DELTA GALIL Industries Ltd.

Quarterly Report as of June 30, 2010

Report of the Board of Directors

on the state of corporate affairs

For the period ended June 30, 2010

We hereby present to you the report of the Board of Directors of DELTA GALIL Industries Ltd. (hereinafter: "**the Company**", "**DELTA**") in reference to the consolidated financial statements of the Company and its subsidiaries in Israel and overseas (hereinafter: "**the Group**") for the quarter ended June 30, 2010 pursuant to Securities Regulations (Periodic and Immediate Reports), 1970.

1. Summary description of the corporation and its business environment

1.1. Overview

The Company is engaged in design, development, production, marketing and sales of underwear and socks for men, women and children.

Group customers include leading retailers such as: Wal-Mart, Mark's & Spencer, Target, Hema, Victoria's Secret as well as leading brands including: Nike, Hugo Boss, Calvin Klein, Tommy Hilfiger and others.

The Group also sells its products under franchise brands, including: Lucky®, Nicole Miller®, Maidenform®, Converse®, Wilson® etc. and under its "DELTA" private label in its domestic operations in Israel.

DELTA designs and develops its products primarily in Israel and in the USA, whereas production is mostly done in its facilities in the Middle East, Asia Pacific and via sub-contractors in those locations.

1.2. Material events in corporate operations during and after the reported period

1.2.1 Declared dividend - on May 23, 2010 the Company declared a dividend amounting to $1.5 million, or 6.41 cents per share, distributed on June 16, 2010. For further details see also section 4 below.

1.2.2 Dividend declared after the balance sheet date - on August 10, 2010, the Company declared a dividend of $1.5 million, or 6.41 cents per share, to be distributed on September 5, 2010 at the official USD exchange rate published on the day preceding the payment date. The effective date for this distribution will be August 22, 2010 and the ex-dividend date will be August 23, 2010. For further details see also section 4 below.

1.2.3 Purchase of shares by the Company's CEO, Board member and controlling shareholder, Mr. ISAAC DABAH.

Between June 6, 2010 and June 10, 2010, Mr. ISAAC DABAH (via GMM Capital LLC) acquired 22,197 DELTA shares at an average price of NIS 27, such that his holding stake in capital is 54.42% (see references 2010-01-512271, 2010-01-51393. 2010-01-515178, 2010-01-516789 and 2010-01-518397).

On June 9 and 10, 2010, the Sterling Makro equity fund (managed by Mr. ISAAC DABAH) acquired 14,500 DELTA shares at an average price of NIS 27.92, such that its holding stake in capital is 1.62% (see references 2010-01-576798 and 2010-01-518400).

1.2.4 Further to its immediate report dated March 2, 2010 (reference 2010-01-400428), the Company announced on June 23, 2010 that it had signed a revision to the option agreement for purchase of real estate properties in NAHARIA, whereby the option term for purchase of real estate properties owned by the Company in NAHARIA was extended by an additional one month. For further details, see immediate report dated June 23, 2010, reference:2010-01-529776, included by way of reference.

1.2.5 Further to its immediate reported dated June 23, 2010, the Company announced on July 28, 2010 a revision of the option agreement for purchase of real estate property in NAHARIA, whereby the term of the option to purchase said real estate was extended by an additional 2 months; concurrently, the Company filed a cautionary claim with the Local Zoning and Construction Committee in NAHARIA. For further details, see immediate report dated July 28, 2010, reference 2010-01-567957.

1.2.6 Further to its immediate report dated June 3, 2010 (reference 2010-01-509061), the Company announced on June 29, 2010 that negotiations to acquire assets and branded operations in the fashion sector were discontinued by decision of the seller. For further details, see immediate report dated June 29, 2010, reference 2010-01-535980.

Comments of the Board of Directors on the state of corporate affairs

2. Analysis of financial position

2.1. Balance sheet

The Group's consolidated balance sheet as of June 30, 2010 amounted to $399.6 million, compared to $375.1 million as of June 30, 2009.

The Group's consolidated current assets as of June 30, 2010 amounted to $250.8 million, compared to $212.1 million as of June 30, 2009.

The increase in balance sheet total and current assets as of June 30, 2010, compared to June 30, 2009, is due to proceeds of debenture issuance amounting to $30.5 million, issued by the Company in January 2010, which is included under cash and cash equivalents.

Furthermore, current assets as of June 30, 2010 increased due to increase in inventory, as a result of the seasonal back-to-school re-stocking.

The Group's consolidated current liabilities in its consolidated balance sheet as of June 30, 2010 amounted to $171.5 million, compared to $216.8 million as of June 30, 2009.

The decrease in current liabilities as of June 30, 2010, compared to June 30, 2009, is primarily due to repayment of short-term borrowing from banks, due to a positive operating cash flow achieved in the trailing 12 months, and due to a right issuance in November 2009, amounting to $21 million.

Group equity as of June 30, 2010 amounted to $185.5 million, or 46.4% of balance sheet total, compared to $145.3 million, or 38.7% of balance sheet total, as of June 30, 2009, and compared to $178.5 million, or 47.4% of balance sheet total, as of December 31, 2009.

The increase in Group equity as of June 30, 2010, compared to December 31, 2009, is primarily due to net income in the first half of 2010, amounting to $8.4 million, net of dividend distributed amounting to $1.5 million.

2.2. Operating Results

2.2.1. Below are Group summary income statements for the second quarter and first half of 2010 and 2009, and for all of 2009, $ in thousands:

	Second quarter		First half		All of
	2010	**2009**	**2010**	**2009**	**2009**
		(Un-audited)			**Audited**
Sales	**156,665**	135,911	**297,206**	259,337	572,534
Cost of sales	**127,192**	111,352	**239,541**	217,048	468,831
Gross profit	**29,473**	24,559	**57,665**	42,289	103,703
Selling and marketing expenses	**16,263**	16,620	**32,000**	33,061	66,342
General and administrative expenses	**6,220**	5,059	**12,309**	10,194	21,956
Other revenues (expenses), net	**615**	(313)	**1,562**	266	761
Operating income (loss) before re-structuring expenses, impairment of fixed assets and capital loss from realization of investment in subsidiary	**7,605**	**2,567**	**14,918**	**(700)**	**16,166**
Restructuring expenses (revenues)	**-**	-	**485**	-	(1,331)
Impairment of fixed assets	**-**	-	**-**	-	1,945
Capital loss from realized subsidiary	**-**	-	**666**	-	-
Operating income (loss)	**7,605**	**2,567**	**13,767**	**(700)**	**15,552**
Finance expenses, net	**1,591**	1,857	**3,631**	3,624	6,369
Company share of loss (income) of associate	**-**	1	**-**	1	(41)
Income (loss) before taxes on revenue	**6,014**	709	**10,136**	(4,325)	9,224
Taxes on income	**1,450**	468	**1,700**	288	1,574
Net income (loss) for period	**4,564**	**241**	**8,436**	**(4,613)**	**7,650**
Attribution of net income (loss) for the period:					
To Company shareholders	**4,534**	211	**8,376**	(4,673)	7,662
To minority interest	**30**	30	**60**	60	(12)
	4,564	**241**	**8,436**	**(4,613)**	**7,650**
Net earnings (loss) per share attributable to equity holders of the Company:					
Basic	**0.19**	**0.01**	**0.36**	**(0.25)**	**0.40**
Diluted	**0.19**	**0.01**	**0.35**	**(0.25)**	**0.40**

2.2.2. The following tables lists major data, $ in millions:

	Q2 2010	Q2 2009	H1 2010	H1 2009	Trailing 12 months	2009
Sales	**156.7**	135.9	**297.2**	259.3	610.4	572.5
Income (loss) before re-structuring expenses, impairment of fixed assets and capital loss from realized in subsidiary	**7.6**	2.6	**14.9**	(0.7)	31.7	16.2
Restructuring expenses (revenues)	**-**	-	**0.5**	-	(0.8)	(1.3)
Impairment of fixed assets	**-**	-	**-**	-	1.9	1.9
Capital loss from realized subsidiary	**-**	-	**0.7**	-	0.7	-
Operating income (loss)	**7.6**	2.6	**13.8**	(0.7)	30.1	15.6
Standardized EBITDA (*)	10.5	5.7	**20.6**	5.5	44.6	29.5
Net income (loss) attributable to equity holders of the Company, before restructuring expenses, impairment of fixed assets and capital loss from realization of investment in subsidiary	4.5	0.2	**9.5**	(4.7)	22.5	8.3
Net income (loss) attributed to company shareholders	4.5	0.2	**8.4**	(4.7)	20.7	7.7
Cash flow from current operations	**9.6**	**4.3**	**10.4**	7.9	43.3	40.8

	Q2 2010	Q2 2009	H1 2010	H1 2009	Trailing 12 months	2009
Net income (loss) for period – as reported	**4.6**	0.2	**8.4**	(4.6)	20.7	7.7
Taxes on income	**1.4**	0.5	**1.7**	0.3	2.9	1.5
Financing expenses, net	**1.6**	1.9	**3.6**	3.6	6.4	6.4
Restructuring expenses (revenues)	**-**	-	**0.5**	-	(0.8)	(1.3)
Impairment of fixed assets	**-**	-	**-**	-	1.9	1.9
Capital loss from realized subsidiary	**-**	-	**0.7**	-	0.7	-
Depreciation and amortization	**2.9**	3.1	**5.7**	6.2	12.8	13.3
Standardized EBITDA	**10.5**	5.7	**20.6**	**5.5**	**44.6**	29.5

(*) Standardized EBITDA is a benchmark which is not in accordance with GAAP, which the Company uses to measure its results from continued operations; to the best of the Company's knowledge this is a benchmark commonly used by other companies in the Company's operating sectors. Standardized EBITDA is calculated as follows: Net income (loss) plus taxes on income, net finance expenses, depreciation and amortization, restructuring expenses (revenues), impairment of fixed assets and capital loss from realized investment in subsidiary.

