25 September 2015

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

Interim Results
for the six months ended 30 June 2015

Bagir (AIM: BAGR), a designer, creator and provider of innovative formalwear tailoring, announces its results for the six months ended 30 June 2015.

HIGHLIGHTS

- Revenue of $45.5m (H1 2014: $48.0m)
- Adjusted EBITDA of $(0.2)m* (H1 2014 :$1.7m)
- Operating (loss) income of $(1.9)m (H1 2014: $0.0m)
- Adjusted operating (loss) income of $(0.4)m** (H1 2014: $1.5m)
- Adjusted profit (loss) before tax of $(1.7)m** (H1 2014: $(0.9)m)
- Net debt at 30 June 2015 of $8.2m (31 Dec 2014: $12.5m)
- Competitive pressures and the deferral of sales planned for 2015 into 2016 are expected to result in a significantly worse second half trading performance
- Recovery Plan extended to focus core activities on higher value added products with better returns, and with other products supplied from the Ethiopia facility as it is developed; it will also include further significant reductions in overhead costs
- Actions being taken to restructure the Board on a more appropriate basis, with reduced costs

* Adjusted for depreciation of $0.2m, amortization of intangibles of $1.2m and non-recurring Recovery Plan consultancy cost of $0.2m
** Adjusted for amortization of intangibles of $1.2m and non-recurring Recovery Plan consultancy costs of $0.2m

Danny Taragan, CEO of Bagir, said:

"Despite the reduction in sales from our previous largest customer, as announced in May 2014, good progress has been made in broadening the Company's activities. The development of the Ethiopia facility is progressing well and this represents an attractive opportunity and source of increased competitive advantage.

"We will be extending our Recovery Plan to focus our core businesses on higher value added activities with better returns, enabling us to continue to materially improve cost efficiency."

For further information, please contact:

Bagir Group Ltd. via FTI Consulting
Danny Taragan, Chief Executive Officer
Udi Cohen, Chief Financial Officer

N+1 Singer +44 (0) 20 7496 3000
Nic Hellyer
Alex Wright
James Maxwell

FTI Consulting +44 (0) 20 3727 1000
Alex Beagley / Tom Hufton

STRATEGIC AND FINANCIAL REVIEW

Despite the loss of a substantial proportion of revenue from its previous largest customer, as announced in May 2014, the Company has successfully grown revenue elsewhere during the six months to 30 June 2015, through additional sales to other existing and new retail customers.

Following a review of its business strategy and operating processes, the Company commenced a Recovery Plan (the "Plan") to improve the effectiveness of its processes and reduce costs. As part of the Plan, the Company decided to upgrade its IT systems and implementation of this has progressed well in the first half.

The Company expects the second half of the year to be more difficult than the first half, due to competitive pressures and the deferral of sales planned for 2015 into 2016. In light of this, the Company has decided to extend the scope of the Plan to focus core activities on higher value added products, with better returns, and with other products supplied from the Ethiopia facility as it is developed; it will also include further significant reductions in overhead costs.

The development of the production facility in Ethiopia, which was purchased in November 2014, is progressing to plan and the first production line of trousers for export is expected to be undertaken during the fourth quarter of 2015. The facility is expected to give Bagir a strong competitive advantage due to its duty free exports status for sales to the EU and US, its competitive production costs and government support for the textile industry. It is also intended that other products will progressively be provided by the facility as its capacity and expertise develops.

Revenue

Revenue for the six months ended 30 June 2015 was $45.5m compared with $48.0m for the first half of 2014. The reduction in revenue compared with the comparable period last year was mainly due to the decline in sales to the Company's former largest customer as announced last year. The Company has however successfully grown revenue elsewhere through additional sales to other existing and new retail customers.

Gross margin

The gross margin for the six months ended 30 June 2015 was 14.5% compared with 17.4% for the first half of 2014. This decline was also predominantly due to the reduction in higher margin sales to the Company's former largest customer and the impact of the devaluation of the pound\dollar exchange rate, which reduced gross profit by approximately $0.4m.

