

PRESS RELEASE

Delta Galil Reports First Quarter 2017 Results

***Sales Increase 23% to \$315.7 Million,
Including Delta Premium Brands***

***Operating Cash Flow for the Twelve Month Period Ending March 31, 2017 was \$87 Million,
Compared with \$67 Million for the Same Period Last Year***

***Reaffirms 2017 Guidance; Sales Expected to Reach \$1,330 Million-\$1,370 Million and
Full-Year EPS Expected to Reach \$1.95-\$2.02***

2017 First Quarter Highlights

- Sales grew 23% to \$315.7 million in the first quarter of 2017, from \$256.7 million in the first quarter 2016.
- Strong balance sheet post-acquisition, highlighted by \$399.1 million in equity, and \$66.2 million in cash and cash equivalents as of March 31, 2017.
- Diluted earnings per share excluding one-time items amounted to \$0.28 in the first quarter of 2017, compared to \$0.31 in the first quarter of 2016.
- Financial guidance for 2017 was reaffirmed: Full-year 2017 sales are expected to range between \$1,330 million-\$1,370 million, representing an increase of 13%-16% from 2016 actual sales of \$1,179 million. Full-year 2017 diluted EPS is expected to range between \$1.95-\$2.02, representing an increase of 5%-9% from 2016 actual EPS of \$1.85.
- Declared a dividend of \$2.75 million, or \$0.108 per share, to be distributed on June 6, 2017. The determining and "ex-dividend" date will be May 25, 2017.
- Successful issuing of new series bond.
- Signed licensing deal with Calvin Klein Inc. to develop, produce and distribute boys and girls underwear, sleepwear and socks for the brand.
- Isaac Dabah, CEO of Delta Galil, stated: "We are pleased with the continued strength of our diversified business model. Our first quarter results were in line with our plan, and consistent with Delta's historical performance of generating higher profits in the second half of the year. We continue to have a strong balance sheet and remain focused on growing our global business segment."

Tel Aviv, May 16, 2017 – 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, jeans and activewear, today reported its financial results for the first quarter ended March 31, 2017.

Sales

The Company reported sales of \$315.7 million for the first quarter of 2017, a 23% increase compared to \$256.7 million for the same quarter last year. The increase was primarily driven by the addition of Delta Premium Brands.

Operating profit

Operating profit excluding one-time items amounted to \$12.9 million for the first quarter of 2017, compared to \$14.8 million for the first quarter last year, representing a 13% decrease. Operating profit was \$10.2 million for the first quarter of 2017, compared to \$14.8 million in the same period last year, representing a 31% decrease.

Net income

Net income excluding one-time items was \$7.2 million for the 2017 first quarter, representing an 8% decrease from \$7.9 million in the first quarter last year. Net income was \$5.6 million in the first quarter of 2017, compared to \$7.9 million in the first quarter last year, representing a 29% decrease.

Diluted earnings per share excluding one-time items amounted to \$0.28 in the first quarter of 2017, compared to \$0.31 in the first quarter of 2016. Diluted earnings per share were \$0.22 in the 2017 first quarter, compared to \$0.31 in the same quarter last quarter last year. The results reflect a stronger gross margin offset by higher marketing and other expenses including negative impact of foreign currency translation.

Management Comment

Isaac Dabah, CEO of Delta Galil, stated: “We are pleased with the continued strength of our diversified business model. Our first quarter results were in line with our plan, and consistent with Delta’s historical performance of generating higher profits in the second half of the year.”

“During the quarter, we made meaningful changes in our company that will improve our efficiency and production capacity. We started to run our Vietnamese factory with 750 new employees, and are on track to have our first orders shipped in April 2017. We expect the facility to reach full operational status in 2018.”

“Also during the quarter, we signed a licensing deal with Calvin Klein Inc. to develop, produce and distribute boys and girls underwear, sleepwear and socks for the brand. This represented an important step in our ongoing strategy of enhancing our branded portfolio and broadening our presence in the premium sector.”

"We continue to have a strong balance sheet to support our acquisition strategy, and we remain focused on growing our global business segment, while attaining strong EBITDA growth in 2017 and beyond."

