

Press Release

Delta Galil Reports Financial Results for Third Quarter of 2012

Sales Increase 27% and Operating Income Rises 26% Excluding Net Gains from One-Time Items – Driven by Accretive Acquisition and U.S. Market Growth

Initial Guidance for 2013 Reflects Continued Growth over 2012

Quarterly Highlights

- Sales were a record \$234.0 million in the 2012 third quarter, up 27% from the same period of 2011. This is the 12th consecutive quarter of increasing sales.
- Operating income excluding gains from one-time items was \$15.8 million for the 2012 third quarter, a 23% increase from a year ago.
- Net income attributed to shareholders excluding gains from one-time items was \$10.0 million in the 2012 third quarter, a 29% increase from the same quarter of 2011.
- Diluted earnings per share attributed to shareholders, excluding gains from one-time items, was \$0.41 for the 2012 third quarter and \$0.81 for nine months, up from \$0.32 and \$0.68, respectively, for the same periods of 2011.
- Operating cash flow was \$40.2 million for 2012 year-to-date, up from \$15.3 million in the same period last year.
- The Company's Board of Directors on October 31, 2012, authorized a share repurchase plan to buy back up to US\$2.5 million in Delta Galil common stock, from time to time, during the three-month period beginning November 11, 2012.
- Delta Galil declared a dividend totaling approximately \$2.0 million, or \$0.0841 per share, to be distributed on November 27, 2012. The determining and "ex-dividend" date for this distribution will be November 14, 2012.
- Isaac Dabah, CEO of Delta Galil, noted: "The Company's solid performance in the 2012 third quarter and strong financial matrix reflects highly focused, transformational strategies that have broadened our global reach, diversified our customer base and distribution channels and expanded our portfolio of branded products."

TEL AVIV, November 8, 2012 – Delta Galil Industries, Ltd. (DELT/Tel Aviv Stock Exchange, DELTY.PK/OTCQX), the global manufacturer and marketer of branded and private label apparel products for men, women and children, today reported its financial results for the third quarter and nine months of 2012.

Delta Galil reported record sales for the third quarter of 2012 of \$234.0 million, compared to \$184.8 million in the same quarter of 2011, an increase of 27%. Sales in the first nine months of 2012 were \$571.2 million, compared to \$502.4 million in the same period of 2011, an increase of 14%. The higher sales in the 2012 third quarter benefitted from Delta Galil's acquisition of Schiesser Group, completed in July 2012, while sales in both the 2012 third quarter and nine months also reflected a strong performance in the North American mass market and Upper Market channels.

Operating income excluding gains from one-time items was \$15.8 million in the third quarter of 2012, rising 23% from the \$12.8 million reported in the third quarter of 2011. In the first nine months of 2012, operating income excluding gains from one-time items was \$31.0 million, compared to \$24.7 million in the same period of 2011, a 26% increase.

Net income attributed to shareholders excluding gains from one-time items, after tax, was \$10.0 million in the third quarter of 2012, compared to \$7.7 million in the same quarter of last year, a 29% increase. For the first nine months of 2012, net income attributed to shareholders excluding capital gains and one-time items, after tax, was \$20.0 million, rising 23% from \$16.3 million in the same period of 2011.

Diluted earnings per share attributed to shareholders, excluding net gains from one-time items, was \$0.41 for the 2012 third quarter and \$0.81 for nine months. In the third quarter and first nine months of 2011, the comparable amounts were \$0.32 and \$0.68, respectively.

Results for the third quarter and first nine months of 2012 included net gains attributed to the Lucky Buy of \$12.2 million from the acquisition of Schiesser, partially offset by restructuring expenses of \$2.4 million due to efficiency measures. Results for the first nine months of 2012 included a capital gain of \$19.9 million from the sale of real estate, expenses of \$1.2 million from the Schiesser acquisition, a write-down of unused fixed assets of \$1.3 million, a net gain from the Schiesser acquisition as previously noted, and restructuring expenses of \$5.4 million. The only one-time item in the 2011 nine month period, were capital gains of \$3.6 million from assets sale.

