27 March 2015

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

Final Results
for the year ended 31 December 2014

Bagir (AIM: BAGR), a designer, creator and provider of innovative formalwear tailoring, announces its results for the year ended 31 December 2014.

Financial highlights

- Revenue of $97.0m (2013: $99.5m)
- Gross margin of 17.4% (2013: 18.8%)
- Operating income of $0.5m (2013: $3.6m)
- Adjusted operating income of $3.4m* (2013: $5.6m)
- Profit (loss) before tax of $(3.2)m (2013: $(1.2)m)
- Adjusted profit (loss) before tax of $(0.3)m* (2013: $0.9m)
- Adjusted EBITDA of $3.8m** (2013: $6.1m)
- Basic and fully diluted earnings (loss) per share of $(0.09)*** (2013: $(0.39))
- Net debt at 31 December 2014 of $12.5m (31 December 2013: $50.3m)
- Cash and cash equivalents at 31 December 2014 of $11.4m (31 Dec. 2013: $2.7m)

* Adjusted for amortization of intangible assets of $2.4m, IPO expenses of $0.3m and non-recurring recovery plan consultancy costs of $0.2m (PBT including finance expenses on pre IPO debt)
** Adjusted for depreciation of $0.4m, amortization of $2.4m, IPO expenses and non-recurring recovery plan consultancy costs
*** Including finance expenses on pre IPO debt

Operational highlights

- Admission to trading on AIM in April 2014, raising approximately $29.7m after expenses
- Successfully grew revenues from new and other existing retail customers by approximately 30% (excluding work wear) to help compensate for the substantial loss of revenues from the Company's largest customer due to a change in that customer's buying strategy
- Acquisition of a 50% stake in Nazareth Garments Share Company ("Nazareth") in Ethiopia, for the manufacturing of garments for global sales
- Comprehensive review of the Company's business strategy and operating processes and commencement of a two year recovery plan
- Financial covenants have been reset with the Company's banks for the years 2015 and 2016, in line with the Company's updated financial projections

Danny Taragan, CEO of Bagir Group Ltd, said:
"2014 was a transformational year for Bagir with our successful IPO on AIM in April. However, the Company did suffer some headwinds during the period but, despite the reduction in sales from our largest customer, management expects to continue to grow revenues from other existing and new customers in the UK and in the US.

"The comprehensive review into the Company's business strategy and operating processes was successfully completed and a two year recovery plan has commenced. Once fully implemented, the recovery plan is expected to reduce the Company's operating costs, improve efficiency and enhance the Company's sales and marketing performance.

"The acquisition of Nazareth in November 2014 was an exciting development in Bagir's journey and this production facility in Ethiopia is expected to give Bagir a strong competitive advantage once the planned upgrades have been implemented. The Board thanks shareholders for their continued support and looks to the future with confidence."

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Strategic and Financial Review

In April 2014, Bagir completed a successful admission to trading on the AIM Market of the London Stock Exchange, raising approximately £20.0 million (US$33.5 million) before expenses through the placing of 35,714,285 new shares. IPO related costs amounted to approximately $3.8 million.

As announced in May 2014, the business lost a substantial proportion of its planned revenue due to a change in the buying strategy by its largest customer. The Company has however successfully grown revenue elsewhere by approximately 30% (excluding workwear) through additional sales to other existing and new retail customers.

In November 2014, the Company purchased a 50% stake in Nazareth Garments Share Company ("Nazareth"), an Ethiopian company which owns and operates a garment factory in Ethiopia. As this business and its facilities are developed as part of Bagir's investment, it is expected to give Bagir a strong competitive advantage due to its duty free exports to the EU and US, its competitive production costs and government's support for the textile industry.

In September 2014 the Company announced a comprehensive review of its business strategy and operating processes. This review has been completed and the Company has commenced a two year recovery plan. This plan is designed to increase the competitiveness of our business through both operational improvements and cost reductions.

The Company will continue to focus on growing its quality tailored menswear private label business through existing and new customers. In addition, the Company is planning to further develop its brand licensing activity, mainly in the US, on a royalty paid basis. As part of the recovery plan the Company's production and management processes will be restructured, with efficiency improvements supported by additional IT development. Once fully implemented, the plan is expected to achieve significant annual cost reductions.

The comprehensive two year recovery plan and the increased competitive advantage of the new factory in Ethiopia along with the organic growth with customers and additional private label sales, are expected to deliver improved results in future years and strengthen the position of the Company in its market place.

The Company's financial covenants have been reset by its banks for the years 2015 and 2016, in line with the Company's updated financial projections.

Revenue

Revenue for the year ended 31 December 2014 was $97.0m. This was a $2.5m reduction on the comparable period last year, which was due mainly to the reduction in sales to the Company's largest customer and a large project for a customer that was completed by the Company during 2013, which as expected, did not continue into 2014. This was partly offset by increased revenues with other customers in the UK and in the US during 2014.

