CODM does not test liabilities as part of the segment data.

Delta Galil Industries Ltd.

Notes to the Financial Statements

Note 5–Segment-Based Reporting

b. Operating segments data:

For the year ending December 31 2015:	Delta USA	Global Upper Market Segment	Delta Israel	Schiesser	Adjustments	Inter-Company Cancellations	Total
	Thousands of Dollars						
Sales to external customers	491,013	277,797	125,719	185,458	-		1,079,987
Inter-segment	-	10,205	-	-	362	(10,567)	-
Total sales, net	491,013	288,002	125,719	185,458	362	(10,567)	1,079,987
Segment income (loss)	25,098	24,145	6,673	13,880	(696)	(123)	68,977
Financing expenses, net					16,594		16,594
Profit before tax							52,383
Assets at the end of the year (*)	292,637	123,636	80,880	138,023	163,018	-	798,194
Assets classified as held for sale	-	-	-	-	1,000	-	1,000
Depreciation and amortization	3,377	6,208	3,514	5,586	1,084	-	19,769
Capital profit, net	12	141	8	42	-	-	203
Capital investments in fixed and intangible assets (**)	8,589	15,411	7,259	6,466	2,517	-	40,242

(*) This data does not include the balances of assets classified as held for sale. Adjustment data largely consists of the balance of cash to the sum of $127 million.

(**) This data does not include minimum sums for franchise agreements to which the Company is a party and the purchase of assets.

Delta Galil Industries Ltd.

Notes to the Financial Statements

Note 5–Segment-Based Reporting

For the year ending December 31 2014:	Delta USA	Global Upper Market Segment	Delta Israel	Schiesser	Adjustments *	Inter-Company Cancellations	Total
	Thousands of Dollars						
Sales to external customers	448,957	254,215	126,983	201,675	31	-	1,031,861
Inter-segment	-	13,203	-	-	492	(13,695)	-
Total sales, net	448,957	267,418	126,983	201,675	523	(13,695)	1,031,861
Segment income (loss)	26,546	20,810	8,422	18,428	(1,050)	(66)	73,090
Financing expenses, net					15,806		15,806
Profit before tax							57,284
Assets at the end of the year (*)	227,777	100,120	73,652	138,925	191,906	(66)	732,314
Assets classified as held for sale	-	-	-	-	1,000		1,000
Depreciation and amortization	2,303	5,195	3,007	6,777	1,320		18,602
Capital profit (loss), net	(12)	320	-	(86)	1,035		1,257
Capital investments in fixed and intangible assets (**)	3,229	6,056	7,762	9,523	3,704		30,274

(*) Adjustment data includes capital gains from the sale of real estate to the sum of $1,050,000 and expenses not attributed to the operating segments.

(**) This data does not include the balances of assets classified as held for sale. Adjustment data largely consists of the balance of cash to the sum of $144 million.

(***) This data does not include minimum sums for franchise agreements to which the Company is a party and the purchase of assets.

Delta Galil Industries Ltd.

Notes to the Financial Statements

Note 5–Segment-Based Reporting

For the year ending December 31 2013:	Delta USA	Global Upper Market Segment	Delta Israel	Schiesser	Adjustments	**Inter-Company Cancellations**	Total
	Thousands of Dollars						
Sales to external customers	402,583	266,904	111,218	193,974	40	-	974,719
Inter-segment	-	7,672	-	-	-	(7,672)	
Total sales, net	402,583	274,576	111,218	193,974	40	(7,672)	974,719
Segment profits (loss)	23,984	23,175	8,446	14,659	(3,871)		66,393
Financing expenses, net					10,981		10,981
Profit before tax							55,412
Assets at the end of the year (*)	200,088	106,403	66,041	141,505	136,061		650,098
Assets classified as held for sale	-	-	-	-	1,000		1,000
Depreciation and amortization	3,439	5,927	2,283	5,657	944		18,250
Capital profit (loss), net	(11)	947	7	178	-	-	1,121
Capital investments in fixed and intangible assets (**)	1,489	6,373	4,901	8,385	57	-	21,205

(*) This data does not include the balance of assets held for sale. Adjustment data largely consists of the balance of cash to the sum of $91 million.

(**) This data does not include minimum sums for franchise agreements to which the Company is a party and the purchase of assets.

Note 5–Segment-Based Reporting

c. Additional information on a geographical basis:

1) Sales on a geographical basis (based on customer location):

	For the Year Ending December 31		
	2015	2014	2013
	Thousands of Dollars		
United States	621,363	550,853	514,393
Europe (other than Germany)	154,349	163,108	156,437
Germany	152,518	163,372	157,883
Israel	125,813	127,140	111,309
Others	25,944	27,388	34,697
	1,079,987	1,031,861	974,719

2) The non-current assets balance (*) on a geographical basis is detailed below:

	December 31		
	2015	2014	2013
	Thousands of Dollars		
United States	134,764	97,058	93,073
Israel	65,651	48,786	59,935
Germany	38,946	48,483	50,276
Czech Republic and Slovakia	15,399	13,996	14,903
Bulgaria and Hungary	7,687	9,229	11,044
Egypt	15,460	8,281	8,723
Turkey	7,350	-	-
East Asia	6,874	3,252	2,491
Jordan	250	162	565
Others (mainly Europe)	20	1,509	3,420
	292,401	230,756	244,430

(*) With the exception of deferred taxes and surplus of severance pay reserve.

d. Sales information by product category:

	For the Year Ending December 31		
	2015	2014	2013
	Thousands of Dollars		
Women’s undergarments, nightwear and other clothing	539,576	475,189	439,547
Men’s undergarments	223,499	241,858	216,799
Socks	180,725	180,638	182,237
Children's clothing	136,187	134,176	136,136
	1,079,987	1,031,861	974,719

Note 5–Segment-Based Reporting

e. Sales to Prime customer:

	For the Year Ending December 31		
	2015	**2014**	**2013**
	In Millions of Dollars		
Customer A – Belongs to Delta U.S.A. Segment	190.1	175.4	114.7

Note 6 – Business Combinations

a. On July 19, 2015 the company had announced that on July 17 it signed an agreement between Loomwork Apparel Inc (the "seller") and the company or its subsidiaries to purchase the seller's activity . As a part of the acquisition the buyers will take upon themselves the seller liabilities which are a part of the seller working capital. The seller is an American apparel company which is engaged in the design, import and marketing of branded apparel including sleepwear, active wear, lingerie and accessories. The acquired activity includes the PJ Salvage brand and other brand names. The transaction was completed on July 31, 2015 for consideration of $37.4 million.In addition, the proceeds may include additional payment amounting up to $3.75 million, which will be paid subject to meeting profitability goals set in the agreement for 2016-2017.

The following are details of the sums recognized due to identifiable assets purchased and obligations taken:

	As of July 31 2015. (Thousands of Dollars)
Cash	37,368
Conditional proceeds in fair value	3,334
Total payment for the acquisition of activity	40,702
Sums recognized due to identifiable assets and liabilities taken:	
Customers	1,708
Inventory	1,472
Other assets	109
Suppliers	(78)
Financial institutions	(1,478)
Fixed Assets	6
Customer Relations	6,200
Trademark	14,000
Total identifiable assets and liabilities	21,939
Goodwill	18,763
Total payment for the acquisition of activity	40,702

Note 6 – Business Combinations

In determining the value of intangible assets included in the purchase agreement such as trademarks, customer relations and goodwill, as presented in appendix A to the cash flow report, the company used an external valuation which was prepared, close to the time of acquisition, by external expert- "MFA cornerstone consulting LLC".

The valuation of intangible is based on two valuation methods, as described below**:**
Customer relation - Discounted Cash Flow (DCF) method.
Trademarks – Royalty Replacement Value method..

Main assumptions used in the valuation are as described below:
Gross profit rate 47.9%.
Nominal growth rate 3.0%.
Average discount rate 18.2%
Royalties rate for P.J. Savage 10%

Following is the data regarding sales and net profit under the assumption that the acquisition occurred on January 1, 2015::

The Group's sales in 2015 would have amounted to $1,089.9 million compared to $1,080.0 million as reported.

Net profit would have amounted to $45.4 million compared to $43.9 million as reported.

b. On October 1 2015 the Company purchased 50% of the shares of Delta Alfa Corap Ve Textile San Tlc A.C., a Turkish socks-manufacturing plant, in which it held 50% of the shares, thus completing purchase of the entire company. The purchased plant supports the socks manufacturing activity in the Global Upper Market Segment.

The following are details of the sums recognized due to identifiable assets purchased and liabilities taken:

	As of October 1 2015 (Thousands of Dollars)
Cash paid	500
Cash in aquiered company	1,173
Total cash received from purchase of company.	673
Sums recognized due to identifiable assets and liabilities taken:	
Customers	28
Inventory	2,712
Fixed Assets	2,036
Suppliers	(2,178)
Payables	(4,754)
Short-term credit	(938)
Operating Lease	(610)
Customer Relations	4,844
Total identifiable assets and liabilities	1,140
Less:	
Balance of investment in purchased company	(1,273)
Incidental profit from purchase of company	540

Note 7 – Fixed Assets

a. **Composition of the Cost of Fixed Assets and the Resulting Depreciation and Amortization, by Major Groups, and Movement thereof in 2015**:

	Cost							
	Balance at the Beginning of the Year	Additions During the Year	Disposals During the Year	Writing Off Assets Depreciated in Full and Not in Use	Capital Reserve from Translation Fifferences	Entry into Consolidation	Various Classifications	Balance at the End of the Year
	Thousands of Dollars							
Land and Buildings	35,995	2,688	(29)	-	(3,080)	2,207	-	37,781
Machinery and Equipment	82,720	9,194	(1,555)	(1,543)	(1,203)	3,142	-	90,755
Office furnishings and equipment, vehicles and leasehold improvements	93,605	26,618	(7,666)	(1,027)	(4,633)	679	(363)	107,213
	212,320	38,500	(9,250)	(2,570)	(8,916)	6,028	(363)	235,749

	Accrued depreciation and devaluation							
	Balance at the Beginning of the Year	Additions During the Year	Disposals During the Year	Writing Off Assets Depreciated in Full and Not in Use	Capital Reserve from Translation Fifferences	Entry into Consolidation	Various Classifications	Balance at the End of the Year
	Thousands of Dollars							
Land and Buildings	10,364	1,173	(16)	-	(1,288)	-	-	10,233
Machinery and Equipment	58,200	4,760	(1,560)	(1,543)	(780)	-	-	59,077
Office furnishings and equipment, vehicles and leasehold improvements	44,895	11,329	(7,180)	(1,027)	(3,707)	-	-	44,310
	113,459	17,262	(8,756)	(2,570)	(5,775)	-	-	113,620

	Depreciated Balance	
	December 31	
	2015	2014
	Thousands of Dollars	
Land and Buildings	27,548	25,631
Machinery and Equipment	31,678	24,520
Office furnishings and equipment, vehicles and leasehold improvements	62,903	48,710
	122,129	98,861

Note 7 – Fixed Assets

Composition of the Cost of Fixed Assets and the Resulting Depreciation and Amortization, by Major Groups, and Movement thereof in 2014

	Cost						
	Balance at the Beginning of the Year	Additions During the Year	Disposals During the Year	Writing Off Assets Depreciated in Full and Not in Use	Capital Reserve from Translation Fifferences	Various Classifications	Balance at the End of the Year
Land and Buildings	37,202	986	(1,996)	(4)	(193)	-	35,995
Machinery and Equipment	83,138	3,936	(1,830)	(1,724)	(404)	(396)	82,720
Office furnishings and equipment, vehicles and leasehold improvements	88,096	21,986	(61)	(1,446)	(14,116)	(854)	93,605
	208,436	26,908	(3,887)	(3,174)	(14,713)	(1,250)	212,320

	Accrued depreciation and devaluation						
	Balance at the Beginning of the Year	Additions During the Year	Disposals During the Year	Writing Off Assets Depreciated in Full and Not in Use	Capital Reserve from Translation Fifferences	Various Classifications	Balance at the End of the Year
Land and Buildings	11,493	1,047	(1,639)	(4)	(533)	-	10,364
Machinery and Equipment	57,336	4,642	(1,626)	(1,724)	(476)	48	58,200
Office furnishings and equipment, vehicles and leasehold improvements	43,810	10,162	(2)	(1,446)	(7,629)	-	44,895
	112,639	15,851	(3,267)	(3,174)	(8,638)	48	113,459

	Depreciated Balance	
	December 31	
	2014	2013
	Thousands of Dollars	
Land and Buildings	25,631	25,709
Machinery and Equipment	24,520	25,802
Office furnishings and equipment, vehicles and leasehold improvements	48,710	44,286
	98,861	95,797

Note 7 – Fixed Assets

b. Land and Buildings

The Group owns land and buildings used for its operations, which are located in Israel, the U.S.A, Bulgaria, Egypt, Thailand, Germany, the Czech Republic and Slovakia. For land and buildings classified by the Group as held for sale - see Note 8 below.

c. Encumbrances on Assets

The Company's liabilities to banks are fully secured by an unlimited floating lien on all Company assets and rights and on assets of some of its subsidiaries.

d. In 2015 the Company amortized fixed asset items to the sum of $235,000 for the Little Missed Matched label. For further details, see Notes 9b and 18f.

e. For classification of depreciation expenses in Report on Comprehensive Earnings see Notes 18h, i. and j.

Note 8 – Assets Classified as Held for Sale

a. As of December 31 2015, the Group has several assets in Israel held for sale, which are included in the Financial Statements at their net historical cost of $1.0 million.

The assets are classified as held for sale as-is, and the Company is committed and making efforts to locate a buyer.

The Company estimates that the realization value net of realization costs of these assets exceeds their cost in the Financial Statements.

b. Sale of Assets Classified for Sale

Entry into Sales Agreement for the Sale of the Real Estate Property

On April 29 2013 the Company signed an agreement to sell a real estate asset in Carmiel, with everything built on it. The Company has leasing rights to the real estate from the Israel Land Administration.
The buyer paid the Company a total of $6.6 million (plus VAT) for the real estate.
The capital gain before tax deriving for the Company is $1.1 million US and was included under other net revenues in 2013.

Note 9 – Intangible Assets

a. Composition of Intangible Assets and the Resulting Amortization Accumulated, by Major Groups:

	Goodwill (b)	Customer Relations *	Trademarks (c) *	Patent	Brand Name (d)	Computer Software **	Total
				Thousands of Dollars			
Balance as of January 1 2013	51,338	10,568	13,637	650	31,849	3,440	111,482
In 2013							
Capital reserve from translation differences	-	4	24	-	1,153	(53)	1,128
Additions	-	-	12,424	-	-	856	13,280
Additions for purchase of subsidiary (see Note 6(b))							
Amortizations	-	(844)	(5,564)	(40)	-	(1,307)	(7,755)
Balance as of January 1 2014	51,338	9,728	20,521	610	33,002	2,936	118,135
In 2014							
Capital reserve from translation differences	-	(3)	(67)		(3,154)	(261)	(3,485)
Additions	163		9,675		2,150	1,349	13,337
Reclassification	-					680	680
Amortizations	-	(844)	(7,830)	(40)		(1,447)	(10,161)
Balance as of December 31 2014	51,501	8,881	22,299	570	31,998	3,257	118,506
In 2015							
Capital reserve from translation differences	-	(4)	(89)	-	(2,438)	(368)	(2,899)
Additions	-	-	12,453	-	-	1,742	14,195
Addition due to the purchase of activity and subsidiary	18,763	11,044	14,000	-	-	-	43,807
Reclassification	-	-	-	-	-	363	363
Amortizations	(163)	(1,031)	(9,476)	(37)	(1,964)	(1,466)	(14,137)
Balance as of December 31 2015	70,101	18,890	39,187	533	27,596	3,528	159,835
On December 31 2015							
Cost	77,656	27,953	94,701	650	29,560	14,975	245,495
Accumulated amortization	(7,555)	(9,063)	(55,514)	(117)	(1,964)	(11,447)	(85,660)
Balance as of December 31	70,101	18,890	39,187	533	27,596	3,528	159,835

* Amortization of customer relations and trademarks is presented under selling and marketing expenses.

** The amortization of computer software is presented under cost of goods sold, selling and marketing expenses and administrative and general expenses in accordance with the type of software.

Note 9 – Intangible Assets

b. Goodwill

In 2013 the balance of goodwill was attribute to the Delta U.S.A. segment of operation.
In 2014, a goodwill balance amounting to $0.2 million was added for the acquisition of the Fix operation, which was attributed to the Delta Israel segment. Of operation.

. In 2015, based on an internal valuation performed by the Company, this balance of goodwill was amortized.
In 2015 a total of $18.8 million was added to the balance of goodwill in the Delta USA segment of operation with the respect of P.J Salvage aquisition, see Note 6a.

Test to Determine Impairment of Goodwill – Delta USA

The Group reviews the need for goodwill impairment once a year or when signs exist that may indicate the need to impair.

As a result of the reviews conducted in 2015, 2014 and 2013, no need arose for such impairment.