EBITDA, Cash Flow, Net Debt, Equity and Dividend

EBITDA was \$19.1 million, or 6% of sales in the first quarter of 2017, compared to \$20.2 million, or 7.9% of sales in the same quarter last year.

Operating cash flow was negative \$13.1 million in the first quarter of 2017, compared with negative \$23.6 million in the first quarter of 2016. Operating cash flow for the twelve month period ending March 31, 2017 was \$87 million, compared with \$67 million for the same period last year, representing a 30% increase.

Net financial debt as of March 31, 2017 was \$205.2 million, compared to \$112.4 million as of March 31, 2016, and \$181.2 million as of December 31, 2016.

Equity on March 31, 2017 was \$399.1 million, up from \$368.9 million a year earlier.

Delta Galil declared a dividend of \$2.75 million, or \$.108 per share, to be distributed on June 6, 2017. The determining and "ex-dividend" date will be May 25, 2017.

The Company completed a successful issuance of a five-year USD series bond for \$57 million, at a 3.85% coupon.

2017 Financial Guidance

Delta Galil reaffirmed its 2017 financial guidance, excluding non-recurring items which is based on current market conditions and current exchange rate of \$1.09 per euro and 3.65 NIS per US\$.

- Full-year 2017 sales are expected to range between \$1,330 million-\$1,370 million, representing an increase of 13%-16% from 2016 actual sales of \$1,179 million.
- Full-year 2017 EBIT is expected to range between \$86 million-\$91 million, representing an increase of 3%-9% from 2016 actual EBIT of \$83.2 million.
- Full-year 2017 EBITDA is expected to range between \$113.0 million-\$118.0 million, representing an increase of 6%-10% from 2016 actual EBITDA of \$107.0 million.
- Full-year 2017 net income is expected to range between \$50.0 million-\$52.0 million, representing an increase of 6%-10% from 2016 actual net income of \$47.2 million.
- Full-year 2017 diluted EPS is expected to range between \$1.95-\$2.02, representing an increase of 5%-9% from 2016 actual EPS of \$1.85.

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 March 31, 2017

| | March 31 | | December 31 | |
|---|--------------------|----------------|--------------------|------------------|
| | 2017 | 2016 | 2016 | (Audited) |
| | (Unaudited) | | | |
| Thousands of Dollars | | | | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 64,629 | 129,717 | 81,947 | |
| Restricted Cash | 1,542 | 535 | 1,767 | |
| Other accounts receivable: | | | | |
| Trade receivables | 131,784 | 117,920 | 153,044 | |
| Taxes on income receivable | 2,090 | 8,533 | 2,264 | |
| Others | 20,759 | 16,186 | 16,980 | |
| Financial derivative | 840 | 559 | 286 | |
| Inventory | 247,488 | 199,058 | 233,114 | |
| Assets classified as held for sale | 1,000 | 1,000 | 1,000 | |
| Total current assets | 469,952 | 473,508 | 490,402 | |
| Non-current assets: | | | | |
| Investments in associated companies accounted using the equity method and long-term receivables | 11,052 | 7,276 | 11,341 | |
| Investment property | 3,411 | 3,742 | 3,389 | |
| Fixed assets, net of accumulated depreciation | 174,835 | 130,809 | 171,954 | |
| Goodwill | 70,101 | 70,101 | 70,101 | |
| Intangible assets, net of accumulated amortization | 142,538 | 89,582 | 147,990 | |
| Deferred tax assets | 16,946 | 9,910 | 14,269 | |
| Financial derivative | 13,789 | 3,937 | 4,096 | |
| Total non-current assets | 432,672 | 315,357 | 423,140 | |
| Total assets | 902,624 | 788,865 | 913,542 | |

