

Delta Galil Reports Record 2017 Results

***Sales Increased 16% to Record \$1,368.1 Million;
EBITDA Increased 8% to \$115.9 Million***

***Q4 Net Income Increased 8% to \$20.1 Million;
Diluted Earnings Per Share Increased 7% to \$0.79 in Q4***

***Initial 2018 Earnings Guidance:
Sales Expected to Reach \$1,400 Million-\$1,440 Million and
Full-Year EPS Expected to grow by 7% to 16% and reach \$2.11-\$2.30***

2017 Fourth Quarter Highlights

- Net income increased 8% and amounted to \$20.1 million in the fourth quarter of 2017, compared to \$18.5 million in the fourth quarter of 2016.
- Diluted earnings per share increased 7% and totaled \$0.79 in the 2017 fourth quarter, compared to \$0.73 in the fourth quarter of 2016.
- EBITDA in the fourth quarter of 2017 increased 2% to \$40.0 million, from \$39.2 million in the fourth quarter of 2016.
- Operating profit was \$32.5 million in the fourth quarter of 2017, compared to \$32.3 million in the fourth quarter last year, a 1% increase.
- A strong balance sheet post-acquisition, highlighted by \$451.3 million in equity as of December 31, 2017, and \$138.9 million in cash and cash equivalents.
- The Board of Directors declared a dividend of \$3.5 million, or \$0.139 per share, to be distributed on March 13, 2018. The determining and "ex-dividend" date will be February 28, 2018.
- Isaac Dabah, CEO of Delta Galil, stated: "We are extremely pleased with our 2017 annual results, which were highlighted by record sales, EBITDA, net income and EPS excluding one-time items. The results reflect the strength in our Global Upper Market and Schiesser business and the positive contribution of our recently acquired business (Delta Galil Premium Brands) – all demonstrating the strength of our diversified portfolio. We continue to focus on driving both organic growth and accretive acquisitions, and seek new opportunities to apply our competitive and financial strengths to deliver shareholder value."

Tel Aviv, February 20, 2018 – Delta Galil Industries, Ltd. (DELT/Tel Aviv Stock Exchange, DELTY.PK/OTCQX), the global manufacturer and marketer of branded and private label apparel

products for men, women and children, as well as leisurewear, activewear and denim, today reported its financial results for the fourth quarter and full year ended December 31, 2017.

Sales

The Company reported sales of \$371.6 million for the fourth quarter of 2017, compared with \$376.3 million for the same quarter last year, representing a 1% decrease. Sales for the 2017 full year increased 16% to a record \$1,368.1 million, from \$1,179.2 million for the 2016 full year. The year-over-year increase reflected the annualization of Delta Galil Premium Brands, which was acquired on August 2016, as well as continued strength of Delta's Global Upper Market and Schiesser business segments, along with improvements in Delta Israel.

Operating Profit

Operating profit was \$32.5 million in the fourth quarter of 2017, compared to \$32.3 million in the fourth quarter last year, representing a 1% increase. Operating profit excluding one-time items increased 5% for the 2017 full year and amounted to \$87.4 million, compared to \$83.2 million for the full year 2016.

For the 2017 full year, operating profit was \$84.6 million, compared to \$85.3 for the 2016 full year, representing a 1% decrease.

Net Income

Net income increased 8% to \$20.1 million in the fourth quarter of 2017, compared to \$18.5 million in the same quarter last year.

Net income excluding one-time items net of tax increased 7% for the 2017 full year and amounted to a record \$50.7 million, compared to \$47.2 million for the 2016 full year.

Net income for the 2017 full year was \$49.0 million, compared to \$51.9 million for the 2016 full year, representing a 6% decrease.

Diluted Earnings Per Share

Diluted earnings per share increased 7% in the 2017 fourth quarter to \$0.79, compared to \$0.73 for the same quarter last year.

Diluted earnings per share excluding one-time items increased 7% and amounted to \$1.98 for the 2017 full year, compared to \$1.85 for the 2016 full year.

For the 2017 full year, diluted earnings per share amounted to \$1.91, compared to \$2.03 for the 2016 full year, a 6% decrease.