Operating expenses

Selling and marketing expenses increased to $5.0m in H1 2015 (H1 2014: $4.2m), mainly due to approximately $1.0m additional variable selling costs associated with different product mix and an increased level of smaller purchase orders. Other costs decreased as a result of the Plan.

The development costs decreased to $1.2m in H1 2015 (H1 2014: $1.8m) as a result of the Plan.

The general and administrative expenses increased to $2.2m in H1 2015 (H1 2014: $2.0m), due mainly to expenses arising from the Company's listing and $0.2m one-off consultancy costs associated with the implementation of the Plan. Other costs decreased.

Adjusted EBITDA

Adjusted EBITDA (before non-recurring recovery plan consultancy costs) for the six months ended 30 June 2015 was $(0.2)m (H1 2014: $1.7m).

Adjusted operating income and profit (loss) before taxation

Adjusted operating income (loss) and profit (loss) before tax (before $1.2m amortization of intangible assets and before $0.2m non-recurring Plan consultancy costs) for the six months ended 30 June 2015 was $(0.4)m and $(1.7)m respectively, compared with $1.5m and $(0.9)m respectively in the first half of 2014. The reduction in profit compared with the comparable period last year is due to the decline in sales to the Company's previous largest customer.

Loss per share

Basic and fully diluted earnings (loss) per share for the period was $(0.06) (H1 2014: $(0.10)).

Net debt
As at 30 June 2015, net debt decreased to $8.2m compared with $12.5m at 31 December 2014 and $8.5m at 30 June 2014. Net debt reduced mainly due to changes associated with the Company's working capital and approximately $2m increase in invoice financing.

The Company's financial covenants were reset with the Company's banks in January 2015 for the years 2015 and 2016 and the Company made an early repayment of $2.3m of long term loans in January 2015 that were originally scheduled for payment in monthly payments during 2015 and the first quarter of 2016.

As of 30 June 2015, the Company is complying with the financial covenants.

Cash and cash equivalents
As at 30 June 2015, cash and cash equivalents were $13.3m compared with $11.4m at 31 December 2014 and $16.1m at 30 June 2014.

OUTLOOK

The Company has made good progress in developing revenues to replace its previous largest customer during the six months to 30 June 2015. However, as noted above, the Company expects the second half of the year to be more difficult than the first half due to competitive pressures and the deferral of sales planned for 2015 into 2016. As a result, the Company expects trading for the second half of the current financial year to be significantly worse than the first half.

The refocusing of activities as part of the extension to the Plan is planned to result in a sustainable trading performance in 2016 with continuing improvement in subsequent years.

BOARD RESTRUCTURING AND BOARD COSTS

In light of the Company's current trading, the Directors of the Company have concluded that the Board should be restructured on a more appropriate basis, with significantly reduced costs. To achieve this:

Keith Hamill (Non-Executive Chairman) and George Adams (Independent Non-Executive Director) have decided to step down as of 30 September 2015, waiving notice entitlements under their appointment agreements.

Tessa Laws, who is currently an Independent Non-Executive Director, will become Non-Executive Chairman.

The Board will propose a shareholder resolution (in accordance with Israeli law) to appoint Donald Stewart (former Chairman of the Quoted Companies Alliance) as a new Independent Non-Executive Director in due course.

All remaining Non-Executive Directors have agreed to a 33% reduction in their fees from 1 October 2015, to be reviewed as at 31 March 2016.

