

FOR IMMEDIATE RELEASE

Delta Galil Reports Strong Sales and Earnings Growth for 2017 Second Quarter

***Sales Increased 36% to \$340.5 Million;
Operating Profit Increased 31% to \$17.7 Million***

***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 Second Quarter Highlights

- Sales increased 36% and totaled \$340.5 million in the 2017 second quarter, compared to \$249.5 million in the same quarter last year.
- Operating profit increased 31% to \$17.7 million in the second quarter, compared to \$13.5 million in the second quarter of 2016.
- EBITDA rose 35% in the second quarter of 2017 and amounted to \$25.5 million, compared to \$18.9 million in the same quarter last year.
- Net income in the second quarter of 2017 was \$8.9 million, a 14% increase from \$7.8 million in the comparable period last year.
- Operating cash flow for the last twelve months ended June 30, 2017 was \$76.4 million, compared with \$69.2 million for the same period last year.
- The Board of Directors declared a dividend of \$4.25 million, or \$0.167 per share, to be distributed on August 29, 2017. The determining and "ex-dividend" date will be August 16, 2017, per the Tel Aviv Stock Exchange.
- A strong balance sheet post-acquisition, was highlighted by \$417.8 million in equity and \$100.7 million in cash as of June 30, 2017.
- 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.
- Isaac Dabah, CEO of Delta Galil, stated: "Delta Galil delivered an exceptionally strong performance in the second quarter, reflecting double-digit growth on the top- and bottom-line. Our results were driven by well-defined strategies to build our premium and branded business, expand our market reach, extend our manufacturing resources, and be an ever

increasing source of innovative, high quality, differentiated products for our customers and consumers worldwide.”

Tel Aviv, August 8, 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 and activewear, today reported its financial results for the second quarter ended June 30, 2017.

Sales

The Company reported sales of \$340.5 million for the second quarter of 2017, a 36% increase from \$249.5 million for the second quarter of 2016. Excluding Delta Galil Premium Brands (DGPB), sales increased by 9% compared to the second quarter of 2016. Sales for the first six months of 2017 were \$656.1 million, up 30% from \$506.2 million in the same six-month period of 2016. Excluding DGPB, sales increased by 3% compared to the first six months of 2016.

Operating Profit

Operating profit for the second quarter of 2017 was \$17.7 million, a 31% increase from \$13.5 million in the second quarter of 2016. For the first six months of 2017, operating profit before one-time items was \$30.6 million, an 8% increase from \$28.4 million a year earlier. Operating profit in the first six months was \$27.9 million, down 2% from \$28.4 million in the same period of 2016. The decline was driven preliminary by restructuring expenses included in the first quarter for the DGPB segment.

Net Income

Net income attributable to shareholders was \$8.9 million in the second quarter of 2017, compared to \$7.8 million in the same quarter of 2016, representing a 14% increase. For the first six months of 2017, net income attributable to shareholders was \$14.5 million, compared to \$15.7 million last year, representing an 8% decrease. Net income excluding one-time items attributable to shareholders for the first six months of 2017 increased 3% to \$16.1 million, compared to \$15.6 million in the same period of 2016.

Diluted Earnings Per Share

Diluted earnings per share attributed to shareholders increased 15% and amounted to \$0.35 for the 2017 second quarter, compared to \$0.30 for the same quarter last year. For the first six months of 2017, diluted earnings were \$0.57, compared to \$0.61 per diluted share for the same period of 2016, representing a 7% decrease. Diluted earnings per share excluding one-time items attributed to shareholders in the first six months of 2017 increased by 4% to \$0.63, from \$0.61 in the same period of 2016.

Management Comment

Isaac Dabah, CEO of Delta Galil, stated: “Delta Galil delivered an exceptionally strong performance in the second quarter, reflecting double-digit growth on the top- and bottom-line. Our results were driven by well-defined strategies to build our premium and branded business, expand our market reach, extend our manufacturing resources, and be an ever increasing source of innovative, high quality, differentiated products for our customers and consumers worldwide.”

“During the quarter, we saw significant growth in Delta Galil USA, mainly kids and activewear categories and in the global upper market. Importantly, the gross margin in Delta Galil USA increased across all business units. Delta Premium Brands, our recent acquisition, continued to exceed the plan.”

“Throughout the quarter we continued to invest in growing our production capacity, and are currently running our Vietnamese factory with 850 employees. We expect to reach full operational status in the facility in the second half of 2018.”

“Looking ahead, we are focused on growing our international and e-commerce businesses, while continuing to pursue strategic acquisition opportunities.”

EBITDA, Cash Flow, Net Debt, Equity and Dividend

EBITDA was \$25.5 million, or 7.5% of sales in the second quarter of 2017, compared to \$18.9 million, or 7.6% of sales in the same quarter last year. For the first six months of 2017, EBITDA was \$44.6 million, compared to \$39.1 million in the same period of 2016.