In 2013 the Company relied on the valuation performed in 2012 by an external expert, following its compliance with all of the conditions detailed in Section 99 of IAS 36 on the impairment of assets, as follows:

a) The assets and liabilities comprising the unit did not change in any material manner since the most up-to-date calculation of the recoverable sum;
b) The most up-to-date calculation of the recoverable sum exceeded the book value of the unit by a material margin; and
c) Based on an analysis of the events that occurred and the circumstances that changed since the most recent calculation of the recoverable sum, the likelihood that the recoverable sum determined in the current period will be lower than the current book value of the unit is low.

sum The recoverable amount of cash-generating units is determined based on calculations of value in use. The cash flow forecast is based on the budget for the coming year, approved by management, and on other assumptions regarding growth rates of sales and expense in the following four years. The cash flow beyond the next 5 years is extrapolated using expected growth rates indicated below.

In 2015 and 2014 the Company studied the need to amortize goodwill.

The following basic assumptions were used in calculating the value in use in 2015 and 2014:

	2015	**2014**
Gross profit rate (1)	20.8%	20.2%
Nominal growth rate (2)	4.0%	4.0%
Pre-tax capitalization rate (3)	19.5%	19.2%

Note 9 – Intangible Assets

The Group uses the above assumptions to analyze the value of goodwill of cash generating units in the different segments:

1) Long-term representative gross profit. The gross profit rate is determined based on past experience and Group forecasts of market developments.
2) The weighted average growth rate used to estimate cash flows past the budget period.
3) Pre-tax capitalization rate applied to the cash flow forecast. Discount Rate Set according to segment risks

An impairment sensitivity test was performed as of December 31 2015, changing the pre-tax discount rate by 0.5% and while the other parameters remained unchanged.
An impairment sensitivity text was performed as of December 31 2015, changing the growth rate by 0.5% while the other parameters remained unchanged.
The results of the sensitivity tests detailed above to not indicate that the required impairment exists.

c. Trademark Usage Rights

The Company has entered into agreements which confer on it the right to market products under brand names owned by other parties, usually for periods of 3-4 years. Royalties for these agreements are calculated as a percentage of sales. Royalty rates range from 5% and 12% of sales; pursuant to these agreements, the Company is liable for minimum royalty payments, as set forth in these agreements, and the discounted sums of which are included in the Financial Statements.

d. Brands

The Group reviews the need for recognizing the impairment of its brands once a year or when signs exist that may indicate the need to impair.

1) The balance of brands as of December 31 2015 includes the brand names "Schiesser", "P.J. Salvage", "Karen Neuburger", "Little Miss Matched" and "FIX".

2) Test to Determine Impairment of Goodwill – Schiesser Brand

The Company considerers the Schiesser brand to have an unlimited shelf life, and therefore it is not amortized in its books. In making this determination, the Company relied on the following assumptions:

a. The brand has existed since 1875 and is famous and stable in Germany and in the Benelux countries (Western Europe).
b. The brand's primary activity has been profitable over many years.
c. Purchase of the brand by the Company will ensure its continued expansion in the Benelux countries.

Note 9 – Intangible Assets

The Company conducted an impairment test for the Schiesser brand. The valuation is in accordance with the revenue approach and is based on the "relief from royalty method". The following basic assumptions used in calculating the value are as follows:

a. The royalties rate is 3.0% and is calculated according to a weighted average between an average royalties rate in franchise agreements in the garment industry and a royalty rate calculated as part of a representative operating profit.

	Average Rate	Weighting
Average royalties rate in franchise agreements in the apparel industry	**5.5%**	**25%**
Royalties rate as share of profit representative operating profit * (average of between 25% and 33%)	**2.2%**	**75%**

* Representative operating profit of 7.5%.

b. Pre-tax discount rate of 18.6% (the discount rate is determined according to the segment risks).
c. 0% growth rate (the growth rate applied in the valuation was based on past experience and on the Company's market development forecast).
d. An impairment sensitivity text was performed as of December 31 2015, changing the pre-tax discount rate by 0.5% and leaving the other parameters unchanged.
An impairment sensitivity text was performed as of December 31 2015, changing the growth rate by 0.5% and leaving the other parameters unchanged.
The results of the sensitivity tests detailed above to not indicate that the required impairment exists.

3) Test to determine impairment of brands P.J. Salvage, Little Miss Matched, FIX and Karen Neuburger.
The Company performed an impairment test for brands P.J. Salvage, Little Miss Matched, FIX and Karen Neuburger.
The valuation is in accordance with the revenue approach and is based on the "relief from royalty method".

The following basic assumptions were used in calculating the value in use:

	P.J. Salvage	Little Miss Matched	FIX	Karen Neuburger
a. Royalties rate	10%	4%	(*) 8%	4%
b. Growth rate	3%	3%	0%	3%
c. Pre-tax discount rate	18.2%	17%	17%	17%

(*) Weighted average in accordance with type of activity – wholesale or retail.

Note 9 – Intangible Assets

As a result of the above examination, no need arose for amortization due to impairment of the value of the above brands, with the exception of the "Little Miss Matched" brand name.

Over the course of the fourth quarter of 2015, the Company decided to close the retail activity of the Little Miss Matched brand in the United States. As a result of the above decision, and in accordance with the valuation it performed, the Company made a $1.9 million provision from the value of the brand, a result included under reorganization expenses in the Comprehensice income statement.

Note 10 – Investments in associated companies accounted for using the equity method and other long term receivables.

	As of December 31	
	2015	2014
	Thousands of Dollars	
Investments in associated companies accounted for using the equity method (1)	4,176	4,850
Advance on account of investment in the company	-	1,500
Long-term deposits (2)	393	500
Other long-term debit balances	1,075	1,503
	5,644	8,353
Less current maturities	(223)	(340)
	5,421	8,013

(1) Including investments in investees in Turkey and China.

The following is movement in the value of investments in companies treated using the book value method:

	December 31	
	2015	2014
Balance as of January 1	4,850	-
Investment in share capital	-	1,472
Exit from holdings in associate and shift to full consolidation	(1,384)	-
Loan to associated company	-	3,556
Share of the profits (losses) of associates companies accounted for using the equity method	710	(178)
Balance as of December 31	4,176	4,850

(2) Mainly includes non-interest-bearing deposits for operational leases of buildings (see Note 16a).

The fair value of long term receivables balances is not materially different from their book value.

Note 11a – Debentures

1. For details regarding the Company's existing debenture series.

Series Name	Date of Issue	Nominal Value		Issue Expenses Millions	IssueProceeds	Average Duration [1]	Fixed NIS Interest	Fixed USD Interest [2]	Principal Payments	Interest Payments
		NIS	USD [2]	USD	USD					
K	January 20 2010	113.0	30.0	0.4	30.0	0.55	7%	6.08%	5 equal annual installments 2012-2016	Semiannual In January and July
K expansion [3]	December 28 2010	92.6	25.9	0.4	27.4	0.55	7%	6.08%	5 equal annual installments 2012-2016	Semiannual In January and July
E	April 8 2012	192.9	51.5	0.6	51.5	3.05	7.6%	6.18%	8 equal annual installments 2014-2021	Semiannual in July and December
A [4]	August 13 2013	178.5	49.7	0.6	49.7	5.46	5%	4.075%	14 equal annual installments 2015-2028	Semiannual In February and August
A expansion [3]	October 27 2013	21.5	6.0	-	6.0	5.46	5%	4.41%	14 equal annual installments 2015-2028	Semiannual In February and August
A second expansion [3]	May 14 2014	161.7	47.2	0.4	50.5	5.46	5%	5.45%	14 equal annual installments 2015-2028	Semiannual In February and August
A third expansion [3]	June 1 2014	38.3	11.7	-	11.8	5.46	5%	5.45%	14 equal annual installments 2015-2028	Semiannual In February and August
B [4]	September 18 2014	168.4	46.2	0.6	46.2	7.98	[6] -	-	Single repayment 2024	Semiannual In April and October
B expansion [3]	November 20 2014	31.6	8.2	-	8.4	7.98	[7] -	-	Single repayment 2024	Semiannual In April and October
B second and third expansions	May 24 2015	159.6	41.2	0.4	40.4	7.98	[8] -	-	Single repayment 2024	Semiannual In April and October

Note 11a – Debentures

2. For details regarding the Company's existing debenture series.

Series Name	Book value of debentures as of December 31 2015	Interest payable as of December 31 2015	Market Value of debentures [5] as of December 31 2015	Fair value of financial derivative
	Thousands of Dollars	Thousands of Dollars		
K	5,783	178	6,150	(249)
K expansion [3]	4,761	149	5,041	(387)
E	36,828	-	44,717	1,648
A [4]	42,091	698	49,321	1,487
A expansion [3]	4,983	85	5,927	(156)
A second expansion [3]	40,522	635	44,677	[9](5,449)
A third expansion [3]	9,548	150	10,571	[9](1,289)
B [4]	42,686	231	43,509	[10](4,395)
B expansion [3]	8,210	44	8,157	(60)
B second and third expansions	39,681	222	41,223	(1,152)
Total	**235,093**	**2,392**	**259,293**	**(10,002)**

Note 11a – Debentures

(1) Average gross duration as of the end of 2015.

(2) The Company has decided to enter in cash swap agreements on the very payment dates of the debenture series above, in hedging of cash flows as related to debenture payments against any exchange rate risks. For the series, such hedging generates fixed cash flows for the Company in dollars. Under these agreements, the Company undertakes to transfer USD payments at a fixed dollar interest rate as indicated above and receive NIS payments from the bank at the nominal interest rateFor Series B – see Notes 6, 7 and 8 below.

(3) The maximum exposure level the banking corporation set for this transaction is $5 million. The Company will be asked to provide collateral in the event that the exposure exceeds the sum in question, as the banking corporation demands.

The maximum exposure limit the banking corporations set for this transaction is $3 million. The Company will be asked to provide collateral in the event that the exposure exceeds the sum in question, as the banking corporation demands.

(5) According to the market value on the Tel Aviv Stock Exchange as of December 31 2015.

(6) Variable NIS interest rate: 3-month Telbor + 2.10%. Variable USD interest rate: 3-month Libor + 2.8715%.

(7) Variable NIS interest rate: 3-month Telbor + 2.10%. Variable USD interest rate: 3-month Libor + 2.55%.

(8) Variable NIS interest rate: 3-month Telbor + 2.10%. Variable USD interest rate: 3-month Libor + 2.81%.

(9) In the balance sheet, a derivative financial instrument is presented less a deposit deposited in a banking corporation and serving as collateral against the financial derivative at the rate of $2.3 million.

(10) In the balance sheet, a derivative financial instrument is presented less a deposit deposited in a banking corporation and serving as collateral against the financial derivative at the rate of $1 million.

Note 11a – Debentures

3. The following are details of non-discounted contractual cash flows for the debentures, by years:

	December 31 2015	December 31 2014
	Thousands of Dollars	
2015	-	35,283
2016	36,861	33,676
2017	24,086	21,511
2018	23,302	20,672
2019	22,518	19,834
2020	21,744	19,001
2021	20,950	18,157
2022	13,753	11,118
2023	13,365	10,750
2024	108,496	61,813
2025	9,643	8,816
2026	9,256	8,449
2027	8,867	8,081
2028	8,480	7,714
	321,321	284,875

4. The following a details of the financial covenants included in the deeds of trust of Series E, A and B, violation of which would be grounds for immediate repayment, subject to the healing period set:

Series E

- If the Company's equity, as published in the Financial Statements, amounts to under three hundred and fifty (350) million NIS, and inasmuch as the equity was not increased above the sum in question within 30 days.
- If the Company's net financial debt to CAP ratio as published in the Financial Statements exceeds a rate of 60% for two consecutive quarters after the increase in question in financial debt leverage ratio.

  In this regard, "equity" means the equity in the balance sheet, including minority rights; "net financial debt" means short-term debts and loans, plus current maturities of long-term loans, plus long-term loans, plus liabilities due to operating leases, with the exception of cash and cash equivalents and with the exception of short-term investments; "CAP" (capital base) means financial debt, plus the total equity in the balance sheet (including minority rights) plus long-term deferred taxes in the balance sheet.

Series A:

- If the Company's equity, as published in the Financial Statements, amounts to under one hundred and fifty (150) million USD, and inasmuch as the equity was not increased past the sum in question within 30 days after the publication date of the relevant financial statements.

Note 11a – Debentures

- If the Company's net financial debt to CAP ratio as published in the Financial Statements exceeds a rate of 60%, and inasmuch as the leverage rate of net financial debt to CAP does not drop by 60% as of the publication date of the second consecutive financial statement after the publication date of the financial statements that first reported the increase in question in the above leverage rate.

  In this regard, "equity" means the equity in the balance sheet, including minority rights; "net financial debt" means short-term bank loans (including current maturities), plus long-term bank debt, plus debentures, plus balance sheet liabilities due to operating leases and plus balance sheet liabilities due to financing leases, less cash and cash equivalents and less short-term investments; "CAP" (capital basis) means financial debt, plus the total equity in the balance sheet (including minority rights) plus long-term deferred taxes in the balance sheet.

Series B

- If the Company's equity, as published in the Financial Statements, amounts to under one hundred and fifty (150) million USD, and inasmuch as the equity was not increased past the sum in question within 30 days after the publication date of the relevant financial statements.
- If the Company's net financial debt to CAP ratio as published in the Financial Statements exceeds a rate of 60%, and inasmuch as the leverage rate of net financial debt to CAP does not drop by 60% as of the publication date of the second consecutive financial statement after the publication date of the financial statements that first reported the increase in question in the above leverage rate.

  In this regard, "equity" means the equity in the balance sheet, including minority rights; "net financial debt" means short-term bank loans (including current maturities), plus long-term bank debt, plus debentures, plus balance sheet liabilities due to operating leases and plus balance sheet liabilities due to financing leases, less cash and cash equivalents and less short-term investments; "CAP" (capital basis) means financial debt, plus the total equity in the balance sheet (including minority rights) plus long-term deferred taxes in the balance sheet.

As of December 31 2015 the Company was in compliance with the above financial covenants.

Note 11a – Debentures

5. The following are details of restrictions on the distribution of dividends included in the deeds of trust of Debenture Series E, A and B.

Restriction Type	Debentures Series E	Debentures Series A	Debentures Series C
Maximum Sum Distributed	50% of the total income in the relevant quarter year (or as has accumulated over multiple quarter years) however not exceeding 50% of the income in any event	50% of the total income distributable, calculating only surpluses as have accumulated starting June 30 of 2013	50% of the total income distributable, calculating only surpluses as will accumulate beyond an income of one hundred (100) million USD
Impact on equity	No dividend shall be distributed following which Company's equity would drop below four hundred and fifty (450) million NIS	No dividend shall be distributed following which Company's equity would drop below one hundred and seventy five (175) million USD	No dividend shall be distributed following which Company's equity would drop below two hundred (200) million USD
Impact of financial debt to EBITDA ratio		Distribution not expected to increase Company's net financial debt ratio to EBITDA beyond 3.5	No dividend shall be distributed following which Company's net financial debt ratio to EBITDA would increase beyond 3.5
Distribution from Revaluations	No distribution shall be made from income due to revaluation of the fair value of Company's financial assets or financial instruments	No distribution shall be made from income due to revaluation of the fair value of Company's financial assets or financial instruments	No distribution shall be made from income due to revaluation of the fair value of Company's financial assets or financial instruments
Other Restrictions			No dividend shall be distributed in instances as listed below: − Warning signed raised − Company failing to meet any of own material liabilities under the trust deed or debenture terms − Company's equity, including after the dividend distribution, not exceeding a sum of one hundred and fifty (150) million USD Company's leverage ratio of net financial debt to CAP, including after the dividend distribution, exceeding 60%

As of December 31 2015, the Company is in compliance with all of the dividend distribution restrictions.