2.3. Analysis of operating results

2.3.1. Overview

Group sales in the second quarter of 2010 amounted to $156.7 million, compared to $135.9 million in the second quarter of 2009 – an increase of 15%. Sales in original currency also increased by 15%.

Group sales in the first half of 2010 amounted to $297.2 million, compared to $259.3 million in the first half of 2009 – an increase of 15%. Sales in original currency also increased by 15%.

Composition of Company sales by geography, $ in millions:

	Second quarter						First half						2009	
	% change in original currency	% Change	2010	% of total	2009	% of total	% change in original currency	% Change	2010	% of total	2009	% of total		% of total
North America	25	25	105.6	67	84.7	62	20	20	197.1	66	164.7	63	352.4	62
Europe	35	29	20.8	13	16.1	12	30	31	38.3	13	29.2	11	65.2	11
Israel	(4)	3	17.1	11	16.6	12	1	8	35.5	12	32.8	13	75.2	13
UK	(28)	(31)	12.4	8	17.9	13	(25)	(23)	24.8	8	32.1	13	77.8	14
Others	-	22	0.8	1	0.6	1	-	148	1.5	1	0.5	-	1.9	-
Total	15	15	**156.7**	100%	**135.9**	100%	15	15	**297.2**	100%	**259.3**	100%	**572.5**	100

The increase in sales in the second quarter and in the first half of 2010, compared to the corresponding periods last year, was due to improvement in most sales markets, except for the UK, due to improved sales by chain stores in the USA and Europe during the period. The increase in sales is due, *inter alia*, to inclusion of socks sales operations acquired from GIBOR, amounting to $5.1 million and $10.5 million in the second quarter and in the first half, respectively. These operations, acquired in April 2009, contributed sales of $5.3 million in the second quarter of last year.

Excluding incremental sales due to the aforementioned acquisition of GIBOR operations, sales in the first half of the year increased by 13% over the corresponding period last year.

North America

Sales in North America increased in the second quarter and in the first half of this year by 25% and 20%, respectively, over the corresponding periods last year, Primarily due to higher bra sales and a recovery in sales by US retailers in the reported periods.

Israel

Sales in Israel in the second quarter of this year increased, by 3% in $ terms compared to the second quarter of 2009. In NIS terms, sales decreased by 4%.

The decrease in NIS sales in the second quarter of this year is due to sales brought forward to the first quarter, due to timing of the Passover holiday.

Sales in the first half of the year increased by 8% in $ terms compared to the first half of 2009. Sales in NIS terms increased by 1%.

Europe

Sales in Europe in the second quarter and in the first half of this year increased by 29% and 31%, respectively compared to the respective periods last year, primarily due to higher sales to existing customers.

UK

Sales in the UK in the second quarter and first half of 2010 decreased by 31%, and 23% respectively, compared to the respective periods last year, due to lower sales to a certain customer and in accordance with Company plan, as well as due to transition to sales on FOB basis, which reduced the selling price.

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We believe that sales to this customer would continue to decline in 2010[1].

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[1] Note that this information is merely a forward-looking estimate, which may or may not materialize, or may differ from Company estimates and forecasts, due to circumstances outside of the Company's control, and due to being based on information available as of the report date, including Company estimates as of the report date.

Gross profit in the second quarter of 2010 amounted to $29.5 million, or 18.8% of sales, compared to $24.6 million in the second quarter of 2009, or 18.1% of sales – an increase of 20%.

Gross profit in the first half of 2010 amounted to $57.7 million, or 19.4% of sales, compared to $42.3 million in the first half of 2009, or 16.3% of sales – an increase of 36%.

The increase in gross profit and margin in the second quarter and first half of 2010 compared to the year-ago period is due to higher sales, primarily higher bra sales to a US customer, and to steps taken by the Company in 2009 to improve efficiency, including exiting non-profitable categories of UK operations, decrease in overhead, improved on-time delivery to customers, decreased failure cost and improved inventory management. See also section 2.3.3 below.

Selling and marketing expenses decreased by 2.1%, amounting to $16.3 million in the second quarter of 2010, compared to $16.6 million in the second quarter of 2009.

Selling and marketing expenses decreased by 3.2%, amounting to $32.0 million in the first half of 2010, compared to $33.1 million in the first half of 2009.

The following table shows composition of selling and marketing expenses for the DELTA Israel segment and for other Group operating segments, $ in millions:

	Q2 2010	Q2 2009	H1 2010	H1 2009
DELTA Israel	**7.2**	6.6	**14.5**	12.9
% of total sales of DELTA Israel	**43.0%**	41.0%	**41.5%**	40.4%
Other activities	**9.1**	10.0	**17.5**	20.2
% of total sales of other activities	**6.5%**	8.4%	**6.7%**	8.9%
Total selling and marketing expenses	**16.3**	16.6	**32.0**	33.1
Selling and marketing expenses as % of total sales	**10.4%**	12.2%	**10.8%**	12.7%

The increase in selling and marketing expenses in the second quarter and first half of 2010, over the corresponding period last year, for the DELTA Israel operating segment, is due to expansion of chain stores as well as to revaluation of the NIS in the second quarter and first half of this year by 7% over the average exchange rate in the corresponding period last year, which resulted in higher expenses in $ terms.

The decrease in selling and marketing expenses for other operating segments in the second quarter and first half of 2010 over the corresponding period last year, was primarily due to lower sales in the UK and transition to direct (FOB) sales.

General and administrative expenses in the second quarter of 2010 increased by 22.9%, amounting to $6.2 million, compared to $5.1 million in the second quarter of 2009.

General and administrative expenses in the first half of 2010 increased by 20.7%, to $12.3 million, compared to $10.2 million in the first half of last year.

The increase in general and administrative expenses in the second quarter and first half of 2010, was primarily due to inclusion of expenses with respect to review of acquisition transaction, amounting to $0.5 million and $0.7 million, respectively, see section 1.2.6 above. Furthermore, the increase in expenses was due to a 7% revaluation of the NIS/USD exchange rate, over the corresponding period last year, which resulted in increase of $0.3 million and $0.6 million, respectively, in expenses in $ terms.

Restructuring expenses. in the first quarter of 2010, the Company decided to terminate its socks finishing operations in Jordan. The cost of termination of the operations amounted to $0.5 million, consisting primarily of impairment of fixed assets and severance pay to 90 terminated employees.

Capital loss from realized subsidiary. The Company signed an agreement to sell its subsidiary in India engaged in socks manufacturing. The capital loss from this sale amounted to $0.7 million and was included in results of the first quarter of 2010. The transaction was completed in the second quarter of 2010.

Operating income in the second quarter of 2010 amounted to $7.6 million, compared to $2.6 million in the corresponding period last year.

Operating income in the first half of 2010 amounted to $13.8 million, compared to an operating loss of $0.7 million in the corresponding period last year.

Operating income before restructuring expenses and capital loss from realized subsidiary amounted to $14.9 million in the first half of 2010, compared to operating loss of $0.7 million in the corresponding period last year.

The year-over-year improvement in operating income in the second quarter and in the first half of 2010 is primarily due to higher sales and gross profit, as described above.

Finance expenses decreased by 14.3% in the second quarter of 2010, amounting to $1.6 million, compared to $1.9 million in the corresponding period last year.

In the first half of 2010, finance expenses were unchanged year-over-year, amounting to $3.6 million.

Composition of finance expenses:

	Q2 2010	Q2 2009	H1 2010	H1 2009
Interest and commission expenses	**1.7**	1.5	**3.2**	2.7
Exchange rate differentials	**(0.2)**	0.2	**0.2**	0.6
Adjustments with respect to IFRS	**0.1**	0.2	**0.2**	0.3
Total finance expenses	**1.6**	1.9	**3.6**	3.6

The increase in interest and commission expenses in the reported periods, year-over-year, was due to debentures issuance, despite a decrease in bank debt. The interest rate for these debentures increased the average cost of the Company's financial debt.
This increase in interest expenses was offset by revenues from exchange rate differences recorded this year, compared to expenses from exchange rate differences recorded in the corresponding period last year.

Tax expenses in the second quarter of 2010 amounted to $1.5 million, compared to $0.5 million in the corresponding period last year.
Tax expenses in the first half of 2010 amounted to $1.7 million, compared to $0.3 million in the corresponding period last year.

Income attributable to equity holders of the Company in the second quarter of 2010 amounted to $4.5 million, compared to $0.2 million in the second quarter of 2009.

Income attributable to equity holders of the Company in the first half of 2010 amounted to $8.4 million, compared to a loss of $4.7 million in the corresponding period last year.

Year-over-year improvement in business results in the reported periods this year was due to improvement in operating income, as set forth above.