Operating cash flow for the trailing 12 months ended June 30, 2017 was \$76.4 million, compared to \$69.2 million for the trailing 12 months ended June 30, 2016.

Net financial debt as of June 30, 2017 was \$169.7 million, compared to \$106.6 million as of June 30, 2016, and \$181.2 million as of December 31, 2016.

Equity on June 30, 2017 was \$417.8 million, up from \$363.3 million a year earlier.

Delta Galil declared a dividend of \$4.25 million, or \$0.167 per share, to be distributed on August 29, 2017. The determining and "ex-dividend" date will be August 16, 2017, per the Tel Aviv Stock Exchange.

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 \$1.14 per euro and 3.60 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 June 30, 2017

	June 30		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	Thousands of Dollars		
Assets			
Current assets:			
Cash and cash equivalents	99,138	134,177	81,947
Restricted Cash	1,577	540	1,767
Other accounts receivable:			
Trade receivables	150,188	113,529	153,044
Taxes on income receivable	1,788	5,860	2,264
Others	18,689	16,756	16,980
Financial derivative	1,111	338	286
Inventory	261,393	194,550	233,114
Assets classified as held for sale	1,000	1,000	1,000
Total current assets	<u>534,884</u>	<u>466,750</u>	<u>490,402</u>
Non-current assets:			
Investments in associated companies accounted using the equity method and long-term receivables	10,830	7,292	11,341
Investment property	3,605	3,631	3,389
Fixed assets, net of accumulated depreciation	154,771	134,429	171,954
Goodwill	70,101	70,101	70,101
Intangible assets, net of accumulated amortization	150,856	88,608	147,990
Deferred tax assets	16,334	10,843	14,269
Financial derivative	22,619	2,545	4,096
Total non-current assets	<u>429,116</u>	<u>317,449</u>	<u>423,140</u>
Total assets	<u>964,000</u>	<u>784,199</u>	<u>913,542</u>

	June 30		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	Thousands of Dollars		
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	108	278	44,988
Current maturities of debentures	14,475	24,105	13,479
Financial derivative	1,332	3,004	2,383
Other accounts payable:			
Trade payables	100,094	89,015	104,797
Taxes on income payable	5,892	2,737	3,478
Others	93,380	60,384	95,767
Total current liabilities	215,551	179,523	264,892
Non-current liabilities:			
Severance pay liabilities less plan assets	3,507	2,793	3,213
Other non-current liabilities	45,092	19,106	42,040
Debentures	277,937	214,392	207,024
Reserve for deferred taxes	4,160	2,687	4,353
Financial derivative	-	2,446	1,383
Total non-current liabilities	330,696	241,424	258,018
Total liabilities	546,247	420,947	522,910
Equity:			
Equity attributable to equity holders of the parent company:			
Share capital	23,700	23,671	23,696
Share premium	130,750	130,403	130,901
Other capital reserves	1,849	(12,051)	(15,824)
Retained earning	277,530	237,745	268,217
Treasury shares	(17,222)	(17,632)	(17,474)
	416,607	362,136	389,516
Minority interests	1,146	1,116	1,116
Total equity	417,753	363,252	390,632
Total liabilities and equity	964,000	784,199	913,542

DELTA GALIL INDUSTRIES LTD.

Consolidated Statement of Comprehensive Income
For the 3-month and 6-month periods ending June 30, 2017

	Six months ended June 30		%	Three months ended June 30		%
	2017	2016	Increase/(Decrease)	2017	2016	Increase/(Decrease)
(Unaudited)						
Thousands of Dollars						
Except for Earnings per Share Data						
Sales	656,142	506,218	30%	340,461	249,531	36%
Cost of sales	418,098	351,987		216,360	174,114	
Gross profit	238,044	154,231	54%	124,101	75,417	65%
% of sales	36.2%	30.5%		36.4%	30.2%	
Selling and marketing expenses	173,949	106,931	63%	90,678	54,463	66%
% of sales	26.5%	21.1%		26.6%	21.8%	
General and administrative expenses	33,138	18,453	80%	17,179	8,425	104%
% of sales	5.1%	3.6%		5.0%	3.4%	
Other (Expenses) income, net	(576)	(626)		1,293	868	
Share in profits (losses) of associated companies accounted for using the equity method	187	139		157	112	
Operating income excluding non-recurring items	30,568	28,360	8%	17,694	13,509	31%
% of sales	4.7%	5.6%		5.2%	5.4%	
Restructuring expenses	2,665	-		-	-	
Operating income	27,903	28,360	(2%)	17,694	13,509	31%
% of sales	4.3%	5.6%		5.2%	5.4%	
Finance expenses, net	9,115	7,267		5,405	3,648	
Income before tax on income	18,788	21,093		12,289	9,861	
Taxes on income	4,289	5,393		3,379	2,050	
Net income for the period	14,499	15,700	(8%)	8,910	7,811	14%
Attribution of net earnings for the period:						
Attributed to company's shareholders	14,439	15,640		8,880	7,781	
Attributed to non-controlling interests	60	60		30	30	
	14,499	15,700		8,910	7,811	
Net diluted earnings per share attributed to company's shareholders	0.57	0.61	(7%)	0.35	0.30	15%
Net diluted earnings per share, before non-recurring items attributable to Company's shareholders	0.63	0.61	4%	0.35	0.30	15%

DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports
For the 3-month and 6-month periods ending June 30, 2017

	Six months ending June 30		Three months ending June 30	
	2017	2016	2017	2016
(Unaudited)				
Thousands of Dollars				
Cash flows from operating activities:				
Net income for the period	14,499	15,700	8,910	7,811
Adjustments required to reflect cash flows deriving from operating activities	(1,753)	(5,411)	11,729	22,677
Interest paid in cash	(7,480)	(6,277)	(3,224)	(3,230)
Interest received in cash	231	940	122	617
Taxes on income paid in cash, net	(2,746)	(1,990)	(1,646)	(1,357)
Net cash generated from operating activities	2,751	2,962	15,891	26,518
Cash flows from investment activities:				
Acquisition of fixed assets and intangible assets	(12,809)	(18,830)	(6,583)	(9,913)
Restricted cash release (deposit)	190	2	(35)	(5)
Earn-out payment for acquisition of an activity	(1,500)	-	-	-
Proceeds from selling of fixed asset	28,231	75	28,056	58
Others	(640)	(417)	(901)	(14)
Net cash generated from (used in) for Investing activities	13,472	(19,170)	20,537	(9,874)
Cash flows from financing activities:				
Dividends paid to non-controlling interest holders in consolidated subsidiary	(30)	(60)	(30)	(60)
Long term payables credit for fixed assets purchase	(2,034)	(2,651)	(480)	(1,336)
Shares Buy-Back	-	(6,895)	-	(6,317)
Dividend paid	(6,300)	(7,056)	(2,761)	(3,516)
Repayment of loans and other long-term liabilities	-	(755)	-	-
Short-term credit from banking corporations, net Release (deposit) of bank deposit used as a security with respect of SWAP transaction	(44,880)	225	84	100
Debtentures principle repayment	1,545	(335)	-	(750)
Debtentures issuance return, excluding issuance expenses	(6,413)	-	-	-
Proceeds from exercise of employee options	57,152	-	-	-
Net cash generated used for financing activities	103	99	(98)	17
Net increase (decrease) in cash and cash equivalents	(857)	(17,428)	(3,286)	(11,862)
Exchange rate differences and revaluation of cash and cash equivalents, net	15,366	(33,636)	33,143	4,782
Balance of cash and cash equivalents at the beginning of the period	1,825	281	1,366	(321)
Balance of cash and cash equivalents at the end of the Period	81,947	167,532	64,629	129,716
	99,138	134,177	99,138	134,177

DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports
For the 3-month and 6-month periods ending June 30, 2017

Six months ending June 30		Three months ending June 30	
2017	2016	2017	2016
(Unaudited)			
Thousands of Dollars			

**Adjustments required to reflect cash flows
from operating activities:**

Revenues and expenses not involving cash flow:

Depreciation	11,409	9,232	5,893	4,688
Amortization	2,600	1,478	1,812	687
Cash erosion (revaluation), net	(406)	(62)	(232)	95
Interest paid in cash	7,480	6,277	3,224	3,230
Interest received in cash	(231)	(940)	(122)	(617)
Taxes on income paid in cash, net	2,746	1,990	1,646	1,357
Restructuring expenses, net	2,665	-	-	-
Deferred taxes on income, net	(2,455)	(842)	(669)	(415)
Severance pay liability, net	190	76	86	96
Capital loss (gain) from sale of fixed assets and asset held for sale	(3,142)	29	(3,184)	38
Change to the benefit component of options granted to employees	1,174	370	626	(144)
Share in profits of associated companies accounted for using the equity method	(187)	(139)	(157)	(112)
Others	233	38	(159)	(142)
	22,076	17,507	8,854	8,761
Changes to operating assets and liabilities:				
Decrease (increase) in trade receivables	6,264	(7,723)	(17,305)	3,851
Decrease (increase) in other receivable and balances	494	1,932	4,043	1,590
Increase (decrease) in trade payables	(4,653)	(13,727)	17,542	5,198
Increase (decrease) in other payables	(3,647)	(6,768)	7,834	928
Decrease (increase) in inventory	(22,287)	3,368	(9,239)	2,349
	(23,829)	(22,918)	2,875	13,916
	(1,753)	(5,411)	11,729	22,677