BAGIR GROUP LTD.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2015
UNAUDITED
IN U.S. DOLLARS IN THOUSANDS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	Unaudited		Audited
	2015	2014	2014
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	13,332	16,142	11,420
Short-term investments	512	434	397
Trade receivables	8,441	10,586	10,247
Other receivables	2,078	3,235	3,017
Inventories	8,794	7,910	10,379
	33,157	38,307	35,460
NON-CURRENT ASSETS:			
Investment in a joint venture	1,747	-	1,765
Property, plant and equipment	1,150	1,473	1,308
Goodwill	5,689	5,689	5,689
Other intangible assets	4,178	6,073	4,968
Deferred taxes	362	450	372
	13,126	13,685	14,102
	46,283	51,992	49,562

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
	2015	2014	2014
	U.S. dollars in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans	11,295	11,500	11,880
Trade payables	7,179	7,383	7,351
Other payables	8,086	6,079	5,597
	26,560	24,962	24,828
NON-CURRENT LIABILITIES:			
Loans from banks	10,192	13,115	12,025
Employee benefit liabilities	427	520	456
Obligation relating to lease agreement	156	430	155
Deferred taxes	92	140	116
	10,867	14,205	12,752
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	574	574	574
Share premium	78,322	78,449	78,322
Capital reserve for share-based payment transactions	1,449	1,428	1,444
Capital reserve for transactions with shareholders	10,165	10,165	10,165
Adjustments arising from translation of foreign operations	(8,895)	(8,964)	(8,895)
Accumulated deficit	(74,705)	(70,773)	(71,574)
	6,910	10,879	10,036
Non-controlling interests	1,946	1,946	1,946
Total equity	8,856	12,825	11,982
	46,283	51,992	49,562

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2015	2014	2014
	U.S. dollars in thousands		
Revenues from sales	45,474	48,023	96,982
Cost of sales	38,860	(*39,659	80,075
Gross profit	6,614	8,364	16,907
Selling and marketing expenses	5,045	4,226	8,693
General and administrative expenses	2,249	2,024	4,321
Development costs	1,176	(*1,829	3,198
Expenses in connection with IPO	-	301	301
Other expenses (income), net	21	(12)	(121)
Operating income (loss)	(1,877)	(4)	515
Finance income	167	-	6
Finance expenses	(1,424)	(1,802)	(3,164)
Finance expenses relating to liabilities to shareholders	-	(562)	(562)
Company's share of losses of a joint venture	(18)	-	(12)
Loss before taxes on income	(3,152)	(2,368)	(3,217)
Tax benefit	(21)	(23)	(39)
Loss	(3,131)	(2,345)	(3,178)
Other comprehensive income (loss):			
Items to be reclassified or that are reclassified to profit or loss when specific conditions are met:			
Adjustments arising from translation of foreign operations	-	147	216
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurment gain on defined benefit plans	-	-	32
Total other comprehensive income (loss)	-	147	248
Total comprehensive loss	(3,131)	(2,198)	(2,930)
Loss attributable to equity holders of the Company	(3,131)	(2,345)	(3,178)
Total comprehensive loss attributable to equity holders of the Company	(3,131)	(2,198)	(2,930)

*) Reclassified.

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
	2015	2014	2014
	U.S. dollars in thousands (except share and per share data)		
Loss per share attributable to equity holders of the Company (in dollars)			
Basic and diluted loss	(0.06)	(0.10)	(0.09)
Weighted average number of Ordinary shares for basic and diluted loss per share (in thousands)	50,223	22,749	36,486

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
	Unaudited								
	U.S. dollars in thousands								
Balance at 1 January 2015	574	78,322	1,444	10,165	(8,895)	(71,574)	10,036	1,946	11,982
Total loss and comprehensive loss	-	-	-	-	-	(3,131)	(3,131)	-	(3,131)
Cost of share-based payment	-	-	5	-	-	-	5	-	5
Balance at 30 June 2015	574	78,322	1,449	10,165	(8,895)	(74,705)	6,910	1,946	8,856

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 (deficiency)
	Unaudited								
	U.S. dollars in thousands								
Balance at 1 January 2014	30	27,879	1,411	10,165	(9,111)	(68,428)	(38,054)	1,946	(36,108)
Loss	-	-	-	-	-	(2,345)	(2,345)	-	(2,345
Other comprehensive loss:									
Adjustments arising from translation of foreign operations	-	-	-	-	147	-	147	-	147
Total comprehensive loss	-	-	-	-	147	(2,345)	(2,198)	-	(2,198)
Issue of share capital	412	29,392	-	-	-	-	29,804	-	29,804
Conversion of capital notes to shareholders and loans from shareholders into shares	132	21,178	-	-	-	-	21,310	-	21,310
Cost of share-based payment	-	-	17	-	-	-	17	-	17
Balance at 30 June 2014	574	78,449	1,428	10,165	(8,964)	(70,773)	10,879	1,946	12,825