2.3.2. Below is a summary of the Company's consolidated business results, by the three operating segments included in its financial statements, for the second quarter and first half of 2010 and 2009 and for all of 2009, $ in thousands:

	Second quarter, ended June 30 (Un-audited)				
	Sales			Operating income (loss)	
	2010	2009	% Change	2010	2009
DELTA USA – mass market	**77,210**	63,505	*22*	**1,936**	1,443
Global Upper Market	**68,699**	57,429	*20*	**4,491**	(474)
DELTA Israel	**16,802**	16,130	*4*	**2,537**	1,543
Inter-division income elimination	**-**	-		**(668)**	-
Inter-division sales elimination	**(7,075)**	(1,960)		**-**	-
Other adjustments	**1,029**	807		**(691)**	55
Total sales and operating income	156,665	135,911	15	7,605	2,567

	First half, ended June 30 (Un-audited)					Year 2009 Audited	
	Sales			Operating income (loss) before restructuring expenses and capital loss from realized subsidiary			
	2010	2009	% Change	2010	2009	Sales	Operating income (loss) before restructuring expenses and fixed asset impairment
DELTA USA – mass market	**141,856**	126,046	*12*	**3,319**	1,896	268,566	5,927
Global Upper Market	**131,306**	102,743	*28*	**7,395**	(5,117)	243,576	1,428
DELTA Israel	**34,889**	31,773	*10*	**4,867**	2,194	72,822	10,464
Inter-division income (loss) elimination	**-**	-		**18**	-	-	(881)
Inter-division sales elimination	**(12,635)**	(2,733)		**-**	-	(15,612)	-
Other adjustments	**1,790**	1,508		**(681)**	327	3,182	(772)
Total sales and operating income (loss) before re-structuring expenses, fixed asset impairment and capital loss from realized subsidiary	**297,206**	259,337	15	**14,918**	(700)	572,534	16,166
Restructuring expenses (revenues)				**485**	-		(1,331)
Impairment of fixed assets				**-**	-		1,945
Capital loss from realized subsidiary				**(666)**	-		
Total operating income (loss) on consolidated financial statements				**13,767**	(700)		15,552

2.3.3. Analysis of business results by operating segment

Operating segment: DELTA USA – mass market

Sales in the second quarter of 2010 amounted to $77.2 million, compared to $63.5 million in the corresponding period last year – an increase of 22%.

Sales in the first half of 2010 amounted to $141.9 million, compared to $126.0 million in the corresponding period last year – an increase of 12%.

Operating income in the second quarter of 2010 amounted to $1.9 million, compared to $1.4 million in the corresponding period last year - an increase of 34%.

Operating income in the first half of 2010 amounted to $3.3 million, compared to $1.9 million in the corresponding period last year – an increase of 75%.

The year-over-year increase in operating income in the second quarter and first half of 2010 is primarily due to higher sales, as described above.

Operating segment: Global Upper Market

Sales in the second quarter of 2010 amounted to $68.7 million, compared to $57.4 million in the corresponding period last year – an increase of 20%.

Sales in the first half of 2010 amounted to $131.3 million, compared to $102.7 million in the corresponding period last year – an increase of 28%.
The year-over-year increase in sales of this operating segment in the second quarter of first half of 2010, is due to higher sales to existing customers in the USA and Europe, and was achieved despite lower sales to a certain customer in the UK.

Operating income in the second quarter of 2010 amounted to $4.5 million, compared to an operating loss amounting to $0.5 million in the corresponding period last year.
Operating income in the first half of 2010 amounted to $7.4 million, compared to an operating loss amounting to $5.1 million in the corresponding period last year.

The change from operating loss in the second quarter and first half of 2009, to operating income in the corresponding periods this year, was due to higher sales, a significant improvement in UK operations and transition from loss of $1.9 million and $5.4 million in the corresponding periods last year, to operating income in the first six months of 2010, as well as due to implementation of streamlining steps and the restructuring plan, which started in the fourth quarter of 2008, and exiting of non-profitable categories.

Operating segment: Delta Israel

Sales in the second quarter of 2010 amounted to $16.8 million, compared to $16.1 million in the corresponding period last year – an increase of 4%.
Sales in NIS in the second quarter of 2010 amounted to NIS 63.6 million, compared to NIS 65.6 million in the second quarter of 2009 – a decrease of 3%.

The year-over-year decrease in sales in NIS in the second quarter of 2010 was due to timing of the Passover holiday, which occurred in the first quarter of this year.
Sales in the first half of 2010 amounted to $34.9 million, compared to $31.8 million in the corresponding period last year – an increase of 10%.
Sales in NIS in the first half of 2010 amounted to NIS 131.2 million, compared to NIS 129.0 million in the first half of 2009 – an increase of 2%.

Operating income in the second quarter of 2010 amounted to $2.5 million, compared to $1.5 million in the corresponding period last year - an increase of 64%.

Operating income in the first half of 2010 amounted to $4.9 million, compared to $2.2 million in the corresponding period last year – an increase of 122%.

Operating income in $ terms in the second quarter and first half of 2009 included an expense with respect to inventory adjustment, due to devaluation of the NIS/$ exchange rate in those periods.

Operating income in the second quarter of 2010, in NIS terms, amounted to NIS 10.1 million, compared to NIS 8.2 million in the corresponding period last year, an increase of 22%.

Operating income in the first half of 2010, in NIS terms, amounted to NIS 18.3 million, compared to NIS 14.7 million in the corresponding period last year, an increase of 24%.

The year-over-year increase in operating income in NIS terms in the second quarter and first half of 2010, was primarily due to improved gross margin.

3. Liquidity and financing sources

Condensed cash flow statement, $ in millions:

	Second quarter		First half		Year ended December 31
	2010	2009	2010	2009	2009
Net cash provided by current operations	**9.6**	4.3	**10.4**	7.9	40.8
Net cash provided by (used in) investment operations	**0.4**	(7.8)	**(0.8)**	(9.3)	(11.0)
Net cash provided by (used in) financing operations	**(7.5)**	3.6	**(1.0)**	1.6	(6.1)
Increase in cash and cash equivalents	**2.5**	0.1	**8.7**	0.2	23.7

The Company finances its operations by its operating cash flow, by bank credit facilities and by issuance of debentures.

In the second quarter of 2010, the Company generated a positive operating cash flow of $9.6 million, compared to $4.3 million in the corresponding period last year.

In the first half of 2010, the Company generated a positive operating cash flow of $10.4 million, compared to $7.9 million in the corresponding period last year.

The following are some financial indicators for the second quarter of 2010 and of 2009:

	Q2 2010	Q2 2009
Current Ratio	**1.46**	0.98
Quick Ratio	**0.86**	0.54
Receivables credit days	**56**	63
Payables credit days	**52**	50
Inventory days	**73**	76
Positive operating cash flow ($ in millions) - second quarter	**9.6**	4.3
Positive operating cash flow ($ in millions) - first half	**10.4**	7.9
Standardized EBITDA ($ in millions) - second quarter	**10.5**	5.7
Standardized EBITDA ($ in millions) - first half	**20.6**	5.5
Standardized EBITDA ($ in millions) for trailing 12 months	**44.6**	6.8
Net financial debt ($ in millions)	**75.0**	135.7
Net financial debt coverage ratio to standardized EBITDA (trailing 12 months)	**1.7**	20.0
Equity / balance sheet total	**46%**	39%
Equity ($ in millions)	**185.5**	145.3

The improved current ratio and quick ratio, from 0.98 and 0.54, respectively, as of June 30, 2009, to 1.46 and 0.86, respectively, as of June 30, 2010, was due to positive operating cash flow, to rights issuance by the Company in November 2009, and to debenture issuance in early 2010.

Net financial debt as of June 30, 2010 amounted to $75.0 million, compared to $135.7 million as of June 30, 2009, and compared to $84.1 million as of December 31, 2009.

The year-over-year decrease in net financial debt as of June 30, 2010 was due to a positive operating cash flow in the trailing 12 months, and to rights issuance amounting to $21 million.

4. Dividends

4.1. After the balance sheet date, the Company declared a dividend of $1.5 million, or 6.41 cents per share, to be distributed on September 5, 2010 at the official USD exchange rate published on the day preceding the payment date. The effective date for this distribution will be August 22, 2010 and the ex-dividend date will be August 23, 2010.

Below are details of the Board of Directors' review in conjunction with the decision to distribute the aforementioned dividend:

a. The Company Board of Directors reviewed the Company's compliance with the income and solvency test set forth in section 302(a) of the Corporate Act, 1999 and consequently confirmed that the Company was in compliance with these tests with respect to the aforementioned dividend distribution.

b. As for compliance with the income test, the Board of Directors approved the aforementioned dividend distribution based on the Company's retained earnings as of June 30, 2010, which exceed the approved dividend.

c. With regard to the solvency test, the Board of Directors considered the following: Data with regard to the Company's financial standing, including data with regard to the company's liquid balances, debt balance and net debt balance, the Company's un-utilized bank credit facilities, its 2010 cash flow forecast and expected principal and interest payments with respect to debentures (series 20) issued by the Company. Following the aforementioned review, the Board of Directors confirmed that the Company meets the test of solvency with regard to the aforementioned dividend distribution, including under conservative scenarios.

d. The Board of Directors believes that the dividend distribution would not materially impact the company's financial position, including its equity, leverage, liquidity and its capacity to maintain current operations.

e. The Board of Directors does not rely on the Company's ability to realize assets or on funding sources arise from realization of its subsidiaries.

f. The forecast data and assessments mentioned in sections c. and d. above constitute forward-looking information, as defined in the Securities Act, 1986, based on analysis by the Company of data set forth in section c. above. Such expectations and assessments may not materialize, in whole or in part, or may materialize significantly different than expected, *inter alia* due to changes in economic markets in Israel and overseas, change in capital market conditions, exchange rates, market conditions in the Company's operating markets, which may impact Company operations.

4.2. On May 23, 2010 the company declared a dividend amounting to $1.5 million, or 6.41 cents per share, distributed on June 16, 2010.

5. **Exposure to market risk and management there of**

Exposure to market risk, risk factors and management there of

5.1. The person responsible for market risk management at the Company

Market risk management at the Company is conducted in accordance with the risk management policy set by the Company Board of Directors and senior management.

Mr. ISAAC DABAH, Company CEO, is the person responsible for market risk management at the Company.
Mr. YOSSI HAJAJ, Company CFO, is responsible for management of market risk associated with exchange rates and interest.

5.2. Description of market risk factors

The Group, in its operations, is exposed to multiple market risk factors, including the state of economies in target markets in which the Company operates, as well as fluctuations in exchange rates in those markets vs. the Company's functional currency, the USD.

For general details of risk factors to which the Company is exposed, see section 1.27 of Part I of the Company's annual report published March 3, 2010.

