13 September 2017

Bagir Group Ltd.
("Bagir" or the "Company")

Interim results
for the six months ended 30 June 2017

Bagir (AIM: BAGR), a designer, creator and provider of innovative tailoring, is pleased to announce its results for the six months ended 30 June 2017.

H1 Highlights

- Revenues of $28.1m for the first half of 2017, in line with revised expectations (H1 2016 $33.5m).
- EBITDA* and Adjusted EBITDA of $1.9m and $0.8m respectively in the first half of 2017, compared with EBITDA of $0.8m in H1 2016
- Operating income of $1.0m for the first half of 2017 ($(0.1)m excluding the one-off capital gain, net of other expenses) compared with $0.0m in H1 2016
- Cash and cash equivalents at 30 June 2017 of $7.0m ($8.6 and $4.0m at 31 December 2016 and 30 June 2016, respectively). The reduction in cash is mainly attributable to the acquisition in Ethiopia
- Completed the strategic acquisition of the remaining 50% shareholding in Nazareth Garments, Ethiopia. This competitive edge site combines tariff free trade and low production costs with good connectivity for onward distribution
- New product development has been an area of strength with six new concepts released in April including: The Transit Suit; City Traveller; Pack Away; Shaper Pants; 0.755 Suit; and the Heater Body Suit. Initial orders have already been taken for some of these lines from new and existing customers

** 'EBITDA' is a non-IFRS measure that the Company uses to measure its performance. It is defined as Earnings Before Interest, Taxation, Depreciation and Amortisation and non-cash share based compensation. The Adjusted EBITDA figure excludes $1.1m one-off capital gain attributable to the acquisition in Ethiopia, net of other expenses. The capital gain calculation is subject to final measurement of asset valuation that is expected to be completed by the annual audited report, but the Company does not expect any material change to this figure.*

Eran Itzhak, CEO of Bagir, said:

"These results show the Group's continued progress towards establishing a core manufacturing base in Ethiopia coupled with the sites in Vietnam and Egypt that enables the Company to compete effectively for business from the world's leading retailers. The acquisition of 100% ownership of our Ethiopian site was an important step towards achieving this aim.

We continue to deliver on our reputation as an innovative tailor, building upon our 50 year heritage servicing major high-profile retailers with April's release of six new concepts already securing orders from high-street brands in the UK and Europe. Sales levels have been slightly slower than forecast but the medium term prospects coupled with increased capacity in Ethiopia remain very exciting."

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Chairman's statement

Introduction

Following on from the significant progress made in 2016, during which the Company repaid the bank debt, reduced annual costs by c.30% and created a stable platform, the Company has continued to implement its restructuring programme to create internationally competitive manufacturing bases to combine with the Company's innovative tailoring capabilities.

The Group generated revenues of $28.1m and EBITDA of $1.9m ($0.8m excluding one-off capital gain attributable to the acquisition in Ethiopia net of other expenses) compared with $0.8 in H1 2016.

Development of the new production lines at our facilities in Vietnam Hanoi and Ethiopia in order to support competitive solution orders has progressed, but is behind the original timetable, which impacted the Company's ability to secure these orders. Progress has been made on all fronts albeit slower than anticipated and the current level of our order book is in line with the board's expectations.

Bagir is a stable business and remains well placed. We remain confident of our strategic plan and our ability to substantially increase our customer base. Taking 100% control of our Ethiopian site at the end of June was a significant step forward in achieving this aim and creating a long-term competitive advantage for the Company.

Financial review

Revenue for the six months ended 30 June 2017 was $28.1m. The slight reduction in sales from the previous year was mainly in the UK market as a result of a reduction in order volumes driven by the Company's refusal to manufacture at non-profitable price levels. Nevertheless, the Company still managed to achieve important client wins during the period and secured orders from a number of well-known customers in France, South Africa and Australia.

The gross margin for the six months ended 30 June 2017 was 16.3%, compared with 17.8% for the first half of 2016. This decrease is primarily attributed to the reduction in revenues which in turn reduces our economies of scale and to the sales mix itself.

Selling and marketing expenses decreased to $2.6m in H1 2017 (H1 2016: $3.6m) and development costs decreased to $0.4m in H1 2017 (H1 2016: $1.0m), reflecting the lower operating costs following the recovery plan that the Company implemented during 2016. The Company is planning achieving further cost savings and a review is underway to identify opportunities to improve efficiencies across the business.