Note 11b – Derivative Financial Instruments

The Group studies the value of the financial derivative on each cross-section date and uses an outside expert to test its value.
The value of the financial derivative was tested on the basis of the exchange rate difference between the cash flow the Company will receive in the future (in NIS) and the cash flow it is expected to pay (in USD). The future value of these values is based on the fixed interest rates, the basis of days for calculating interest and the risk that one of the parties will not be able to meet their obligations. The following basic assumptions were used in calculating the value of the financial derivative:

1. Market interest rates

	Market Interest Rates	
Series	NIS	USD
K	(0.12%) - (0.13%)	0.37%-0.86%
E	(0.12%) - 0.88%	0.08%-0.18%
A	(0.12%) - 1.94%	0.48%-2.37%
B	(0.12%) - 1.4%	0.58%-2.12%

2. Credit Risk Rate

Series	The Company	Bank Leumi	Bank Mizrahi	Deutsch Bank	Berkley's	Hapoalim
K	1.32%	1.34%				
E	0.77%		0.80%			
A	1.10%			1.03%	0.69%	
B	1.90%	1.02%		1.17%		1.11%

3. Analyses of the sensitivity of the value of the swap contracts to changes in the exchange rate (NIS/USD):

Series K

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected exchange rate	$1 = 3.512 NIS	$1 = 3.707 NIS	**$1 = 3.902 NIS**	$1 = 4.097 NIS	$1 = 4.292 NIS
Forward contract value	609	(46)	**(636)**	(1,169)	(1,655)
Difference	1,245	590		(533)	(1,019)

Series E

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected exchange rate	$1 = 3.512 NIS	$1 = 3.707 NIS	**$1 = 3.902 NIS**	$1 = 4.097 NIS	$1 = 4.292 NIS
Forward contract value	6,647	4,017	**1,649**	(494)	(2,443)
Difference	4,998	2,368		(2,143)	(4,092)

Note 11b – Derivative Financial Instruments

Series A

Rate of Change	10% Decrease	5% Decrease	Fair Value	5% Increase	10% Increase
Expected exchange rate	$1 = 3.512 NIS	$1 = 3.707 NIS	**$1 = 3.902 NIS**	$1 = 4.097 NIS	$1 = 4.292 NIS
Forward contract value	7,084	494	**(5,410)**	(10,744)	(15,591)
Difference	12,494	5,904		(5,334)	(10,181)

Series B

Rate of Change	10% Decrease	5% Decrease	Fair Value	5% Increase	10% Increase
Expected exchange rate	$1 = 3.512 NIS	$1 = 3.707 NIS	**$1 = 3.902 NIS**	$1 = 4.097 NIS	$1 = 4.292 NIS
Forward contract value	5,720	(252)	**(5,605)**	(10,351)	(14,563)
Difference	11,325	5,353		(4,746)	(8,958)

4. Analyses of the sensitivity of the value of the swap contracts to changes in NIS interest rates:

Series K

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	6.30%	6.65%	**7%**	7.35%	7.70%
Forward contract value	(636)	(636)	**(636)**	(636)	(636)
Difference	0	0		0	0

Series E

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	6.84%	7.22%	**7.6%**	7.98%	8.36%
Forward contract value	1,720	1,684	**1,649**	1,614	1,579
Difference	71	35		(35)	(70)

Series A

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	4.5%	4.75%	**5%**	5.25%	5.5%
Forward contract value	(4,647)	(5,031)	**(5,410)**	(5,786)	(6,159)
Difference	763	379		(376)	(749)

Note 11b – Derivative Financial Instruments

Series B

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	1.94%	2.05%	**2.16%**	2.27%	2.38%
Forward contract value	(5,855)	(5,736)	**(5,605)**	(5,473)	(5,439)
Difference	(250)	(131)		132	166

5. Analyses of the sensitivity of the value of the swap contracts to changes in USD interest rates:

Series K

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	5.47%	5.78%	**6.08%**	6.38%	6.69%
Forward contract value	(642)	(638)	**(636)**	(634)	(630)
Difference	(6)	(2)		2	6

Series E

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	5.56%	5.87%	**6.18%**	6.49%	6.80%
Forward contract value	1,427	1,538	**1,649**	1,759	1,869
Difference	(222)	(111)		110	220

Series A

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	3.668%	3.871%	**4.075%**	4.28%	4.483%
Forward contract value	934	1,212	**1,487**	1,760	2,030
Difference	(553)	(275)		273	543

Series A expansion

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	3.97%	4.19%	**4.41%**	4.63%	4.85%
Forward contract value	(228)	(193)	**(158)**	(124)	(90)
Difference	(70)	(35)		34	68

Note 11b – Derivative Financial Instruments

Series A Second and Third Expansions

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	4.91%	5.18%	**5.45%**	5.72%	6.00%
Forward contract value	(7,432)	(7,084)	**(6,739)**	(6,398)	(6,060)
Difference	(693)	(345)		341	679

Series B

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	2.807%	2.963%	**3.199%**	3.358%	3.519%
Forward contract value	(4,430)	(4,412)	**(4,395)**	(4,370)	(4,335)
Difference	(35)	(17)		25	60

Series B Expansion

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	2.586%	2.73%	**2.874%**	2.017%	3.161%
Forward contract value	(71)	(66)	**(60)**	(54)	(48)
Difference	(11)	(6)		6	12

Series B Second Expansion

Rate of Change	10% Decrease	5% Decrease	**Fair Value**	5% Increase	10% Increase
Expected interest rate	2.82%	2.977%	**3.134%**	3.29%	3.447%
Forward contract value	(1,213)	(1,182)	**(1,150)**	(1,118)	(1,086)
Difference	(63)	(32)		32	64

Note 12 – Other Non-Current Liabilities

	December 31	
	2015	2014
	Thousands of Dollars	
Minimum royalty payment liability (1)	24,692	21,813
Vehicle purchase liability	1,614	2,162
Office rental liability	5,421	2,060
Long-term employee remuneration liability	-	1,874
Minimum financial lease payments liability (2)	740	1,161
Machinery purchase liability	1,322	-
Contingent liability subject to the purchase of activity (see Note 6)	3,334	-
Other liabilities	1,544	1,545
Total liabilities (3)	38,667	30,615
Less current portion	16,134	10,616
Total long-term liabilities	22,533	19,999

The fair value of non-current liabilities is not materially different from their book value.

1. See Note 9c.
2. Schiesser constitute a party to a financing lease agreement in Germany for structure and land. The agreement ends in 2016
   The German subsidiary leases the real estate and it is included as investment property.
3. The following are details of other liabilities, discounted, payable by year:

	December 31	
	2015	2014
	Thousands of Dollars	
2015	-	11,164
2016	16,832	14,536
2017	13,800	4,431
2018	6,246	616
2019	2,312	2,981
2020 onward	4,764	
Less interest component	(5,287)	(3,113)
	38,667	30,615

Note 13 – Equity

a. Equity, Capital Reserves and retained earnings:

1) Composed of ordinary shares worth 1 NIS NV, as follows:

	Number of Shares As of December 31	
	2015	**2014**
Listed Capital	36,000,000	36,000,000
Issued and paid up capital (with treasury shares neutralized)	25,436,707	25,088,378
Treasury shares	1,306,342	1,316,719

As of December 31 2015, Company shares are traded on the Tel Aviv Stock Exchange at $27.55 (107.50 NIS).

2) The following are dividend sums distributed in the past three years:

Year	Sum Distributed (Thousands of Dollars)	Dividends per Share (Dollar)
2013	10,500	0.43
2014	13,500	0.54
2015	14,073	0.56

3) Retained earnings

Under the Companies Law, in determining the sums distributable as dividend, the total of Company shares bought back (as presented below) should be subtracted from the total of surpluses as presented under Company's Equity.

The shares held by the Company (“treasury shares”) do not grant voting rights and do not grant dividends.

b. Share-based payment

1. 2006 plans:

In May 2006, the Company Board of Directors approved two stock option plans, one for Israeli and non-US employees, and the other for US-based employees. The plan consists of 1,400,000 options, of which 1,100,000 options may be issued in conjunction with the plan for Israeli and other non-US employees, and 300,000 options may be issued in conjunction with the plan for US-based employees. Each option is exercisable into one ordinary Company share worth 1 NIS NV.

As of December 31 2015, the balance of the options that can be allocated in these plans amount to 244,541.

Note 13 – Equity

2009 plans:

On August 2009 the Company's Board of Directors decided to adopt an additional options plan for the compensation of employees, executives, directors, consultants and other services suppliers of the Company or its subsidiaries and related companies (hereinafter – "the Recipients"). The options shall be granted free of charge. Pursuant to the plan, the Company shall be entitled to allocate up to 800,000 non-tradable options, exercisable as up to 800,000 regular Company shares worth 1 NIS NV each. The exercise price of each option will be determined by the company's Board of Directors at its sole discretion in accordance with the law.
In addition, the Board of Directors decided to adopt an option plan for the compensation of American employees of the Company and its subsidiaries. Pursuant to the plan, the Company shall be entitled to allocate up to 300,000 options, exercisable as up to 300,000 regular Company shares worth 1 NIS NV each.

On October 27 2011 the Company Board of Directors decided to increase the number of regular Company shares saved for the purpose of the plan to repay select employees, officers, directors, consultants and senior service providers for the Company or of Company subsidiaries and related companies, approved by the Company Board of Directors on August 20 2009, by 300,000 shares, so that the total number of shares saved for the purpose of the plan will amount to 1,100,000.
On the same date, the Company Board of Directors decided to increase the number of regular Company shares reserved for the purpose of remunerating American employees of the Company and its subsidiaries including directors and other officers, approved by the Company Board of Directors on August 20 2009, by 300,000 shares, so that the total number of shares saved for the purpose of the plan will amount to 600,000.

On December 31 2013 the Company Board of Directors decided to increase the number of regular Company shares reserved for the purpose of remunerating selected employees, officers, consultants and other senior service providers of the Company or Company subsidiaries and related companies by 500,000 shares, so that the total number of shares saved for the purpose of the 2009 plan for Israeli recipients would amount to 1,600,000.
Furthermore, regarding the expansion of the plan for the above 500,000 options, the Company Board of Directors decided to revise the 2009 plan for Israeli recipients, according to which the formula for calculating the issue of options via mechanism for exercising options as shares on the basis of the benefit component would be amended so that the recipients would not be required to pay the notational value of the exercise shares. The Company undertook so long as the 2009 plan for Israeli recipients was still in effect, to save in the balance of profits worthy of distribution, a sum sufficient to turn it into stock capital in accordance with Section 304 of the Companies Law, 1999.

Note 13 – Equity

The remaining provision of the 2009 plan for Israeli recipients will remain unchanged.
As of December 31 2015, the balance of the options that can be allocated in these plans amount to 789,550.

In accordance with the path selected by the Company, the Company is not entitled to claim sums attributed to employees as a bonus as expenses for tax purposes, including sums listed as salary benefits in the Company's accounts due to options the employees received as part of the plan, with the exception of a fruit bonus component, if any, set upon allocation.

2. Exercise of restricted share units:

a. 2009 plan for American recipients:
On July 30 2013 and on July 30 2014 the Company Board of Directors decided to allocate 31,340 and 13,320 restricted share units to a number of employees in the United States, respectively. 51,000 restricted share units were allocated in January 2015. 16,000 restricted share units were allocated on August 2 2015. Entitlement to shares will vest over the course of 4 years from the allocation date.
In 2015 restricted share units allocated to Company employees were exercised, in such a manner that the balance of treasury shares dropped by 10,377 shares.

b. 2014 plan:
On July 28 2014 the Company Board of Directors decided to adopt a plan to allocate 300,000 restricted share units. The units shall be awarded recipients for no return at the Board of Directors' discretion and at the recommendation of the Company CEO. The balance of share units that can be allocated from this plan as of December 31 2015 is 226,295.

The fair value of the restricted share units (measured at the price of the share upon granting) granted during 2015 and 2014 as of their date of issue amounted to $13,317,000 and $1,239,000, respectively.

3. The fair value of the options granted (with the exception of options contingent on implementation goals) during 2015 and 2013 (no options were granted in 2014) as of their date of issue amounted to $1,527,000 and $355,000, respectively.

Note 13 – Equity

The fair value of each option granted (with the exception of options contingent on achieving objectives) is estimated on date of grant using the Black-Scholes option pricing model using the following assumptions:

	2015	2013
Dividend yield	0%	0%
Expected standard deviation (*)	22.7%	39%
Risk-free interest rate	0.4% - 1.0%	1.4% - 1.6%
Expected life span - in years	4.1	4.1

(*) Based on historical volatility of Company shares over periods similar to the expected life of the option through its exercise date.

The theoretical economic value to the options subject to the achievement of goals granted in 2015 (no performance-based options were granted in 2013 and 2014) was estimated on the date of issue using the Black & Scholes option pricing model, using the following average assumptions:

	2015
Dividend yield	0%
Expected standard deviation (*)	22.7%
Risk-free interest rate	0.4% - 1.0%
Expected life span - in years	4.1

(*) Based on historical volatility of Company shares over periods similar to the expected life of the option through its exercise date.

4. The sums of the expenses related to the options included in the Financial Statements for 2015, 2014, and 2013 are $482,000, $350,000 and $455,000, respectively.
The sums of the expenses related to granted restricted share units included in the Financial Statements for 2015, 2014, and 2013 are $1,758,000, $366,000 and $108,000, respectively.

5. The balance of benefits not yet recognized for all of the option plans, as of December 31 2015, assuming the achievement of all goals set, amounts to a total of $1,359,000. Its recognition is expected to take place over the course of the next 4 years.
The balance of benefits not yet recognized for the issue of restricted shares as of December 31 2015, amounts to a total of $2,697,000, and its recognition is expected over the course of the coming 4 years.

6. The rights granted by the ordinary shares issued upon the exercise of the options would be identical to those of the other ordinary Company shares.

Note 13 – Equity

7. The movements in the number of options not yet exercised and the relevant weighted averages of the exercise prices (original price before adaptation due to the distribution of dividends) are as follows:

a. Options not contingent on meeting performance goals:

	2015		2014		2013	
	Amount	Weighted Average Exercise Price $	Amount	Weighted Average Exercise Price $	Amount	Weighted Average Exercise Price $
In circulation at the beginning of the year	479,846	7.34	754,435	6.27	1,066,825	5.42
Granted	30,000	31.6	-	-	67,000	14.95
Forfeited	(8,500)	14.08	(1,750)	9.75	(49,684)	7.82
Expired	-	-	(1,750)	3.02	(3,315)	8.43
Exercised	(313,324)(*)	6.7	(*) (271,089)	4.39	(*) (326,391)	5.01
Outstanding at end of the year	188,022	11.98	479,846	7.34	754,435	6.27
Of these exercisable at end of the year	142,022	8.81	340,471	6.54	481,851	3.25

* For these options, 2,125, 9,142 and 34,952 rights were exercised in 2015, 2014 and 2013, respectively (see D below).

b. Stock options subject to meeting performance goals:

	2015		2014		2013	
	Amount	Weighted Average Exercise Price $	Amount	Weighted Average Exercise Price $	Amount	Weighted Average Exercise Price $
In circulation at the beginning of the year	55,000	6.67	67,500	6.43	387,500	3.82
Granted	210,034	32.3	-	-	-	-
Forfeited	(12,500)	5.36	-	-	-	-
Exercised	(22,500)	6.43	(12,500)	5.36	(320,000)	3.27
Outstanding at end of the year	230,034	30.17	55,000	6.67	67,500	6.43
Of these exercisable at end of the year	10,000	7.76	10,000	7.76	-	-

Note 13 – Equity

c. On July 2009 the Board of Directors decided to revise the May 2006 option plan so that the exercise price paid for each option would be adjusted by the dividend rate declared by the Company from time to time. Regarding the 2009 plan, such an adjustment was approved in the original plan.

d. According to the shelf offering report published by the Company on October 27 2009, according to which the Company made an offering by way of rights to the Company's ordinary shareholders, the Company adjusted the options which were granted as part of the 2006 plans and which have not yet vested according to terms of the original plan.

According to the option plans in question (2006), at the vesting date each exerciser of 4 options would be entitled to 5 shares in return for the payment of 4 times the exercise price plus the rights usage price from the issue of the rights set at 17 NIS ($4.53) before dividend adjustment.

In light of the above and as of December 31 2015 and assuming the exercise of all of the options existing in the 2006 plan and which were allocated to non-American recipients, 850 shares will be added to the ordinary shares converted.

Note 13 – Equity

8. Details of option balance as of December 31 2015 and December 31 2014 and movement in 2015 according to the plan*:

Plan date	Granting date	Exercise price ($) (**)	December 31 2014	Movement in 2015:			December 31 2015	
			Balance of options granted and not yet exercised:	Granting	Exercise	Forfeiture	Balance of options granted and not yet exercised:	Weighted average of the balance of the projected lifespan (years):
May 2006	August 2008	4.70	1,250	-	(1,250)	-	-	-
May 2006	July 2009	3.02	13,148	-	(8,501)	-	4,647	0.50
May 2006	November 2009	3.07	60,000	-	(60,000)	-	-	-
May 2006	January 2010	6.93	666	-	(666)	-	-	-
May 2006	October 2010	8.00	113,125	-	(113,125)	-	-	-
May 2006	May 2011	7.56	1,250	-	(1,250)	-	-	-
May 2006	September 2011	5.36	20,000	-	-	-	20,000	2.33
October 2009	October 2009 –to Directors	5.00	16,670	-	(16,670)	-	-	-
October 2009	August 2011	6.69	7,500	-	(3,750)	-	3,750	2.58
October 2009	September 2011 by performance	5.36	25,000	-	(12,500)	(12,500)	-	-
October 2009	November 2011	5.65	100,237	-	(52,112)	(3,000)	45,125	2.25
October 2009	May 2012	8.05	10,000	-	-	-	10,000	2.08
October 2009	July 2012	7.76	70,000	-	(35,000)	-	35,000	2.79
October 2009	July 2012 by performance	7.76	30,000	-	(10,000)	-	20,000	2.75
October 2009	September 2012	9.18	10,000	-	(5,000)	(2,500)	2,500	2.75
October 2009	July 2013	15.22	56,000	-	(16,000)	(1,000)	39,000	3.64
October 2009	July 2015	30.2	-	10,000	-	-	10,000	0.50
October 2009	August 2015	32.3	-	20,000	-	(2,000)	18,000	4.88
October 2009	August 2015 by performance	32.3	-	210,034	-	-	210,034	5.42
	Total		**534,846**	**240,034**	**(335,824)**	**(21,000)**	**418,056**	**4.12**

* See also b. above.