5.3. Company policy with regard to market risk management

The financial crisis in Europe recently may impact the Company on two major levels:

- Lower sales, should the crisis evolve into a recession in Europe - which may impact Company profitability.

  Sales to Europe account for 13% of total sales in the second quarter and first half of 2010, and accounted for 11% of total sales in 2009.
- Volatility of exchange rates of European currencies vs. the USD.

In the first quarter, the average EUR exchange rate was revalued by 6% over the corresponding period last year, and in the second quarter the EUR/USD average exchange rate was 6% lower.

The Company benefited from full hedging in the first half of 2010, at an average exchange rate of 1.484 USD to 1 Euro, due to hedging transactions made in 2009.

The Company entered into hedging transactions for the second half of 2010, at an average exchange rate of 1.292 USD to 1 Euro, to hedge against the risk of net cash flow due to excess EUR-denominated revenues would be impacted by exchange rate fluctuations. See also section 5.4 below.

Assuming no adjustment to sale prices in the second half of 2010, the Company's operating income will decrease by $1.0 million in the third quarter and by $1.2 million in the fourth quarter of 2010, due to lower average exchange rate of the EUR compared to the year-ago reported periods.

Below are average EUR/USD exchange rates in 2010 and 2009:

	2010	2009	% Change
First quarter	**$1.384**	$1.306	6%
Second quarter	**$1.275**	$1.361	(6%)
Third quarter	**$1.290(*)**	$1.430	(10%)
Fourth quarter	**$1.293(*)**	$1.478	(12%)
Second half	**$1.292(*)**	$1.454	(11%)

(*) Average exchange rate of hedging transactions for the second half of 2010 (see section 5.4 below).

It is Company policy to maintain as high an alignment as possible between the currency in which its products are sold and the currency in which products and/or raw materials are bought. The Company regularly reviews its balance sheet exposure and its economic exposure, in accordance with forecasted revenues and expenses for the coming 12 months.

The Company takes action on several levels in order to mitigate its exposure to exchange rate volatility:

a. Change of sale currency vis-à-vis UK customers (from GBP to USD). Starting in 2010, most sales to a major customer in the UK are denominated in USD, hence exposure to GBP is lower.
b. The Company has excess payments over receipts denominated in NIS. The Company has significantly reduced exposure to fluctuations in USD/NIS exchange rate, by increasing sales in NIS and reducing costs denominated in NIS (due to lower overhead in Israel).
c. Contracting future contracts for a term of up to 12 months, to hedge the risk of net cash flow due to excess revenues in EUR would be impacted by exchange rate fluctuations.

5.4. Financial instruments

In its results for the second quarter and first half of 2010, the Company included under Other Revenues, Net the results of transactions which closed in the reporting period, as well as the estimated results of transactions not recognized as accounting hedges against the EUR, which amounted to gain of $0.4 and $1.3 million, respectively.

The following positions opened after the balance sheet date are not recognized as accounting hedges against the EUR:

Maturity	Amount, $ in thousands	Exchange rate for transaction (USD per EUR 1)
26/7/10	1,600	1.273
10/8/10	1,700	1.276
10/8/10	1,000	1.308
24/8/10	1,000	1.308
13/9/10	1,600	1.276
16/9/10	1,000	1.308
28/9/10	1,000	1.308
12/10/10	1,700	1.277
12/10/10	1,000	1.308
26/10/10	1,000	1.308
8/11/10	1,700	1.276
8/11/10	1,000	1.308
23/11/10	1,000	1.308
8/12/10	1,700	1.277
8/12/10	1,000	1.308
21/12/10	1,000	1.308
	20,000	1.292

5.5. Linkage basis report, $ in thousands

	As of June 30, 2010						
	Un-audited						
	In USD	In GBP	In EUR	In NIS	In other currencies	Non-monetary balances	Total
Assets:							
Cash and cash equivalents	32,465	398	1,851	1,058	603	-	36,375
Trade receivables	64,395	3,103	14,932	13,833	968	-	97,231
Other accounts receivable	4,083	154	-	1,114	632	4,457	10,440
Inventory	-	-	-	-	-	103,832	103,832
Assets classified as held for sale	-	-	-	-	-	2,916	2,916
Deferred tax assets	-	-	-	-	-	3,324	3,324
Excess plan assets over liabilities due to employment termination	-	-	-	-	-	85	85
Fixes assets, net of accumulated depreciation	-	-	-	-	-	66,800	66,800
Intangible assets, net of accumulated amortization	-	-	-	-	-	77,278	77,278
Debit balances and long-term pre-paid expenses	1,029	-	-	41	-	212	1,282
Total assets	**101,972**	**3,655**	**16,783**	**16,046**	**2,203**	**258,904**	**399,563**
Liabilities:							
Credit from banks	62,641	-	15,128	80	-	-	77,849
Trade payables	46,225	1,355	3,340	6,947	1,974	-	59,841
Other accounts payable	15,751	1,552	504	13,483	2,176	368	33,834
Long-term loans from banking corporations	4,669	-	-	-	-	-	4,669
Debentures[2]	28,856	-	-	-	-	-	28,856
Financial derivative	1,132	-	-	-	-	-	1,132
Liabilities for employment termination, net of deposits to severance pay funds	-	-	-	-	-	385	385
Long-term loans and other liabilities	6,526	-	-	-	-	-	6,526
Reserve for deferred taxes	**-**	**-**	**-**	**-**	**-**	**976**	**976**
Total liabilities	**165,800**	**2,907**	**18,972**	**20,510**	**4,150**	**1,729**	**214,068**
Balance sheet total, net	**(63,828)**	**748**	**(2,189)**	**(4,464)**	**(1,947)**	**257,175**	**185,495**

[2] Debentures issued in January 2010, are NIS denominated, bear fixed NIS interest and are non-linked. The Company engaged with a bank for a SWAP transaction, in USD cash flow, therefore the liability is presented as USD linkage.

5.6. Tests of sensitivity to exchange rate fluctuations of GBP, Euro and NIS vs. the USD and to interest rate fluctuations, $ in thousands.

Sensitivity to change in NIS/USD exchange rate:

	Gain (Loss) from Changes			Gain (Loss) from Changes	
Expected exchange rate	**10% Increase**	**5% Increase**	**Fair Value**	**5% Decrease**	**10% Decrease**
	NIS 4.26 = $1	NIS 4.07 = $1	NIS 3.88 = $1	NIS 3.68 = $1	NIS 3.49 = $1
Cash and cash equivalents	(106)	(53)	1,058	53	106
Trade receivables [5]	(1,383)	(692)	13,833	692	1,383
Other accounts receivable	(111)	(56)	1,114	56	111
Long-term debit balances	(4)	(2)	41	2	4
Short-term credit from banks	8	4	(80)	(4)	(8)
Trade payables	695	347	(6,947)	(347)	(695)
Other accounts payable	1,348	674	(13,483)	(674)	(1,348)
Off-balance-sheet liabilities in respect of rental agreements	782	391	(7,823)	(391)	(782)
Total	**1,229**	**613**	**(12,287)**	**(613)**	**(1,229)**

Sensitivity to changes in discount rate of liabilities in respect of rental and franchise agreements denominated in NIS:

	10% increase [1]	5% increase [2]	Discount rate of 12%	5% Decrease [3]	10% Decrease [4]
Change in fair value, before tax [6]	80	40	(7,881)	(41)	(82)

Sensitivity to GBP/USD exchange rate fluctuations:

	Gain (Loss) from Changes			Gain (Loss) from Changes	
	10% Increase	5% Increase	Fair Value	5% Decrease	10% Decrease
Expected exchange rate	$1.65 = 1£	$1.58 = 1£	$1.50 = 1£	$1.43 = 1£	$1.35 = 1£
Cash and cash equivalents	40	20	398	(20)	(40)
Trade receivables [5]	310	155	3,103	(155)	(310)
Other accounts receivable	15	8	154	(8)	(15)
Short-term credit from banks	-	-	-	-	-
Trade payables	(136)	(68)	(1,355)	68	136
Other accounts payable	(155)	(78)	(1,552)	78	155
Off-balance-sheet liabilities in respect of rental agreements	(93)	(47)	(930)	47	93
Total	**(19)**	**(10)**	**(182)**	**10**	**19**

Sensitivity to changes in discount rate of liabilities in respect of rental, franchise and storage service agreements denominated in GBP:

	10% increase [1]	5% increase [2]	Discount rate of 12%	5% Decrease [3]	10% Decrease [4]
Change in fair value, before tax [6]	42	21	(955)	(22)	(45)

Sensitivity to change in EUR/USD exchange rate:

	Gain (Loss) from Changes			Gain (Loss) from Changes	
	10% Increase	5% Increase	Fair Value	5% Decrease	10% Decrease
Expected exchange rate	$1.35 = 1€	$1.29 = 1€	$1.23 = 1€	$1.17 = 1€	$1.10 = 1€
Cash and cash equivalents	185	93	1,851	(93)	(185)
Trade receivables [5]	1,493	747	14,932	(747)	(1,493)
Short-term credit from banks	(1,513)	(756)	(15,128)	756	1,513
Trade payables	(334)	(167)	(3,340)	167	334
Other accounts payable	(50)	(25)	(504)	25	50
Total	**(219)**	**(108)**	**(2,189)**	**108**	**219**

Sensitivity to change in discount rate of liabilities with respect to franchise agreements denominated in EUR:

	10% increase [1]	5% increase [2]	Discount rate of 12%	5% Decrease [3]	10% Decrease [4]
Change in fair value, before tax	1	-	(156)	-	(1)

Sensitivity to changes in weighted LIBOR interest rate The following calculation relates to cash flow exposure, rather than to change in fair value, with respect to a loan portfolio amounting to $82.5 million ($ in thousands), with weighted interest on this loan portfolio as of June 30, 2010 being 3.0%:

Change in interest rate	10% Increase	5% Increase	5% Decrease	10% Decrease
Expected interest rate after the change	**3.30%**	**3.18%**	**2.88%**	**2.73%**
Pre-tax gain (loss) due to changes	**250**	**125**	**(125)**	**(250)**

1 For a 13.2% discount rate.
2 For a 12.6% discount rate.
3 For a 11.4% discount rate.
4 For a 10.8% discount rate.
5 The trade receivables balance in the above tables is a short-term one, hence the fair value presented for it is in line with the balance reflected in the financial statements.
6 Most of the liabilities included in the above sensitivity analysis tables refer to rental agreements, and amounts of the liabilities for franchise and storage services agreements are not material.