EBITDA for the first half of 2017 was in line with our revised expectations, with EBITDA of $1.9m ($0.8m excluding one-off capital gain attributable to the acquisition in Ethiopia net of other expenses) compared to $0.8 in H1 2016.

The operating income for the first half of 2017 amounted to $1.0m ($(0.1)m excluding the one-off capital gain, net of other expenses) compared with $0.0m in H1 2016.

Cash and cash equivalents at 30 June 2017 amounted to $7.0m (H1 2016 and 31 December 2016 $4.0m and $8.6m respectively) with the reduction in cash being mainly as a result of the investment in the acquisition of the remaining 50% shareholding in Ethiopia.

Operational review

The business is now focused on three core manufacturing geographies in Vietnam, Egypt and Ethiopia. A core part of our strategy being to streamline the Company's manufacturing base whilst also improving it. This has been achieved. The combination of the three bases provide strong competitive advantages as they enable us to benefit from duty free export status for sales to both the EU and US, highly competitive production costs and local governmental support for the textile industry.

In June 2017, the Company completed the strategic acquisition of the remaining 50% shareholding in Nazareth Garments, the joint venture owner of its manufacturing site in Nazareth, Ethiopia, for a total consideration of US$1.9 million. Our Ethiopian site is a key asset for the business as it has the potential to be a significant catalyst for future growth. Ethiopia offers tariff free trade and low production costs combined with good connectivity for onward distribution. Completing the acquisition took slightly longer than expected which had a knock-on effect on our operational plans, however, as 100% owners Bagir has full control over the company and the site is making good progress towards expanding its capacity.

In Vietnam, the readiness of production lines in Hanoi with a new subcontractor took longer than anticipated but progress is being made and this site too is expected to be able to provide a competitive solution for our UK, Europe and US markets.

Innovation and quality remains at the heart of all Company activity. Bagir is intensely proud of its track record created over the last 50 years of servicing leading western retailers. New product development has been an area of strength with the Company developing platforms to support made-to-measure and personalized garments. In April, six new concepts were released including: The Transit Suit; City Traveller; Pack Away; Shaper Pants; 0.755 Suit and the Heater Body Suit. Initial orders have already been taken for some of these lines from major high-street retailers in the UK and in Europe.

Outlook

Interest in Bagir's products and manufacturing capabilities from international retailers is high, in particular, in the potential output from our Ethiopia site. We are progressing this site and we remain confident of its ability to act as a catalyst for the Group to win high volume sales orders. We expect that by mid-2018 the site will be able to produce approximately 3,000 trousers per day. At this level and at the price point together with the tariff free advantages it can offer we believe that this will be one of the most attractive places in the world for manufacturing of tailored goods. It does take time to establish but we are following a clear plan and are confident of achieving our goals.

As we look towards the end of FY17 and beyond into FY18, we are seeing more requests for trial orders and have hosted site inspection visits from international retailers at our Ethiopian facility. This leads us to being confident in our ability to secure commercial orders from these retailers in the short-to-medium term.

Innovation remains core to Bagir's future strategy and we will be launching further new products aimed at not just cementing our product development reputation and relationships with existing international retailers but also at attracting new ones.

Over the last 18 months we have made significant cost reductions and, whilst this process is now largely complete, there remain one or two areas within which we hope to be able to make further savings in order to drive operational efficiencies. At the same time, we continue to look for synergistic acquisition targets or potential joint venture partners.

Our current order book for FY17 and FY18 is underpinned by long term clients and we are working on expanding upon this with our pipeline of good new business opportunities. We are on track to meet market forecasts although given that our financial year end falls in the middle of our peak manufacturing period, as is always the case a small percentage of orders may end up being manufactured in FY18.

Tessa Laws
Chairman

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	Unaudited		Audited
	2017	2016	2016
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	7,050	3,979	8,624
Short-term deposit	132	475	81
Trade receivables	4,728	5,502	3,972
Other receivables	2,414	2,813	2,288
Inventories	5,219	5,130	5,337
	19,543	17,899	20,302
NON-CURRENT ASSETS:			
Investment in a joint venture	-	1,875	1,580
Property, plant and equipment	8,560	673	668
Goodwill	5,689	5,689	5,689
Other intangible assets	3,149	4,545	3,873
Deferred taxes	360	328	340
	17,758	13,110	12,150
	37,301	31,009	32,452