** The exercise price in the above table is the original price before adaptation due to the distribution of dividends.

Note 13 – Equity

9. The movements and the balances in the number of restricted share units are as follows:

a. Restricted share units not contingent on performance goals:

	For the Year Ending December 31	
	2015	**2014**
Balance as at beginning of the year	39,322	31,340
Granted	4,500	15,820
Exercised	(10,377)	(7,838)
Forfeited	(2,853)	-
Balance at the end of the year	30,592	39,322

b. Restricted share units contingent on performance goals:

	For the Year Ending December 31	
	2015	**2014**
Balance as at beginning of the year	27,705	-
Granted	106,100	27,705
Exercised	-	-
Balance at the end of the year	133,805	27,705

c. Details of balance of restricted share units as of December 31 2015 and December 31 2014 and movement in 2015 according to the plan:

		December 31 2014	**Movement in 2015:**			**December 31 2015**
Plan date	**Granting date**	**Balance of restricted share units granted and not yet exercised:**	**Granting**	**Exercise**	**Forfeiture**	**Balance of restricted share units granted and not yet exercised:**
October 2009	July 2013	23,502	-	(7,047)	(2,353)	14,102
October 2009	July 2014	13,320	-	(3,330)	-	9,990
July 2014	October 2014 by performance	12,275	-	-	-	12,275
July 2014	October 2014	2,500	-	-	-	2,500
July 2014	November 2014 by performance	15,430	-	-	-	15,430
October 2009	January 2015 by performance	-	51,100	-	-	51,100
October 2009	August 2015 by performance	-	12,000	-	-	12,000
July 2014	August 2015 by performance	-	33,000	-	-	33,000
October 2009	August 2015	-	4,000	-	(500)	3,500
July 2014	August 2015	-	500	-	-	500
July 2014	October 2015 contingent on performance	-	10,000	-	-	10,000
	Total	67,027	110,600	(10,377)	(2,853)	164,397

Note 14 – Taxes on Income

a. The Company's taxation in Israel

1) Measurement of Results for Tax Purposes

Starting from tax year 2008 onward, the results of the Company and its subsidiaries in Israel are measured, for tax purposes, in nominal sums.

2) Tax Rates

The revenues of the Company (with the exception of revenues benefiting from reduced tax rates in accordance with Israeli encouragement laws, see b. below), are liable for corporate taxes and the usual rate.

On August 5 of 2013, the National Priorities Amendment Act ((Legislative Amendments for the Attainment of Budget Goals in the Years 2013 and 2014) of 2013 was published in the records, whereby, inter alia, the company tax rate would be increased to 26.5% starting the tax year of 2014 and onward. (For increase to the tax rates as apply to preferred plant income as provided under the Encouragement of Capital Investments Law of 1959, see subsection c hereunder). – see C below).

In January 2016 the Knesset published the Income Tax Order Amendment Law (no. 216), 2016, which established a reduction in corporate tax starting 2016 onward from 26.5% to 25%. As a result of the decrease in tax rates as noted above, a $417 decrease is expected to take place in Q1 2016 in the Company's deferred tax assets, of which a total of $391,000 will be recognized as an expense to profit and loss and a total of $26,000 will be recognized directly as other comprehensive loss.

Capital gains held by the Company in Israel are taxable according to the regular corporate tax rate applicable in the tax year.

b. Taxation of Subsidiaries Outside of Israel

The subsidiaries incorporated outside of Israel are assessed according to the tax laws in their countries of residence, with the exception of companies defined as a "controlled foreign company" as per the Income Tax Ordinance, the revenues of which may be taxable in Israel in addition to taxation in accordance with the tax laws in their countries of residence. The primary tax rates applicable to key subsidiaries incorporated outside of Israel are:

Company incorporated in the United States – 38% average tax rate (including federal tax and state tax).
Companies incorporated in Germany - 30% tax rate.
Companies incorporated in the UK - 20% tax rate.

Note 14 – Taxes on Income

Subsidiaries incorporated outside of Israel, in free trade zones, are registered for tax purposes according to the laws in the countries of their residence.

As a rule, inter-company transactions between the company and the foreign subsidiaries are subject to the provisions of the Income Tax Regulations (Determination of Market Terms), 2006.

c. Israeli Encouragement Laws

Amendment to the Encouragement of Capital Investments Law, 1959

Pursuant to the 2011 and 2012 Economic Policy Law, 2011, which was approved by the Knesset on December 29 2010, the Capital Investment Encouragement Law, 1959 was also amended (hereinafter – the Amendment). The Amendment comes into effect January 1 2011.

Pursuant to the Amendment benefit plans were established, in lieu of the plans currently existing in the Capital Investment Encouragement Law, 1959 (hereinafter – the Law), as follows: a grants plan for factories in Development Area A and two tax benefit plans (preferred factory and special preferred factory), dealing with the incidence of a uniform tax rate on all of the Company's preferred revenues, as defined in the Amendment.

The preferred enterprise benefits will be given with no time limits, compared to benefits given a special preferred enterprise, which are given for a period of 10 years. The benefits will be given companies that meet the terms set in the amendment which are largely similar to the benefits set in law before its amendment. Pursuant to the amendment's transition orders, it was decided that a company may continue to receive the tax benefits within the framework of the law until its amendment, up to the end of the benefits period as defined in the law.

In 2011 the Company informed the Income Tax authorities of its request that the Preferred Factory Law be applied. In 2011-2013 the Company claimed part of its revenues in Israel as a Preferred Factory and it intends to do so in 2014-2015 as well.

Key benefits deriving from preferred factory:

Decreased tax rate – in accordance with the outline set in the amendment a gradual decrease shall occur in tax rates applicable to the preferred revenues of companies whose factories are in development Area A, according to which the tax rate applicable to the companies preferred revenues shall be as follows: in 2011 and 2012 – 10%, in 2013 and 2014 7% and in 2015 onward – 6%.
The National Priorities Alteration Law (Legislative Amendments for the Achievement of Budgetary Goals for 2013 and 16), 2013, published on August 5 2013 (see a(2) above), established, among other things, an increase in the tax rate applicable to preferred income, so that starting from 2014 onward, the rate of tax on income of companies whose factories are in Development Area A shall be 9%.

Note 14 – Taxes on Income

Accelerated depreciation – a preferred company is entitled to accelerated depreciation for productive assets serving the preferred factory, so long as the total depreciation deducted does not exceed the asset's original price. The factory shall be entitled to an accelerated depreciation claim over the course of the first 5 tax years for the activation of the assets (in the remaining years, depreciation shall be claimed according to the regular depreciation rate). Regarding machinery and equipment, the accelerated depreciation shall be at a rate of 200% of the rate set in the regulations passed by virtue of Section 21 of the ordinance, while regarding buildings the accelerated depreciation shall be at a rate of 400% of the depreciation rate set in these regulations, but no more than 20% per year, multiplied by the adjustment rate.
Dividend distribution – dividends paid originating from preferred income is taxable at a rate of 15% until the 2013 tax year and 20% starting 2014.

d. **Losses for Tax Purposes Carried On to Subsequent Years**

Deferred tax assets for losses for tax purposes carried on to subsequent years are recognized in the event that realization of the tax benefit in question through the existence of future taxable income is expected.

Losses for tax purposes transferrable to subsequent years deriving from the parent company, as of December 31, 2015 and 2014, amounted to $30 million and $37 million, respectively.

Losses for tax purposes carried over to subsequent years derive from the Group subsidiaries, as of December 31 2015 and 2014 amount to $16 million and $17 million, respectively.

The tax asset recognized in Israel as of December 31 2015 and December 31 2014 amounts to $8.0 million and $9.8 million, respectively.

Losses carried over for tax purposes accumulated in Israel may be offset over an unlimited period of time.

The tax asset recognized for income tax losses in subsidiaries as of December 31 2015 and December 31 2014 amounts to $2.0 million and $1.2 million, respectively.

Note 14 – Taxes on Income

e. **Deferred income taxes:**

1) Composition of deferred taxes as of the balance sheet dates and transactions in said years are as follows:

	For Balance Sheet Items						
	Fixed Assets	Intangible assets	Inventory	Provision to Employee Benefits	Others	With Respect to Losses for Tax Purposes	Total
	Thousands of Dollars						
Balance as of January 1	(4,771)	(3,296)	1,952	1,954	1,420	8,213	5,472
Changes in 2013:							
Charged to Statement of Operations	1,803	(1,352)	32	(6)	(276)	139	340
Influence of change in tax rates on deferred tax balances charged to the Statement of Operations.	(159)	(2)	2	33	68	412	354
Sums charged to other comprehensive earnings (loss)	-	-	-	(285)	-	-	(285)
Influence of change in tax rates on deferred tax balances in other comprehensive earnings (loss)	-	-	-	29	-	-	29
Charging to capital reserve from translation differences	(29)	(24)	37	(3)	9	35	25
Exchange rate differences	(8)	-	-	1	2	-	(5)
Balance as of December 31 2013	(3,164)	(4,674)	2,023	1,723	1,223	8,799	5,930
Changes in 2014:							
Charged to Statement of Operations	(495)	851	50	(579)	10	2,287	2,124
Deferred taxes created in purchase of company	-	-	-	-	-	148	148
Sums charged to other comprehensive earnings (loss)	-	-	-	224	-	-	224
Charging to capital reserve from translation differences	151	27	(94)	-	(42)	(92)	(50)
Exchange rate differences	36	-	-	(3)	(15)	-	18
Balance on December 31, 2014	(3,472)	(3,796)	1,979	1,365	1,176	11,142	8,394
Changes in 2015:							
Charged to Statement of Operations	(1,357)	(404)	(55)	896	673	(843)	(1,090)
Sums charged to other comprehensive earnings (loss)	-	-	-	67	-	-	67
Charging to capital reserve from translation differences	172	(4)	(70)	(8)	(40)	(67)	(17)
Exchange rate differences	(13)	-	9	(3)	2	-	(5)
Balance on December 31, 2015	(4,670)	(4,204)	1,863	2,317	1,811	10,232	7,349

Note 14 – Taxes on Income

2) Deferred income taxes:

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority The offset sums are as follows:

	December 31	
	2015	2014
	Thousands of Dollars	
Deferred tax assets:		
Repayment of which is expected within 12 months of the balance sheet date.	8,183	7,784
Repayment of which is expected over 12 months after the balance sheet date.	10,177	10,722
	18,360	18,506
Deferred tax liabilities:		
Repayment of which is expected within 12 months of the balance sheet date.	(198)	(285)
Repayment of which is expected over 12 months after the balance sheet date.	(10,813)	(9,827)
	(11,011)	(10,112)
Deferred tax assets, net	7,349	8,394

	December 31	
	2015	2014
	Thousands of Dollars	
Presented in the balance sheet:		
Under deferred tax assets	9,877	11,348
Under deferred tax reserve	(2,528)	(2,954)
	7,349	8,394

Most deferred taxes are calculated according to tax rates of 26.5%-38%.

f. Profit before taxes on income is comprised as follows:

	For the Year Ending December 31		
	2015	2014	2013
	Thousands of Dollars		
Israeli companies	13,745	12,534	18,119
Non-Israeli subsidiaries	38,638	44,750	37,293
	52,383	57,284	55,412

Note 14 – Taxes on Income

g. Composition of taxes on income in the report on Comprehensive Earnings:

	For the Year Ending December 31		
	2015	**2014**	**2013**
	Thousands of Dollars		
Current:			
Israeli companies	2,262	668	3,169
Non-Israeli subsidiaries	8,532	11,179	10,144
	10,794	11,847	13,313
Deferred:			
The Company in Israel	1,790	(1,944)	(702)
Non-Israeli subsidiaries	(700)	(180)	8
	1,090	(2,124)	(694)
Current for previous years:			
The Company in Israel	(1,963)	238	113
Non-Israeli subsidiaries	(1,486)	(108)	-
	(3,449)	130	113
	8,435	9,853	12,732

Note 14 – Taxes on Income

h. The following is a reconciliation of the "theoretical" tax amount which would have applied if all revenues had been taxed at the regular tax rate applicable to companies in Israel (see a2 above), to the tax sum recognized in the Reports on Comprehensive profit (loss) for the reported year:

	For the Year Ending December 31		
	2015	2014	2013
	Thousands of Dollars		
Profit before taxes on income as presented in reports on comprehensive earnings	52,383	57,284	55,412
Theoretical tax expenses	13,881	15,151	13,853
Increase (decrease) in tax due to different tax rates applicable to non-Israeli subsidiaries	(457)	1,314	1,616
	13,424	16,465	15,469
Increase (decrease) in tax due to fixed differences:			
Non-deductible expenses less exempt revenues, net	(139)	196	155
Tax expenses (revenues) for prior years, net	(1,230)	130	113
Decrease in taxes deriving from revenues subject to encouragement tax law.	(2,890)	-	-
Increase in taxes deriving from losses for tax purposes created in the reported year and for which no deferred taxes were credited.	362	199	-
Decrease in taxes from the utilization of losses for tax purposes	(1,261)	(2,287)	(139)
Realization of prior years losses which no deferred taxes were recognized in the past.	(455)	(1,065)	(2,276)
Exchange rate differences and differences in the measurement base.	166	(2,594)	(362)
Changes in deferred taxes balances as a result of changes in tax rates	-	-	(354)
Other, net	458	1,191	(121)
Taxes on income – in Statements of Operations	8,435	9,853	12,732

i. **Tax Assessments**

In January 2016 the Company reached an agreement with the Israeli Tax Authority regarding the assessment it received for 2010. The influences of the agreement in question were included as the Company's tax expenses in 2015 as a tax expense.

In December 2015 the Company received an assessment to the best of its judgment, for 2011. In accordance with the assessment items, an additional tax has been imposed that includes interest of 5.1 million NIS. The Company disputes the position of the tax authorities, and it estimates that it has adequate defensive arguments for the assessment items, and accordingly, no provision was made in the Financial Statements.

Note 14 – Taxes on Income

On November 19 2015 the Knesset passed its second and third vote on the Economic Streamlining Bill (Legislative Amendments for Achieving Budget Goals for the 2015 and 2016 Budget Years), 2015, which included an amendment to the Income Tax Ordinance that expended the statute of limitation for self-assessments submitted by assesses, regarding self-assessments for the 2013 tax year onward, for a period of 4 years from the end of the tax year on which the assessment was filed. Until of the approval of this amendment, the statute of limitations for self-assessments was 3 years from the end of the tax year in which the assessment was filed.

A self-assessment by a U.S.A subsidiary up to the end of 2012 is considered final.

A tax assessment by a German subsidiary up to the end of 2010 is considered final.

j. The Influence of the Adoption of IFRS in Israel on Tax Liability

The Company has prepared its Financial Statements in accordance with the IFRS as of January 1, 2008.

IFRS standards differ from generally accepted Israeli accounting rules, and accordingly, preparation of financial statements as per IFRS standards may reflect a financial situation, operating results and cash flows materially different from those presented according to generally accepted Israeli accounting rules.

In accordance with laws issued in 2010, 2012 and 2014 (hereinafter – the Temporary Orders), in determining taxable income for tax years 2007-2013, Accounting Standard 29 of the Israeli Accounting Standards Board shall not apply, even if implemented in the Financial Statements for the tax years in question. The significance of the Temporary Orders is that the IFRS standards will not apply when calculating the income reported for tax purposes for the tax years in question.

On October 30, 2011 a Law Memorandum was published for an amendment to the Income Tax Ordinance (hereinafter - the Law Memorandum) deriving from the implementation of IFRS standards in the Financial Statements. The Law Memorandum, as a rule, adopts the IFRS standards. At the same ever, the Law Memorandum proposes a number of amendments to the Income Tax Ordnance, which will clarify the mode of calculation of taxable income in cases where a lack of clarity exists, and the IFRS standards are not compatible with Israeli tax principles. Legislation regarding the Law Memorandum has yet to be completed and is doubtful that it will be completed in the foreseeable future.

Due to the failure to complete legislation on the matter of the Law Memorandum, Company management estimates that the Temporary Order set for 2007 to 2013 will be extended to 2014 as well. As a result, Company management predicts at this stage that the new legislation will not apply to tax years prior to 2016.
Taking into account the Temporary Orders applicable to tax years 2007 to 2013 and the Company's estimate regarding the likelihood of their extension to 2014, as noted above, the Company calculated its taxable income for tax years 2007 to 2014 based on Israeli accounting standards in effect prior to the adoption of IFRS standards in Israel, subject to certain adjustments.

Note 15 – Earnings per Share

a. Basic

The basic profit per share calculated by dividing the profit attributed to parent company shareholders by the weighted average of the number of ordinary shares issued, with the exception of ordinary shares purchased by the Company and held as treasury shares.

	Year		
	2015	**2014**	**2013**
Net earnings attributed to Company shareholders (in thousands of dollars)	43,828	46,760	42,560
Weighted average of the number of ordinary shares issued (in thousands)	26,625	26,217	25,835
Less treasury shares (in thousands)	1,306	1,321	1,325
Number of shares for calculating basic earnings per share	25,319	24,896	24,510
Basic earnings per share (in dollars per share)	1.73	1.88	1.74

b. Diluted

The diluted profit per share in calculated by adapting the weighted average of the number of ordinary shares in circulation less treasure shares while including potential ordinary shares with a diluting effect.

