

## EARNINGS RELEASE

### Delta Galil Reports First Quarter of 2007 Results

Tel Aviv, Israel - May 15, 2007 - Delta Galil Industries Ltd. (NASDAQ: DELT), (“Delta”) the global provider of private label ladies’ intimate apparel, socks, men’s underwear, baby-wear and leisurewear, today reported results for the first quarter, which ended March 31, 2007.

- Revenues were \$159.4 million compared to \$172.1 million reported in the first quarter of 2006, a decrease of 7.4%.
- In line with the Company’s announcement of March 29 regarding its restructuring plan, Delta recorded, in its first quarter results, restructuring expenses of \$10.8 million or \$0.58 loss per diluted share.
- Operating loss in the first quarter of 2007 was \$8.5 million, which compares to an operating income of \$3.1 million reported in the first quarter of 2006. Excluding the restructuring expenses noted above, Delta would have reported operating income of \$2.3 million in the first quarter of 2007.
- Net loss was \$13.2 million, or \$0.70 loss per diluted share, compared to the net loss of \$1.0 million, or \$0.05 loss per diluted share reported in the first quarter of 2006. Excluding the restructuring expenses noted above, Delta would have reported a net loss of \$2.4 million, or \$0.13 loss per diluted share.
- The Company had positive cash flow of \$0.9 million in the first quarter of 2007, compared to a negative cash flow of \$4.0 million in the first quarter of 2006.

#### Selected data in US \$ millions:

	<u>Q1 2007</u>	<u>Q1 2006</u>
<b>Revenues</b>	\$159.4	\$172.1
<b>Operating income excluding restructuring expenses</b>	2.3	3.1
<b>Operating income (loss)</b>	(8.5)	3.1
<b>Adjusted EBITDA<sup>1</sup></b>	5.6	6.8
<b>Net loss excluding restructuring expenses</b>	(2.4)	(1.0)
<b>Restructuring expenses</b>	10.8	-,-
<b>Net loss in the period</b>	(13.2)	(1.0)
<b>Operating cash flow</b>	0.9	(4.0)

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<sup>1</sup> Adjusted EBITDA is a non-GAAP measure used by Delta Galil to measure performance of ongoing operations. It is derived from net income (loss) before taxes on income, financial expense net, restructuring expenses, and depreciation and amortization expenses.

For a calculation of Adjusted EBITDA, please refer to the table accompanying this press release.

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## Restructuring plan

Further to the press release published by the Company on March 29, 2007, regarding its decision to adopt a restructuring plan, organizational changes and additional efficiency measures in light of continuous changes in the business environment, continued erosion of the selling prices and increased competition, Delta announced that the total cost of the plan as included in the 2007 first quarter results, amounted to \$10.8 million or \$0.58 per share. This cost includes \$5.2 million in cash for severance obligations, and \$5.6 million in non-cash expenses for impairment of assets following closures and downsizing at certain production facilities.

The Company estimates that the implementation of these changes will take place over the course of a year.

## CEO Comments on the Quarter and State of the Business

Mr. Aviram Lahav, Delta's CEO, stated today: "The decrease in sales in Europe and in the US in the first quarter of 2007 is due to the erosion of selling prices and increased competition. The changes in the business environment in the intimate apparel division in the US and in Europe as reflected in the continuation of erosion in the selling prices; increased competition, rising prices in the manufacturing cost and the strengthening of the shekel against the dollar, led us to the decision to adopt the restructuring plan, in order to improve our competitive ability. The plan includes downsizing costs and transferring production facilities to lower cost countries. Our intention is to expand operations in Egypt so it will become the main manufacturing facility that will serve our clients in Europe and in the US Upper Market. Furthermore, we are implementing a restructuring plan in our socks division, which will include downsizing of overheads, and transferring of production to lower cost facilities in Bulgaria and in the Far East".

"We anticipate that these measures will contribute to the improvement of Delta's competitiveness and its return to profitability", concluded Mr. Lahav.

## Revenues by Geographic Area (\$ millions)

	First Quarter				
	<u>2007</u>	<u>% from total</u> <u>revenues</u>	<u>2006</u>	<u>% from total</u> <u>revenues</u>	<u>%</u> <u>Chg</u>
<b>North America</b>	92.3	57.9	104.6	60.8	(11.8)
<b>Europe</b>	49.9	31.3	54.3	31.6	(8.1)
<b>Israel</b>	17.0	10.6	13.2	7.6	28.2
<b>Others</b>	<u>0.2</u>	0.2	-	-	-
<b>Total</b>	<u>159.4</u>	100.0	<u>172.1</u>	100.0	(7.4)

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## Revenues and Operating Results by reportable segments (\$ millions)