Below is sensitivity analysis of the value of the swap contract into which the Company has entered with respect to exchange of NIS cash flow to debenture holders into a $ cash flow. Note that changes in value of this contract shall be recognized under a capital reserve on the Company's balance sheet, with no impact to its income statement.

Sensitivity analysis of value of swap contract to changes in NIS/USD exchange rate:

Rate of change	10% Decrease	5% Decrease	Fair Value	5% Increase	10% Increase
Expected exchange rate	$1 = NIS 3.49	$1 = NIS 3.68	$1 = NIS 3.88	$1 = NIS 4.07	$1 = NIS 4.26
Value of forward contract	2,642	656	(1,132)	(2,750)	(4,221)
Difference	3,775	1,788		(1,618)	(3,088)

Sensitivity analysis of value of swap contract to changes in NIS interest rate:

Rate of change	10% Decrease	5% Decrease	Fair Value	5% Increase	10% Increase
Expected interest rate	6.41%	6.77%	7.12%	7.48%	7.83%
Value of forward contract	(726)	(930)	(1,132)	(1,333)	(1,532)
Difference	406	202		(201)	(400)

Sensitivity analysis of value of swap contract to changes in $ interest rate:

Rate of change	10% Decrease	5% Decrease	Fair Value	5% Increase	10% Increase
Expected interest rate	5.47%	5.78%	6.08%	6.38%	6.69%
Value of forward contract	(1,497)	(1,314)	(1,132)	(952)	(373)
Difference	(365)	(182)		180	360

Corporate governance aspects

6. **Disclosure with regard to approval process of financial statements**

The Company Board of Directors has determined that the organ in charge of overall control of financial statements for the Company is the Finance Committee.

Prior to approval of the Company’s financial statements, the draft financial statements and notes there to are submitted to members of the Finance Committee, a reasonable time prior to the meeting, subject to any statute.

Invitees to meetings of the Finance Committee to discuss approval of the financial statements are: the CEO, CFO and Company Comptroller and Internal Auditor, as well as the independent CPAs who present the financial statements to Committee members and answer any questions.

During the Finance Committee’s meeting to discuss the financial statement, the Committee reviews and discusses the Company's financial statements, reviews major changes there in, refers to comments by Company management and the independent CPA and reviews the match between the financial statements and events which have occurred in the Company and with standards used by the Company to prepare its financial statements.

After the discussion, the Chairman of the Finance Committee brings up for a vote the recommendation by the Committee to the Board of Directors to approve the financial statements; the Chairman finds out if any Committee members still have any unanswered questions or issues.

After recommendation by the Finance Committee to approve the financial statements as set forth above, the financial statements and notes there to are brought for approval to the Company Board of Directors.

Note also that if, during compilation of the financial statements, the VP, Finance or the Company CEO have any material or new questions or issues requiring preliminary discussion before submitting the financial statements for approval by the Board of Directors – the VP, Finance or the Company CEO would request the Board of Directors to convene the Finance Committee for a preliminary meeting to discuss and elaborate these issues.

Names of the Finance Committee members who attended the meeting on August 8, 2010, at which the Finance Committee recommended that the Company Board of Directors approve the financial statements and Board of Directors' report as of June 30, 2010 are: YEHEZKEL DOVRAT, Committee Chairman; SHAUL BEN-ZE'EV; GIDEON CHITAYAT (Chairman of the Board of Directors); and NOAM LAUTMAN. The meeting was also attended by Mr. ISAAC DABAH, Company CEO and director, and by Mr. IZHAK WEINSTOCK, director.

At the Board meeting to discuss and approve the financial statements, the Company's CFO reviews in detail the highlights of the financial statements, with comparison to corresponding periods, and with emphasis on material changes and issues on the financial statements, material assessments and critical estimates applied on the financial statements, reasonability of data, accounting policy applied and changes there to - if any.

The Board meeting to discuss and approve the financial statements is also attended by representatives of the Company's independent auditor, who add their comments and clarifications to the financial statements. The Company CEO, CFO and independent auditor answer questions from Board members and a discussion of the financial statements takes place prior to approval there of.

Upon conclusion of this discussion, the Board of Directors votes to approve the financial statements.

Names of Board members who attended the Board of Directors' meeting on August 10, 2010 at which the financial statements and the Board of Directors' report as of June 30, 2010 were approved, are: Board of Directors Chairman, GIDEON CHITAYAT; ISRAEL BAUM; ITZHAK WEINSTOCK; NOAM LAUTMAN; SHAUL BEN-ZE'EV; YEHEZKEL DOVRAT; and ISAAC DABAH.

Disclosure provisions with regard to financial reporting by the corporation

7. Disclosure with regard to critical accounting estimates

In creating the financial statements according to acceptable accounting practices, company management is required to use estimates and valuations which impact the reported information for assets and liabilities, as well as data for contingent assets and pending liabilities, which are disclosed in the financial statements and for revenue and expense data for the reported period. These estimates sometimes require discretion in an uncertain environment, and materially impact presentation of data on the financial statements.

For complete details of accounting estimates and assumptions, see Note 3 to the annual financial statements published on March 3, 2010.

8. Obligatory notes outstanding

The following is a description of Company debenture series outstanding as of the date of this report:

Series	**T**
Issue date	Listed for trading on January 24, 2010 pursuant to shelf offering report published by the Company on January 18, 2010 pursuant to the Company's shelf prospectus dated May 29, 2008
Total debenture value upon issuance (in NIS)	113,000,000
Total debenture value as of March 31, 2010 (in NIS) including linkage	113,000,000
Principal repayment start date	19.7.2012
Number of annual principal payments	1
Accrued interest as of June 30, 2010	NIS 3.5 million
Value on stock exchange soon prior to June 30, 2010	NIS 118 million
Type of interest	Fixed - 7%
Effective interest as of issuance date	7.12%
Interest payment dates	Semi-annually on July 19 and January 19 of each year 2010-2016 (inclusive) (first payment is payable on July 19, 2010)
Linkage type	Non-linked
Conversion right	Debentures are not convertible
Right to early redemption or forced conversion	Should the stock exchange de-list debentures from trading due to value of debenture series falling below the threshold specified by the stock exchange, the Company shall not allow early redemption of debentures due to such de-listing.
Guarantee to secure payments	Not secured by any pledge

Series	T
Rating	Rated A3/stable by MIDROOG Ltd. (see report dated December 31, 2009, reference 2009-01-338541)
Details of trustee and contact information there of	STRAUSS LAZAR Trustee Company (1992) Ltd. of 17 YITZHAK SADE Street, TEL AVIV (Tel. 03-623777 Fax: .(03-5613824 Contact person for trustee: Mr. ORI LAZAR, email: ori@slcpa.co.il.

As of the report date, the Company is in compliance with all terms and conditions and commitments to holders of outstanding debentures, including pursuant to the trust deed for said debentures, and there was no cause for demanding immediate repayment of said debentures.

9. **Company preparations with regard to effectiveness of internal control of financial reporting and disclosure**

On December 24, 2009, the Securities Regulations (Periodic and immediate reports) (Revision), 2009 ("the revision") was made public. Pursuant to the revision, periodic reports starting with the periodic report as of December 31, 2010, should be accompanied by a report by the Board of Directors and by Company management, with regard to the effectiveness of internal control of financial reporting and disclosure, individual statements by the CEO and by the most senior financial officer, with regard to the effectiveness of internal control of financial reporting and disclosure, as well as a report by the auditing CPA with regard to the effectiveness of internal control of financial reporting .

Pursuant to transition provisions of this revision, the Board of Directors' report as of June 30, 2010, further to disclosure provided in the 2009 financial statements, will include a disclosure with regard to preparations and progress made by the Company in applying provisions of these regulations and action taken through the report date.

As of the preparation date of the report, the Company has completed the following actions:

- Risk assessment in conjunction with processes highly material for financial reporting, including documentation of these processes, inherent risk there in to financial reporting and disclosure, and existing internal controls within the Company which answer this risk.
- Gap analysis of internal audit planning for financial reporting and disclosure.

The Board of Directors and management express their deep appreciation to DELTA employees and managers.

Signed: August 10, 2010

GIDEON CHITAYAT Chairman of the Board of Directors	ISAAC DABAH CEO and Board member

DELTA GALIL Industries Ltd.

Financial Information for Interim Period

(Un-audited)

June 30, 2010

DELTA GALIL Industries Ltd.

Financial Information for Interim Period

(Un-audited)

June 30, 2010

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Independent Review Report by Independent CPA to Shareholders of DELTA GALIL Industries Ltd.

Introduction

We have reviewed the enclosed financial information of DELTA GALIL Industries Ltd. and its subsidiaries (hereinafter: "the Group"), which includes the condensed consolidated statement of financial position as of June 30, 2010 and the condensed consolidated statements of comprehensive income (loss), changes to equity and cash flow for the six-month and three-month periods then ended. The Board of Directors and management are responsible for preparation and presentation of financial information for this interim period in accordance with IAS 34 "Interim financial reporting", and they are also responsible for preparation of financial information for these interim periods pursuant to Chapter 4 of the Securities Regulations (Periodic and immediate reports), 1970. We are responsible for expressing our conclusion with regard to the financial information for this interim period, based on our review.