	Year		
	2015	**2014**	**2013**
Net income used for calculating diluted earnings per share (in thousands of dollars)	43,828	46,760	42,560
Weighted average of the number of ordinary shares issued (in thousands) used for the calculation of profit per share	26,625	26,217	25,835
Less treasury shares (in thousands)	1,306	1,321	1,325
Adjustment due to incremental shares from the exercise of options and restricted share units (in thousands)	349	745	744
Weighted average of the number of ordinary shares for calculating diluted earnings per share (in thousands)	25,668	25,641	25,254
Net diluted earnings per share (dollars per share)	1.71	1.82	1.69
In calculating profit per share, adaptations due to non-diluted options (in thousands) were not taken into account	96	-	21

Note 16 – Engagements

a) The Company and its subsidiaries lease a number of buildings via operating lease, and shops rented by the Delta Israel, Schiesser in Europe and the LMM brand in the United States areas of activity. Lease of these assets will expire on various dates between 2016 and 2033.
Minimum future annual lease payments (accounting for optional extensions likely to be exercised) for each year from 2016 to 2020 will amount to $25.1 million, $22.6 million, $20.0 million, $18.4 million and $14.2 million, respectively.
In the period between 2021 and the end of the lease term, accumulated lease payments would amount to $47.4 million.
Lease expenses for 2015, 2014 and 2013 amounted to $26.7, $27.4 and $24.2 million, respectively.

b) Regarding liability for minimum Gurenteed Royalties payments, see Notes 12 and 9c.

c) The Company and some of its subsidiaries provided bank collateral as of December 31 2015 mainly for rental agreements and royalties agreements they are a party to, to the sum of $19.4 million.

Note 17 – Transactions and Balances with Interested and Related Parties

The Group is under the control of Mr. Isaac Dabach, who holds, via the GMM Capital LLC Fund and directly, approximately 49.3% of the Company's shares. Sterling Macro, an American fund under the control of Mr. Dabach, also holds approximately 6.3% of the Company's shares as of the reported date.

"Interested parties" - according to the definitions of "interested parties" in the Securities Regulations (Yearly Financial Statements), 2010.

"Related Parties" – As defined in IAS 24, Related Party Disclosures.
Key Company management personnel included together under the definition of "related parties" as per IAS 24, include the members of the Board of Directors and the Company's CEO.

a. **Transactions with interested parties and related parties:**

Benefits were given interested parties and related parties as follows:

	For the Year Ending December 31		
	2015	**2014**	**2013**
Salary and benefit component of options and restricted share units granted interested and related parties employed by the Company or a subsidiary:			
Sum – in thousands of dollars, see (1) and (3) below	2,725	2,515	2,467
Number of people to whom benefits refer	3	3	3
Pay, consulting expenses, expense refunds paid and the benefit component for options granted directors:			
Sum – in thousands of dollars, see (2) below	244	228	239
Number of people to whom benefits refer	6	6	6
Purchases from related parties – companies handled according to the book value method	32,623	26,074	-

Note 17 – Transactions and Balances with Interested and Related Parties

Approval of Terms of Employment of Interested Party

Ratification of the terms of employment of the daughter of the Company's controlling shareholder, as product manager and merchandising manager in a subsidiary.

On December 31 2013 the general meeting of Company shareholders approved the new terms of the employment of Ms. Gloria Dabach, daughter of Mr. Isaac Dabach, the Company's CEO and controlling shareholder, as product manager, which came into effect on January 1 2014, all in accordance with the recommendations of the Company compensation Committee and Board of Directors, which examined among other things the expansion of Ms. Dabach's authority in her position, as well as the increase in sales and in the gross profits of the children's and infants' categories she is responsible for, and in the end they confirmed that the new terms of employment were acceptable, reasonable and fair under the circumstances. The review of the terms of her employment, including Ms. Gloria Dabach's actions and contribution to achieving the Company's business goals, and adapting the yearly remuneration to the scope of her work – was carried out on November 19 and November 25 2013 by the compensation Committee and the Board of Directors, and since them the Committee members or the Board of Directors have not been informed of any changes to terms and circumstances that would justify additional discussion of these terms.

b. **Balances with Interested and Related Parties**

	December 31	
	2015	**2014**
	Thousands of Dollars	
Current credit balance due to salary expenses for directors:		
Balance as of the balance sheet date	63	65
Current debit balance due to salaries and bonuses for interested and related parties employed at the Company:		
Balance as of the balance sheet date	2,492	1,830
Current credit balances for purchases from related parties as of the balance sheet date – companies handled using the book value method	3,252	5,490
Current debit balances for an advance payment to a related party, see Note 19.a.(2)	-	3,942

c. **Director Compensation and Insurance**

The Company has a compensation and insurance arrangement for directors and senior executives, including senior executives in subsidiaries in which the Company holds at least 25% of its stock capital. The compensation is limited to $15 million from which $10 million is covered by an insurance policy with yearly premium of $31,000.

Note 17 – Transactions and Balances with Interested and Related Parties

d. Negligible Transactions with Interested Parties

The Company's Board of Directors decided to adopt guidelines and rules for the classification of a transaction as a "negligible transaction" as defined in Regulation 41.(a).(6) of the Securities Regulations (Financial Statements), 2010. These rules and guidelines are also used to determine the extent of disclosure as regards transactions on behalf of a company with a controlling shareholders or in which controlling shareholders have personal interest as defined in Regulation 22 of the Securities Regulations (Periodic and Immediate Reports), 1970 and Regulation 54 of the Securities Regulations (Prospectus Details and Prospectus Draft – Structure and Form), 1969, as well as to determine the need to submit an immediate report for such a Company transaction, as set in Regulation 37.(a).(6) of the Securities Regulations (Immediate and Periodic Reports), 1970.

The Company Board of Directors decided that a transaction between a company with a controlling shareholder or where the controlling shareholder has a personal interest in it shall be considered a "negligible transaction" if all of the following conditions are met:

1) It is not an exceptional transaction as defined in Section 1 of the Companies Law, 1999;
2) The transaction is not expected to have a material or strategic impact on the Company, from the qualitative point of view of the transaction.
3) Its impact on the relevant parameter (as noted below) is at a rate of up to 1%. In this regard, the parameter relevant to the transaction shall be examined as the relevant of the following parameters: (1) sales ratio - meaning, total sales covered by the transaction divided by the Company's total yearly sales; (b) cost of sales ratio - meaning the cost of the transaction divide by the Company's total yearly sales; (c) profits ratio – meaning the projected operating profit or loss attributed to the transaction divided by the yearly profit or loss; (d) asset ratio - meaning, the scope of assets covered by the transaction divided by the sum of the Company's assets; (e) liabilities ratio – meaning liabilities covered by the transaction divided by the Company's total liabilities ;(f) operational expenses ratio – meaning the scope of expenses covered by the transaction divided by the Company's total operating expenses.

   The impact of the transaction shall be examined at the yearly level, on the basis of the Company's yearly audited (consolidated) Financial Statements.

   In cases in which, according to the Company's judgment, all of the aforementioned quantitative criteria are irrelevant for the determination of the negligibility of the transaction, the transaction shall be considered negligible, in accordance with a different relevant quantitative criterion, determined by the Company, so long as the relevant criterion calculated for this transaction shall be at a rate that does not exceed 1% of the relevant parameter.
4) In examining the negligibility of a transaction that is supposed to occur in the future, examination must be carried out, among other things, of the likelihood of its realization and the realization of its influences.
5) Separate transactions with a dependent relationship, in such a manner that they are in practice part of the same engagement – shall be examined as a single transaction.

The negligibility of the transaction shall be examined by the Company' CFO, who will report to the Chair of the Audit Committee on the transaction and the result of the test they conducted as early as possible.

Despite the above, the Company may report controlling shareholder transactions in cases in which it has no obligation to do so in accordance with the above.

Note 18 – Additional Information Pertaining to the Financial Statements:

a. Cash and Cash Equivalents

	December 31	
	2015	**2014**
	Thousands of Dollars	
Cash in the bank	67,532	37,840
Short-term bank deposits	100,000	129,118
Cash and cash equivalents	167,532	166,958

b. Accounts Receivables

1. Trade Receivables

	December 31	
	2015	**2014**
	Thousands of Dollars	
Outstanding receivable	103,440	106,699
Checks collectable	2,190	1,860
	105,630	108,559
The item is presented net of a provision for doubtful debt to the amount of	655	2,020

a. As of December 31, 2015, a trade receivables balance of $1.7 million ($1.6 million – December 31 2014) is a balance exceeding the contractual payment date for which no provision has been made to doubtful debts. This has yet to have been repaid by the approval of these Financial Statements. This concerns a number of customers independent of each other who have no insolvency events in their past. The age of most of the balances is up to 3 months.

The Company periodically reviews the aging of its customer debts and makes a provision to doubtful debt for customers which the Company believes are insolent.

Note 18 – Additional Information Pertaining to the Financial Statements:

Movements in in Company provisions to doubtful debts in the customers item are as follows:

	December 31	
	2015	**2014**
	Thousands of Dollars	
Balance at the beginning of the period	2,020	2,819
Decrease in provision to doubtful debts	(1,231)	(534)
Exchange rate differences	(134)	(265)
Balance at the end of the period	655	2,020

b. Doubtful and bad debt expenses (revenues)

	The Year Ending December 31	
	2015	**2014**
	Thousands of Dollars	
For trade receivables:		
Doubtful debts	(417)	(365)
Bad debts	147	(188)
	(270)	(553)

The creation and release of provisions to doubtful debts due to trade receivables balances were included under "administrative and general expenses" in the Statement of comprehencive income (loss). Trade receivable balances recognized as doubtful debt are written off when their collection is not expected.

2. Other receivables balances

	December 31	
	2015	**2014**
	Thousands of Dollars	
Government institutions	891	155
Advance payments to suppliers and subcontractors	1,901	6,809
Prepaid expenses	5,852	3,732
Receivables due to hedging agreements	2,216	-
Income receivable	1,774	1,703
Receivables for Nahariya real estate sales transaction	-	12,083
Miscellaneous	3,248	1,720
	15,882	26,202

The fair value of the financial items from the balance of other receivables is close to the value presented in the books. The balances included in other receivables for financial items do not include overdue sums. The maximum exposure to credit risks as of the balance sheet date due to receivable balances is the fair value of the whole group less non-financial balances (from advanced expenses). The Group do not hold any collateral for these receivables, except for payable balances from the sale of land in Nahariya.

Note 18 – Additional Information Pertaining to the Financial Statements:

c. **Inventory**
Composition of inventory:

	December 31	
	2015	2014
	Thousands of Dollars	
Finished goods	168,003	156,014
Goods in process	11,264	10,582
Raw Materials	13,907	13,076
Packaging and other materials	2,998	2,015
	196,172	181,687

As of December 31 2015, the inventory balance which its value was amortized is presented less the provision for impairment to the amount of $14.4 million (as of December 31 2014 - $18.0 million). The inventory balance is presented as cost or value in use, whichever is lower, less sales costs. The change in the Impairment provision is included under "selling costs" in the Report on Comprehensive income (loss)..

d. **Short-term bank loans**

1. Total lines of credit including off balance sheet credit provided the Company by the banks for short and long terms as of December 31 2015 amounted to a total of $199 million ($211 million in 2014), $180 million of which was unused ($190 million in 2009). In addition to these lines of credit, as of December 31 2015, the Company has a short-term bank deposit to the amount of $100 million ($129 million at the end of 2014), and cash in the sum of $67 million, so that the sum of the Company's unused credit resources amounted to $347 million as of December 31 2015. The sum of the above credit sources includes $32 million in non-binding lines.

2. On June 1 2009, subsidiary Delta USA signed a yearlt renewing credit agreement with Bank Leumi U.S.A. and Bank Hapoalim Ltd.. On June 1 2014 the agreement with Bank Leumi USA only was amended for a period of two years. The total short-term revolving loan is $80 million. This credit agreement is guaranteed by an unlimited floating lien on the assets and rights of Delta U.S.A. and on some of the assets of its subsidiary. As of December 31 2015 the credit framework has not been used in practice. The unused line of credit at its disposal is $77 million. As of this report, the credit rate for short-term loans is LIBOR + 2.75% per year. In certain cases, the revision to the agreement allows loans at Prime interest rates.

   The credit agreement depends upon the following financial stipulations:
   Delta USA's net yearly profit shall not be below $1.
   Capital investments shall not exceed $5 million on the basis of the past four quarters (not including label purchases).
   Tangible equity defined as equity less intangible assets (mainly goodwill) shall not drop below $28 million.
   The ratio between tangible equity and total assets less intangible assets did not drop below 20%.
   As part pf the credit agreement, the Subsidiary, Delta USA, was given the option of redeeming the loans granted it by the Parent Company under the condition that it complies with the above financial stipulations.

Note 18 – Additional Information Pertaining to the Financial Statements:

The current agreement shall remain in effect until June 1 2016.

As of the balance sheet date and as of this report, the Company has complied with the financial stipulations in question.

3. The fair value of the short-term lawns is equal to its value in the books as the influence of capitalization is not material.

e. **Other Accounts Payable**

	December 31	
	2015	**2014**
	Thousands of Dollars	
Employees and institutions in respect of salary	20,602	15,521
Expenses payable	14,987	13,953
Liability for minimum Gurenteed Royalties	10,560	9,029
Provision for vacation and convalescence pay	4,874	4,883
Interest payables due to debentures (1)	2,392	2,750
Restructuring expenses payable, see Note 18f.	3,174	628
Institutions	4,980	5,420
Others	4,238	5,364
	65,807	57,548

The book value of the payables and other credit balances constitutes a close approximation of their fair value, as the impact of the capitalization is not material.

(1) See also Note 11.

f. **Restructuring Expenses**

2015 plan

Over the course of the fourth quarter of 2015, the Company included reorganization expenses in its Financial Statements totaling $1.7 million due to efficiency measures at the Company's plant in Egypt as well as as a result of the transfer of its offices in Israel to Caesarea. These expenses refer to severance pay.
As part of the Company's risk management policy, and in order to decrease the complexity of Delta USA area of activity, the Company decided in the fourth quarter of the year to close the retail chain it operates for the Little Miss Matched label activity. Regarding this decision, costs arose for the Company to the sum of $4.0 million, including a $1.9 impairment of the brand, $0.2 million in impairment of fixed asset items in shops and a $1.9 million influence of an onrous contract due to rental agreements in shops closed.

Note 18 – Additional Information Pertaining to the Financial Statements:

2014 Plan

As part of the Company's risk management policy and following the Company's strategy of maintaining operational flexibility, in the third quarter of 2014 the Company decided on streamlining steps that include transferring part of the development and manufacturing functions operating at the Company's London and Israeli sites to sites in East Asia, among other things in order to reduce production and development complexity while improving customer service.
These streamlining steps include a decrease in the scope of production and a decrease in overhead and concluded over the course of the third quarter of 2015.
Restructuring expenses for these steps included $0.9 million in severance pay expenses.

2013 Plan

As part of the Company's risk management policy and following the Company's strategy of maintaining operational flexibility and improving service for its customers, in the third quarter of 2013 the Company decided on streamlining steps that include transferring manufacturing functions to sites in East Asia and decrease the activity of the Egyptian plant, among other things in order to reduce production complexity at the plant and improve customer service. These streamlining steps include a decrease in the scope of production (consolidating 6 production sites into 4 sites) and a decrease in overhead and concluded over the course of the third quarter of 2014.
Restructuring expenses for these steps amounted to $3.5 million and include $1.1 million in cash for severance pay costs and $2.4 million for the impairment of fixed assets.
The Company completed the plan in question over the course of the third quarter of 2014. Restructuring costs in practice were $0.7 million lower than the assessment included in the 2013 Financial Statements. This decrease in restructuring expenses was included as revenue in 2014.

