

Another stellar year of growth and rising profit margins:

Strauss Group Announces Revenues of NIS 8.6 billion and NIS 489 million Net Profit for 2018¹

Giora Bardea, Group President & CEO: A diversified portfolio and product innovation coupled with continued efficiency efforts and managerial stability have enabled the Group to successfully face the challenges posed this year and deliver excellent results across the board

Strauss Group announces outstanding results across all businesses, with NIS 8.6 billion in revenue for the year and 4.8% organic growth excluding foreign currency effects. Growth stemmed from higher sales in all group subsidiaries. In the fourth quarter, the Group's revenue was NIS 2.2 billion and organic growth was 2.5%.

This year, the company's sales were impacted by a negative currency translation of NIS 263 million, NIS 256 million of which are the result of the depreciation of the Brazilian real against the shekel.

The Group announced record profits, with business focus and continuous efficiency methods implemented delivering improved profit margins in most of its operations. Gross profit in 2018 was NIS 3.3 billion, reflecting a gross profit margin of 38.0% compared to a gross profit margin of 36.7% in 2017. The Group's operating profit (EBIT) was NIS 865 million, up 10.9% compared to last year and reflecting an operating profit margin of 10.1%, versus an operating profit margin of 9.2% in 2017. These results are due to an increase in operating profit in all of the Group's business operations: Sabra-Obela, Strauss Water, Strauss Coffee and Strauss Israel. Net income attributable to the Company's shareholders was NIS 489 million, an increase of 17.8%.

Giora Bardea, President & CEO of Strauss Group, referred to the company's results: "2018 presented Strauss Group with managerial and business challenges. The company made numerous changes in its management team while dealing, among other things, with rising input and raw material prices; for example, the price of raw milk. The Group's robustness and its diversified business portfolio – in terms of both products and geographical spread – have enabled it to successfully face these challenges and deliver outstanding results. The impressive growth in profit margins was achieved thanks to focus, product innovation and consistent efficiency enhancements.

"The coffee business in Brazil continued to serve as a significant growth driver as sales volumes continued to increase and the company delivered strong results; Strauss Water's business continued to post impressive sales figures, with 9.2% sales growth. The water business in China focused on online sales; this year, Sabra focused on hummus and guacamole in the US, delivering 10.7% organic growth excluding foreign currency effects and increasing our market share in hummus to

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60.1%. Obela continued to expand and grew 19.4% organically excluding foreign currency effects in 2018.”

Bardea added, “As part of the Group’s long-term planning, we recently formed a growth and innovation platform that integrates all our activities in this sphere: Alpha Strauss, The Kitchen FoodTech Hub and our business development and technology activities. By establishing this arm, the Group will further invest in the development of products, business models, the development of new geographies and the creation of future growth drivers.”

Subsidiary Analysis

Strauss Israel

In 2018 Strauss Israel’s sales amounted to NIS 3.3 billion, up 4.6% versus last year and exceeded the growth of the overall domestic food and beverage market, which was 4%. The increase in sales is the result of growth in both the Health & Wellness and Fun & Indulgence divisions. This year as well, Strauss Israel continued to encourage a balanced diet. The company continued its efforts to reduce the sugar and sodium content of its products and to focus on portion control. The company also continued to pursue product innovation initiatives, entered new categories and expanded existing ones, such as the successful protein-enriched products.

Health & Wellness

In 2018 sales of the Health & Wellness division were NIS 2.2 billion, up 5.3% compared to the corresponding period in 2017.

This year, Strauss Dairies continued to launch innovative products in the Pro series as well as others such as Gamadim Squeeze.



In 2018 Fresh Foods piloted a health move in which all added fat was removed from hummus, and the ready-to-eat meal series Eat Good was launched. New products included the Tasty Flavors cracker series under the Energy brand, a product based on healthy ingredients such as chickpeas, peas and black lentils.



Fun & Indulgence

Fun & Indulgence sales were NIS 1.1 billion in 2018, up 3.4%. This year, the confectionery and bakery activity was again characterized by diversification and new product launches.