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets

As of March 31, 2017

| | March 31 | | December 31 | |
|--|--------------------|----------------|--------------------|------------------|
| | 2017 | 2016 | 2016 | (Audited) |
| | (Unaudited) | | | |
| Thousands of Dollars | | | | |
| Liabilities and Equity | | | | |
| Current liabilities: | | | | |
| Short-term bank loans | 24 | 183 | 44,988 | |
| Current maturities of debentures | 13,983 | 24,432 | 13,479 | |
| Financial derivative | 1,623 | 1,972 | 2,383 | |
| Other accounts payable: | | | | |
| Trade payables | 81,655 | 83,947 | 104,797 | |
| Taxes on income payable | 4,571 | 4,874 | 3,478 | |
| Others | 87,859 | 55,211 | 95,767 | |
| Total current liabilities | 189,715 | 170,619 | 264,892 | |
| Non-current liabilities: | | | | |
| Severance pay liabilities less plan assets | 3,337 | 2,761 | 3,213 | |
| Other non-current liabilities | 34,820 | 23,763 | 42,040 | |
| Debentures | 269,929 | 219,160 | 207,024 | |
| Deferred taxes liabilities | 5,308 | 2,170 | 4,353 | |
| Financial derivative | 439 | 1,451 | 1,388 | |
| Total non-current liabilities | 313,833 | 249,305 | 258,018 | |
| Total liabilities | 503,548 | 419,924 | 522,910 | |
| Equity: | | | | |
| Equity attributable to equity holders of the parent company: | | | | |
| Share capital | 23,699 | 23,670 | 23,696 | |
| Share premium | 130,847 | 130,387 | 130,901 | |
| Other capital reserves | (10,179) | (8,571) | (15,824) | |
| Retained earning | 270,785 | 233,624 | 268,217 | |
| Treasury shares | (17,222) | (11,315) | (17,474) | |
| | 397,930 | 367,795 | 389,516 | |
| Minority interests | 1,146 | 1,146 | 1,116 | |
| Total equity | 399,076 | 368,941 | 390,632 | |
| Total liabilities and equity | 902,624 | 788,865 | 913,542 | |

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Income
For the 3-month period ending March 31, 2017

| | Three months ended on | | % Increase (Decrease) | |
|---|------------------------------|-------------|----------------------------------|--|
| | March 31 | | | |
| | 2017 | 2016 | | |
| | (Unaudited) | | | |
| | Thousands of dollars | | | |
| Sales | 315,681 | 256,687 | 23% | |
| Cost of sales | 201,738 | 177,873 | | |
| Gross profit | 113,943 | 78,814 | 45% | |
| % of sales | 36.1% | 30.7% | | |
| Selling and marketing expenses | 83,271 | 52,468 | 59% | |
| % of sales | 26.4% | 20.4% | | |
| General and administrative expenses | 15,959 | 10,028 | 59% | |
| % of sales | 5.1% | 3.9% | | |
| Other expenses, net | 1,869 | 1,494 | | |
| Share in profit of associated companies accounted for using the equity method | 30 | 27 | | |
| Operating income excluding non-recurring items | 12,874 | 14,851 | (13%) | |
| % of sales | 4.1% | 5.8% | | |
| Restructuring expenses | 2,665 | - | | |
| Operating income | 10,209 | 14,851 | | |
| Finance expenses, net | 3,710 | 3,619 | 3% | |
| Income before taxes on income | 6,499 | 11,232 | | |
| Taxes on income | 910 | 3,343 | | |
| Net income for the period | 5,589 | 7,889 | (29%) | |
| Net income excluding non-recurring items, net of tax for the period | 7,241 | 7,889 | (8%) | |
| Attribution of net earnings for the period: | | | | |
| Attributed to company's shareholders | 5,559 | 7,859 | | |
| Attributed to non-controlling interests | 30 | 30 | | |
| | 5,589 | 7,889 | | |
| Net diluted earnings per share attributable to Company's shareholders | 0.22 | 0.31 | (29%) | |
| Net diluted earnings per share, before non-recurring items attributable to Company's shareholders | 0.28 | 0.31 | (8%) | |

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Income
For the 3-month period ending March 31, 2017

