



Press Release

Petach Tikva, Israel; November 14, 2018

Strauss Group delivers yet another quarter of growth and rising profit:

2.9% organic sales growth, excluding foreign currency effects, in the third quarter; net income rises 15% to NIS 144 million ⁽¹⁾

Giora Bardea, President and CEO of Strauss Group (November 14, 2018): "Strauss Group continues to deliver strong performance. The company's sales and profit continue to consistently improve in Israel and in international operations, despite the significant negative impact of changes in foreign currency on shekel results, particularly in the business in Brazil. Our focus remains on innovation based growth, combined with continued investment in productivity across all operations.

In Israel, Strauss continues to outpace market growth for the eleventh successive quarter. In the reporting period the company increased its market share to 11.9% of the food and beverage sector. Revenue and market share growth were achieved, among other things, thanks to new product launches in all divisions.

We are posting an excellent quarter also in Strauss's global operations, which account for around half of the Group's business. The joint venture in Brazil continues to grow, with sales volumes increasing significantly. However, due to negative currency translations that detracted NIS 100 million, growth was not reflected in shekel revenues. The international dips and spreads business is also growing at an impressive rate, as is Strauss Water's business in Israel and in other countries."

Q3 2018 highlights⁽¹⁾

- Organic sales growth, excluding foreign exchange effects, was c2.9%. Shekel sales were NIS c2.2 billion, similar to the corresponding period, and were impacted by negative currency translations amounting to NIS c108 million, mainly as a result of the depreciation of the BRL against the NIS compared to last year. It is noted that as at the publication date of the financial statements the BRL has appreciated against the NIS, regaining c7.3% in value versus the exchange rate at the end of the quarter.
- Gross profit was NIS c812 million (c37.6% of sales), up c0.3% compared to the corresponding period. Gross margins were up c1.0%.
- Operating profit (EBIT) was NIS c235 million (c10.9% of sales), up c6.1% compared to the corresponding period last year. EBIT margins were up c0.9%.
- EPS for shareholders of the Company was NIS c1.25, up c14.8% compared to the corresponding period.
- Positive cash flows from operating activities totaled NIS c248 million, compared to NIS c181 million in the corresponding period.

(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.

First nine months 2018 highlights⁽¹⁾

- Organic sales growth, excluding foreign exchange effects, was c5.6%. Shekel sales were NIS c6.4 billion compared to NIS 6.3 billion in the corresponding period in 2017; sales were impacted by negative currency translations amounting to NIS c210 million, mainly as a result of the depreciation of the BRL against the NIS compared to last year.
- Gross profit was NIS c2,458 million (c38.2% of sales), up c4.9% compared to the corresponding period last year. Gross margins were up c1.2%.
- Operating profit (EBIT) was NIS c696 million (c10.8% of sales), up c10.4% compared to the corresponding period last year. EBIT margins were up c0.8%.
- EPS for shareholders of the Company was NIS c3.50, up c15.0% compared to the corresponding period.
- Positive cash flows from operating activities totaled NIS c544 million, compared to NIS c294 million in the corresponding period.

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Non GAAP Figures ⁽¹⁾

Third Quarter			
	2018	2017	Change
Total Group Sales (NIS mm)	2,158	2,210	-2.4%
Organic Sales Growth excluding FX			2.9%
Gross Profit (NIS mm)	812	809	0.3%
Gross Margins (%)	37.6%	36.6%	+100 bps
EBITDA (NIS mm)	294	283	3.6%
EBITDA Margins (%)	13.6%	12.8%	+80 bps
EBIT (NIS mm)	235	221	6.1%
EBIT Margins (%)	10.9%	10.0%	+90 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	144	125	15.1%
Net Income Margin Attributable to the Company's Shareholders (%)	6.6%	5.6%	+100 bps
EPS (NIS)	1.25	1.09	14.8%
Operating Cash Flow (NIS mm)	248	181	37.3%
Capex (NIS mm) ⁽²⁾	-82	-57	43.9%
Net debt (NIS mm)	1,974	2,285	-13.6%
Net debt / annual EBITDA	1.8x	2.3x	(0.5x)

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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⁾

	Third 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	575	4.2%	4.2%	62	0	0.5%	10.9%	-40 bps
Fun & Indulgence ⁽²⁾	262	2.4%	2.4%	28	2	4.8%	10.3%	+20 bps
Total Strauss Israel	837	3.6%	3.6%	90	2	1.6%	10.7%	-20 bps
Strauss Coffee:								
Coffee Israel	176	0.7%	0.7%	31	4	14.3%	17.4%	+210 bps
International Coffee ⁽²⁾	792	-11.7%	0.8%	80	-15	-14.9%	10.1%	-40 bps
Total Strauss Coffee	968	-9.7%	0.9%	111	-11	-8.4%	11.4%	+10 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	175	4.2%	4.0%	14	11	307.8%	8.0%	+590 bps
Obela (50%) ⁽²⁾	20	12.9%	18.0%	-2	1	NM	NM	NM
Total International Dips & Spreads	196	5.1%	5.2%	12	12	NM	6.0%	+590 bps
Strauss Water (2)(3)	157	9.4%	9.3%	18	9	101.3%	11.5%	+520 bps
Other ⁽⁴⁾	0	NM	NM	4	2	56.7%	NM	NM
Total Group	2,158	-2.4%	2.9%	235	14	6.1%	10.9%	+90 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 Nine Months			
	2018	2017	Change
Total Group Sales (NIS mm)	6,428	6,335	1.5%
Organic Sales Growth excluding FX			5.6%
Gross Profit (NIS mm)	2,458	2,342	4.9%
Gross Margins (%)	38.2%	37.0%	+120 bps
EBITDA (NIS mm)	869	804	8.2%
EBITDA Margins (%)	13.5%	12.7%	+80 bps
EBIT (NIS mm)	696	631	10.4%
EBIT Margins (%)	10.8%	10.0%	+80 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	402	338	18.8%
Net Income Margin Attributable to the Company's Shareholders (%)	6.2%	5.3%	+90 bps
EPS (NIS)	3.50	3.04	15.0%
Operating Cash Flow (NIS mm)	544	294	85.2%
Capex (NIS mm) ⁽²⁾	-228	-189	20.6%
Net debt (NIS mm)	1,974	2,285	-13.6%
Net debt / annual EBITDA	1.8x	2.3x	(0.5x)