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	Unaudited		Audited
	2017	2016	2016
	U.S. dollars in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks, current maturities of long-term loans and other short-term credit	3,234	608	-
Trade payables	4,832	3,950	3,848
Other payables	4,474	3,983	4,618
	12,540	8,541	8,466
NON-CURRENT LIABILITIES:			
Loans from banks	-	20,397	-
Employee benefit liabilities	270	410	210
Payable for acquisition of subsidiary	2,382	2,790	2,594
Deferred taxes	1,379	-	-
	4,031	23,597	2,804
EQUITY:			
Share capital	3,284	576	3,284
Share premium	86,306	78,380	86,306
Capital reserve for share-based payment transactions	1,702	1,441	1,580
Capital reserve for transactions with shareholders	10,165	10,165	10,165
Adjustments arising from translation of foreign operations	(8,895)	(8,895)	(8,895)
Accumulated deficit	(73,778)	(84,742)	(73,204)
EQUITY ATRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	18,784	(3,075)	19,236
Non-controlling interests	1,946	1,946	1,946
Total equity (deficiency)	20,730	(1,129)	21,182
	37,301	31,009	32,452

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

12 September 2017			
Date of approval of the financial statements	Tessa Rebecca Laws Chairman of the Board	Eran Itzhak CEO and Director	Yehuda Cohen CFO, Deputy CEO and Director

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2017	2016	2016
	U.S. dollars in thousands		
Revenues from sales	28,093	33,503	64,071
Cost of sales	23,516	27,543	53,541
Gross profit	4,577	5,960	10,530
Selling and marketing expenses	2,644	3,570	6,172
General and administrative expenses	1,688	1,449	3,050
Development costs	427	962	1,652
Other income	(1,392)	-	-
Other expenses	250	6	2
Operating income (loss)	960	(27)	(346)
Finance income	-	-	13,305
Finance expenses	(1,054)	(1,468)	(2,676)
Company's share of losses of a joint venture	(184)	(119)	(414)
Income (loss) before taxes on income	(278)	(1,614)	9,869
Tax benefit (expenses)	(296)	24	32
Net income (loss) for the period (all attributable to the equity holders of the company)	(574)	(1,590)	9,901
Other comprehensive loss:			
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurment gain on defined benefit plans	-	-	47
Total other comprehensive income	-	-	47
Total comprehensive income (loss)	(574)	(1,590)	9,948
Net income (loss) attributable to equity holders of the Company	(574)	(1,590)	9,901
Total comprehensive income (loss) attributable to equity holders of the Company	(574)	(1,590)	9,948

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2017	2016	2016
	U.S. dollars in thousands (except share and per share data)		
Earnings (loss) per share attributable to equity holders of the Company (in dollars)			
Basic and diluted Earnings (loss) per share	(0.002)	(0.03)	0.11
Weighted average number of Ordinary shares for basic and diluted earnings (loss) per share (in thousands)	310,543	50,428	90,231

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve for share-based payment transactions	Capital reserve for transactions with shareholders	Adjustments arising from translation of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total equity
	Unaudited								
	U.S. dollars in thousands								
Balance at 1 January 2017	3,284	86,306	1,580	10,165	(8,895)	(73,204)	19,236	1,946	21,182
Total loss and comprehensive loss	-	-	-	-	-	(574)	(574)	-	(574)
Cost of share-based payment	-	-	122	-	-	-	122	-	122
Balance at 30 June 2017	3,284	86,306	1,702	10,165	(8,895)	(73,778)	18,784	1,946	20,730

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve for share-based payment transactions	Capital reserve for transactions with shareholders	Adjustments arising from translation of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total equity (deficiency)
	Unaudited								
	U.S. dollars in thousands								
Balance at 1 January 2016	576	78,342	1,438	10,165	(8,895)	(83,152)	(1,526)	1,946	420
Total loss and comprehensive loss				-	-	(1,590)	(1,590)	-	(1,590)
Exercise of options	*)	38	(35)				3		3
Cost of share-based payment	-	-	38	-	-	-	38	-	38
Balance at 30 June 2016	576	78,380	1,441	10,165	(8,895)	(84,742)	(3,075)	1,946	(1,129)