Management Comment

Isaac Dabah, CEO of Delta Galil, stated: "We are extremely pleased with our 2017 annual results, which were highlighted by record sales, EBITDA, net income and EPS excluding one-time items.

The results reflect the strength in our Global Upper Market and Schiesser business segments which demonstrate the strength of our diversified portfolio. We continue to focus on driving both organic growth and accretive acquisitions, and seek new opportunities to apply our competitive and financial strengths to deliver shareholder value.”

“Our recently acquired Delta Galil Premium Brands (DGPB) segment continued to be a strong contributor to sales throughout 2017, and remains an exciting growth opportunity looking ahead. We have several strategic initiatives and category expansions in place for 2018 that are intended to maximize growth opportunities within that segment.”

“Throughout the year, we focused on making meaningful changes to the company that will improve our efficiency and production capacity and best position us to develop the most innovative, high quality products for our customers worldwide. We also enhanced our focus on e-commerce, and increased top-line growth to key customers, as well as our proprietary brands.”

“As always, we remain committed to investing in new products and resources to drive sustained profitable growth and long-term shareholder value and, with a strong balance sheet, we have the necessary financial resources to continue to innovate and grow -- both through organic means and strategic acquisitions.”

EBITDA, Cash Flow, Net Debt, Equity and Dividend

EBITDA was \$40.0 million, or 10.8% of sales in the fourth quarter of 2017, compared to \$39.2 million, or 10.4% of sales in the same quarter last year. For the 2017 full year, EBITDA was \$115.9 million, or 8.5% of sales, compared to \$107.0 million, or 9.1% of sales last year.

Operating cash flow was \$55.0 million in the fourth quarter of 2017, compared with \$61.1 million in the fourth quarter of 2016. For the 2017 full year, operating cash flow was \$74.7 million, compared to \$76.6 million last year.

Net financial debt as of December 31, 2017 was \$125.6 million, compared to \$164.8 million as of September 30, 2017, and \$181.2 million as of December 31, 2016.

Equity on December 31, 2017 was \$451.3 million, up from \$390.6 million a year earlier.

Delta Galil declared a dividend of \$3.5 million, or \$0.139 per share, to be distributed on March 13, 2018. The determining and "ex-dividend" date will be February 28, 2018.

2018 Financial Guidance

Delta Galil provided its initial 2018 financial guidance, excluding one-time items, which is based on current market conditions and current exchange rates of: Euro/USD 1.20 and USD / NIS 3.50.

- Full-year 2018 sales are expected to range between \$1,400 million-\$1,440 million, representing an increase of 2%-5% from 2017 actual sales of \$1,368.1 million.

- Full-year 2018 EBIT is expected to range between \$91 million-\$96 million, representing an increase of 4%-10% from 2017 actual EBIT of \$87.4 million.
- Full-year 2018 EBITDA is expected to range between \$119 million-\$125 million, representing an increase of 3%-8% from 2017 actual EBITDA of \$115.9 million.
- Full-year 2018 net income is expected to range between \$54 million-\$59 million, representing an increase of 7%-16% from 2017 actual net income of \$50.7 million.
- Full-year 2018 diluted EPS is expected to range between \$2.11-\$2.30, representing an increase of 7%-16% from 2017 actual EPS of \$1.98.

About Delta Galil Industries

Delta Galil Industries is a global manufacturer and marketer of branded and private label apparel products for men, women and children. Since its inception in 1975, the Company has continually strived to create products that follow a body-before-fabric philosophy, placing equal emphasis on comfort, aesthetics and quality. Delta Galil develops innovative seamless apparel including bras, shapewear and socks; intimate apparel for women; extensive lines of underwear for men; babywear, activewear, sleepwear, and leisurewear. Delta Galil also designs, develops, markets and sells branded denim apparel under the brand 7 For All Mankind®, and ladies apparel under the brands Splendid® and Ella Moss®. For more information, visit www.deltagalil.com.