Gross margin

The gross margin for the year ended 31 December 2014 was 17.4% compared with 18.8% for 2013. This decline was mainly due to the reduction in business from the Company's largest customer, the completion of the large project mentioned above which had relatively higher margins, negative currency impact of the devaluation of the pound\dollar exchange rate and the higher depreciation of amortized intangible assets ($1.6m in 2014 compared to $1.1m in 2013).

Operating expenses

The general and administrative expenses increased to $4.3m in the period (2013: $3.7m), due predominantly to the additional administrative costs associated with being a quoted company. In addition, $0.3m one-off costs were incurred associated with the Company's IPO. These costs have been included as part of the Company's operating expenses for the period.

The two year recovery plan being implemented by the Company is, once fully implemented, expected to reduce operating costs going forward.

Adjusted operating income and profit (loss) before taxation

Adjusted operating income and profit (loss) before tax (before $2.4m amortization of intangible assets (2013: $2.0m) and before $0.3m IPO expenses and $0.2m non-recurring recovery plan consultancy costs) for the year ended 31 December 2014 was $3.4m and $(0.3)m respectively, compared with $5.6m and $0.9m respectively for 2013. The loss before tax was after finance expenses on pre-IPO debt.

Adjusted EBITDA

Adjusted EBITDA (before IPO expenses and non-recurring recovery plan consultancy costs) for the year ended 31 December 2014 was $3.8m (2013: $6.1m).

Loss per share

Basic and fully diluted earnings (loss) per share for the period was $(0.09) (2013: $0.39 loss).

Net debt

As at 31 December 2014, net debt decreased significantly to approximately $12.5m compared with $50.3m at 31 December 2013. Net debt reduced as a result of the Company's IPO in April 2014 and the conversion of the Company's capital notes to shareholders and loans from shareholders into equity.

Cash and cash equivalents

As at 31 December 2014, cash and cash equivalents increased to $11.4m compared with $2.7m at 31 December 2013, as a result of the IPO proceeds.

Outlook

Despite the reduction in sales from the Company's largest customer, the Company expects to continue to grow the revenues from other existing and new customers in the UK and in the US.

Once fully implemented, the recovery plan is expected to reduce the Company's operating costs, improve efficiency and enhance the Company's sales and marketing performance.

In addition, the newly purchased production facility in Ethiopia is expected to give Bagir a strong competitive advantage once the planned upgrades have been implemented.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December	
	2014	**2013**
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	11,420	2,670
Short-term investments	397	600
Trade receivables	10,247	8,168
Other receivables	3,017	2,047
Inventories	10,379	6,620
	35,460	20,105
NON-CURRENT ASSETS:		
Investment in a joint venture	1,765	-
Bank deposits	-	290
Property, plant and equipment	1,308	1,595
Goodwill	5,689	5,689
Other intangible assets	4,968	7,234
Deferred taxes	372	486
	14,102	15,294
	49,562	35,399

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December	
	2014	**2013**
	U.S. dollars in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Credit from banks and current maturities of long-term loans	11,880	11,537
Trade payables	7,351	6,852
Other payables	5,597	9,773
	24,828	28,162
NON-CURRENT LIABILITIES:		
Loans from banks	12,025	20,700
Capital notes to shareholders and loans from shareholders and their related companies	-	20,748
Employee benefit liabilities	456	479
Obligation relating to lease agreement	155	793
Payable for acquisition of subsidiary	-	461
Deferred taxes	116	164
	12,752	43,345
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:		
Share capital	574	30
Share premium	78,322	27,879
Capital reserve for share-based payment transactions	1,444	1,411
Capital reserve for transactions with shareholders	10,165	10,165
Adjustments arising from translation of foreign operations	(8,895)	(9,111)
Accumulated deficit	(71,574)	(68,428)
	10,036	(38,054)
Non-controlling interests	1,946	1,946
Total equity (deficiency)	11,982	(36,108)
	49,562	35,399

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	**2013**
	U.S. dollars in thousands	
Revenues from sales	96,982	99,490
Cost of sales	80,075	(*80,749
Gross profit	16,907	18,741
Selling and marketing expenses	8,693	8,665
General and administrative expenses	4,321	3,682
Development costs	3,198	(*3,079
Expenses in connection with IPO	301	-
Other income, net	121	289
Operating income	515	3,604
Finance income	6	427
Finance expenses	(3,164)	(3,531)
Finance expenses relating to liabilities to shareholders	(562)	(1,589)
Company's share of losses of a joint venture	(12)	(110)
Other income, net	-	19
Loss before taxes on income	(3,217)	(1,180)
Taxes on income (tax benefit)	(39)	40
Loss	(3,178)	(1,220)
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	216	(12)
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain on defined benefit plans	32	6
Total other comprehensive income (loss)	248	(6)
Total comprehensive loss	(2,930)	(1,226)
Loss attributable to equity holders of the Company	(3,178)	(1,220)
Total comprehensive loss attributable to equity holders of the Company	(2,930)	(1,226)

*) Reclassified.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	**2013**
	U.S. dollars	
Loss per share attributable to equity holders of the Company (in dollars)		
Basic and diluted loss	(0.09)	(0.39)
Weighted average number of Ordinary shares for basic and diluted loss per share *) (in thousands)	36,486	3,125