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 (deficiency)
	Audited								
	U.S. dollars in thousands								
Balance at 1 January 2014	30	27,879	1,411	10,165	(9,111)	(68,428)	(38,054)	1,946	(36,108)
Loss	-	-	-	-	-	(3,178)	(3,178)	-	(3,178)
Other comprehensive income:									
Adjustments arising from translation of foreign operations	-	-	-	-	216	-	216	-	216
Remeasurement gain on defined benefit plans	-	-	-	-	-	32	32	-	32
Total other comprehensive income	-	-	-	-	216	32	248	-	248
Total comprehensive income (loss)	-	-	-	-	216	(3,146)	(2,930)	-	(2,930)
Issue of share capital	412	29,265	-	-	-	-	29,677	-	29,677
Conversion of capital notes to shareholders and loans from shareholders into shares	132	21,178	-	-	-	-	21,310	-	21,310
Cost of share-based payment	-	-	33	-	-	-	33	-	33
Balance at 31 December 2014	574	78,322	1,444	10,165	(8,895)	(71,574)	10,036	1,946	11,982

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
	2015	2014	2014
	U.S. dollars in thousands		
Cash flows from operating activities:			
Loss	(3,131)	(2,345)	(3,178)
Adjustments to reconcile loss to net cash used in operating activities:			
Company's share of losses of a joint venture	18	-	12
Depreciation and amortisation	1,451	1,398	2,829
Deferred taxes, net	(14)	12	66
Change in employee benefit liabilities	(29)	41	9
Cost of share-based payment	5	17	33
Finance expenses, net	840	1,313	1,776
Tax benefit, net	(7)	(35)	(105)
Other	-	193	476
	2,264	2,939	5,096
Changes in asset and liability items:			
Decrease (increase) in trade receivables	1,806	(2,402)	(2,155)
Decrease (increase) in other receivables	720	(1,190)	(801)
Decrease (increase) in inventories	1,585	(1,269)	(3,827)
Increase (decrease) in trade payables	(548)	501	520
Increase (decrease) in other payables	261	(3,479)	(3,815)
	3,824	(7,839)	(10,078)
Cash paid (received) during the period for:			
Interest paid	(531)	(826)	(1,439)
Interest received	-	17	23
Taxes paid	-	(264)	(264)
	(531)	(1,073)	(1,680)
Net cash provided by (used in) operating activities	2,426	(8,318)	(9,840)

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
	2015	2014	2014
	U.S. dollars in thousands		
Cash flows from investing activities:			
Investment in joint venture	-	-	(1,657)
Purchase of property, plant and equipment	(52)	(113)	(148)
Realisation (purchase) of short-term investments, net	(115)	166	203
Bank deposits, net	-	290	290
Additions to intangible assets	(75)	-	(150)
Net cash provided by (used in) investing activities	(242)	343	(1,462)
Cash flows from financing activities:			
Issue of shares, net of expenses	-	29,804	29,677
Receipt of loans from banks	-	3,000	3,000
Payment of long-term liabilities from banks	(2,418)	(10,204)	(10,797)
Decrease in short-term credit, net	-	(410)	(530)
Short-term advance from joint venture	708	-	-
Factored receivables	1,938	-	-
Repayment of liability for acquisition of subsidiary	(500)	(750)	(1,250)
Net cash provided by (used in) financing activities	(272)	21,440	20,100
Translation differences on balances of cash and cash equivalents of foreign operations	-	7	(48)
Increase in cash and cash equivalents	1,912	13,472	8,750
Cash and cash equivalents at the beginning of the period	11,420	2,670	2,670
Balance of cash and cash equivalents at the end of the period	13,332	16,142	11,420
Significant non-cash transactions:			
Conversion of capital notes to shareholders and loans from shareholders into shares	-	21,310	21,310
Payables for investment in joint venture	-	-	120
Purchase of intangible assets on credit	376	-	-

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 subsidiaries ("the Group") specialise 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 a subsidiary and subcontractors. The Group's products are marketed in Europe (mainly in the U.K.), the U.S. 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 2015 were approved for issue in accordance with a resolution of the Board of Directors on 24 September 2015.