Safe Harbor Statement

Matters discussed in this press release contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "anticipate," "believe," "estimate," "may," "intend," "expect" and similar expressions identify such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein, and while expected, there is no guarantee that we will attain the aforementioned anticipated developmental milestones. These forward-looking statements are based largely on the expectations of the Company and are subject to a number of risks and uncertainties. These include, but are not limited to, risks and uncertainties associated with: the impact of economic, competitive and other factors affecting the Company and its operations, markets, product, and distributor performance, the impact on the national and local economies resulting from terrorist actions, and U.S. actions subsequently; and other factors detailed in reports filed by the Company.

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DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets

As of December 31, 2017

	December 31	
	2017	2016
	Thousands of Dollars	
Assets		
Current assets:		
Cash and cash equivalents	137,470	81,947
Restricted Cash	1,430	1,767
Other accounts receivable:		
Trade receivables	148,806	153,044
Taxes on income receivable	2,915	2,264
Others	20,632	16,980
Financial derivative	1,191	286
Inventory	269,877	233,114
Assets classified as held for sale	-	1,000
Total current assets	<u>582,321</u>	<u>490,402</u>
Non-current assets:		
Investments in associated companies accounted using the equity method and long-term receivables	11,142	11,341
Investment property	3,718	3,389
Fixed assets, net of accumulated depreciation	160,018	171,954
Goodwill	70,101	70,101
Intangible assets, net of accumulated amortization	158,768	147,990
Deferred tax assets	11,654	14,269
Financial derivative	22,800	4,096
Total non-current assets	<u>438,201</u>	<u>423,140</u>
Total assets	<u><u>1,020,522</u></u>	<u><u>913,542</u></u>

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets
As of December 31, 2017

	December 31	
	2017	2016
	Thousands of Dollars	
Liabilities and Equity		
Current liabilities:		
Short-term bank loans	28	44,988
Current maturities of debentures	20,596	13,479
Financial derivative	1,432	2,383
Other accounts payable:		
Trade payables	112,028	104,797
Taxes on income payable	6,373	3,478
Others	117,804	95,767
Total current liabilities	258,261	264,892
Non-current liabilities:		
Severance pay liabilities less plan assets	4,057	3,213
Other non-current liabilities	40,212	42,040
Debentures	258,945	207,024
Reserve for deferred taxes	7,724	4,353
Financial derivative	-	1,388
Total non-current liabilities	310,938	258,018
Total liabilities	569,199	522,910
Equity:		
Equity attributable equity holders of the parent company:		
Share capital	23,708	23,696
Share premium	130,791	130,901
Other capital reserves	7,834	(15,824)
Retained earning	304,788	268,217
Treasury shares	(16,914)	(17,474)
	450,207	389,516
Minority interests	1,116	1,116
Total equity	451,323	390,632
Total liabilities and equity	1,020,522	913,542

The enclosed notes constitute an integral part of these Financial Statements

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Comprehensive Income For the 3-month and 12-month periods ending December 31, 2017

	For the year ended December 31		<i>% change</i>	Three months ended December 31		<i>% change</i>
	2017	2016		2017	2016	
	Thousands of Dollars			Thousands of Dollars		
Sales	1,368,080	1,179,167	<i>16%</i>	371,637	376,315	<i>(1%)</i>
Cost of sales	855,268	787,650		225,952	239,499	
Gross profit	512,812	391,517	<i>31%</i>	145,685	136,816	<i>6%</i>
% of sales	37.5%	33.2%		39.2%	36.4%	
Selling and marketing expenses	360,506	262,527	<i>37%</i>	98,366	90,405	<i>9%</i>
% of sales	26.4%	22.3%		26.5%	24.0%	
Administrative and general expenses	65,393	46,967	<i>39%</i>	15,098	16,031	<i>(6%)</i>
% of sales	4.8%	4.0%		4.1%	4.3%	
Other income, net	50	832		272	1,885	
Share in profit (loss) of associated companies accounted for using the equity method	427	351		(5)	46	
Operating income excluding non-recurring items	87,390	83,206	<i>5%</i>	32,488	32,311	<i>1%</i>
% of sales	6.4%	7.1%		8.7%	8.6%	
Restructuring expenses	2,832	6,895		-	-	
Bargain purchase	-	10,420		-	-	
Cost associated with acquisition of activity	-	1,456		-	-	
Operating income	84,558	85,275		32,488	32,311	
Finance expenses, net	18,848	17,420	<i>8%</i>	4,330	6,634	<i>(35%)</i>
Profit before tax on income	65,710	67,855		28,158	25,677	
Taxes on income	16,751	15,953		8,087	7,130	
Net income for the period	48,959	51,902		20,071	18,547	
Net income for period excluding non-recurring items, net of tax	50,715	47,217	<i>7%</i>	20,071	18,547	<i>8%</i>
Attribution of net earnings for the period						
Attributed to company's shareholders	48,839	51,782		20,041	18,517	
Attributed to non-controlling interests	120	120		30	30	
	48,959	51,902		20,071	18,547	
Net diluted earnings per share attributed to shareholders of the company	1.91	2.03		0.79	0.73	
Net diluted earnings per share excluding non-recurring items net of tax, attributed to shareholders of the company	1.98	1.85	<i>7%</i>	0.79	0.73	<i>7%</i>