| | Three months ended on March 31 | | Year Ending December 31 |
|---|--------------------------------|-----------------|-------------------------|
| | 2017 | 2016 | 2016 |
| | (Unaudited) | (Audited) | |
| Thousands of Dollars | | | |
| Cash flows from operating activities | | | |
| Net profit for the period | 5,589 | 7,889 | 51,902 |
| Adjustments required to reflect cash flows deriving from operating activities | (13,482) | (28,088) | 42,758 |
| Interest paid in cash | (4,256) | (3,047) | (11,971) |
| Interest received in cash | 109 | 323 | 1,284 |
| Taxes on income paid in cash, net | (1,101) | (633) | (7,368) |
| Net cash generated from (used in) operating activities | <u>(13,141)</u> | <u>(23,556)</u> | <u>76,605</u> |
| Cash flows from investment activities: | | | |
| Acquisition of fixed assets and intangible assets | (6,225) | (8,917) | (42,604) |
| Restricted cash release (deposit) | 225 | 7 | (1,224) |
| Acquisition of activity | - | - | (118,885) |
| Proceeds from the sale of fixed assets | 175 | 17 | 258 |
| Earn-out payment for acquisition of an activity | (1,500) | - | - |
| Others | 261 | (403) | (919) |
| Net cash used in investment activities | <u>(7,064)</u> | <u>(9,296)</u> | <u>(163,374)</u> |
| Cash flows from financing activities: | | | |
| Dividends paid to non-controlling interest holders in consolidated subsidiary | - | - | (120) |
| Long term payables credit for fixed assets purchase | (1,554) | (1,315) | (3,308) |
| Debentures principle repayment | (6,413) | - | (19,379) |
| Dividend paid | (3,539) | (3,540) | (14,094) |
| Shares Buy-Back | - | (578) | (6,895) |
| Repayment of loans and other long-term liabilities | - | (755) | (755) |
| Short-term credit from banking corporations, net | (44,964) | 125 | 44,165 |
| Debentures issuance return, excluding issuance expenses | 57,152 | - | - |
| A deposit with a banking corporation as security in respect of the SWAP transaction | 1,545 | 415 | 1,745 |
| Proceeds from exercise of employee options | 201 | 82 | 618 |
| Net cash used in financing activities | <u>2,428</u> | <u>(5,566)</u> | <u>1,977</u> |
| Net decrease in cash and cash equivalents | (17,777) | (38,418) | (84,792) |
| Exchange rate differences and revaluation of cash and cash equivalents, net | 459 | 603 | (793) |
| Balance of cash and cash equivalents at the beginning of the period | 81,947 | 167,532 | 167,532 |
| Balance of cash and cash equivalents at the end of the period | 64,629 | 129,717 | 81,947 |

DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Income
For the 3-month period ending March 31, 2017

| | Three months ended on March 31 | | Year Ending December 31 |
|-----------------------------|---------------------------------------|------------------|--------------------------------|
| | 2017 | 2016 | 2016 |
| | (Unaudited) | (Audited) | |
| Thousands of Dollars | | | |

Adjustments required to reflect cash flows from operating activities:

Revenues and expenses not involving cash flow:

| | | | |
|---|---------------|--------------|---------------|
| Depreciation | 5,426 | 4,544 | 21,420 |
| Amortization | 788 | 791 | 3,029 |
| Cash erosion, net | (174) | (157) | 50 |
| Interest paid in cash | 4,256 | 3,047 | 11,971 |
| Interest received in cash | (109) | (323) | (1,284) |
| Taxes on income paid in cash, net | 1,101 | 633 | 7,368 |
| Deferred taxes, net | (1,787) | (427) | 932 |
| Severance pay liability, net | 104 | (20) | 62 |
| Restructuring expenses | 2,665 | - | 3,984 |
| Capital loss (gain) from sale of fixed assets | 42 | (9) | (54) |
| Change in benefit component of options and restricted shares granted to Employees | 548 | 514 | 2,130 |
| Bargain purchase | - | - | (10,420) |
| Share in losses of associated companies accounted for using the equity method | (30) | (27) | (351) |
| Others | 392 | 180 | 577 |
| | 13,222 | 8,746 | 39,414 |

Changes to operating assets and liabilities:

| | | | |
|--|-----------------|-----------------|---------------|
| Decrease (increase) in trade receivables | 23,569 | (11,574) | (26,054) |
| Decrease (increase) in other receivable | (3,549) | 342 | 8,404 |
| Decrease in trade payables | (22,195) | (18,925) | (6,339) |
| Increase (decrease) in other payables | (11,481) | (7,696) | 5,757 |
| Decrease (increase) in inventory | (13,048) | 1,019 | 21,576 |
| | (26,704) | (36,834) | 3,344 |
| | (13,482) | (28,088) | 42,758 |