1. Movement in provision due to employee expenses included in the restructuring expenses over the course of 2015 and 2014:

	2015	2014	2013
	Thousands of Dollars		
Opening balance	628	949	2,230
Additional provisions during the year	1,693	887	1,152
Utilization during the year	(1,064)	(503)	(937)
Cancellation of provision to 2013 and 2012 plans	-	(705)	(1,496)
Closing balance	1,257	628	949

Note 18 – Additional Information Pertaining to the Financial Statements:

2. The principal components of the net expenses for the restructuring plan are as follows:

	For the Year Ending December 31		
	2015	**2014**	**2013**
	Thousands of Dollars		
Costs (revenues) associated with workforce reduction,see above	1,693	182	(344)
Impairment of fixed assets and intangible assets	2,146	-	2,348
Other expenses (revenues)	1,908	-	(475)
	5,747	182	1,529

g. **Sales**

On the matter of sales to a primary customer see Note 5e.

h. **Cost of Sales**

	For the Year Ending December 31		
	2015	**2014**	**2013**
	Thousands of Dollars		
Purchases from subcontractors	500,015	489,292	438,098
Materials consumed	95,220	93,235	93,702
Salaries and associated expenses	64,748	63,951	68,566
Shipping and customs	62,781	58,946	51,361
Other manufacturing expenses	31,400	13,464	27,927
Royalties	18,412	14,802	12,591
Depreciation and amortization	9,323	7,566	8,947
Decrease (increase) in of finished goods and in-process inventory	(18,638)	(27,458)	(20,766)
	763,261	713,798	680,426

Note 18 – Additional Information Pertaining to the Financial Statements:

i. **selling, marketing, administrative and general expenses**

	For the Year Ending December 31		
	2015	**2014**	**2013**
	Thousands of Dollars		
selling and marketing:			
Salaries and associated expenses	105,123	106,209	96,503
Rent and maintenance	40,314	41,977	37,263
Advertising	14,859	13,098	10,307
Shipping, packaging, storage and customs	9,583	9,402	8,612
RestrictedFranchise and agent commissions	9,160	8,793	7,886
Depreciation and amortization	8,582	9,370	7,708
Amortization of intangible assets, with the exception of software	1,284	1,033	1,033
Other expenses	19,378	21,625	21,281
Total selling and marketing expenses	208,283	211,507	190,593
General and Administrative:			
Salaries and associated expenses	23,641	23,032	22,435
Professional fees	4,913	5,155	5,128
Rent and office maintenance	1,721	1,534	1,549
Travel, hospitality and entertainment	1,680	1,453	1,532
Office expenses	795	768	804
Doubtful debt and bad debt	(270)	(553)	643
Depreciation and amortization	580	562	562
Telephone and postage	530	480	433
Other expenses	3,047	3,349	3,164
Total administrative and general expenses	36,637	35,780	36,250
Total Selling, marketing, general and administrative expenses	244,920	247,287	226,843

j. **Expenses by Type**

	For the Year Ending December 31		
	2015	**2014**	**2013**
	In Thousands of Dollars		
Purchases from subcontractors	500,015	489,292	438,098
Wages and payroll	193,512	193,192	187,504
Materials consumed	95,220	93,235	93,702
Shipping, packaging, storage and customs	72,364	68,348	59,973
Depreciation and amortization	19,769	18,602	18,250
Royalties expenses, net	18,412	14,802	12,591
Advertising expenses	14,859	13,098	10,307
Other expenses	112,668	98,045	107,610
Change in finished goods inventory and in-process inventory	(18,638)	(27,529)	(20,766)
Total cost of goods sold, Selling and marketing expenses			
Administrative and general and impairment of fixed assets	1,008,181	961,085	907,269

Note 18 – Additional Information Pertaining to the Financial Statements:

k. **Other revenues, net**

	For the Year Ending December 31		
	2015	**2014**	**2013**
	Thousands of Dollars		
Capital gain from the sale of asset classified as held for sale, see Note 8(b)	-	-	1,151
Capital gain (loss) from the sale of fixed assets	(203)	1,257	(30)
Capital gains from the aquisition of a subsidiary, net	233	-	-
Gain (loss) from financial derivatives	2,178	1,417	(649)
Total other revenues, net	2,208	2,674	472

l. **Financing expenses, net**

	For the Year Ending December 31		
	2015	**2014**	**2013**
	In Thousands of Dollars		
Interest expenses due to on credit and loans from banking corporations	1,879	2,427	3,585
Interest expenses due to debentures, see Note 11	11,707	9,718	6,541
Other interest expenses	758	628	993
Capitalization component of long-term assets and liabilities	1,422	1,908	1,389
Interest expenses and commissions due to discount arrangement with customers (1)	712	488	338
Total financing expenses	16,478	15,169	12,846
Interest income from banking corporations and others	(626)	(1,940)	(888)
Exchange rate expenses (income), net	742	2,577	(977)
Total financial expenses, net	16,594	15,806	10,981

(1) See Note 2l.

Note 19 – Additional Details Regarding Material Investments in Direct Investees as of December 31 2015

	Number of Shares of Any Type Held by the Company	Notational Value of Foreign Currency Shares	Cost Investment	Balance Sheet Value	Revenues from Dividends
			In Thousands of Dollars		
Delta Galil USA Inc.	100	$10	39,126	117,781	-
Delta Textile (London) Ltd.	10,000	GBP10,000	2,941	92,473	-
Delta Galil Holland B.V.	250	$21,000	21	58,731	150
Delta Galil UK Ltd	1	€1	53,821	46,874	-

Note 20 – Events Subsequent to the Balance Sheet Date

1. Dividend Distribution

   On February 3.5 2016 the Company decided to distribute dividends of $3.5 million, or 13.9 cents per share, to be distributed on March 15 2016 according to the dollar's representative rate of exchange as published the day prior to the payment date.
   The determining date and X date for this distribution shall be March 2 2016.

2. Allocation of Restricted Shares and Employee Options

   On February 23 2016 the Company Board of Directors decided to allocate 1,500 restricted shares and 20,000 options to Company employees.

3. Share Buyback

   On February 23 2016, the Company Board of Directors approved a share buyback plan of the Company's shares. The buybacks shall take place within the framework of trading on or off the stock exchange from unrelated parties who are not the Company's controlling shareholder or officer, through an external stock market member who is not related to the Company.
   The accumulated total cost of the shares purchase as part pf the purchase plan amount to $7.5 million in accordance with the representative exchange rate of the USD as it exists from time to time in the plan period, and will be financed from the Company's own resources. The total scope of the purchase agreements of the Company's shares on the day of trade shall not exceed $375,000 USD, constituting 5% of the plan's total cost.
   The purchase plan's implementation date shall be from the end of the day of trade from the publication of this report until three months have passed from the date in question.

Delta Galil Industries Ltd.

Appendix A - Details of Subsidiaries and Associates

Ownership and control rate by the holding company directly and through subsidiaries as of December 31, 2015:

Holding Company	Company Name	Ownership and Control Rate	
Delta Galil Industries Ltd.	Delta Galil USA. Inc.	**100%**	**Subsidiary**
	Delta Galil Holland B.V.	**100%**	**Subsidiary**
	Delta Textiles (London) Ltd	**100%**	**Subsidiary**
	Delta Galil Vietnam Co. Ltd	**100%**	**Subsidiary**
	Peace Bridge Co. **	**100%**	**Subsidiary**
	Delta Galil UK Limited	**100%**	**Subsidiary**
	Delta Galil Properties (1988) Ltd.	**100%**	**Subsidiary**
	D.G.T. (Holdings) Ltd.*	**100%**	**Subsidiary**
	Delta Alfa Corap Ve Tekstil San Tlc A.C.	**100%**	**Subsidiary**
Delta Galil Properties (1988) Ltd.	Zhejiang Guangtai Delta Socks CO LTD	**50%**	**Associate**
Delta Galil USA. Inc.	Wundies Bangladesh Limited	**100%**	**Subsidiary**
Delta Galil Holland B.V.	Delta Textile Egypt - Free Zone S.A.E.	**100%**	**Subsidiary**
	Century Wear Corporation (WLL)	**50%**	**Subsidiary**
	Delta Textile Upper Egypt	**100%**	**Subsidiary**
	Thai Progress Garment Co. Ltd	**100%**	**Subsidiary**
	Delta Textile Bulgaria Ltd.	**100%**	**Subsidiary**
	Delta Galil Hong Kong Ltd.	**100%**	**Subsidiary**
	Dominion Hosiery mills Inc.	**100%**	**Subsidiary**
	Delta Galil Hungary Kft	**100%**	**Subsidiary**
Delta Galil Hong Kong Ltd.	Delta Galil Limited Apparel (Guangzhou) Co. Ltd.	**100%**	**Subsidiary**
Delta Textiles (London) Ltd	Delta Galil Europe Ltd*	**100%**	**Subsidiary**
	Delta Galil Textile Germany GmbH & Co. KG	**100%**	**Subsidiary**
	Sport Socks company (Belgium) Ltd	**100%**	**Subsidiary**
	Delta Galil Germany GMBH	**100%**	**Subsidiary**
	Delta Galil Switzerland GmbH	**100%**	**Subsidiary**

Delta Galil Textile Germany GmbH & Co. KG	Schiesser AG	**100%**	**Subsidiary**
Schiesser AG	Schiesser Marken GmbH	**100%**	**Subsidiary**
	Schiesser International N.V. Belgium	**100%**	**Subsidiary**
	Schiesser International B.V Nederland	**100%**	**Subsidiary**
	Schiesser Italia S.R.L. Italy	**100%**	**Subsidiary**
	Schiesser International A/S Denmark	**100%**	**Subsidiary**
	Schiesser Schweiz AG Switzerland	**100%**	**Subsidiary**
	Schiesser Ireland Trading Ltd, Ireland	**100%**	**Subsidiary**
	Schiesser Ges m.b.H. Austria	**100%**	**Subsidiary**
	Pleas a.s.	**100%**	**Subsidiary**
	Gemtex a.s	**100%**	**Subsidiary**
	Reliable Global Sourcing Ltd, Hong Kong	**100%**	**Subsidiary**
	Textilveredelung Niederfrohna GmbH IL.**	**100%**	**Subsidiary**
	Schiesser Body Faison Center S.R.O.**	**100%**	**Subsidiary**
	Schiesser Slovakia S.R.O.**	**2%**	**Subsidiary**
Schiesser Body Fashion Center S.R.O.**	Schiesser Slovakia S.R.O.**	**98%**	**Subsidiary**
Delta Galil Properties (1988) Ltd.	**Adumit Ltd.****	**50%**	**Associate**

*** Inactive companies.**
****Under a process of liquidation.**

Delta Galil Industries Ltd.

Part D

Additional Information Regarding the Corporation

As of December 31 2015

Part D – Additional Information Regarding the Corporation

Regulation 10a – Concise Quarterly Statements of Comprehensive Earnings

See Paragraph 2.2 of the Report of the Board of Directors.

Regulation 10c – Use of Proceeds of Securities

In 2015 the Company offered, by virtue of the Company's May 28 2013 shelf prospectus, debentures (Series B) pursuant to a shelf offering report published by the Company on May 21 2015 pursuant to which the Company raised a total of $40 million in 2015. The proceeds of the offering were intended for its business activity and to recycle financial debt.

Regulation 11 – List of Investments in Material Subsidiaries, Direct and Indirect, as of December 31 2015

Fully-Controlled and Fully-Held Subsidiaries (100%)	Number of Shares Held by the Company, of Any Type	Notation Value of the Shares Foreign Currency	Cost of Investment in Thousands of Dollars	Balance Sheet Value In Thousands of Dollars
Delta Galil USA Inc.	100	$10	39,126	117,781
Delta (Textile) London Ltd.	10,000	10,000GBP	2,941	92,473
Delta Galil Holland B.V.	250	$21,000	21	58,731
Delta Galil UK Ltd.	1	€1	53,821	46,874

Regulation 13 – Revenues of Material Subsidiaries and the Corporation's Revenues from Them as of the Report

	2015				
	In Thousands of Dollars				
Name of Subsidiary [3]	Profit (loss) Before tax	Net Profit (Loss) (after Tax)	Total Comprehensive Earnings	Interest Revenues Received from Subsidiary [1]	Dividends Received from Subsidiary [2]
Delta Galil USA Inc.	17,832	8,208	8,212	4,094	-
Delta (Textile) London Ltd.	23,428	22,979	10,942	463	-
Delta Galil Holland B.V.	6,749	5,502	5,472	43	150
Delta Galil UK Ltd.	(5,400)	(5,400)	(5,400)	-	-

(1) Data is on a cumulative basis and refers to interest income received from subsidiaries for 2015. Total interest received in cash in December 2015 is $4,442,000.

(2) Total dividends received in cash in 2015 are $150,000. This sum was received on the following dates: $90,000 in July, $30,000 in August and $30,000 in November 2015.

(3) The information includes the profits (loss) of secondary subsidiaries as included in the profits of the subsidiaries.

Regulation 20 – Stock Market Trade – Securities Listed for Trade – Dates and Reasons for Trade Discontinuation

Except for the exercise of (non-tradable) options by Company employees over the course of 2015, the Company issued no shares.

During the reported period, trade of the Company's securities listed for trade on the stock exchange did not stop.

Regulation 21 – Remuneration of Interested Parties and Senior Officers

a. The following are details of cost of the Company for remuneration (remuneration given in the reported year, including the Company's remuneration obligations for the reported year) for the five most highly compensated of the Group's senior officers, including the three senior officers with the highest remuneration in the Company who were remunerated in connection to their service in the Company itself, in USD and in NIS:

Remuneration Received by					Remuneration for Services [1]						
Name	Job Title	Scope of Employment	Gender	Holdings in the Corporation's Equity [3]	Salary, Social Benefits and Associated Costs	Current Bonus	Long-Term Bonus [4]	Total Bonus	Share-Based Payment [2]	Total	Total in NIS (According to Average Exchange Rate)
					In US dollars						
Maurice Reznik	President of Delta U.S.A. and CEO of Women's Operating Segment in Delta U.S.A	100%	M	0.05%	722,585	650,789	-	650,789	729,167	2,102,541	8,170,476
Isaac Dabah	CEO and Director	100%	M	53.80%	641,211	750,000	500,000	1,250,000	-	1,891,211	7,349,246
Yossi Hajaj	Deputy CEO and Chief of Operations	100%	M	0.32%	438,086	193,964	84,126	278,090	108,501	824,677	3,204,695
Itzhak Weinstock	COO of Delta U.S.A and Company director	100%	M	0.39%	438,840	190,719	-	190,719	18,996	648,554	2,520,282
Esti Maoz (5)	VP of Marketing and Strategic Development	100%	F	-	360,483	202,621	48,351	250,972	-	611,455	2,376,115

(1) In terms of yearly cost to the Company

(2) Share-based payment includes the benefit component for options and blocked share units granted executives as part of the 2006, 2009 and 2014 plans, calculated according to the B&S Model, and as included as an expense in the Company's reported in the reported year. Note that this component was not paid in cash. For further information regarding the exercise price and the value of the options see Note 13 to the Financial Statements, in Part C of this periodic report. For details regarding the officers' holdings in Company shares and convertible securities see the Company's immediate report from January 7 2016, ref. no. 2016-01-006154.

(3) Mr. Dabach's stake noted in the above table, includes holdings of Sterling Macro (a fund managed by Mr. Dabach).

(4) Part of the long-term bonus was contingent on the Company's performance in the reported year.

(5) The remuneration was paid to a company owned and controlled by Ms. Maoz in accordance with a consulting agreement.

b. The following are details of remuneration to interested parties and to directors (except for Mr. Yitzhak Weinstock and Mr. Isaac Dabach, who are include in the table detailed in Section A above), in USD and in NIS:

Name	Job Title	Scope of Employment	Holdings in the Corporation's Equity	Remuneration for Services[1]			
				Salary, Social Benefits and Associated Costs	Bonus	Total	Total in NIS
				In US dollars			
Directors	6 in number		* 0.27%	244,421	-	244,421	949,151
Gloria Dabah	Product Manager and Development Coordinator at Delta U.S.	100%	-	159,875	25,413	185,288	720,029

* Refers to the 0.20% stake of Mr. Gideon Chitayat, 0.04% stake of Mr. Israel Baum, 0.02% stake of Mr. Yechezkel Dovrat and a 0.01% stake of Mr. Shaul Ben Ze'ev; the remaining directors do not hold Company shares, with the exception of Mr. Noam Lautman, who holds shares through companies in his possession, and Mr. Yitzhak Weinstock as detailed in a. above.

(1) In terms of yearly cost to the Company

Remuneration sums for directors Shaul Ben Ze'ev, Yechezkel Dovrat, Gideon Chitayat and Tzipa Carmon are each paid to companies under their full control: "Meishar Omer Ltd.", "Yechezkel Dovrat Consulting and Investments Ltd.", "M.B.S. Ltd." and "Tzipa Carmon Exports Ltd.", respectively.

Mr. Maurice Reznik, President of Delta USA and Women's operating Segment at Delta USA

Mr. Maurice Reznik began working at the Company on January 5 2015; the following are the key terms of his employment:

Mr. Reznik's gross yearly salary is $700,000.

According to his employment agreement, Mr. Reznik is entitled to an annual bonus based on Company policy and on goals set. The yearly bonus shall not exceed 12 monthly salaries. In light of the above and in accordance with the goals set for Mr. Reznik, Mr. Reznik is entitled to a total bonus of $650,789 for 2015.

By virtue of the agreement, Mr. Reznik is entitled to various social benefits, such as 4 weeks' vacation each year, to medical insurance as accepted at Delta U.S.A, reimbursements and a vehicle stipend of $700 per month.

Mr. Reznik's employment contract was set for a period of one year, at the conclusion of which it will be renewed for periods of one year for three further years, unless Delta U.S.A. or Mr. Resnick gave 90 days' written notice of their desire to conclude the agreement.

Mr. Reznik shall be entitled to an adaptation bonus equal to 6 monthly salaries, including social benefits.

In early 2015 Mr. Reznik was granted 51,000 blocked share units, which are expected to vest in 4 equal batches. The first batch has vested as of this report.

Mr. Reznik's terms of service and employment include a 6-month occupational restriction and a non-compete clause for a period of 12 months from the end of his employment at Delta U.S.A.

Mr. Isaac Dabah, Company CEO and Director

Regarding the terms of his employment as Company CEO in 2015, as approved by the Company's Audit Committee, Board of Directors and general meeting, see complementary report published by the Company on December 20 2012 (ref: 2012-01-316569) and the immediate report on the results of the December 27 2012 general meeting (ref: 2012-01-322602), presented by way of referral. Note that on January 20 2016, the Company's general meeting approved the change to the terms of services and employment of the Company CEO for 2016-2018. For further information, see the general meeting summoning report published by the Company on December 16 2015 (reference no.: 2015-01-181197) and the immediate report on the results of the general meeting from January 20 2016 (reference no.: 2016-01-014926), presented by way of referral.