### First Quarter

	<u>Revenues</u>			<u>Operating Income (loss) excluding Restructuring expenses</u>		<u>Restructuring Expenses</u>
	<u>2007</u>	<u>2006</u>	<u>% Chg.</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Delta USA	65.3	69.7	(6.3)	3.1	2.3	-,
Intimate apparel- Europe and US (*)	49.9	62.6	(20.3)	(2.4)	1.0	8.5
Socks-Europe & US	29.4	27.8	5.6	1.1	(0.1)	2.0
Delta Marketing Israel	14.5	12.3	18.0	1.6	1.2	-,
Seam-Less	3.7	3.5	7.1	(0.5)	(0.3)	0.3
Adjustments & Others	<u>(3.4)</u>	<u>(3.8)</u>		<u>(0.6)</u>	<u>(1.0)</u>	<u>-,-</u>
<b>Total</b>	<u>159.4</u>	<u>172.1</u>	(7.4)	<u>2.3</u>	<u>3.1</u>	<u>10.8</u>
Restructuring expenses				<u>10.8</u>	<u>-,-</u>	
<b>Total Consolidated operating profit (loss)</b>				<u>(8.5)</u>	<u>3.1</u>	

(\*) Following the changes in the organizational structure the results of the US Upper Market and the Europe segments are presented together.  
Comparable numbers were reclassified accordingly.

### Use of Non-GAAP Measures

This press release provides financial measures that are not calculated in accordance with generally accepted accounting principals (GAAP). The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management uses both GAAP and non-GAAP measures when evaluating the business internally and therefore felt it important to make these non-GAAP adjustments available to investors. A reconciliation of each GAAP to non-GAAP financial measure discussed in this press release is contained in the accompanying financial tables.

Adjusted EBITDA is presented in the earnings release because management believes that it enhances the understanding of our operating results and is of interest to our investors. EBITDA, however, should not be considered as an alternative to operating income or income for the period as an indicator of our operating performance. Similarly, EBITDA should not be considered as an alternative to cash flows from operating activities as a measure of liquidity. EBITDA is not a measure of financial performance under generally accepted accounting principles and may not be comparable to other similarly titled measures for other companies.

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**Delta Galil is a leading global manufacturer of quality apparel sold under brands such as Calvin Klein, Hugo Boss, Nike, Ralph Lauren. Recognized for product innovation and development, Delta's products are sold worldwide through retailers including Wal-Mart, Marks & Spencer, Target, Victoria's Secret, JC Penney, Hema, and others. Headquartered in Israel, Delta operates manufacturing facilities in Israel, Jordan, Egypt, Turkey, Eastern Europe, Central America, the Caribbean and the Far East. For more information, please visit our website: [www.deltagalil.com](http://www.deltagalil.com).**

*This press release contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on the current expectations of the management of Delta Galil Industries Ltd. (the Company) only, and are subject to a number of risk factors and uncertainties, including but not limited to changes in quotas; our dependence on a few significant customers; our anticipated growth strategies; our intention to introduce new products; anticipated trends in our business; future expenditures for capital projects; and our ability to continue to control costs and maintain quality which could cause the actual results or performance of the company to differ materially from those described therein.*

*For a more detailed description of the risk factors and uncertainties affecting the Company, refer to the Company's reports filed from time to time with the Securities and Exchange Commission including the Company's Annual Report on Form 20-F.*

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GALIL INDUSTRIES LTD.

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
	In US \$ thousand		
<b>Revenues</b>	159,364	172,068	706,699
<b>Cost of revenues</b>	129,845	142,791	574,246
<b>Gross profit</b>	29,519	29,277	132,453
<b>Selling, marketing, general and administrative expenses:</b>			
<b>Selling and marketing expenses</b>	22,378	21,343	88,165
<b>General and administrative expenses</b>	5,027	4,879	19,587
<b>Gain from realization of assets</b>	(326)	(258)	(686)
<b>Restructuring expenses</b>	10,800		1,663
<b>Amortization of intangible asset</b>	185	185	739
<b>Operating income (loss)</b>	(8,545)	3,128	22,985
<b>Financial expenses - net</b>	3,125	3,030	13,558
<b>Income (loss) before taxes on income</b>	(11,670)	98	9,427
<b>Taxes on income (tax benefit)</b>	1,419	1,013	5,784
<b>Income (loss) after taxes on income</b>	(13,089)	(915)	3,643
<b>Minority interest of subsidiaries - net</b>	(94)	(82)	(495)
<b>Net income (loss) for the period</b>	(13,183)	(997)	3,148
<b>Earnings (loss) per share - basic &amp; diluted</b>	(0.70)	(0.05)	0.17
<b>Weighted average number of shares - in thousands:</b>			
<b>Basic</b>	18,741	18,695	18,700
<b>Diluted</b>	18,741	18,695	18,742

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GALIL INDUSTRIES LTD.