We have not reviewed the condensed financial information for the interim period of subsidiaries whose assets included in consolidation account for 7% of total consolidated assets as of June 30, 2010. The condensed financial information for the interim period of those subsidiaries was reviewed by another CPA, whose review report has been provided to us, and our conclusion - in as much as it relates to financial information with respect to these companies - is based on said review reports by the other CPA.

Scope of review

We have conducted our review in accordance with Review Standard 1 of the Israeli CPA Association "Review of financial information for interim periods conducted by the entity's external CPA". Reviewing financial information for interim periods consists of clarifications, primarily with persons in charge of financial and accounting issues, and of application of analytical and other review procedures. Such a review is significantly limited in scope by comparison to an audit conducted in accordance with generally accepted audit standards in Israel, and therefore does not enable us to be certain of being aware of all material issues which may have been identified by an audit. Therefore, we do not express an audit-based opinion.

Conclusion

Based on our review and on review reports by other CPAs, we have not become aware of anything which caused us to believe that the aforementioned financial information is not compiled, in all material aspects, in accordance with IAS 34.

Other than the foregoing, based on our review and on review reports by other CPAs, we have not become aware of anything which caused us to believe that the aforementioned financial information is not compliant, in all material aspects, with disclosure provisions of Chapter 4 of the Securities Regulations (Periodic and immediate reports), 1970.

Tel Aviv **Kesselman & Kesselman**
August 10, 2010 **CPAs**

DELTA GALIL Industries Ltd.

Condensed consolidated statements of financial position
As of June 30, 2010

	June 30		December 31
	2010	2009	2009
	(Un-audited)		(Audited)
	$ in thousands		
Assets			
Current assets:			
Cash and cash equivalents	36,375	4,453	27,893
Other accounts receivable:			
Trade receivables	97,231	100,860	103,140
Taxes on income - receivable	1,239	1,179	2,199
Others	9,201	8,272	5,833
Inventory	103,832	94,426	80,685
Assets classified as held for sale	2,916	2,916	2,916
Total current assets	250,794	212,106	222,666
Non-current assets:			
Long-term pre-paid expenses	197	91	94
Long-term debit balances	1,085	1,380	1,323
Excess plan assets over liabilities due to employment termination	85	212	85
Fixes assets, net of accumulated depreciation	66,800	79,486	72,677
Intangible assets, net of accumulated amortization	77,278	77,332	76,040
Deferred tax assets	3,324	4,490	3,541
Total non-current assets	148,769	162,991	153,760
Total assets	399,563	375,097	376,426

Gideon Chitayat
Chairman of the Board of Directors

Isaac Dabah
CEO

Yossi Hajaj
CFO

Approval date of financial information for interim period by the Company Board of Directors:

August 10, 2010

	June 30		December 31
	2010	2009	2009
	(Un-audited)		(Audited)
	$ in thousands		
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks	75,739	127,387	104,127
Current maturities of long-term loans			
From banks	2,110	5,957	2,110
Other accounts payable:			
Trade payables	59,841	45,121	45,111
Taxes on income - payable	816	496	864
Others	33,018	37,849	35,002
Total current liabilities	171,524	216,810	187,214
Non-current liabilities:			
Loans from banks less current maturities	4,669	6,774	5,723
Debentures	28,856	-	-
Financial derivative	1,132	-	-
Severance pay liabilities, net of plan assets	385	440	335
Other non-current liabilities	6,526	5,732	3,861
Deferred taxes liabilities	976	-	787
Total non-current liabilities	42,544	12,946	10,706
Total liabilities	214,068	229,756	197,920
Equity:			
Equity attributable equity holders of the parent company:			
Share capital	23,090	21,851	23,086
Share premium	120,946	101,114	120,854
Other capital reserves	(458)	-	-
Unassigned accumulated reserves	49,042	29,299	41,721
Treasury shares	(9,700)	(9,700)	(9,700)
	182,920	142,564	175,961
Minority interest	2,575	2,777	2,545
Total equity	185,495	145,341	178,506
Total liabilities and equity	399,563	375,097	376,426

The enclosed notes are an integral part of these condensed financial statements.

DELTA GALIL Industries Ltd.

Condensed consolidated statement of comprehensive income (loss)
For the six-month and three-month periods ended June 30, 2010

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2010	2009	2010	2009	2009
	(Un-audited)				(Audited)
	$ in thousands (except for per-share data)				
Sales	297,206	259,337	156,665	135,911	572,534
Cost of sales	239,541	217,048	127,192	111,352	468,831
Gross profit	57,665	42,289	29,473	24,559	103,703
Selling and marketing expenses	32,000	33,061	16,263	16,620	66,342
General and administrative expenses	12,309	10,194	6,220	5,059	21,956
Other revenues (expenses), net	1,562	266	615	(313)	761
Restructuring expenses (revenues), Net	485	-	-	-	(1,331)
Impairment of fixed assets	-	-	-	-	1,945
Capital loss from realized subsidiary	666	-	-	-	-
Operating income (loss)	13,767	(700)	7,605	2,567	15,552
Finance expenses, net	3,631	3,624	1,591	1,857	6,369
Company share of loss (income) of associate	-	1	-	1	(41)
Income (loss) before taxes on revenue	10,136	(4,325)	6,014	709	9,224
Taxes on income	1,700	288	1,450	468	1,574
Income (loss) for the period	8,436	(4,613)	4,564	241	7,650
Other comprehensive after-tax income (loss)					
Defined benefit plan actuarial gain	-	-	-	-	23
Taxes on income and expenses recognized directly in other comprehensive loss	-	-	-	-	(105)
Cash-flow hedging for debentures	137	-	(123)	-	-
Reserve from translation differences	(595)	-	(829)	-	-
Other comprehensive loss for the period, net of tax	(458)	-	(952)	-	(82)
Total comprehensive income (loss) for the period	7,978	(4,613)	3,612	241	7,568
Attribution of net income (loss) for the period:					
To equity holders of the parent company	8,376	(4,673)	4,534	211	7,662
To minority interest	60	60	30	30	(12)
Total income (loss) for the period	8,436	(4,613)	4,564	241	7,650
Attribution of total comprehensive income (loss) for the period:					
To equity holders of the parent company	7,918	(4,673)	3,582	211	7,580
To minority interest	60	60	30	30	(12)
Total recognized revenues and expenses	7,978	(4,613)	3,612	241	7,568
	In USD				
Net earnings (loss) per share attributable to equity holders of the parent company:					
Basic	0.36	(0.25)	0.19	0.01	0.40
Diluted	0.35	(0.25)	0.19	0.01	0.40

The enclosed notes are an integral part of these financial statements.

DELTA GALIL Industries Ltd.

Condensed consolidated statement of changes to equity
For the six-month and three-month periods ended June 30, 2010

	Attributable to equity holders of the Company								
	Ordinary share capital								
	Number of shares	Amount	Share premium	Other capital reserves	Unassigned income balance	Treasury shares	Total	Minority interest	Total equity
	In thousands	$ in thousands							
Balance As of January 1, 2010 (audited)	24,586	23,086	120,854	-,-	41,721	(9,700)	175,961	2,545	178,506
Movement in period of six months ended June 30, 2010 (un-audited):									
Comprehensive income (loss)	-	-	-	(458)	8,376	-	7,918	60	7,978
Proceeds from share issuance	13	4	92	-	-	-	96	-	96
Dividends to minority interest	-	-	-	-	-	-	-	(30)	(30)
Dividend distribution	-	-	-	-	(1,500)	-	(1,500)	-	(1,500)
Benefit component of options granted	-	-	-	-	445	-	445	-	445
Balance As of June 30, 2010 (un-audited)	24,599	23,090	120,946	(458)	49,042	(9,700)	182,920	2,575	185,495
Balance As of January 1, 2009 (audited)	19,948	21,851	101,114	-,-	33,813	(9,700)	147,078	2,990	150,068
Movement in period of six months ended June 30, 2009 (un-audited):									
Comprehensive income (loss)	-	-	-	-	(4,673)	-	(4,673)	60	(4,613)
Dividends to minority interest	-	-	-	-	-	-	-	(273)	(273)
Uncollected dividends with respect to previous years	-	-	-	-	27	-	27	-	27
Benefit component of options granted	-	-	-	-	132	-	132	-	132
Balance As of June 30, 2009 (un-audited)	19,948	21,851	101,114	-,-	29,299	(9,700)	142,564	2,777	145,341
Balance As of January 1, 2009 (audited)	19,948	21,851	101,114	-,-	33,813	(9,700)	147,078	2,990	150,068
Movement in 2009:									
Comprehensive income (loss)	-	-	-	-	7,580	-	7,580	(12)	7,568
Rights allotment	4,638	1,235	19,740	-	-	-	20,975	-	20,975
Dividends to minority interest	-	-	-	-	-	-	-	(433)	(433)
Uncollected dividends with respect to previous years	-	-	-	-	27	-	27	-	27
Benefit component of options granted	-	-	-	-	301	-	301	-	301
Balance As of December 31, 2009 (audited)	24,586	23,086	120,854	-,-	41,721	(9,700)	175,961	2,545	178,506

DELTA GALIL Industries Ltd.

