



Press Release

Petach Tikva, Israel; August 07, 2018

Strauss Group delivers yet another stellar quarter
All companies in the Group posted top and bottom line growth;
3% sales growth in the second quarter or 6.4% organic growth
excluding foreign currency effects; Net Income rises 14% to NIS 112
million⁽¹⁾

Giora Bardea, Interim CEO of Strauss Group (August 7, 2018): “Strauss Group delivers another quarter of solid growth, following the trend of previous quarters. The Group reports a strong set of results in Q2 2018 with sales and earnings growth in Strauss Israel and in its global operations.

The results of the Group’s operations in Israel reflect continued outperformance versus the domestic food and beverage market, taking the company’s market share in Israel to 12% of the food and beverage sector. Most of this revenue growth was achieved thanks to product innovation and diversification, which will be maintained in the future.

Strauss’s global operations post another excellent quarter across all businesses: coffee margins expand, the water business in China continues to gain momentum, sales at Sabra in North America are growing and Obela is strengthening its position in Australia and New Zealand. The Group’s international activity, which accounts for around half of its revenue, continues to expand, and we plan to maintain this strategy going forward.”

Q2 2018 highlights⁽¹⁾

- Organic sales growth, excluding foreign exchange effects, was c6.4%. Shekel sales were NIS c2.1 billion compared to NIS 2 billion in the corresponding period in 2017; sales were impacted by a negative currency translation amounting to NIS c53 million, mainly as a result of the depreciation of the BRL against the NIS compared to last year.
- Gross profit was NIS c813 million (c38.7% of sales), up c8% compared to the corresponding period last year. Gross margins were up c1.8%.
- Operating profit (EBIT) was NIS c207 million (c9.9% of sales), up c11.2% compared to the corresponding period last year. EBIT margins were up c0.8%.
- EPS for shareholders of the Company was NIS c0.97, up c10.6% compared to the corresponding period.
- Positive cash flows from operating activities totaled NIS c190 million, compared to NIS c199 million in the corresponding period last year.

(1) Data represent the Company’s non-GAAP figures, which include the proportionate consolidation of jointly controlled businesses (without implementation of IFRS 11) and do not include share-based payment, valuation of the balance of commodity hedging transactions as at end-of-period, including adjustments required for deferral of profit or loss from commodity derivatives until the inventory is sold to external parties, and other income and expenses, net, unless stated otherwise

H1 2018 highlights⁽¹⁾

- Organic sales growth, excluding foreign exchange effects, was c7.1%. Shekel sales were NIS c4.3 billion compared to NIS 4.1 billion in the corresponding period in 2017; sales were impacted by a negative currency translation amounting to NIS c104 million, mainly as a result of the depreciation of the BRL against the NIS compared to last year.
- Gross profit was NIS c1,646 million (c38.5% of sales), up c7.4% compared to the corresponding period last year. Gross margins were up c1.3%.
- Operating profit (EBIT) was NIS c461 million (c10.8% of sales), up c12.7% compared to the corresponding period last year. EBIT margins were up c0.9%.
- EPS for shareholders of the Company was NIS c2.25, up c15.3% compared to the corresponding period.
- Positive cash flows from operating activities totaled NIS c296 million, compared to NIS c113 million in the corresponding period last year.

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Non GAAP Figures ⁽¹⁾

Second Quarter

	2018	2017	Change
Total Group Sales (NIS mm)	2,103	2,042	3.0%
Organic Sales Growth excluding FX			6.4%
Gross Profit (NIS mm)	813	753	8.0%
Gross Margins (%)	38.7%	36.9%	+180 bps
EBITDA (NIS mm)	264	243	9.2%
EBITDA Margins (%)	12.6%	11.9%	+70 bps
EBIT (NIS mm)	207	187	11.2%
EBIT Margins (%)	9.9%	9.1%	+80 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	112	97	14.0%
Net Income Margin Attributable to the Company's Shareholders (%)	5.3%	4.8%	+50 bps
EPS (NIS)	0.97	0.88	10.6%
Operating Cash Flow (NIS mm)	190	199	-4.7%
Capex (NIS mm) ⁽²⁾	-76	-71	7.0%
Net debt (NIS mm)	2,143	2,138	0.3%
Net debt / annual EBITDA	2.0x	2.2x	(0.2x)

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(2) Investments include the acquisition of fixed assets and investment in intangible assets.