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Non GAAP Figures ⁽¹⁾

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	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	1,643	5.7%	5.7%	172	2	1.4%	10.5%	-40 bps
Fun & Indulgence ⁽²⁾	838	3.6%	3.6%	96	7	7.7%	11.5%	+50 bps
Total Strauss Israel	2,481	5.0%	5.0%	268	9	3.5%	10.8%	-20 bps
Strauss Coffee:								
Coffee Israel	551	2.7%	2.7%	90	6	8.0%	16.4%	+80 bps
International Coffee ⁽²⁾	2,381	-3.9%	4.6%	247	17	7.2%	10.3%	+100 bps
Total Strauss Coffee	2,932	-2.7%	4.4%	337	23	7.4%	11.5%	+110 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	515	8.4%	11.1%	48	17	53.6%	9.4%	+280 bps
Obela (50%) ⁽²⁾	58	19.1%	21.0%	-7	2	NM	NM	NM
Total International Dips & Spreads	573	9.4%	12.0%	41	18	82.0%	7.2%	+290 bps
Strauss Water (2)(3)	442	9.2%	9.2%	45	18	65.4%	10.1%	+340 bps
Other ⁽⁴⁾	0	-100.0%	NM	5	-3	-38.0%	NM	NM
Total Group	6,428	1.5%	5.6%	696	65	10.4%	10.8%	+80 bps

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Appendix

Condensed financial accounting (GAAP)			
Third Quarter			
	2018	2017	Change
Sales	1,411	1,399	0.8%
Cost of sales excluding impact of commodity hedges	856	855	0.1%
Adjustments for commodity hedges	13	-1	
Cost of sales	869	854	1.8%
Gross profit	542	545	-0.7%
% of sales	38.4%	39.0%	
Selling and marketing expenses	314	308	1.9%
General and administrative expenses	86	96	-10.6%
Total expenses	400	404	
Share of profit of equity-accounted investees	66	26	149.5%
Operating profit before other expenses	208	167	24.2%
% of sales	14.7%	12.0%	
Other expenses, net	-2	-	
Operating profit after other expenses	206	167	23.7%
Financing expenses, net	-25	-22	14.2%
Income before taxes on income	181	145	25.2%
Taxes on income	-38	-37	3.4%
Effective tax rate	20.8%	25.2%	
Income for the period	143	108	32.5%
Attributable to the Company's shareholders	129	94	35.7%
Attributable to non-controlling interests	14	14	9.8%

Condensed financial accounting (GAAP)			
First Nine Months			
	2018	2017	Change
Sales	4,205	4,095	2.7%
Cost of sales excluding impact of commodity hedges	2,520	2,473	1.9%
Adjustments for commodity hedges	0	18	
Cost of sales	2,520	2,491	1.2%
Gross profit	1,685	1,604	5.1%
% of sales	40.1%	39.2%	
Selling and marketing expenses	954	935	2.0%
General and administrative expenses	284	275	3.3%
Total expenses	1,238	1,210	
Share of profit of equity-accounted investees	200	120	65.9%
Operating profit before other expenses	647	514	25.8%
% of sales	15.4%	12.6%	
Other expenses, net	-	-7	
Operating profit after other expenses	647	507	27.7%
Financing expenses, net	-63	-90	-29.7%
Income before taxes on income	584	417	40.2%
Taxes on income	-151	-77	97.7%
Effective tax rate	25.9%	18.3%	
Income for the period	433	340	27.2%
Attributable to the Company's shareholders	392	274	42.7%
Attributable to non-controlling interests	41	66	-37.3%

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 at the offices of the company in Petach Tikva on Wednesday, November 14, 2018 at 14:00 (Israel time) to review the Financial Statements of the Company for the third quarter.

To listen to the conference in Hebrew, please call 03-918-0685.

Strauss Group will also host an Investor Conference call in English on Wednesday, November 14, 2018 at 17:30 local Israel time (15:30 UK, 10:30 EST) to review the Financial Statements of the Company for the third quarter.

To participate in the live call in English, please call one of the following numbers as appropriate:

From the UK: 0-800-917-9141

From the US: 1-888-407-2553

From Israel: 03-918-0644

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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