*) After share split

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

	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)
	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 (net of issue expenses of $ 3.8 million)	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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

	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)
	U.S. dollars in thousands								
Balance at 1 January 2013	30	27,879	1,367	5,623	(9,099)	(67,214)	(41,414)	1,946	(39,468)
Loss	-	-	-	-	-	(1,220)	(1,220)	-	(1,220)
Other comprehensive loss:									
Adjustments arising from translation of foreign operations	-	-	-	-	(12)	-	(12)	-	(12)
Remeasurement gain on defined benefit plans	-	-	-	-	-	6	6	-	6
Total other comprehensive loss	-	-	-	-	(12)	6	(6)	-	(6)
Total comprehensive loss	-	-	-	-	(12)	(1,214)	(1,226)	-	(1,226)
Cost of share-based payment	-	-	44	-	-	-	44	-	44
Capital reserve for capital notes to shareholders and loans from shareholders	-	-	-	4,542	-	-	4,542	-	4,542
Balance at 31 December 2013	30	27,879	1,411	10,165	(9,111)	(68,428)	(38,054)	1,946	(36,108)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Cash flows from operating activities:		
Loss	(3,178)	(1,220)
Adjustments to reconcile loss to net cash provided by (used in) operating activities:		
Company's share of losses of a joint venture	12	110
Depreciation and amortization	2,829	2,487
Deferred taxes, net	66	(48)
Change in employee benefit liabilities	9	(97)
Cost of share-based payment	33	44
Gain from sale of property, plant and equipment	-	(16)
Finance expenses, net	1,776	4,065
Tax expenses (income), net	(105)	88
Other	476	80
	5,096	6,713
Changes in asset and liability items:		
Decrease (increase) in trade receivables	(2,155)	288
Decrease (increase) in other receivables	(801)	1,090
Decrease (increase) in inventories	(3,827)	519
Increase (decrease) in trade payables	520	(1,307)
Decrease in other payables	(3,815)	(5,174)
	(10,078)	(4,584)
Cash paid (received) during the year for:		
Interest paid	(1,439)	(1,948)
Interest received	23	-
Taxes paid	(264)	(2)
	(1,680)	(1,950)
Net cash used in operating activities	(9,840)	(1,041)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Cash flows from investing activities:		
Investment in joint venture	(1,657)	-
Purchase of property, plant and equipment	(148)	(258)
Proceeds from sale of property, plant and equipment	-	16
Capitalisation of development costs	(150)	-
Realisation of short-term investments, net	203	11
Bank deposits, net	290	-
Proceeds from sale of assets held for sale	-	607
Proceeds from sale of investment in a joint venture	-	2,707
Dividend from a joint venture	-	442
Net cash provided by (used in) investing activities	(1,462)	3,525
Cash flows from financing activities:		
Issue of shares, net of expenses	29,677	-
Receipt of loans from banks	3,000	23,000
Payment of loans from banks	(10,797)	(12,891)
Decrease in short-term credit, net	(530)	(12,244)
Repayment of liability for acquisition of subsidiary	(1,250)	(939)
Net cash provided by (used in) financing activities	20,100	(3,074)
Translation differences on balances of cash and cash equivalents of foreign operations	(48)	(15)
Increase (decrease) in cash and cash equivalents	8,750	(605)
Cash and cash equivalents at the beginning of the year	2,670	3,275
Balance of cash and cash equivalents at the end of the year	11,420	2,670
Non-cash transactions:		
Conversion of capital notes to shareholders and loans from shareholders into shares	21,310	-
Payables for investment in joint venture	120	-

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.

b. In April 2014 the Company completed an initial public offering ("IPO") and its shares were admitted to trading on the London Stock Exchange's Alternative Investment Market (AIM). In the IPO, the Company issued 35,714,285 Ordinary shares at a price of 56 pence per Ordinary share. The total gross funds raised in the IPO were GBP 20 million ($33.5 million) and IPO related costs amounted to approximately $3.8 million.

Concurrent with the IPO, the Company issued 11,383,925 Ordinary shares to certain shareholders in consideration for the extinguishment of all capital notes and loans due to these shareholders with a carrying amount of approximately $21,310 thousand (par value of approximately $25,989 thousand).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

Assessment of going concern:

The Board has adopted the going concern basis of accounting in preparing the financial statements. In assessing the appropriateness of doing so the Board has considered the principal risks and uncertainties of the business, the trading forecasts covering a twelve months period following the approval of the financial statements (including downside sensitivities) and the debt facilities provided by the Company’s banks and the covenants relating to those facilities.

NOTE 3:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and loss used in the computation of basic and diluted loss per share:

Year ended 31 December			
2014		2013	
Weighted number of shares (1)	Loss from operations	Weighted number of shares (1)	Loss from operations
In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands
(2) 36,486	(3,178)	3,125 (2)	(1,220)

(1) The data related to the computation of basic and diluted loss per share (options and warrants have not been included as they are antidilutive).

(2) The weighted number or shares are after share split.