Note: Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Non GAAP Figures ⁽¹⁾

	Second Quarter							
	Sales (NIS mm)	Sales Growth vs. Last Year	Organic Sales Growth excluding FX	EBIT (NIS mm)	NIS Change in EBIT	% Change in EBIT	EBIT margins	Change in EBIT margins vs. 2017
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	536	3.9%	3.9%	56	1	1.9%	10.4%	-20 bps
Fun & Indulgence ⁽²⁾	242	9.6%	9.6%	13	2	28.6%	5.8%	+90 bps
Total Strauss Israel	778	5.6%	5.6%	69	3	6.4%	8.9%	-
Strauss Coffee:								
Coffee Israel	158	6.2%	6.2%	18	1	9.8%	11.6%	+40 bps
International Coffee ⁽²⁾	820	-1.5%	5.3%	89	5	5.1%	10.9%	+70 bps
Total Strauss Coffee	978	-0.3%	5.5%	107	6	5.8%	11.0%	+60 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	178	9.7%	10.0%	20	11	117.5%	11.2%	+570 bps
Obela (50%) ⁽²⁾	18	21.1%	19.5%	-2	1	NM	NM	NM
Total International Dips & Spreads	197	10.7%	10.8%	18	12	187.4%	9.3%	+570 bps
Strauss Water (2)(3)	150	10.6%	10.5%	17	5	44.9%	11.3%	+270 bps
Other ⁽⁴⁾	0	-100.0%	NM	-4	-6	-364.2%	NM	NM
Total Group	2,103	3.0%	6.4%	207	20	11.2%	9.9%	+80 bps

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(2) Fun & Indulgence figures include Strauss's 50% share in the salty snacks business. International Coffee figures include Strauss's 50% share in the Três Corações joint venture (3C) – Brazil – a company jointly held by the Group (50%) and by the local São Miguel Group (50%). International D&S figures reflect Strauss's 50% share in Sabra and Obela. Strauss Water figures include Strauss's share in the joint venture in China, Haier Strauss Water (HSW). Until August 2017 the Company held a 34% stake in the joint venture, and commencing in September 2017, its percentage holding increased to 49% following the acquisition of an additional 15%.

(3) Commencing in the first quarter of 2018, Company Management has elected to report the results of the Strauss Water segment, formerly presented within the Other Operations segment, separately.

(4) In the second quarter of 2017 the Company sold the Max Brenner operation.

Note: Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands. Total figures for International Dips & Spreads were calculated on the basis of the exact figures for Sabra and Obela in NIS thousands.

Non GAAP Figures ⁽¹⁾

First Half			
	2018	2017	Change
Total Group Sales (NIS mm)	4,270	4,125	3.5%
Organic Sales Growth excluding FX			7.1%
Gross Profit (NIS mm)	1,646	1,533	7.4%
Gross Margins (%)	38.5%	37.2%	+130 bps
EBITDA (NIS mm)	575	521	10.7%
EBITDA Margins (%)	13.5%	12.6%	+90 bps
EBIT (NIS mm)	461	410	12.7%
EBIT Margins (%)	10.8%	9.9%	+90 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	258	213	21.0%
Net Income Margin Attributable to the Company's Shareholders (%)	6.0%	5.2%	+80 bps
EPS (NIS)	2.25	1.95	15.3%
Operating Cash Flow (NIS mm)	296	113	161.5%
Capex (NIS mm) ⁽²⁾	-146	-132	10.6%
Net debt (NIS mm)	2,143	2,138	0.3%
Net debt / annual EBITDA	2.0x	2.2x	(0.2x)