## CONDENSED CONSOLIDATED BALANCE SHEET

	<u>March 31</u>		<u>December 31</u>
	<u>2007</u>	<u>2006</u>	<u>2006</u>
	In US \$ thousands		
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	8,130	11,184	10,342
Restricted cash			4,000
<b>Accounts receivable:</b>			
Trade	110,238	112,711	109,710
Other	8,188	11,186	7,573
Inventories	120,234	133,031	131,556
Assets held for sale	4,260	7,420	4,474
Deferred income taxes	4,628	4,806	4,779
<b>Total current assets</b>	<u>255,678</u>	<u>280,338</u>	<u>272,434</u>
Investments and long-term receivables	8,400	7,969	8,344
Property, plant and equipment	92,746	106,929	99,263
Other assets and deferred charges	57,604	55,189	57,562
Intangible assets	13,074	14,314	13,259
<b>Total assets</b>	<u>427,502</u>	<u>464,739</u>	<u>450,862</u>
<b>Liabilities and shareholders equity:</b>			
<b>Current liabilities:</b>			
Short-term bank credit	137,426	135,628	124,039
Trade	47,603	50,346	59,038
Other	37,654	35,289	34,504
<b>Total current liabilities</b>	<u>222,683</u>	<u>221,263</u>	<u>217,581</u>
<b>Long-term liabilities:</b>			
Bank loans and other liabilities	17,409	47,970	33,196
Liability for employee rights upon retirement	6,760	7,849	6,863
Deferred income taxes	2,363	1,369	2,159
<b>Total long-term liabilities</b>	<u>26,532</u>	<u>57,188</u>	<u>42,218</u>
<b>Total liabilities</b>	249,215	278,451	259,799
Minority interest	2,780	2,945	2,846
Shareholders' equity	175,507	183,343	188,217
<b>Total Liabilities and shareholders equity</b>	<u>427,502</u>	<u>464,739</u>	<u>450,862</u>

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GALIL INDUSTRIES LTD.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
In US \$ thousands			
<b>Cash flows from operating activities:</b>			
Net income (loss) for the period	(13,183)	(997)	3,148
Adjustment required to reflect the cash flows from operating activities	14,121	(2,958)	23,151
<b>Net cash provided by (used in) operating activities</b>	<b>938</b>	<b>(3,955)</b>	<b>26,299</b>
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets	(2,581)	(1,936)	(5,706)
Additional payment for the acquisition of subsidiary	(2,400)	(1,245)	(1,245)
Proceeds from realization of fixed assets	430	341	1,274
Proceeds from realization of assets held for sale	302		3,117
Collection (deposit) of restricted cash	4,000		(4,000)
Other	(184)	(359)	(1,027)
<b>Net cash used in investing activities</b>	<b>(433)</b>	<b>(3,199)</b>	<b>(7,587)</b>
<b>Cash flows from financing activities:</b>			
Long-term bank loans, net	(23,537)	(27,957)	(49,123)
Short-term bank credit - net	21,137	31,695	26,498
Other	(317)		(399)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,717)</b>	<b>3,738</b>	<b>(23,024)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,212)</b>	<b>(3,416)</b>	<b>(4,312)</b>
<b>TRANSLATION IN DIFFERENCES IN CASH AND CASH EQUIVALENTS</b>		5	59
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>10,342</b>	<b>14,595</b>	<b>14,595</b>
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>8,130</b>	<b>11,184</b>	<b>10,342</b>

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GALIL INDUSTRIES LTD.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

<b>Three months ended</b>		<b>Year ended</b>
<b>March 31</b>		<b>December 31</b>
<b>2007</b>	<b>2006</b>	<b>2006</b>
In US \$ thousands		

**Adjustment required to reflect the cash flows from operating activities:**

**Income and expenses not involving cash flows:**

<b>Depreciation and amortization</b>	3,356	3,692	15,626
<b>Restructuring expenses</b>	10,800		1,156
<b>Deferred income taxes - net</b>	359	16	839
<b>Gain from realization of assets</b>	(326)	(258)	(686)
<b>Other</b>	238	303	762
	<u>14,427</u>	<u>3,753</u>	<u>17,697</u>

**Changes in operating assets and liabilities items:**

<b>Increase in accounts receivable</b>	(1,065)	(6,658)	(741)
<b>Decrease in accounts payable and accruals</b>	(10,563)	(14,162)	(9,468)
<b>Decrease in inventories</b>	11,322	14,109	15,663
	<u>(306)</u>	<u>(6,711)</u>	<u>5,454</u>
	<u>14,121</u>	<u>(2,958)</u>	<u>23,151</u>

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## RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL RESULTS IN THOUSANDS U.S. DOLLARS EXCEPT EARNINGS PER SHARE DATA

	Three months ended		Year ended
	March 31		December 31
	2007	2006	2006
	In US \$ thousand		
Operating income (loss)-As reported	(8,545)	3,128	22,985
Restructuring expenses	10,800		1,663
Operating income for the period before Non-GAAP Measures	2,255	3,128	24,648
Net income (loss) for the period-As reported	(13,183)	(997)	3,148
Restructuring expenses	10,800		1,663
Net income (loss) for the period before Non-GAAP Measures	(2,383)	(997)	4,811
Earnings (loss) per share-diluted (\$) before Non-GAAP Measures	(0.13)	(0.05)	0.26

### Calculation of the adjusted EBITDA

Net income (loss) for the period	(13,183)	(997)	3,148
Minority interest of subsidiaries - net	94	82	495
Taxes on income	1,419	1,013	5,784
Financial expenses - net	3,125	3,030	13,558
Restructuring expenses	10,800		1,663
Depreciation and amortization	3,356	3,692	15,626
Adjusted - EBITDA	5,611	6,820	40,274