The division also implemented an innovative technological move – the removal of aspartame and titanium dioxide from chewing gum. In 2018 the salty snacks company continued the process of reducing the fat and sodium content of its products.

Strauss Coffee



In 2018 organic growth of the coffee operation in domestic currency was 3.1%, with sales rising to NIS 4.0 billion and mainly reflecting growth in sales volumes in Brazil and Israel. In

the fourth quarter sales by the coffee company were NIS 1.0 billion, compared to NIS 1.1 billion in the corresponding period last year. Operating profit in 2018 was NIS 418 million, up 6.2%, and the operating profit margin was 10.6%, an increase of 1% compared to last year.

Strauss Coffee's operation in Israel grew 4.8% in the year to NIS 737 million. Activities focused on the launch of additional and stronger flavors in coffee capsules, launch of the Platinum brand and the BeanZ business – fresh coffee beans from farmers around the world with a grinding machine to deliver a fresh coffee experience at home.



In 2018 the coffee business in Brazil continued to break records. The income of Três Corações – Brazil's largest coffee company and a joint venture owned by Strauss Group and São Miguel Holding e Investimentos S.A. – amounted to NIS 2.0 billion (reflecting 50%) in 2018, up 7.3% in domestic currency. However, the appreciation of the shekel against the Brazilian real had a negative effect of NIS 256 million. At the end of December, the company's market share was 27.3% of the Brazilian coffee market, compared to 25.8% in the corresponding period in 2017. Most of the growth was the result of an increase in sales quantities of roast and ground (R&G) coffee. The company in Brazil also markets and distributes coffee capsules and machines under the TRES brand. In April 2018 Três Corações acquired the activity of Tapajós Indústria de Café Ltda, retail coffee brands Manaus, Tapajós and Betânia as well as additional products in the R&G category in northern Brazil for approximately NIS 23 million (reflecting 100%).



Domestic currency sales in Russia and Ukraine dropped by 5.9% in 2018, mainly as a result of challenging trade conditions, and amounted to NIS 574 million. Exchange differences – appreciation of

the shekel against the Russian ruble and the Ukrainian hryvnia – reduced the company's revenues by NIS 36 million. Sales in Poland amounted to NIS 305 million, similar to the corresponding period last year, but eroded 3.8% in domestic currency. Romania sales in 2018 totaled NIS 221 million, similar to the corresponding period last year; in Serbia, sales increased by 7.6% to NIS 151 million, mainly as a result of positive currency translations of the Serbian dinar into shekels.

Strauss Water

Strauss Water had another outstanding year with sales of NIS 591 million, an increase of 9.2% compared to last year. Operating profit almost doubled to NIS 65 million compared to NIS 36 million in the corresponding period. The increase in operating profit is mainly the result of growth in the customer base and an increase in quantities sold, combined with continued operational efficiency enhancement.

Strauss Water Israel continues to grow rapidly, mainly thanks to growth in the number of customers and increased purchases by existing ones. In 2018 the company launched the Maze water filter, a patented product that is unique to Strauss Water and the most advanced of its kind in the world, and replaced the water bars filters for its customers during the year, free of charge.



Haier Strauss Water – In 2018, Strauss Water’s joint venture with the Chinese home appliances and consumer electronics giant, Haier, yielded revenues of NIS 562 million in 2018 compared to NIS 491 million in 2017, an increase of 14.4%, mainly as a result of restructuring the sales network in China and a shift to focusing on online sales.



Virgin Strauss Water – In 2018, the Group’s water business in the UK in collaboration with Virgin Group launched digital sales channels, including a website, as well as marketing activities via an app and Instagram.

Global Dips & Spreads

Strauss Group’s international dips and spreads operation, Sabra in the US and Canada and Obela in Mexico, Australia, New Zealand and Western Europe closed out 2018 with impressive growth.



Sabra, the Group’s dips and spreads joint venture with PepsiCo, had a record year in local currency revenues, which translated into NIS 1.4 billion, up 8.7% compared to 2017, and revenues of NIS 322 million in the fourth quarter, reflecting 9.6% growth (for 100% of the company). Sabra continues to lead the US dips and spreads market with 25.3% market share (IRI figures) and dominates 60.1% of the US hummus market. In 2018 the company focused its operations on hummus and guacamole after divesting of its salsa business. The health trend in the US and the shift to a plant-based diet have contributed to Sabra’s business and the company launched new products, including a guacamole spread with toast for breakfast.