In accordance with the Company's 2015 business results, which significantly exceeded the goals set for Mr. Dabah, Mr. Dabah is entitled to a $750,000 bonus for 2015 and a bonus for the long-term component referring to 2015 to the sum of $500,000.

Mr. Yossi Hajaj, Deputy CEO and Chief Operations Officer – the following are key terms of Mr. Hajaj's employment at the Company:

Mr. Hajaj's gross monthly salary is 110,000 NIS.

Mr. Hajaj is entitled to social benefits such as 23 days of vacation, various expense reimbursements such as telephone expenses, an education fund, executive insurance, vehicle and mobile phone.

Mr. Hajaj is entitled to a yearly bonus based on Company policy and goals set. The yearly bonus shall not exceed 12 of Mr. Hajaj's monthly salaries. In light of the above and in accordance with the goals set for Mr. Hajaj, Mr. Hajaj is entitled to a bonus of $278,090 for 2015, including the long-term portion set for 2015.

Mr. Hajaj's employment agreement is not limited in time and either of the parties may bring it to conclusion by providing advance written notice to the other party. The Company may discontinue Mr. Hajaj's employment with 180 days' written notice, while according to the parties' written agreement made after the contract was signed, Mr. Hajaj may end work at the Company with 90 days' written notice.

Ms. Esti Maoz, VP of Marketing and Strategic Development;

Since September 30 2014 Ms. Maoz has been providing marketing and design management services in accordance with a consulting agreement signed between the Company and a company owned and controlled by Ms. Maoz in return for 100,000 NIS per month. The consulting agreement period was set, as it was decided that each of eh parties was entitled to conclude it via advance written notice to the other party of 180 days.

Ms. Maoz is entitled to social benefits as set in the agreement and various expense reimbursements.

Ms. Maoz is entitled, including by virtue of the consulting agreement, to a yearly bonus based on Company policy and goals set. The yearly bonus in question shall not exceed 50% of Ms. Maoz's total salary.

In light of Ms. Maoz's compliance with the goals set, Ms. Maoz is entitled to a total benefit of $250,972.

On January 28 2016 and February 23 2016 the Company Remuneration Committee and Board of Directors approved capital remuneration of 20,000 options to Ms. Maoz, by virtue of the 2009 options plan for non-American recipients. The options shall vest one year from the allocation date, which is the Board of Directors approval date, and shall be exercisable subject to meeting objective goals set by the Remuneration Committee and the Board of Directors.

Itzhak Weinstock, COO of Delta U.S.A and Company director – on October 21 2015 the general meeting of Company shareholders approved the new terms of employment of Mr. Yitzhak Weinstock starting August 1 2015. For further information, see the complementary report published by the

Company on September 16 2015 (reference no.: 2015-01-119739) and the immediate report on the results of the October 21 2015 meeting (reference no.: 2015-01-139521), presented by way of referral.

For details regarding the terms of Mr. Weinstock's employment until August 1 2015 see the report on the meeting summoning and the meeting results – reports from November 26 2013 (ref. no. 2013-01-203139) and December 31 2013 (ref. no. 2013-01-114991), presented in this report by way of referral.

Mr. Weinstock is entitled to an annual bonus based on Company policy and goals set. The yearly bonus in question shall not exceed 50% of Mr. Weinstock's total salary. In light of Mr. Weinstock's compliance with the goals set of him, he is entitled to a bonus of $190,719 for 2015.

Company Board of Directors – as of this report, the Company's directors[1] are entitled to yearly remuneration and participation remuneration to the maximum sums as per the Companies Regulations (Rules Regarding Remunerations and Expenses for External Directors), 2000 ("**the Remuneration Regulations"**) according to the Company's grade. The directors are entitled to yearly remuneration of 11,000 NIS and to participation remuneration of 4,285 NIS per meeting. The sums in question are linked to the CPI.

Note that on October the Company Remuneration Committee and Board of Directors approved the update to the remuneration the above directors were entitled to the maximum remuneration in accordance with the Remuneration Regulations (in lieu of the fixed remuneration they were entitled to). For details see the Company's immediate report from October 28 2015 (ref. no. 2015-01-143508).

In addition, some of the Company's directors hold shares by virtue of exercising options granted them in accordance with the approval of the Company's general meeting from October 20 2009 and December 7 2009.

Gloria Dabah, daughter of the Company's controlling shareholder, product manager and development coordinator at subsidiary – on December 31 2013 the general meeting of Company shareholders approved the new terms of the employment of Ms. Gloria Dabah, daughter of Mr. Isaac Dabah, the Company's CEO and controlling shareholder, as product manager. Ms. Dabach's new terms came into effect starting January 1 2014, all in accordance with the recommendations of the Company Remuneration Committee and Board of Directors. For further information, see the complementary report published by the Company on December 19 2013 (reference no.: 2013-01-102967) and the immediate report on the results of the December 31 2013 meeting (reference no.: 2013-01-114991), presented by way of referral.

In light of Ms. Dabah's compliance with the goals set for her, he is entitled to a bonus of $25,413 for 2015.

[1] With the exception of Mr. Isaac Dabach, so long as he serves as Company CEO and Mr. Yitzhak Weinstock, so long as he serves as a COO in a subsidiary – regarding each of whom different terms of service were set, detailed in this section above.

Regulation 21 – Control of Corporation

The Company' controlling shareholder is Mr. Isaac Dabach, by himself and through holdings under his control.

Regulation 22 – Transactions with the Controlling Shareholder

Transactions Listed in Section 270(4) of the Companies Law, 1999

Identity of Parties	Description of Transaction	Identity of Organ Approving the Transaction and Approval Date
Delta USA and Ms. Gloria Dabah, daughter of the Company's controlling shareholder (2)	Approval of the terms of employment of Ms. Dabach, in her position as product manager at a subsidiary, for a 3-year period starting January 1 2014 (for further details see Regulation 21 above).	The general meeting – December 31 2013; the Company Board of Directors – November 25 2013; the Remuneration Committee – November 19 2013.
The Company and Company officers and directors who are controlling shareholder or their relative	Re-issue of letters of undertaking to compensate Company officers and directors who are the controlling shareholder or their relative (for further details see Regulation 29a below).	The general meeting – December 15 2014; the Company Board of Directors – November 4 2014; the Remuneration Committee – November 4 2014.
The Company and Mr. Isaac Dabah, Company controlling shareholder, director and CEO.	Approval of the terms of employment of Mr. Dabach as Company CEO for three years from January 1 2016 (for further details see Regulation 21 above).	The general meeting – January 1 2015; the Company Board of Directors – December 15 2015; the Remuneration Committee – December 13 2015.

Transactions Not Listed in Section 270(4) of the Companies Law

Identity of Parties	Description of Transaction	Identity of Organ Approving the Transaction and Approval Date
Delta USA and Mr. Maurice Dwick, nephew of Mr. Isaac Dabah, Company controlling shareholder, director and CEO.	Approval of the terms of employment of Mr. Morris Dwick as sales assistant in the Kids/Ladies Sale Department at Delta USA. The terms of Mr. Dwick's employment include a yearly salary of $45,000, associated benefits and social benefits as practiced at Delta USA.	Audit committee (that the transaction is not exceptional) – February 21 2016 Board of Directors – February 23 2016

Regulation 24 Holdings of Interested Parties and Senior Executives

For details regarding shares and securities held by interested parties and by senior officers at the Company, see immediate report from January 28 2016 (ref. no. 2016-01-018925), presented by way of referral. For details regarding the dormant shares held by the Company, see immediate report from January 28 2016 (2016-01-018922)

Regulation 24a – Registered Capital, Issued Capital and Convertible Securities

For details regarding registered capital, issued capital and convertible securities, including options and blocked shares granted Company employees, see Note 13 to the Financial Statements in Part C of this periodic report.

Regulation 24b – Outline of the Corporation's Shareholders

For details regarding the outline of the corporation's shareholders see immediate report from January 28 2016 (ref. no. 2016-01-018925), presented by way of referral.

Regulation 25a – Listed Corporate Address

Address: 43 Ha'eshel, Caesarea Industrial Park, 3088900.
Telephone no: 076-8177009 Fax: 076-8177280
Email: jacob.heen@deltagalil.com
Website: www.deltagalil.com

Regulation 26 – Corporate Directors on the Report Date

a. Members of the Board of Directors

Director Name		ID No.	Address			Appointment Date		
Last Name	First Name		Town	Street	No.	Year	Month	Day
Lautman	Noam	24407280	Tel-Aviv, Israel	Eliyahu Miferrera	17	01	11	30
Dabah	Isaac	054907852	New York, NY, USA	Park Avenue	2	05	11	15
Chitayat	Gideon	72644339	Tel-Aviv, Israel	Shlomo Ben Yosef	32	05	11	15
Ben Ze'ev	Shaul	006347702	Givatayim	Shimon Ben Zvi	14	09	10	[2]20
Dovrat	Yechezkel	007627649	Ramat Hasharon, Israel	Nachshon	1	09	12	[3]16
Baum	Israel	005172796	Rishon Letzion, Israel	In Hakoreh	22	05	12	26
Weinstock	Itzhak	6139265	New Jersey, USA	Harmon Plaza	1	07	10	21
Carmon	Tzipa	51528933	Savion, Israel	Hatichon	9	09	10	20

[2] Date of appointment to original term. The general meeting approved the appointment of Shaul Ben Ze'ev to a new term on office on October 21 2015.
[3] Date of appointment to original term. The general meeting approved the appointment of Shaul Ben Ze'ev to a new term on office on December 3 2015.

b. Additional Information Regarding Board Members

Name of Director – Chairman of the Board of Directors	Noam Lautman
ID no.	24407280
Citizenship	Israeli
Date of birth	April 16 1969
Address for legal correspondence	17 Eliyahu Miferrera, Tel-Aviv, Israel
Start of service	November 30 2001
Membership of Board committee/committees	Chairman of the Board of Directors
External or independent director?	No
Established as having accounting and financial competency or professional qualifications?	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation in past five years	**Education:** 2000 – M.B.A. – New York University 1995 – B.Sc. – Mathematics and Computer Sciences – Tel-Aviv University **Employment:** 2006-now – 2gether Capital Ltd– CEO
Other corporations served in as director	Babcom Centers Ltd, Adinoam Properties Ltd, N.D.R.L Investments 1998 Ltd, Shefa Media
Family member of other interested party in the corporation	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Director Name	Gideon Chitayat
ID no.	72644339
Citizenship	Israeli
Date of birth	August 29 1939
Address for legal correspondence	32 Shlomo Ben Yosef, Tel Aviv, Israel
Start of service	November 15 2005
Membership of Board committee/committees	Member of the Financial Statements Approval Committee, Audit Committee, Remuneration Committee
External or independent director?	No

Established as having accounting and financial competency or professional qualifications?	Yes, has accounting and financial expertise
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation in past five years	**Education:** MA PhD – Business Administration – Wharton School MBA – Finance – the Hebrew University in Jerusalem BA – Economics – Hebrew University in Jerusalem **Employment:** Chairman and President of GMBS Consultants Ltd. Director at a number of companies
Other corporations served in as director	Paz Petroleum Industries Ltd. – external director (until February 5 2016) BATM – traded in London – Chairman of the Board of Directors Melissaron – external director The Tel Aviv Museum – director
Family member of other interested party in the Company?	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	Yes

Name of Director – CEO and Director Party responsible for market risk management in the Company.	**Isaac Dabah**
ID no.	054907852
Citizenship	Israeli; U.S.A.
Date of birth	August 11 1957
Address for legal correspondence	2 Park Avenue, New York, NY, USA
Start of service	November 15 2005
Membership of Board committee/committees	None
External or independent director?	No
Established as having accounting and financial competency or professional qualifications?	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	Yes – Company CEO; and the person responsible for market risk management at the Company:
Education and occupation in past five years	**Education:** Attended Baruch College of the City University of NY **Employment:**

	2008-now – Company CEO 2005-2011 CEO of GMM Capital LLC
Other corporations served in as director	Subsidiaries: Delta Galil UK Ltd., Delta Galil USA Inc., Delta Textile (London) Ltd., Schiesser AG (Supervisory Board), Delta Textile Egypt SAE, Garment Co. Ltd., Thai Progress, FIX Label Marketing Ltd.
Family member of other interested party in the Company?	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Name of Director – External Director	**Shaul Ben Ze'ev**
ID no.	006347702
Citizenship	Israeli
Date of birth	September 3 1946
Address for legal correspondence	14 Shimon Ben Zvi, Givatayim, Israel
Start of service	October 20 2009
Membership of Board committee/committees	Chairman of the Audit Committee, Financial Statement Examination Committee, Chairman of the Remuneration Committee
External or independent director?	External director
Established as having accounting and financial competency or professional qualifications?	Yes, has accounting and financial expertise
Expert external director?	No
Employee of the Company, a Subsidiary, a Related Company or of an Interested Party	No
Education and occupation in past five years	**Education:** M.B.A – New York University B.A. – Economics and Statistics –Hebrew University, Jerusalem **Employment:** 2001-2013 – Chief Business Manager, Avraham Livnat Ltd. Director at private and public companies.
Other corporations served in as director	Chairman of the Board of Directors, Misher Omer Ltd. Director at Shlomo A. Angel Ltd.
Family member of other interested party in the	No

Company?	
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	Yes

Name of Director – External Director	**Yechezkel Dovrat**
ID no.	007627649
Citizenship	Israeli
Date of birth	February 13 1946
Address for legal correspondence	1 Nachshon Street, Ramat Hasharon, Israel
Start of service	December 16 2009
Membership of Board committee/committees	Chairman of Financial Statement Examination Committee, Audit Committee, Remuneration Committee
External or independent director?	External director
Established as having accounting and financial competency or professional qualifications?	Yes, has accounting and financial expertise
Expert external director?	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation in past five years	**Education:** Certified Public Accountant B.A. – Economics and Accounting – Tel-Aviv University **Employment:** Director at private and public companies: - Chairman of Ta'avura Holdings Ltd. - Chairman of Equipment and Construction Infrastructure Ltd. (of the Ta'avura Group) – until December 2011 - Acting Chairman of Tamig Tire Marketing Ltd. (of the Ta'avura Group). - Clal Industries and Investments Ltd. – until July 2012. - Y.O.E.L Jerusalem Oil Exploration Ltd. – until July 2013
Other corporations served in as director	Mivtach Shamir Holdings Ltd. – Chairman, H&O Fashion Ltd. (until January 28 2016), Efcon Industries Ltd., Migdalei Ha'arava Exports Ltd. (until October 27 2015) and AMS Electronics Ltd. (external director).
Family member of other interested party in the Company?	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	Yes

Name of Director – COO of Delta USA and Company director	Itzhak Weinstock
ID no.	6139265
Citizenship	Israeli; U.S.A.
Date of birth	November 25 1946
Address for legal correspondence	1 Harmon Plaza, NJ, USA
Start of service	October 21 2007
Membership of Board committee/committees	No
External or independent director?	No
Established as having accounting and financial competency or professional qualifications?	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	Head of Operations at subsidiary (Delta Galil USA) starting January 1 2011.
Education	CPA – Certified Public Accountant M.B.A. – Columbia University
Other corporations served in as director	No
Family member of other interested party in the Company?	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Director Name	Tzipa Carmon
ID no.	51528933
Citizenship	Israeli
Date of birth	December 7 1952
Address for legal correspondence	9 Hatichon, Savion, Israel
Start of service	October 20 2009
Membership of Board committee/committees	No
External or independent director?	No
Accounting and financial competency or professional qualifications	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation in past five years	**Education:** M.B.A. –International Marketing and Trade – UCLA, California B.A. – Sociology and Education– Hebrew University, Jerusalem **Employment:**

	1993-now – Manager and owner of T.C. Export
Other corporations served in as director	Azrieli Group Ltd.
Family member of other interested party in the Company?	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Director Name	**Israel Baum**
ID no.	005172796
Citizenship	Israeli
Date of birth	January 24 1938
Address for legal correspondence	22 Ein Hakoreh, Rishon Letzion, Israel
Start of service	December 26 2005
Membership in Board of Directors Committees	No
External or independent director?	No
Established as having accounting and financial competency or professional qualifications?	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation in past five years	**Education:** B.SC – Manufacturing Engineer - Temple University, Philadelphia **Employment:** Provided consulting services to the Company until 2012
Other corporations served in as director	No
Family member of other interested party in the Company?	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Regulation 26a – Senior Company Officers[4]