Condensed consolidated statement of changes to equity
For the six-month and three-month periods ended June 30, 2010

	Attributable to equity holders of the Company								
	Ordinary share capital								
	Number of shares	Amount	Share premium	Other capital reserves	Unassigned income balance	Treasury shares	Total	Minority interest	Total equity
	In thousands	$ in thousands							
Balance As of April 1, 2010 (un-audited)	24,599	23,090	120,942	494	45,844	(9,700)	180,670	2,575	183,245
Movement in three-month period ended June 30, 2010 (un-audited):									
Comprehensive income (loss)	-	-	-	(952)	4,534	-	3,582	30	3,612
Proceeds from share issuance	-	-	4	-	-	-	4	-	4
Dividends to minority interest	-	-	-	-	-	-		(30)	(30)
Dividend distribution	-	-	-	-	(1,500)	-	(1,500)	-	(1,500)
Benefit component of options granted	-	-	-	-	164	-	164	-	164
Balance As of June 30, 2010 (un-audited)	24,599	23,090	120,946	(458)	49,042	(9,700)	182,920	2,575	185,495
Balance As of April 1, 2009 (un-audited)	19,948	21,851	101,114	-,-	29,024	(9,700)	142,289	2,899	145,188
Movement in three-months period ended June 30, 2009 (un-audited):									
Comprehensive income (loss)	-	-	-	-	211	-	211	30	241
Dividends to minority interest	-	-	-	-	-	-	-	(152)	(152)
Benefit component of options granted	-	-	-	-	64	-	64	-	64
Balance As of June 30, 2009 (un-audited)	19,948	21,851	101,114	-,-	29,299	(9,700)	142,564	2,777	145,341

DELTA GALIL Industries Ltd.

Condensed consolidated cash flow statement
For the six-month and three-month periods ended June 30, 2010

	Six months ended June 30		Three months ended on June 30		Year ended December 31
	2010	2009	2010	2009	2009
	(Un-audited)				(Audited)
	$ in thousands				
Cash flows provided by current operations:					
Net income (loss) for period	8,436	(4,613)	4,564	241	7,650
Adjustments required to reflect cash flows from current activities	4,426	12,437	6,773	4,177	35,370
Interest paid in cash	(1,589)	(1,759)	(811)	(1,113)	(3,817)
Taxes on income refunded (paid) in cash, net	(908)	1,856	(897)	980	1,621
Net cash provided by current operations	10,365	7,921	9,629	4,285	40,824
Cash flows provided by investment operations:					
Business combination (See Appendix A)	-	(7,175)	-	(7,175)	(8,237)
Net proceeds from sale of subsidiary (see Appendix B)	816	-	816	-	-
Acquisition of fixed assets and intangible assets	(2,055)	(2,494)	(876)	(798)	(4,072)
Acquisition of trademark	(600)	-	-	-	-
Proceeds from sale of fixed assets	510	324	472	192	1,071
Proceeds with respect to grant of options to acquire land	538	-	-	-	-
Repayment of long-term receivables	127	142	83	60	236
Loans granted to employees	(9)	(4)	(2)	-	(13)
Loan repayment by employees	9	15	4	4	28
Long-term deposits	(81)	(97)	(97)	(53)	(2)
Net cash provided by (used in) investment operations	(745)	(9,289)	400	(7,770)	(10,989)
Cash flows provided (used in) by financing operations:					
Dividends paid to minority interest in subsidiary	(30)	(273)	(30)	(152)	(433)
Dividends paid	(1,500)	-	(1,500)	-	-
Long-term loans received	-	8,300	-	5,300	8,300
Repayment of loans and other long-term liabilities	(1,057)	(3,750)	(907)	(2,950)	(8,746)
Proceeds from issuance of debentures, net of issuance expenses	30,132	-	-	-	-
Proceeds from exercise of employee options	96	-	4	-	-
Proceeds from issuance of rights, net of issuance expenses	-	-	-	-	20,975
Short-term credit from banks, net	(28,382)	(2,592)	(4,900)	1,500	(25,871)
Amounts charged for deferred expenses	(223)	(68)	(233)	(60)	(371)
Net cash provided by (used in) financing activities	(964)	1,617	(7,556)	3,638	(6,146)
Net increase in cash and cash equivalents	8,656	249	2,473	153	23,689
Erosion and revaluation of cash and cash equivalents	(174)	(20)	(167)	82	(20)
Cash and cash equivalents balance at start of period	27,893	4,224	34,069	4,218	4,224
Cash and cash equivalents balance at end of period	36,375	4,453	36,375	4,453	27,893

The enclosed notes are an integral part of these condensed financial statements.

DELTA GALIL Industries Ltd.

Condensed consolidated cash flow statement
For the six-month and three-month periods ended June 30, 2010

	Six months ended June 30		Six months ended June 30		Six months ended June 30
	2010	2009	2010	2009	2009
	(Un-audited)				(Audited)
	$ in thousands				
Adjustments required to reflect cash flows from current activities:					
Revenues and expenses not involving cash flow:					
Depreciation	4,931	5,425	2,517	2,694	11,366
Amortization	834	800	401	418	1,936
Amortization of debenture issuance expenses	55	-	55	-	-
Impairment of fixed assets	-	-	-	-	1,945
Capital loss from realized subsidiary	666	-	-	-	-
Company share of loss (income) of associate	-	1	-	1	(41)
Erosion and revaluation of cash and cash equivalent	174	20	167	(82)	20
Interest paid in cash	1,589	1,759	811	1,113	3,817
Taxes on income paid (refunded) in cash, net	908	(1,856)	897	(980)	(1,621)
Deferred taxes on income, net	398	71	468	221	1,702
Liabilities due to employment termination, net	12	(58)	7	16	(79)
Restructuring expenses	327	-	(158)	-	429
Capital gain from realized assets	(250)	(164)	(224)	(92)	(375)
Change in benefit component of options granted to employees	445	132	164	64	301
Change in fair value of financial derivatives	529	(253)	914	(393)	(448)
Long-term pre-paid expenses	(8)	4	-	(2)	(4)
Others	58	(31)	59	15	(137)
	10,668	5,850	6,078	2,993	18,811
Changes to operating assets and liabilities:					
Decrease (increase) in trade receivables	5,208	(11,266)	4,289	(16,330)	(13,546)
Decrease (increase) in other receivables	(1,174)	719	(1,151)	65	2,166
Increase (decrease) in trade payables	15,657	226	12,647	10,721	(411)
Increase (decrease) in other payables	(1,653)	(2,656)	1,144	3,099	(5,691)
Decrease (increase) in inventory	(24,280)	19,564	(16,234)	3,629	34,041
	(6,242)	6,587	695	1,184	16,559
	4,426	12,437	6,773	4,177	35,370

Further information on investment and finance operations not involving cash flows:

Trade payables for non-cash acquisition of fixed assets and other assets	(495)	(539)	(54)	(396)	196
Receivables for non-cash sale of fixed assets	(5)	(115)	30	(22)	(508)
Liability for minimum royalty payments	1,057	3,045	-	447	4,843
Accounts payable for acquisition of operations	-	358	-	358	32
Accounts receivable with respect to realized investment in consolidated company	(1,414)	-	-	-	-
Accounts payable with respect to realized investment in consolidated company	139	-	-	-	-

The enclosed notes are an integral part of these condensed financial statements.

DELTA GALIL Industries Ltd.

Condensed consolidated cash flow statements
For the six-month and three-month periods ended June 30, 2010

Appendix A:
Business combination (acquisition of GIBOR operations):

	Six months and three months ended June 30 2009	Year ended December 31 2009
	(Un-audited)	(Audited)
	$ in thousands	
Other accounts receivable	(79)	(79)
Inventory	(1,832)	(2,568)
Fixed assets	(3,638)	(3,638)
Intangible assets	(1,738)	(2,064)
Trade payables	31	31
Other accounts payable	81	81
	(7,175)	(8,237)

Appendix B:
De-consolidation (sale of subsidiary in India):

	Six and three months ended June 30 2010
	(Un-audited)
	$ in thousands
Trade receivables	223
Other accounts receivable	202
Accounts receivable with respect to sale	(1,414)
Inventory	888
Long-term deposits	122
Fixed assets	1,536
Trade payables	(307)
Other accounts payable	232
Capital loss	(666)
	816

* In the second quarter, the company completed the sale of its subsidiary in India. Total proceeds from this sale amounted to $2.3 million, of which $0.9 million was received in cash by the end of the quarter, and the balance would be paid through 2010.

Note 1 - Overview

DELTA GALIL Industries Ltd. (hereinafter: “the Company”) is an Israeli corporation which, together with its subsidiaries (hereinafter: “the Group”) is primarily engaged in manufacturing and marketing of underwear in three major operating segments - USA mass market, Global Upper Market and DELTA Israel. Information on major operating segments is presented in Note 3.

The Company’s official address is 2 Kaufman Street, Tel Aviv.

Note 2 - Significant Accounting Policies

a. Overview

Following de-listing of Company shares from NASDAQ (March 2008), the Company started reporting to the stock exchange pursuant to provisions of Chapter F of the Securities Act, and to compile its financial statements, starting with the 2007 annual report, pursuant to the Securities Regulations (Periodic and Immediate Reports), 1970.

b. Preparation basis of condensed financial statements

The Group's condensed consolidated financial information as of June 30, 2010 and for the six-month and three-month interim periods then ended ("the financial information for the interim period") has been prepared in accordance with IAS 34 "Financial reporting for interim periods" ("IAS 34"), and includes the supplementary disclosure required in accordance with Securities Regulations (Periodic and immediate reports), 1970. The financial information for the interim period should be perused along with the 2009 annual financial statements and notes there to, which have been compiled in accordance with IFRS, and included the supplementary disclosure required in accordance with Securities Regulations (Annual financial statements), 2010.

The financial information for the interim period is reviewed and not audited.

c. Significant accounting policies

Significant accounting policies and calculation methods applied in preparation of the financial information for the interim period are consistent with those used in preparation of the 2009 annual financial statements, except as described below.

Taxes on income for interim periods are recognized based on management's best estimate with regard to the average tax rate which would apply to total expected annual income.