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Non GAAP Figures ⁽¹⁾

	First Half							
	Sales (NIS mm)	Sales Growth vs. Last Year	Organic Sales Growth excluding FX	EBIT (NIS mm)	NIS Change in EBIT	% Change in EBIT	EBIT margins	Change in EBIT margins vs. 2017
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	1,068	6.5%	6.5%	110	2	2.0%	10.3%	-40 bps
Fun & Indulgence ⁽²⁾	576	4.2%	4.2%	68	5	8.9%	12.0%	+60 bps
Total Strauss Israel	1,644	5.7%	5.7%	178	7	4.5%	10.9%	-10 bps
Strauss Coffee:								
Coffee Israel	375	3.7%	3.7%	59	2	5.0%	15.9%	+20 bps
International Coffee ⁽²⁾	1,589	0.5%	6.8%	167	32	22.4%	10.5%	+190 bps
Total Strauss Coffee	1,964	1.1%	6.4%	226	34	17.3%	11.5%	+160 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	339	10.7%	15.0%	34	6	22.4%	10.1%	+100 bps
Obela (50%) ⁽²⁾	38	22.6%	22.7%	-5	1	NM	NM	NM
Total International Dips & Spreads	377	11.8%	15.7%	29	6	31.3%	7.9%	+120 bps
Strauss Water (2)(3)	285	9.2%	9.1%	27	9	47.5%	9.4%	+250 bps
Other ⁽⁴⁾	0	-100.0%	NM	1	-5	NM	NM	NM
Total Group	4,270	3.5%	7.1%	461	51	12.7%	10.8%	+90 bps

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Appendix

Condensed financial accounting (GAAP)			
Second Quarter			
	2018	2017	Change
Sales	1,348	1,288	4.8%
Cost of sales excluding impact of commodity hedges	808	787	2.9%
Adjustments for commodity hedges	-2	10	
Cost of sales	806	797	1.2%
Gross profit	542	491	10.4%
% of sales	40.2%	38.2%	
Selling and marketing expenses	325	309	5.2%
General and administrative expenses	103	86	19.0%
Total expenses	428	395	
Share of profit of equity-accounted investees	76	50	51.7%
Operating profit before other expenses	190	146	30.5%
% of sales	14.1%	11.3%	
Other expenses, net	0	-14	
Operating profit after other expenses	190	132	44.9%
Financing expenses, net	-22	-39	-43.0%
Income before taxes on income	168	93	81.4%
Taxes on income	-46	-10	368.4%
Effective tax rate	27.8%	10.8%	
Income for the period	122	83	46.7%
Attributable to the Company's shareholders	110	73	51.4%
Attributable to non-controlling interests	12	10	14.2%

Condensed financial accounting (GAAP)			
First Half			
	2018	2017	Change
Sales	2,794	2,696	3.7%
Cost of sales excluding impact of commodity hedges	1,664	1,618	2.9%
Adjustments for commodity hedges	-13	19	
Cost of sales	1,651	1,637	0.8%
Gross profit	1,143	1,059	8.0%
% of sales	40.9%	39.3%	
Selling and marketing expenses	640	627	2.1%
General and administrative expenses	198	179	10.7%
Total expenses	838	806	
Share of profit of equity-accounted investees	134	94	42.2%
Operating profit before other expenses	439	347	26.5%
% of sales	15.7%	12.9%	
Other expenses, net	2	-7	
Operating profit after other expenses	441	340	29.7%
Financing expenses, net	-38	-68	-44.2%
Income before taxes on income	403	272	48.1%
Taxes on income	-113	-40	183.4%
Effective tax rate	28.1%	14.7%	
Income for the period	290	232	24.8%
Attributable to the Company's shareholders	263	180	46.4%
Attributable to non-controlling interests	27	52	-49.3%

Note: Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Investor Conference Calls

Strauss Group will host an Investor Conference call in Hebrew on Tuesday, August 7, 2018 at 14:00 (Israel time) to review the Financial Statements of the Company for the second quarter.

To participate please dial: 03-918-0664

Strauss Group will also host an Investor Conference call in English on Tuesday, August 7, 2018 at 15:00 local Israel time (13:00 UK, 08:00 EST) to review the Financial Statements of the Company for the second quarter.

To participate in the live call (in English) please dial one of the following numbers:

From the UK: 0-800-051-8913

From the US: 1-866-860-9642

From Israel: 03-918-0685

The Financial Statements and Investors Presentation are posted on the Group's Investor Relations website at:

<http://ir.strauss-group.com/phoenix.zhtml?c=92539&p=irol-irhome>

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