CEO Comment: Branded Products, Global Markets Drive Growth

Isaac Dabah, CEO of Delta Galil, stated: "The Company's solid performance in the 2012 third quarter and strong financial matrix reflects highly focused, transformational strategies that have broadened our global reach, diversified our customer base and distribution channels and expanded our portfolio of branded products. The Schiesser acquisition, in particular, has added new markets, including Europe, while delivering a higher EBIT margin. With a strong and diversified portfolio of four business segments, we are also increasing our business with a wide range of existing customers and are adding new customers. At the same time, we are continuing to invest in product innovation and marketing, while pursuing operational efficiencies. The net effect of these measures has been a record level of quarterly sales, sharply rising profits, and a greater ability to enhance shareholder value through our recently announced share buyback, as well as dividends."

Positive Outlook for 2013

Delta Galil today provided its initial estimate for 2013 business results. The following forecast excludes the effect of any one-time items:

- Full-year 2013 sales are estimated to range from \$910 million to \$920 million, which would constitute an average increase of 12% compared to the current 2012 forecast.
- Full-year 2013 EBIT is estimated to range between \$55 million and \$60 million, which would constitute an average increase of 13% compared to the current 2012 forecast.

The Company also reiterated its existing 2012 forecast, which includes:

- Full-year 2012 sales estimated to range from \$810 million to \$820 million.
- Full-year 2012 EBIT estimated to range from \$50 million to \$52 million.
- Full-year 2012 net income estimated to range from \$33.0 million to \$34.5 million.
- Full-year 2012 diluted EPS estimated to range from \$1.37 to \$1.44.

Strong Cash Flow

Delta derived positive cash flow from current operations in the first nine months of 2012 of \$40.2 million, compared to \$15.3 million in the same period last year, an increase of 163%.

Increase in Capital

The net financial debt of Delta Galil amounted to \$109.4 million at September 30, 2012, compared to \$72.8 million at September 30, 2011 and \$53.8 million on December 31, 2011.

The capital of the Group as of September 30, 2012 amounted to \$259.0 million, representing 49.3% of the total balance sheet, compared to approximately \$210.4 million, representing 46.0% of the total balance sheet as of September 30, 2011 and \$217.2 million, or 49.0% of the total balance sheet, as of December 31, 2011. The increase in capital derives primarily from total income for the first nine months of 2012, which amounted to approximately \$45.4 million, less distributed dividend in the amount of \$6.0 million.

Dividend Declaration

Delta Galil declared a dividend totaling approximately \$2.0 million, or \$0.0841 per share, to be distributed on November 27, 2012. The determining and "ex-dividend" date for this distribution will be November 14, 2012.

In addition, the Company's Board of Directors on October 31, 2012, authorized a share repurchase plan to buy back up to US\$2.5 million in Delta Galil common stock, from time to time, during the three-month period beginning November 11, 2012.

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets

As of September 30, 2012

	September 30		December 31
	2012	2011	2011
	(Unaudited)		(Audited)
	Thousands of Dollars		
Assets			
Current assets:			
Cash and cash equivalents	10,976	58,493	65,760
Restricted cash	2,860	-	-
Other accounts receivable:			
Trade receivables	112,986	108,349	103,444
Taxes on income receivable	976	1,112	1,434
Others	14,637	12,160	9,770
Inventories	159,677	125,469	110,824
Assets classified as held for sale	6,183	1,766	1,766
Total current assets	<u>308,295</u>	<u>307,349</u>	<u>292,998</u>
Non-current assets:			
Long-term pre-paid expenses	385	224	322
Investment property	4,749	-	-
Long-term receivables	12,525	1,224	1,202
Fixed assets, net of accumulated depreciation	90,836	64,008	64,184
Intangible assets, net of accumulated amortization	102,266	78,488	77,390
Deferred tax assets	6,635	6,244	7,014
Total non-current assets	<u>217,396</u>	<u>150,188</u>	<u>150,112</u>
Total assets	<u>525,691</u>	<u>457,537</u>	<u>443,110</u>