*) Less than $1 thousand.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve for share-based payment transactions	Capital reserve for transactions with shareholders	Adjustments arising from translation of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total equity
	Audited								
	U.S. dollars in thousands								
Balance at 1 January 2016	576	78,342	1,438	10,165	(8,895)	(83,152)	(1,526)	1,946	420
Profit for the year	-	-	-	-	-	9,901	9,901	-	9,901
Other comprehensive income:									
Remeasurement gain on defined benefit plans	-	-	-	-	-	47	47	-	47
Total comprehensive income	-	-	-	-	-	9,948	9,948	-	9,948
Exercise of options	*)	38	(35)				3		3
Cost of share-based payment	-	-	177	-	-	-	177	-	177
Issue of share capital (net of issue expenses of $0.56 million)	2,494	7,256	-	-	-	-	9,750	-	9,750
Conversion of loans from Banks into shares	214	670	-	-	-	-	884	-	884
Balance at 31 December 2016	3,284	86,306	1,580	10,165	(8,895)	(73,204)	19,236	1,946	21,182

*) Less than $1 thousands.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2017	2016	2016
	U.S. dollars in thousands		
Cash flows from operating activities:			
Profit (loss)	(574)	(1,590)	9,901
Adjustments to reconcile loss to net cash provided by (used in) operating activities:			
Gain from remeasurement of previous investment in joint venture	(1,223)	-	-
Bargain purchase gain	(95)	-	-
Company's share of losses of a joint venture	184	119	414
Depreciation and amortization	855	851	1,738
Change in employee benefit liabilities	60	(29)	(182)
Cost of share-based payment	122	38	177
Loss from sale of property, plant and equipment	-	19	20
Finance expenses, net	451	927*)	1,773*)
Deferred taxes, net	(20)	(24)	(36)
Income tax expense, net	316	-	4
Gain on extinguishment of debt	-	-	(13,305)
	650	1,901	(9,397)
Changes in asset and liability items:			
Decrease (increase) in trade receivables	(355)	(1,074)*)	818*)
Increase in other receivables	(165)	(759)	(319)
Decrease in inventories	162	3,196	2,989
Increase (decrease) in trade payables	792	(1,466)	(1,568)
Decrease in other payables	(693)	(1,104)	(516)
	(259)	(1,207)	1,404
Cash paid during the period for:			
Interest paid	(590)	(1,033) *)	(1,968) *)
Taxes paid	(316)	-	-
	(906)	(1,033) *)	(1,968) *)
Net cash used in operating activities	(1,089)	(1,929)	(60)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

*) Reclassified.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2017	2016	2016
	U.S. dollars in thousands		
Cash flows from investing activities:			
Acquisition of initially consolidated subsidiary (a)	(1,811)	-	-
Investment in a joint venture	(1,169)	-	-
Purchase of property, plant and equipment	(273)	(207)	(375)
Additions to intangible assets	-	-	(43)
Purchase of short-term deposits, net	(51)	(11)	(5)
Release of pledged bank deposits	-	-	387
Net cash used in investing activities	(3,304)	(218)	(36)
Cash flows from financing activities:			
Issue of shares, net of expenses	-	-	9,750
Receipt of short-term credit from others	3,219	-	-
Exercise of options	-	3	3
Payment of long-term liabilities from banks	-	(232)	(6,988)
Repayment to joint venture	-	(708)	(708)
Payment of liability for acquisition of subsidiary	(400)	(400)	(800)
Net cash provided by (used in) financing activities	2,819	(1,337)	1,257
Increase (decrease) in cash and cash equivalents	(1,574)	(3,484)	1,161
Cash and cash equivalents at the beginning of the period	8,624	7,463	7,463
Cash and cash equivalents at the end of the period	7,050	3,979	8,624

a) Acquisition of initially consolidated subsidiary

The subsidiary's assets and liabilities at date of acquisition:

Working capital (excluding cash and cash equivalents)	(1,893)	-	-
Property, plant and equipment	7,750	-	-
Deferred taxes	(1,379)	-	-
Gain from remeasurement of investment in company previously accounted for at equity	(1,223)	-	-
Bargain purchase gain	(95)	-	-
Investment in company previously accounted for at equity	(1,349)	-	-
	1,811	-	-

b) Significant non-cash transactions:

Waiver of receivable from partner in joint venture (see Note 3)	672	-	-
Issuance of shares upon extinguishment of loans from Banks into shares	-	-	844

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

NOTE 1:- GENERAL

a. Company description:

Bagir Group Ltd. ("the Company") is registered in Israel. The Company and its subsidiary ("the Group") specialize in the manufacturing and marketing of men's and women's tailored fashion. The Company's Headquarters are located in Kiryat Gat, Israel. The Group's products are manufactured by subsidiaries in Egypt and Ethiopia and subcontractors. The Group's products are marketed in U.S., Europe (mainly in the U.K.) and in other countries. As for operating segments, see Note 4.

b. The interim condensed consolidated financial statements for the six months ended 30 June 2017 were approved for issue in accordance with a resolution of the Board of Directors on 12 September 2017.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim consolidated financial statements:

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016.

