

May 7, 2018

**Delta Galil Industries Ltd.
(the "Company" or "Delta")**

To
The Securities Authority
www.isa.gov.il

To
The Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Re: Immediate Report on an Event or Matter that Deviates from the Company's Ordinary Course of Business

In accordance with regulation 36(A1) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, the Company respectfully notifies that on May 3rd 2018, a put option agreement was signed between the Company, a subsidiary of the Company, Delta Textiles (London) Limited ("**Delta London**") and a representative of the shareholders and securities holders of Boxer Holding ("**BH**") and Financière Boxer ("**FB**") (the "**Sellers' Representative**" and the "**Sellers**", respectively), which grants the Sellers a put option for the sale of all of FB's securities and all of BH's securities (other than BH's securities held by FB) to Delta London (or to any of its authorized assignees) (the "**Option Agreement**"). The Company guarantees Delta London's obligations under the Option Agreement.

BH is a private company which holds 100% of the shares of Eminence SAS ("**Eminence**"). Eminence has a number of subsidiaries throughout Europe (France, Italy, Spain, Romania, and Belgium) (the "**Eminence Group**" or the "**Group**").

The Group operates in Europe in the sector of branded underwear for men, women and children (design, development, production, sale, marketing and distribution) and it employs approximately 755 employees (approximately 500 employees in France, 195 in a factory in Romania and 60 in Italy). The headquarters of the Group's operations and its development, design and logistic centers are located in France.

In 2017, Eminence Group's net sales totaled approximately 99 million Euro, with most of the products are for men (87%) and the remainder for women (8%) and kids and babies (5%). Most of the Group's sales are to the French market (approximately 79% of all sales) and the remainder in Western Europe – mainly in Italy (17%) and in Belgium (3%) – under leading underwear brands in France (Eminence in the upper market and Athena in the mass market) and an Italian underwear brand (Liabel).

Under the Option Agreement, after the fulfillment of the requirements under the French law that apply to the transfer of control in a French company (in particular, an obligation to consult with Eminence's works council and the waiver from BH employees of their right to acquire BH securities from BH's

principal shareholders or the expiry of the period allowing them to submit a purchase offer) – the Sellers, through the Sellers' Representative, shall be entitled (but not obligated) to exercise the put option and demand that Delta London or an affiliate sign the securities purchase agreement in the form attached to the Option Agreement (the "**Purchase Agreement**"). If the option is exercised as mentioned above, Delta London (or any of its authorized assignees) undertakes to sign the Purchase Agreement. The Company undertook to act together with the Sellers to fulfill the abovementioned requirements under French law.

The Sellers' Representative undertook that during the term of the Option Agreement, Delta London would be given exclusivity in relation to the transaction.

If the Sellers' Representative will exercise the put option under the Option Agreement, the Purchase Agreement, which will include the following provisions, will be signed:

1. Subject to the fulfillment of the conditions precedent set out in the Purchase Agreement, – principally the receipt of regulatory approvals in France – a French subsidiary established by Delta London (the "**Buyer**") will purchase, directly and indirectly through the purchase of all of FB's shares, all BH's shares.
2. The Company guarantees the Buyer's obligations under the Purchase Agreement until the payment of the purchase price.
3. Subject to certain adjustments set out in the Purchase Agreement, if any – the consideration that will be paid under the Purchase Agreement will total approximately 125 (one hundred and twenty-five million) Euro.

It is noted that the Company estimates that on the closing date, Eminence is expected to have a net cash balance of approximately 8.2 million Euro, which will be transferred to the Buyer, subject to certain adjustments set out in the Purchase Agreement

The Company estimates, that if the Purchase Agreement will be signed, the closing is expected to take place during the third quarter of 2018.

The Company also estimates that starting the first year after the completion of the transaction, the transaction would be accretive. Furthermore, the Company estimates* that the acquisition of Eminence will increase Delta's sales by approximately 100M Euro (around \$120M) to over \$1.5B on annual basis and will add \$0.40-0.45 to Delta's annual earnings per share.

* The Company's estimations contained in this Immediate Report are to be considered forward-looking information, as defined in the Israeli Securities Law, 5728-1968. These estimations may not materialize, in whole or in part, or materialize differently than expected, *inter alia*, due to changes in financial markets, changes in capital markets, exchange rates and the conditions in the markets where the Company operates, which may influence the activities of the Company and its results.

The Option Agreement and the Purchase Agreement are subject to French law and the jurisdiction of French courts.

To the best of the Company's knowledge, there is no substantial connection between the Eminence Group or its shareholders and the Company. To the best of the Company's knowledge, the Interested Parties in the Company do not have a personal interest in the transaction.

Although the Company estimates that the chances to complete the deal are high, it is clarified that the exercise of the option is subject to the discretion of the Sellers and there is no certainty that the Purchase Agreement will be signed. If in fact the Purchase Agreement will be signed, the Company will deliver additional details on such purchase at the signing and the closing stages of the transaction, in accordance with the provisions of the law.

Delay in Reporting

The Board of Directors of the Company approved to delay the reporting on the negotiations for the transaction in accordance with the provisions of regulation 36(b) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, in view of the fact that revealing the negotiations could have prevented the completion of the negotiations or could have significantly worsened the conditions of the transaction. Upon the signing of the Option Agreement, the abovementioned delay was removed.

Respectfully,

Jacob Heen – CFO
Delta Galil Industries Ltd.