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 2015 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 2014.

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 2014.

b. Fair value:

The fair value of cash and cash equivalents, short-term investments, trade and other receivables, bank deposits, credit and loans from banks and trade and other payables approximates their carrying amount.

NOTE 3:- SUPPLEMENTARY INFORMATION

a. In January 2015, the Company signed an amendment to the financing agreements with the banks in the framework of which the Company has undertaken as follows:

(1) The Company has undertaken to meet certain revised financial covenants regarding debt coverage ratio and minimum equity and tangible equity, and these covenants vary depending on whether Nazarath is consolidated.

(2) The Company also undertook to make an early repayment of $2.3 million in January 2015 of long-term loans (that were originally scheduled for payment in 2015 and in the first quarter of 2016) and an early repayment of $0.3 million in the fourth quarter of 2015 (that were originally scheduled for payment at the end of 2017).

(3) Regarding its investment in the joint venture, Nazarath Garment Share Company ("Nazarath"):

- To inform the banks of any intention to obtain control of Nazarath and the effect of the consolidation of Nazarath on the Company's financial statements.
- To undertake that the Company’s loans to Nazarath should not exceed $ 5 million.
- The Company’s loans to Nazarath will be used to finance working capital and/or current investments rather than finance losses of Nazarath.

The early repayment of $2.3 million described in (2) above was made by the Company in January 2015.

As of 30 June 2015, the Company is complying with the financial covenants.

b. On 31 March 2015, the Company signed an agreement to acquire a computer IT system at a cost of approximately $ 600 thousands

c. Further to Note 5 to the annual consolidated financial statements as of 31 December 2014, on 1 July 2015, the Company extended the agreement with the Egyptian partner in the subsidiary in Egypt whereby the Company will continue to control and manage the subsidiary for an additional period of 7 years starting 1 July 2015, in consideration for a fixed annual payment of $ 800 thousands. Accordingly, the Company will continue to fully consolidate the financial statements of the Egyptian subsidiary.

NOTE 4:- OPERATING SEGMENTS

a. General:

The Group's activity is the manufacturing and marketing of men 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: Europe and the U.S. and, accordingly, the Company has two geographical segments. The Company's activities in Europe are concentrated primarily in the U.K.

b. Financial information on operating segments:

	Europe (mainly the U.K.)	U.S.	Other	Total
	Unaudited			
	U.S. dollars in thousands			
Six months ended 30 June 2015 :				
Total revenues from external customers	22,858	20,821	1,795	45,474
Segment profit (loss)	(2,858)	654	327	(1,877)
Unallocated expenses, net				(18)
Finance expenses, net				(1,257)
Loss before tax benefit				(3,152)

	Europe (mainly the U.K.)	U.S.	Other	Total
	Unaudited			
	U.S. dollars in thousands			
Six months ended 30 June 2014 :				
Total revenues from external customers	(*26,301	20,933	(*789	48,023
Segment profit (loss)	(*(631)	708	(*246	323
Unallocated expenses, net				(327)
Finance expenses, net				(2,364)
Loss before tax benefit				(2,368)

*) Reclassified.

	Europe (mainly the U.K.)	U.S.	Other	Total
	Audited			
	U.S. dollars in thousands			
Year ended 31 December 2014:				
Total revenues from external customers	52,838	42,057	2,087	96,982
Segment profit (loss)	(784)	979	370	565
Unallocated expenses, net				(62)
Finance expense, net				(3,720)
Loss before income taxes				(3,217)

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