Standards in effect and binding for reporting periods starting on January 1, 2010

1) IAS 27 (Revised) "Consolidated and separate financial statements" ("IAS 27R") (effective for annual reporting periods starting on or after July 1, 2009).
IAS 27R stipulates that the impact of all transactions with non-controlling interest and which do not result in change in control be recognized in equity, and therefore such transactions would no longer result in goodwill or in profit and loss. IAS 27R also discusses the accounting treatment upon loss of control

of an investee. The value of remaining ownership interest in the entity upon loss of control there of, is re-measured at fair value, and the resulting gain or loss is recognized on the income statement.

Note 2 - Significant Accounting Policies (continued):

The Group applies IAS 27R prospectively to all transactions with non-controlling interest conducted starting on January 1, 2010, and expects said application to have no material impact on its financial statements.

2) IFRS 3 (Revised) "Business combinations" ("IFRS 3R") (effective for annual reporting periods starting on or after July 1, 2009). IFRS 3R maintains use of the acquisition method for treatment of business combinations, albeit with several significant changes. For example, all payments for acquisition of a business should be measured at fair value upon acquisition, with contingent payments classified as liabilities subsequently measured via profit or loss. A choice is available, for each acquisition separately, whereby non controlling interest in the acquired business may be measured at fair value or pro-rata to the share of non-controlling interest out of net assets of the acquired business.
All cost attributable to the acquisition transaction must be recognized on profit or loss. The Group applies IFRS 3R prospectively to all business combinations effective starting on January 1, 2010, and expects said application to have no material impact on its financial statements.

3) Revision to IAS 17 "Leases" ("IAS 17"). The aforementioned revision is part of the IASB annual improvement project published in April 2009. The revision eliminates the previous definitive statement in IAS 17, whereby land lease in which ownership of the land is not expected to pass to the lessee at the end of the lease should be classified as an operating lease. In accordance with the revision, an entity should assess the classification of the land lease as a financing lease or operating lease, using the general guidelines for lease classification provided by IAS 17. This revision applies retroactively for annual periods starting on or after January 1, 2010. The Group applies the aforementioned revision to IAS 17 retroactively starting on January 1, 2010, and expects said application to have no material impact on its financial statements.

As set forth in the Group's annual financial statements as of December 31, 2009 and for the year then ended, other standards, revisions and interpretations of existing standards became effective and binding for reporting periods starting on January 1, 2010, but their initial application has no material impact on the Group's financial statements.

On May 2010 an IFRS standards improvement document was published that includes additional amendments to the existing IFRS standards, which most of them will be valid for annual periods starting on January 2011 and after.
The company examines the effects of the amendments mentioned on the improvement document.

Note 3 - Segment reporting

	DELTA USA mass market	Global upper market	DELTA Israel	Other adjustments	Inter-division elimination	Total
	$ in thousands					
For the three-month period ended June 30, 2010:						
Sales to external customers	77,210	61,708	16,802	945	-	156,665
Inter-segment	-	6,991	-	84	(7,075)	-
Total sales, net	77,210	68,699	16,802	1,029	(7,075)	156,665
Segment income (loss)	1,936	4,491	2,537	(691)	(668)	7,605
Finance expenses, net				1,591		1,591
Income before taxes on income						6,014

	DELTA USA mass market	Global upper market	DELTA Israel	Other adjustments	Inter-division elimination	Total
	$ in thousands					
For the three-month period ended June 30, 2009:						
Sales to external customers	63,414	55,853	16,130	407	-	135,911
Inter-segment	91	1,576	-	400	(1,960)	-
Total sales, net	63,505	57,429	16,130	807	(1,960)	135,911
Segment income (loss)	1,443	(474)	1,543	55	-	2,567
Finance expenses, net				1,857		1,857
Company share of loss of associate				1		1
Income before taxes on income						709

Note 3 - Segment reporting (cont.)

	DELTA USA mass market	Global upper market	DELTA Israel	Other adjustments	Inter-division elimination	Total
	$ in thousands					
For the six-month period ended June 30, 2010:						
Sales to external customers	141,856	118,862	34,889	1,599	-	297,206
Inter-segment	-	12,444	-	191	(12,635)	-
Total sales, net	141,856	131,306	34,889	1,790	(12,635)	297,206
Segment income (loss) before re-structuring expenses and capital loss from subsidiary	3,319	7,395	4,867	(681)	18	14,918
Restructuring expenses	-	485	-	-	-	485
Capital loss from realized subsidiary	-	666	-	-	-	666
Segment income (loss)	3,319	6,244	4,867	(681)	18	13,767
Finance expenses, net				3,631		3,631
Income before taxes on income						10,136

	DELTA USA mass market	Global upper market	DELTA Israel	Other adjustments	Inter-division elimination	Total
	$ in thousands					
For the six-month period ended June 30, 2009:						
Sales to external customers	125,946	100,500	31,773	1,118	-	259,337
Inter-segment	100	2,243	-	390	(2,733)	-
Total sales, net	126,046	102,743	31,773	1,508	(2,733)	259,337
Segment income (loss)	1,896	(5,117)	2,194	327	-	(700)
Finance expenses, net				3,624		3,624
Company share of loss of associate				1		1
Loss before taxes on income						(4,325)

Note 3 - Segment reporting (cont.)

	DELTA USA mass market	Global upper market	DELTA Israel	Other adjustments	Inter-division elimination	Total
	$ in thousands					
For the year ended December 31, 2009:						
Sales to external customers	268,465	228,804	72,804	1,250	-	572,534
Inter-segment	101	14,772	18	1,932	(15,612)	-
Total sales, net	268,566	243,576	72,822	3,182	(15,612)	572,534
Segment income (loss) before re-structuring expenses (income) and impairment of fixed assets	5,927	1,428	10,464	(772)	(881)	16,166
Restructuring expenses (income), Net	474	(1,805)	-	-	-	(1,331)
Impairment of fixed assets	-	1,945	-	-	-	1,945
Segment income (loss) after re-structuring and impairment of fixed assets	5,453	1,288	10,464	(772)	(881)	15,552
Finance expenses, net				6,369		6,369
Company share of income of associate				41		41
Pre-tax income						9,224

Note 4 - Employee stock options

On January 14, 2010, the Company Board of Directors resolved to allot, out of options available for allotment under the 2006 program, 40,000 options to 7 employees at an exercise price of $6.93 per option.

On April 21, 2010, the Company Board of Directors resolved to allot 115,000 options at an exercise price of $8.98 per option as follows:
65,000 options out of the 2006 non-US employee stock option program.
50,000 options out of the 2009 US employee stock option program.

On August 10, the Company Board of Directors resolved to allot 10,000 options at an exercise price of $6.70 per option to an employee of DELTA USA.

The exercise price is equal to the average share price on the 30 trading days preceding the grant date.

Note 5 - Dividend distribution

On May 23, 2010, the Company declared a dividend of $1.5 million, or 6.41 cent per share, distributed on June 16, 2010 at the official USD exchange rate published on the day preceding the payment date.
The effective date for said distribution was June 2, 2010 and the ex-dividend date was June 3, 2010.

On August 10, 2010, the Company declared a dividend of $1.5 million, or 6.41 cent per share, to be distributed on September 5, 2010 at the official USD exchange rate published on the day preceding the payment date. The effective date for this distribution will be August 22, 2010 and the ex-dividend date will be August 23, 2010.

Note 6 – Debentures

In January 2010, the Company issued NIS-denominated debentures amounting to NIS 113 million.
These debentures bear fixed nominal NIS-denominated interest at 7%, and mature in 5 equal annual installments starting July 2012. Interest is paid semi-annually in each January and July starting in July 2010. The debentures are presented on the Company's balance sheet as of June 30, 2010 under long-term liabilities, net of issuance expenses amounting to NIS 1.5 million.
Upon the same date, the Company entered into a swap transaction with a bank, to swap the NIS cash flow in the liability to make payments to debenture holders, with a USD cash flow. The USD-denominated interest set for this transaction is 6.08%.
In July 2010, the Company paid the first interest payment to the debenture holders.

Note 7 - Option to purchase real estate

In March 2010, the Company signed an agreement with a group of buyers, whereby the Company granted an option to buy real estate in NAHARIA, owned by the Company, for a four-month term. In consideration for this option, the Company received NIS 2 million, which is not refundable to the buyers should they not exercise the option. The proceeds from the aforementioned option is included on the Company's balance sheet as of June 30, 2010 under current liabilities.
In March 2010, the Company signed an agreement with a group of buyers, whereby the Company granted an option to buy real estate in NAHARIA, owned by the Company, for a four-month term. In consideration for this option, the Company received NIS 2 million, which is not refundable to the buyers should they not exercise the option. Should the buyers exercise the option and sign a purchase agreement with the four-month period, the buyers would buy the Company USD 24 million in consideration for the real estate, over a period of up to 3 years from the signing date of the purchase agreement.

<u>On June 23, 2010</u>, the Company signed an amendment to the option agreement for purchase of real estate property in NAHARIA, whereby the term of the option to purchase said real estate was extended by an additional 1 month, for additional consideration of NIS 500 thousand paid to the Company.

<u>On July 28, 2010</u>, the Company announced a further amendment to the option agreement for purchase of real estate property in NAHARIA, whereby the term of the option to purchase said real estate was extended by an additional 2 months; concurrently, the Company filed a cautionary claim with the Local Zoning and Construction Committee in NAHARIA, for compensation to the Company of any damage sustained due to impairment of the real estate, should a qualified zoning entity determine - in opposition to the position of the Company and its advisors - that zoning plan TMM/9/2 impacts the construction rights on said real estate.

Note 8 - Functional currency

Starting in 2010, most of the parameters affecting operations of DELTA Israel are measured in NIS; therefore, Company management has resolved to change the functional currency of this segment from USD to NIS.

The effect of said change on results for the second quarter and first half of 2010 are not material.