Name of Senior Officer	Maurice Reznik
ID Number	Passport number 505831916
Date of birth	January 21 1954
Start of service	January 5 2015
Position in the company, in a subsidiary or in an interested party therein	President of Delta Galil USA and CEO of Intimate Ladies Business for USA & UK
Education and occupation in past five years	**Education:** Economics and Spanish – Queens College NY **Employment:** 1998-2013 – President and later CEO of Maidenform
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Yossi Hajaj
ID Number	023543572
Date of birth	June 15 1968
Start of service	October 28 2015
Position in the company, in a subsidiary or in an interested party therein	Deputy CEO and COO, director in a number of subsidiaries
Education and occupation in past five years	**Education:** Certified Public Accountant B.A. in Accounting and Economics – Tel-Aviv University **Employment:** 2004-2015 - Company CFO
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Jacob Heen
ID Number	024558744
Date of birth	September 23 1969
Start of service	October 28 2015
Position in the company, in a subsidiary or in an interested party therein	Chief Financial Officer Responsible for management of market risk associated with

[4] With the exception of officers who have departed the Company before the report date.

	exchange rates and interest.
Education and occupation in past five years	**Education:** Business Administration certification – Bar Illan University. B.A. in Economics and Business Administration – Bar Illan University **Employment:** 2013-2015 – Chief Financial Officer, Tnuva 2013-2015 – Chief Financial Officer, Cellcom
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	**Esti Maoz**
ID Number	61019840
Date of birth	June 26 1947
Start of service	March 1 2003
Position in the company, in a subsidiary or in an interested party therein	VP of Marketing and Strategic Development
Education	Marketing – Certificate Studies – Haifa University
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	**Inbar Schwartz**
ID Number	025086612
Date of birth	November 25 1972
Start of service	August 24 2014
Position in the company, in a subsidiary or in an interested party therein	VP of Business Development
Education and occupation in past five years	**Education:** Law degree – Harvard Law School BA in History – Columbia College **Employment:** 2009-2014 – director – Fishman Thermal technologies; 2007-2009 – Senior VP – Keren Tenneh Ltd.
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Miki Laxer
ID Number	024557480
Date of birth	October 24 1969
Start of service	October 20 2015
Position in the company, in a subsidiary or in an interested party therein	VP of Finance and Company secretary, director at a number of subsidiaries
Education and occupation in past five years	**Education:** Certified Public Accountant M.B.A. – Tel-Aviv College of Management B.A. – Accounting and Business Education – Tel-Aviv College of Management **Employment:** 2004-2015 – Company Comptroller and Secretary
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Yaniv Benedek
ID Number	43056407
Date of birth	April 18 1981
Start of service	October 20 2015
Position in the company, in a subsidiary or in an interested party therein	Company comptroller
Education and occupation in past five years	**Education:** Certified Public Accountant Certification in Business Administration – Tel-Aviv University BA in Accounting and Economics – Hebrew University in Jerusalem **Employment:** Starting October 2015 – Company Comptroller 2011–2015 Deputy Company comptroller
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Zvika Shwimmer
ID Number	34385401
Date of birth	July 7 1978

Start of service	November 1 2011
Position in the company, in a subsidiary or in an interested party therein	Head of Operating Segment, Delta Israel
Education and occupation in past five years	**Education:** Graduate – Business Administration – Peres Academic Center **Employment:** 2008-2011 – CEO – Lalin Candles and Soap Ltd.
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	**Einat Menachem Amitai**
ID Number	028666857
Date of birth	July 27 1971
Start of service	April 7 2014
Position in the company, in a subsidiary or in an interested party therein	VP of Human Resources
Education and occupation in past five years	**Education:** M.B.A – Ben Gurion University BA – Education and Literature – Tel-Aviv University **Employment:** 2012-2014 – Senior VP of Human Resources – Ness Technologies 2001-2011 – Human Resources Manager, Strauss Group
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	**Avi Avital**
ID Number	55090567
Date of birth	January 26 1958
Start of service	July 3 2008
Position in the company, in a subsidiary or in an interested party therein	VP of Information Systems
Education	Graduate, School of Computer Engineering – Technion
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Manny Alon
ID Number	058448838
Date of birth	January 2 1964
Start of service	January 21 2007
Position in the company, in a subsidiary or in an interested party therein	Seamless Division Manager
Education	Industrial and Management Engineer – Shenkar
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Moshe Cohen
ID Number	51209971
Date of birth	April 3 1952
Start of service	January 27 2013
Position in the company, in a subsidiary or in an interested party therein	Auditor
Education and occupation in past five years	**Education:** Certified Public Accountant B.A. in Economics and Accounting – Tel Aviv University. **Employment:** 2003-now – senior partner at Chaykin Cohen Rubin & Co.
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Regulation 26b – Independent Authorized Signatory

The Company has no independent authorized signatories except in the case of signing confidentiality papers.

Regulation 27 – The Company's CPAs

Name of Accountant: Kesselman and Kesselman

Office Address: 25 Hamered, Tel Aviv

Regulation 28 – Changes to Bylaws or Articles of Association

No changes were made to the Company's bylaws in the reported year.

Regulation 29 – Recommendations and Decisions by the Board of Directors

The following are special general meeting resolutions in or after the reported period:

On October 21 2015 a shareholders' meeting was held, with the following decisions on the agenda: (a) the reappointment of Mr. Shaul Ben Ze'ev, serving as external Company director, starting October 20 2009, for a third term in office of 3 years starting from the conclusion of his current service, following the decision of the Company Board of Directors from September 13 2015 to propose the candidacy of Mr. Ben Ze'ev for an additional term in office; and (b) revision of the terms of employment of Mr. Yitzhak Weinstock, Company director and COO at Delta U.S.A. The general meeting approved the above decisions. For further details, see the immediate report on summoning the meeting from September 16 2015 (ref. no. 2015-01-119739) and for details regarding the results of the meeting see the immediate report from October 21 2015 (ref. no. 2015-01-139521), presented by inclusion by way of referral.

On December 3 2015 a shareholders' meeting was held, on the agenda of which was the reappointment of Mr. Yechezkel Dovrat, serving as external Company director, starting December 16 2009, for a third term in offices starting from the conclusion of his current service, following the decision of the Company Board of Directors from October 27 2015 to propose the candidacy of Mr. Dovrat for an additional term in office. The general meeting ratified the above decision. For further details, see the immediate report on summoning the meeting from October 28 2015 (ref. no. 2015-01-143505) and revised report from November 2 2015 (ref. no. 2015-01-146421) and for further details regarding the results of the meeting see the immediate report from December 3 2015 (ref. no. 2015-01-172395), presented by inclusion by way of referral.

On January 20 2016 a special general meeting was held of the Company's shareholders, with the following decisions on the agenda: (a) reappointment of the serving Company directors (except for the external directors): approval of the reappointment for an additional term of office of all serving Company directors who are not external directors: Noam Lautman, Isaac Dabach, Gideon Shetiat, Yitzhak Weinstock, Tzipporah Carmon and Israel Baum; (b) discussion in the Company's Financial Statements and Board of Directors report for the year ending December 31 2014; (c) approval of amendment to the Company's remuneration policy; and (d) approval of the terms of service and employment of Mr. Isaac Dabach, CEO, Company Director and controlling shareholder, as Company CEO, for a three-year period starting January 1 2016. The general meeting ratified the above decisions. For further details, see the immediate report on summoning the meeting from December 16 2015 (ref. no. 2015-01-181197) and for further details regarding the results of the meeting see the immediate report from January 20 2016 (ref. no. 2016-01-014929), presented by inclusion by way of referral.

For further details regarding the general meeting pertaining to the approval of the terms of employment of Mr. Dabach as Company CEO – see also Regulation 22 above; for recommendations in the matter of payment of dividends or distribution – see Section 4.3 of the Description of the Corporation's Business

Regulation 29a – Corporate Decisions

The following are the Company's resolutions regarding exemptions, insurance or commitments to compensate executives, in effect from the report date:

Director and Executive Liability Insurance Policy

In accordance with the revised remuneration policy for Company officers, without detracting from the law, the Remuneration Committee shall be entitled to approve, from time to time and so long as the remuneration policy is in effect, the Company's engagement in an insurance policy to cover the liability of all Company officers, including directors (and including officers and directors who are Company controlling shareholders), so long as the yearly coverage included in the policy for a specific year is up to $20 million, the deductible does not exceed $300,000 and the premium does not exceed $100,000 per year.

In accordance with the above, the Company has a policy covering the liability of directors and executives serving in it and in its subsidiaries. The policy has a liability limit of $10 million, for all insurance incidents and for the accumulated insurance period. The insurance period starts May 1 2015 and ends April 30 2016. The total premium for the policy in question is $31,000.

Advance Indemnity for Directors and Executives

On November 25 2011, the General Meeting of Company shareholders approved the issue of letters of undertaking to indemnify Company directors and officers. For further details, see revision report on transactions with controlling shareholders and notice on the convening of an annual and special general meeting from October 17 2011 (ref. no. 2011-01-302754), included by way of referral.

On December 15 2014 the Company general meeting approved, after receiving the approval of the Remuneration Committee and the Board of Directors, to re-issue the letters of undertaking to indemnify Company directors and officers who are a controlling shareholder at the Company or their relative, at the same wording of the existing letters of indemnification, which were attached as an appendix to the meeting convening report from November 10 2014, ref. no. 2014-01-192105. The terms of the letters of indemnification are identical to the terms of the letters of indemnification granted the officers and directors who are the Company controlling shareholder or their relative, by virtue of the previous decision of the general meeting from November 25 2011.

Part E

Yearly report on the effectiveness of internal control of financial reporting and disclosure under Regulation 9b(a) of the Securities Regulations (Periodic and Immediate Reports), 1970:

Management, under the supervision of the Board of Directors of Delta Galil Industries Ltd. (hereinafter – the Corporation), is responsible for establishing and maintaining adequate internal controls over financial reporting and disclosure in the corporation.

In this regard, management consists of:

1. Mr. Isaac Dabah, CEO and director;
2. Mr. Yossi Hajaj, Deputy CEO and Chief of Operations
3. Mr. Jacob Heen, Chief Financial Officer;
4. Ms. Esti Maoz, VP of Marketing and Strategic Development;
5. Mr. Itzhak Weinstock, COO of Delta U.S.A;
6. Mr. Maurice Resnick, President of Delta USA and Women's operating Segment at Delta U.S.A. and London;
7. Mr. Zvika Schwimmer, Head of Operating Segment, Delta Israel;
8. Ms. Einat Amitai, VP of Human Resources;
9. Mr. Menny Alon, Seamless Division Manager
10. Mr. Avi Avital, VP of Information Systems;
11. Mr. Miki Laxer, V.P. of Finance
12. Ms. Inbar Schwartz, VP of Business Development
13. Mr. Yaniv Benedek, Controller

Internal control of financial reporting and disclosure includes existing Corporation controls and procedures as devised by or under supervision by the CEO and CFO, or by persons serving in these positions under supervision by the Corporation's Board of Directors, which were designed to provide a reasonable level of confidence regarding the reliability of the financial statements and their preparation in compliance with the instructions of the law, and to guarantee that information which the corporation is required to disclose in its published statements under the instructions of the law has been collected, processed, summarized and reported on a date and in a format as required by law.

Internal control includes, inter alia, controls and procedures designed to ensure that the information which the corporation is required to disclose as above has been accumulated and forwarded to the Corporation's Management, including the CEO, COO and CFO, or to whoever serves in these positions in practice, so as to allow timely decision making with regard to the pursuit of disclosure requirements.

Because of its structural limitations, internal control of financial reporting and disclosure is not intended to provide absolute certainty that all misrepresentations or omissions of information in the reports will be avoided or discovered.

Under supervision by the Board of Directors, the Corporation's Management has reviewed and evaluated the Corporation's internal control of own financial reporting and disclosure, and effectiveness thereof, to include the following:

1. Revision to the scoping document as had been prepared by the Company in 2015 with regard to 2015, so as to verify material processes and sites as are to be included in the current scope.
2. Revision to processes and controls in segments and sites defined as most material to the Company operations, to reflect changes which occurred in the course of 2015 as follows:
   - Purchasing and inventory;
   - Sales.

   These controls were evaluated as above for the Delta USA, Schiesser, Delta Israel and Upper Market segments on Israeli sites.

   Evaluation of internal control effectiveness also included definition of key controls as are applied to information systems (ITGC) and to financial reporting on sites as listed above and at the Company's head office, and also as are applied to entity levels (ELC) at the Company's head office.
3. Over the course of 2015, the Company reviewed the implementation of controls as had been defined and also checked whether or not the documentation level required was adequate and conforming with the requirements.
4. Over the course of 2015, the Company reported to the Audit Committee repeatedly of its progress, of the deficiencies found and of the actions taken in their resolution.

Based on own evaluation of effectiveness under supervision by the Board of Directors as above, the Corporation’s Board of Directors and Management concluded that the Corporation's internal control over own financial reporting and disclosure as of December 31 2015 is effective.

Executive statements:

(a1) CEO Statement as required under Regulation 9.b(d)(1)

Executive Statement

CEO's Statement

I, Isaac Dabah, do hereby state that:

1. I have studied the periodic reports of Delta Galil Industries Ltd. (hereinafter the Corporation) for the year 2015 (hereinafter the Reports);
2. To my knowledge, the reports contain no untrue presentation of a material fact, nor do they omit any presentation of a material fact as required to secure that the presentations included there under, in light of the circumstances under which such presentations were included, will not be misleading with respect to the reported period;
3. To my knowledge, the financial statements and any other financial information as included there under adequately reflect, in all material aspects, the financial status, operating results and cash flows of the Corporation for the dates and periods referred to therein;
4. Based on my most recent evaluation of internal controls over financial reporting and disclosure, I have disclosed to the Corporation's internal controller, Board of Directors, Audit Committee and Financial Statements Committee:
    a. All significant deficiencies and material weaknesses in the establishment or application of internal controls over financial reporting and disclosure, which are reasonably likely to adversely impact the Corporation's ability to record, process, summarize or report financial information in a way which may cast doubt on the reliability of the financial statements and their preparation as required under the law, and also –
    b. Any fraud, whether material or otherwise, involving the CEO or his direct subordinate or other employees assigned a significant role in internal control over financial reporting and disclosure;
5. I, alone or jointly with others in the Corporation:
    a. Have established controls and procedures, or verified that such controls and procedures have been established and implemented under my supervision, as designed to ensure that any material information related to the Corporation and subsidiaries as defined under the Securities Regulations (Annual Financial Statements) of 2010, will be brought to my attention by others in the Corporation and in its subsidiaries, particularly in the period when the reports are prepared; and also –
    b. Have established controls and procedures, or verified that such controls and procedures have been established and implemented under my supervision, as designed to ensure to a reasonable extent the reliability of the financial reports and their preparation under the instructions of the law, including under generally accepted accounting practices;
    c. Have assessed the effectiveness of internal controls of financial reporting and disclosure, and presented in this report the conclusions of the Board of Directors and the Management regarding the effectiveness of internal controls as of the date of the reports.

None of the above relieves me or any other person of our responsibility under any law.

_____ _____

February 23 2016 Isaac Dabah – CEO

(b) Statement of the Most Senior Executive from the Field of Finance under Regulation 9(b)(d)(2)

Executive Statement

Statement of the Most Senior Executive from the Field of Finance

I, Jacob Heen, do hereby state that:

1. I have studied the periodic reports and all other financial data as included under the reports of Delta Galil Industries Ltd. (hereinafter the Corporation) for the year 2015 (hereinafter the Reports);
2. To my knowledge, the reports and all other financial data as included under the reports contain no untrue presentation of a material fact, nor do they omit any presentation of a material fact as required to secure that the presentations included there under, in light of the circumstances under which such presentations were included, will not be misleading with respect to the reported period;
3. To my knowledge, the financial statements and any other financial information as included there under adequately reflect, in all material aspects, the financial status, operating results and cash flows of the Corporation for the dates and periods referred to therein;
4. Based on my most recent evaluation of internal controls over financial reporting and disclosure, I have disclosed to the Corporation's internal controller, Board of Directors, Audit Committee and Financial Statements Committee:
   a. All significant deficiencies and material weaknesses in the establishment or application of internal controls over financial reporting and disclosure, insofar as it applies to the financial statements and all other financial data as included under the reports which are reasonably likely to adversely impact the Corporation's ability to record, process, summarize or report financial information in a way which may cast doubt on the reliability of the financial statements and their preparation as required under the law, and also –
   b. Any fraud, whether material or otherwise, involving the CEO or his direct subordinate or other employees assigned a significant role in internal control over financial reporting and disclosure;
5. I, alone or jointly with others in the Corporation:
   a. Have established controls and procedures, or verified that such controls and procedures have been established and implemented under my supervision, as designed to ensure that any material information related to the Corporation and subsidiaries as defined under the Securities Regulations (Annual Financial Statements) of 2010, insofar as it applies to the financial statements and all other financial data as included under the reports will be brought to my attention by others in the Corporation and in its subsidiaries, particularly in the period when the reports are prepared; and also –
   b. Have established controls and procedures, or verified that such controls and procedures have been established and implemented under our supervision, as designed to ensure to a reasonable extent the reliability of the financial reports and their preparation under the instructions of the law, including under generally accepted accounting practices;
   c. Have assessed the effectiveness of internal controls of financial reporting and disclosure as related to the financial statements and to other financial data as included there under at the date of the reports; my conclusions with regard to assessment as above have been presented to the Board of Directors and to the Management, and are included in this report.

None of the above relieves me or any other person of our responsibility under any law.

_____ _____

February 23 2016 Jacob Heen – CFO