

6 February 2017

Bagir Group Limited
("Bagir" or the "Company")

Acquisition of remaining 50% share in Ethiopian manufacturing site

Bagir (AIM: BAGR), a designer, creator and provider of innovative tailoring, is pleased to announce the conditional acquisition of the remaining 50% shareholding in Nazareth Garments ("NGSC"), the joint venture owner of its manufacturing site in Nazareth, Ethiopia, for a total consideration of US\$1.9 million (the "Acquisition").

The shareholding is being acquired from Bagir's joint venture partners, Mr. Kassaye Mekuria Mindesyil and his family, Mrs. Senait Bekele Zewudu and Mr. Lamenu Mekuria Mindesyil together with other members of their families who are minority shareholders (the "Sellers"). Following completion of the Acquisition, Bagir will own 100% of the manufacturing site.

Eran Itzhak, Chief Executive Officer, commented, "The option to acquire the remaining 50% in this site giving us total control is timely as it coincides with the Company looking to expand production significantly and we can see growing interest in the site from our customer and prospective customer base as well as new exciting opportunities. There is still some way to go but we are in a good position to make Ethiopia a key cornerstone of our business."

Background to the Acquisition

Bagir first acquired a 50% shareholding in NGSC in November 2014 and has since been focused on investing in and developing the site by upgrading the machinery and infrastructure as well as implementing its quality, know-how and social responsibility standards, so that it is capable of servicing international retailers. In late 2016, the site completed its first international export order for H&M along with a trial order for Hagggar Clothing Co., the leader in men's smart trousers in the United States.

As announced at the time of the Company's equity placing in December 2016, the Company has identified a clear opportunity to increase the scale and sophistication of this site in order to meet future demand and the net proceeds of that placing are being used to invest in further development of the Ethiopian operations.

Over the next five years, the Company intends to deploy its expansion plan for NGSC. The first stage of the expansion plan will include:

- new set up costs for a currently unused production hall to enable it to produce up to 3,000 trousers per day;
- relocation of existing machinery from Bagir's samples production line in order to establish a new production line of 200 jackets per day; and
- upgrading the current local market production hall through the purchase of new sewing equipment and general infrastructure.

Following this the Company plans to increase its suit production capacity at NGSC and create a garment park on site to include a raw materials hub. The Directors consider that this will lead to potential efficiencies through vertical integration.

Ethiopia has strategic advantages in terms of its duty-free export status for sales to the UK and US, low production and energy costs and proximity to Europe. When this is combined with a manufacturing site capable of consistently producing garments to export standard, the Directors believe that this will become a viable option from which international retailers will source significant volumes. Against this important backdrop, the Directors are of the view that it is important for Bagir to secure 100% ownership of NGSC at this time so as to ensure that going forward decisions on investment and expansion will be under the sole control of the Company.

For the financial year ended 31 December 2015, NGSC generated revenues of US\$1.38 million and a net profit after tax of US\$0.59m.

The Acquisition together with the planned investment in the first stage of the expansion plan totalling approximately US\$3m will be funded by the net proceeds from the recent fundraising and the Company's asset backed financial headroom. The consideration for the Acquisition will be paid in instalments, with US\$600,000 being paid immediately on signing the agreement to acquire the remaining 50% shareholding and the balance of US\$1.3m to be paid on or before 30 April 2017.

The Acquisition is conditional on, amongst other things, certain procedural share registrations in Ethiopia and capital gain tax clearance on the Sellers, which are expected to be completed on or before 30 April 2017. Further announcements will be made at the appropriate time.

Enquiries:

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