	September 30		December 31
	2012	2011	2011
	(Unaudited)		(Audited)
Thousands of Dollars			
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	26,523	71,353	62,053
Current maturities of long-term loans			
from banking corporations	2,110	2,110	2,110
Current maturities of Debentures	14,863	11,079	12,367
Financial Derivative	52	645	297
Other accounts payable:			
Trade payables	73,161	69,873	55,920
Taxes on income – payable	8,016	910	1,770
Others	47,986	37,938	39,096
Total current liabilities	172,711	193,908	173,613
Non-current liabilities:			
Loans from financial institutions, less			
current maturities	302	2,411	1,504
Severance pay over liabilities from termination			
of employer – employee relations less plan assets	1,574	466	1,183
Other non-current liabilities	8,386	4,514	3,900
Debentures	75,682	44,369	41,506
Financial Derivative	5,416	1,507	2,978
Reserve for deferred taxes	2,663	-	1,182
Total non-current liabilities	94,023	53,267	52,253
Total liabilities	266,734	247,175	225,866
Equity:			
Equity attributable equity holders of the			
parent company:			
Share capital	23,191	23,098	23,106
Share premium	122,839	121,130	121,216
Other capital reserves	1,637	825	(633)
Retained earnings	118,826	72,842	81,084
Treasury shares	(9,700)	(9,700)	(9,700)
	256,793	208,195	215,073
Minority interests	2,164	2,167	2,171
Total equity	258,957	210,362	217,244
Total liabilities and equity	525,691	457,537	443,100

The enclosed notes constitute an integral part of these Financial Statements

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Comprehensive Income –(Non GAAP)

For the 3-month and 9-month periods ending September 30, 2012

	Nine months ended September 30		% Increase	Three months ended September 30		% Increase (Decrease)
	2012	2011		2012	2011	
	Thousands of Dollars			Thousands of Dollars		
	Unaudited			Unaudited		
Sales	571,212	502,431	14%	233,996	184,781	27%
Cost of sales	451,081	403,490		177,082	147,561	
Gross profit	120,131	98,941		56,914	37,220	
% of sales	21.0%	19.7%		24.3%	20.1%	
Selling and marketing expenses	70,426	54,705	29%	33,315	18,846	77%
% of sales	12.3%	10.9%		14.2%	10.2%	
Administrative and general expenses	19,194	18,770	2%	7,855	5,979	31%
% of sales	3.4%	3.7%		3.4%	3.2%	
Other income (expenses), net	468	(808)		58	411	
Operating income excluding capital gains and non-recurring items	30,979	24,658	26%	15,802	12,806	23%
% of sales	5.4%	4.9%		6.8%	6.9%	
Capital gain from selling of asset held for sale	19,910	3,597		-	-	
Schiesser acquisition cost	1,160	-		-	-	
Net income derived from adjustments due to Purchase Price Allocation of Schiesser*	12,163	-		12,163	-	
Impairment of fixed assets	1,309	-		-	-	
Restructuring expenses	5,424	-		2,441	-	
Operating income	55,159	28,255	95%	25,524	12,806	99%
Finance expenses, net	6,805	5,987	14%	2,828	3,235	(13%)
Profit before tax on income	48,354	22,268		22,696	9,571	
Taxes on income	5,338	3,064		2,599	1,842	
Equity income	93	-		93	-	
Income for the period	43,109	19,204		20,190	7,729	
Income for period excluding capital gain and non-recurring items, net for period	20,052	16,374	22%	9,995	7,729	29%
Attribution of net earnings for the period						
To shareholders of the parent company	43,019	19,111		20,160	7,698	
To minority interests	90	93		30	31	
	43,109	19,204		20,190	7,729	
Diluted earnings per share attributed to shareholders of the company	1.75	0.79		0.82	0.32	
Diluted earnings per share attributed to shareholders of the company excluding capital gains and non-recurring items	0.81	0.68		0.41	0.32	

* Net Income includes, Lucky Buy of \$12.6 million offset by inventory Step-Up of \$0.4 million which is included in the GAAP financials among Cost of Sales.

DELTA GALIL INDUSTRIES LTD.
 Concise Consolidated Cash Flow Reports
 For the 3-month and 9-month periods ending September 30, 2012