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated annual financial statements for the year ended 31 December 2016.

b. Assessment of going concern:

The Board of Directors has considered the principal risks and uncertainties of the business, the trading forecasts prepared by management covering a twelve month period following the approval of the financial statements and the resources available to meet the Group's obligations for the aforementioned period. After taking all of the above factors into consideration, the Board of Directors has concluded that it is appropriate to apply the going concern basis of accounting in preparing the financial statements.

NOTE 3:- BUSINESS COMBINATION

The Company held 50% of the shares of Nazareth Garments ("NGSC") which, up to the acquisition of the remaining 50% and the beginning of consolidation, was treated as an investment in a joint venture.

In January 2017, the Company signed an agreement to acquire the remaining 50% of the joint venture. The acquisition was conditional on the fulfillment of certain procedural matters. In June 2017, the Company completed the acquisition for a total consideration of $2.6 million, $1.9 million in cash and $0.7 million for waiver of receivable from the partner in the joint venture.

As of 30 June 2017, the Company has recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the interim financial statements, a final valuation by an external valuation specialist of the identifiable assets acquired and liabilities assumed has not been completed. The identification and measurement of the acquired assets and liabilities may be adjusted within the measurement period (up to 12 months from the acquisition date).

The provisional fair values of the identifiable assets and liabilities of NGSC on the acquisition date:

	U.S. dollars in thousands
Cash and cash equivalents	89
Trade receivables	45
Other receivables	22
Inventories	44
Property, plant and equipment, net	7,750
Trade and other payables	(1,332)
Deferred tax liability	(1,379)
Total fair value of net identifiable assets	5,239
Gain from remeasurement to fair value of previous investment in the joint venture	(1,223)
Bargain purchase gain	(95)
Carrying amount of investment in the joint venture	(1,349)
Purchase price	2,572

The deferred tax liability comprises the tax effect of the fair value adjustments of the identifiable assets and liabilities.

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

Purchase consideration:

	U.S. dollars in thousands
Cash paid	1,900
Waiver of receivable due from the partner in the joint venture	672
Total consideration	2,572

Acquisition costs that are directly attributable to the transaction of approximately $ 59 thousand were carried as an expense to other expenses, net.

Cash flow on the acquisition:

	U.S. dollars in thousands
Cash and cash equivalents acquired	89
Cash paid	(1,900)
Net cash outflow	(1,811)

NOTE 4:- OPERATING SEGMENTS

a. General:

The Group's activity is the manufacturing and marketing of men's and women's tailored fashion (mainly men's).

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. The Group's products are primarily marketed to two geographical areas: U.S. and Europe and, accordingly, the Company has two geographical segments. The
Company's activities in Europe are concentrated primarily in the U.K.

NOTE 4:- OPERATING SEGMENTS (Cont.)

b. Financial information on operating segments:

	U.S.	Europe (mainly the U.K.)	Other	Total
	Unaudited			
	U.S. dollars in thousands			
Six months ended 30 June 2017 :				
Total revenues from external customers	21,839	5,638	616	28,093
Segment profit (loss)	1,255	(1,606)	173	(178)
Unallocated income, net				954
Finance expenses, net				(1,054)
Loss before income taxes				(278)

	U.S.	Europe (mainly the U.K.)	Other	Total
	Unaudited			
	U.S. dollars in thousands			
Six months ended 30 June 2016 :				
Total revenues from external customers	22,095	10,119	1,289	33,503
Segment profit (loss)	1,578	(1,878)	273	(27)
Unallocated expenses, net				(119)
Finance expenses, net				(1,468)
Loss before income taxes				(1,614)

	U.S.	Europe (mainly the U.K.)	Other	Total
	Audited			
	U.S. dollars in thousands			
Year ended 31 December 2016:				
Total revenues from external customers	45,064	17,000	2,007	64,071
Segment profit (loss)	1,998	(2,690)	346	(346)
Unallocated expenses, net				(414)
Finance income, net				10,629
Income before income taxes				9,869