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Cash Flow Reports

	For the year ended December 31	
	2017	2016
	Thousands of Dollars	
Cash flows from operating activities:		
Net profit for the year	48,959	51,902
Adjustments required to reflect cash flows deriving from operating activities	47,876	42,758
Interest paid in cash	(14,144)	(11,971)
Interest received in cash	292	1,284
Taxes on income paid in cash, net	(8,315)	(7,368)
Net cash generated from operating activities	74,668	76,605
Cash flows from investment activities:		
Acquisition of fixed assets and intangible assets	(30,754)	(42,604)
Restricted cash deposit	337	(1,224)
Acquisition of activity	-	(118,885)
Earn-out payment for acquisition of an activity	(1,500)	-
Proceeds from sale of fixed asset	28,696	258
Others	(1,431)	(919)
Net cash used in Investing activities	(4,652)	(163,374)
Cash flows from financing activities:		
Dividends paid to non-controlling interest holders in consolidated subsidiary	(120)	(120)
Long term payables credit for fixed assets purchase	(3,308)	(3,308)
Shares Buy-Back	-	(6,895)
Debentures principle repayment	(20,919)	(19,379)
Liability to financial institution	6,413	-
Dividend paid	(14,055)	(14,094)
Repayment of loans and other long-term liabilities	-	(755)
Short-term credit from banking corporations, net	(44,960)	44,165
Debentures issuance net of issuance expenses	57,152	-
A deposit with a banking corporation as security in respect of the SWAP transaction	1,545	1,745
Proceeds from exercise of employee options	451	618
Net cash generated (used in) from financing activities	(17,801)	1,977
Net increase (decreased) in cash and cash equivalents	52,215	(84,792)
Exchange rate differences of cash and cash equivalents, net	3,308	(793)
Balance of cash and cash equivalents at the beginning of the period	81,947	167,532
Balance of cash and cash equivalents at the end of the Period	137,470	81,947

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Cash Flow Reports

	For the year ended December 31	
	2017	2016
	Thousands of Dollars	
Adjustments required to reflect cash flows from operating activities:		
Revenues and expenses not involving cash flow:		
Depreciation	23,918	21,420
Amortization	4,582	3,029
Cash erosion, net	(598)	50
Interest paid in cash	14,144	11,971
Interest received in cash	(292)	(1,284)
Taxes on income paid in cash, net	8,315	7,368
Deferred taxes on income, net	5,112	932
Severance pay liability, net	381	62
Restructuring expenses ,net	2,832	3,984
Capital gain from sale of fixed assets and assets held for sale	(4,332)	(54)
Change in benefit component of options and restricted shares granted	2,074	2,130
Bargain purchase	-	(10,420)
Share in losses of associated companies accounted for using the equity method	(427)	(351)
Others	1,313	577
	57,022	39,414
Changes to operating assets and liabilities:		
Decrease (increase) in trade receivables	10,336	(26,054)
Decrease in other receivable and balances	2,164	8,404
Decrease in trade payables	(219)	(6,339)
Increase in other payables	2,056	5,757
Decrease (increase) in inventory	(23,483)	21,576
	(9,146)	3,344
	47,876	42,758