	Nine months ending September 30		Three months ending September 30	
	2012	2011	2012	2011
(Unaudited)				
Thousands of Dollars				
Cash flows from operating activities:				
Net profit for the period	43,109	19,204	20,190	7,729
Adjustments required to reflect cash flows deriving from operating activities	5,021	4,088	(12,412)	9,611
Interest paid in cash	(5,385)	(4,960)	(2,299)	(2,521)
Interest received in cash	541	527	2	133
Taxes on income paid in cash, net	(3,050)	(3,611)	(727)	(2,458)
Net cash generated from operating activities	<u>40,236</u>	<u>15,248</u>	<u>4,754</u>	<u>12,494</u>
Cash flows from investment activities:				
Cash added from purchased subsidiary	12,258	-	12,258	-
Insolvency and other payments regarding subsidiary purchase	(86,052)	-	(85,172)	-
Acquisition of activity	-	(4,000)	-	-
Acquisition of fixed assets and intangible assets	(12,260)	(9,071)	(5,850)	(3,427)
Change in Restricted cash deposit	(2,860)	-	82,787	-
Proceeds from sale of assets held for sale	2,903	4,209	1,038	174
Payments relating to realizations of assets which was held for sale	(705)	-	-	-
Proceeds from selling of fixed asset	563	202	57	11
Loans to subcontractor	(400)	(500)	-	(100)
Loans granted to employees	(37)	(26)	(9)	(16)
Employees' loans return	40	28	9	6
Others	(292)	(43)	(164)	9
Net cash (used for) generated from Investing activities	<u>(86,842)</u>	<u>(9,201)</u>	<u>4,954</u>	<u>(3,343)</u>
Cash flows from financing activities:				
Dividends paid holders of minority rights in consolidated subsidiary	(97)	(102)	(30)	(41)
Proceeds from the issuance of debentures, less issuance expenses	50,987	-	-	-
Debentures repayment	(11,245)	-	(11,245)	-
Dividend paid	(6,000)	(6,000)	(2,100)	(2,000)
Repayment of loans and other long-term liabilities	(1,730)	(1,207)	(675)	(150)
Short-term credit from banking corporations, net	(42,566)	13,479	10,616	8,229
Proceeds from exercise of employee options	1,708	171	461	10
Net cash generated from financing activities (used for financing activities)	<u>(8,943)</u>	<u>6,341</u>	<u>(2,973)</u>	<u>6,048</u>
Net increase (decrease) in cash and cash equivalents	(55,549)	12,388	6,735	15,199
Profit due to exchange rate differentials on cash and cash equivalents	765	(110)	142	(600)
Balance of cash and cash equivalents at the beginning of the period	65,760	46,215	4,099	43,894
Balance of cash and cash equivalents at the end of the Period	<u>10,976</u>	<u>58,493</u>	<u>10,976</u>	<u>58,493</u>

DELTA GALIL INDUSTRIES LTD.
Concise Consolidated Cash Flow Reports
For the 3-month and 9-month periods ending September 30, 2012

	Nine months ending September 30		Three months ending September 30	
	2012	2011	2012	2011
	(Unaudited)			
	Thousands of Dollars			
Adjustments required to reflect cash flows from operating activities:				
Revenues and expenses not involving cash flow:				
Depreciation	7,939	7,268	3,350	2,567
Amortization	1,727	1,439	588	517
Revaluation of cash, net	(484)	110	139	600
Interest paid in cash	5,385	4,960	2,299	2,521
Interest received in cash	(541)	(527)	(2)	(133)
Taxes on income paid in cash	3,050	3,611	727	2,548
Deferred taxes on income, net	2,545	(796)	569	1,022
Liabilities from termination of employer – employee relations, net	158	(6)	82	(11)
Capital gain (loss) from sale of fixed assets	23	(106)	23	(5)
Capital gain from realization of asset classified as held for sale	(19,910)	(2,330)	-	-
Impairment of fixed assets	1,309	-	-	-
Restructuring expenses	2,286	-	1,193	-
Change in benefit component of options granted to employees	723	762	254	181
Change in fair value of financial instruments	(93)	694	281	(224)
Long-term pre-paid expenses	(59)	(26)	(81)	(2)
Income adjustments due to Purchase Price Allocation	(12,619)	-	(12,619)	-
Others	906	525	159	288
	<u>(7,655)</u>	<u>15,578</u>	<u>(3,038)</u>	<u>9,779</u>
Changes to operating assets and liabilities:				
Increase in trade receivables	(2,891)	(17,531)	(9,902)	(335)
Decrease (increase) in other receivable and balances	(25)	(2,454)	1,099	(259)
Increase in trade payables	9,582	16,667	2,748	14,438
Decrease in other payables	(1,839)	(4,142)	(1,705)	(3,564)
Decrease (increase) in inventory	7,849	(4,030)	(1,614)	(10,448)
	<u>12,676</u>	<u>11,490</u>	<u>(9,374)</u>	<u>(168)</u>
	<u>5,021</u>	<u>4,088</u>	<u>(12,412)</u>	<u>9,611</u>

About Delta Galil Industries

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

Safe Harbor Statement

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

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