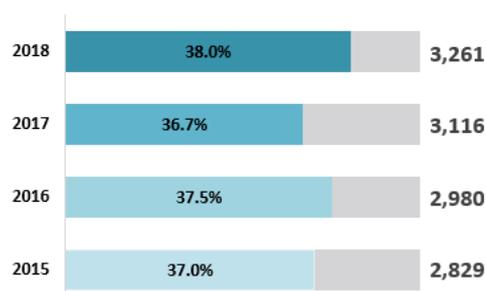
Obela wrapped up 2018 with revenues of NIS 166 million compared to NIS 141 in 2017, reflecting 17.9% growth and 19.4% growth excluding foreign currency effects. In the fourth quarter the company’s sales amounted to NIS 49 million, up 15.2% compared to the corresponding period last year. The company continues to invest in the penetration into new geographies, and as a result has reported an operating loss of NIS 18 million for the year compared to NIS 21 million in 2017 (reflecting 100%).



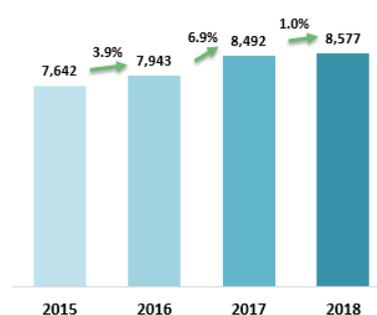
The company’s market share in Australia continues to grow and is now 42% (IRI figures); in New Zealand, where operations began in 2017, market share is 11.5% (IRI figures). The company initiated activities in Germany during 2017 and has already gained a market share of 7.5% (Nielsen figures).

Key financial data for the years ended December 31 – non-GAAP (NIS millions)*:

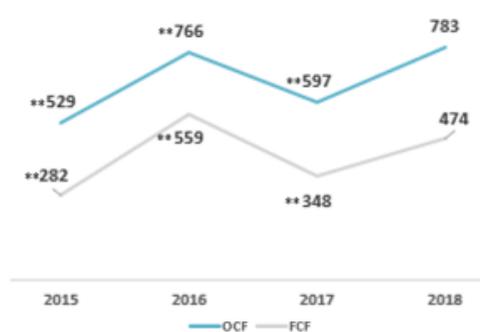
Gross profit and gross profit margin



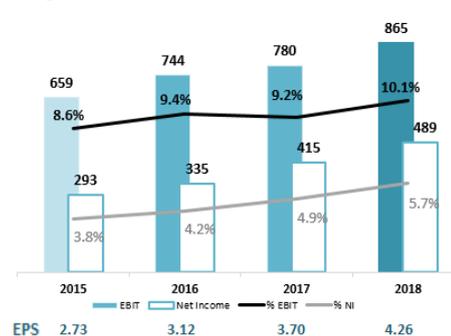
Net sales



Cash flows from operating activities and free cash flow

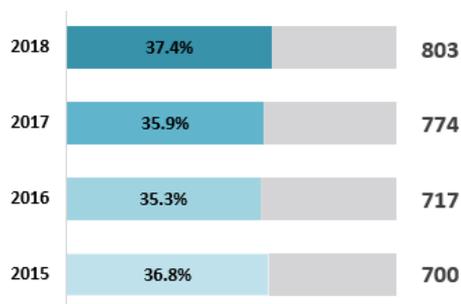


Operating profit and operating profit margin

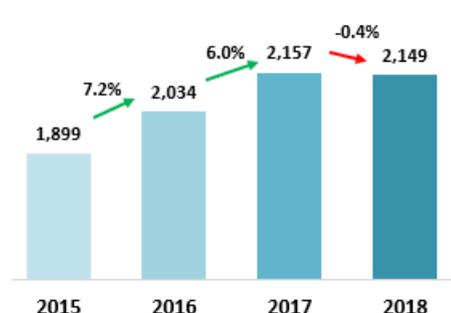


Key financial data for the quarters ended December 31 – non-GAAP (NIS millions)*:

Gross profit and gross profit margin



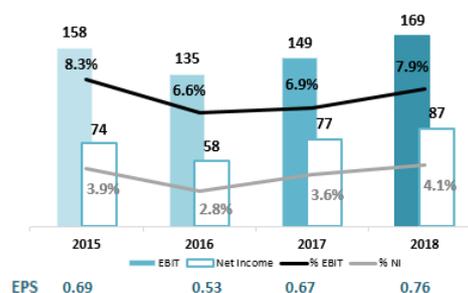
Net sales



Cash flows from operating activities and free cash flow



Operating profit and operating profit margin



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

** reclassified

Non GAAP Figures ⁽¹⁾

	Year		
	2018	2017	Change
Total Group Sales (NIS mm)	8,577	8,492	1.0%
Organic Sales Growth excluding FX			4.8%
Gross Profit (NIS mm)	3,261	3,116	4.7%
Gross Margins (%)	38.0%	36.7%	+130 bps
EBITDA (NIS mm)	1,102	1,018	8.2%
EBITDA Margins (%)	12.8%	12.0%	+80 bps
EBIT (NIS mm)	865	780	10.9%
EBIT Margins (%)	10.1%	9.2%	+90 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	489	415	17.8%
Net Income Margin Attributable to the Company's Shareholders (%)	5.7%	4.9%	+80 bps
EPS (NIS)	4.26	3.70	14.9%
Operating Cash Flow (NIS mm)	783	*597	31.2%
Capex (NIS mm) ⁽²⁾	-328	-268	22.4%
Net debt (NIS mm)	1,964	*2,189	-10.3%
Net debt / annual EBITDA	1.8x	*2.1	(0.3x)

(1) The data in this document are based on 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, mark-to-market as at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices and all adjustments necessary to delay recognition of gains and losses arising from commodity derivatives until the date when the inventory is sold to outside parties, other income and expenses, net, and the tax effect of excluding those items, unless stated otherwise.

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

* Reclassified

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⁾

	Year							
	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	2,177	5.3%	5.3%	229	7	3.0%	10.5%	-30 bps
Fun & Indulgence ⁽²⁾	1,099	3.4%	3.4%	114	8	6.9%	10.4%	+40 bps
Total Strauss Israel	3,276	4.6%	4.6%	343	15	4.4%	10.5%	--
Strauss Coffee:								
Coffee Israel	737	4.8%	4.8%	119	15	14.1%	16.1%	+130 bps
International Coffee ⁽²⁾	3,214	-5.4%	2.6%	299	10	3.4%	9.3%	+80 bps
Total Strauss Coffee	3,951	-3.6%	3.1%	418	25	6.2%	10.6%	+100 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	676	8.7%	10.7%	58	28	95.4%	8.6%	+380 bps
Obela (50%) ⁽²⁾	83	17.9%	19.4%	-9	2	NM	NM	NM
Total International Dips & Spreads	759	9.6%	11.6%	49	30	156.8%	6.5%	+370 bps
Strauss Water (2)(3)	591	9.2%	9.1%	65	29	80.4%	11.0%	+430 bps
Other ⁽⁴⁾	0	-99.9%	NM	-10	-14	-378.7%	NM	NM
Total Group	8,577	1.0%	4.8%	865	85	10.9%	10.1%	+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 EBIT 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⁾

Fourth Quarter			
	2018	2017	Change
Total Group Sales (NIS mm)	2,149	2,157	-0.4%
Organic Sales Growth excluding FX			2.5%
Gross Profit (NIS mm)	803	774	3.8%
Gross Margins (%)	37.4%	35.9%	+150 bps
EBITDA (NIS mm)	233	214	8.3%
EBITDA Margins (%)	10.8%	9.9%	+90 bps
EBIT (NIS mm)	169	149	12.9%
EBIT Margins (%)	7.9%	6.9%	+100 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	87	77	13.6%
Net Income Margin Attributable to the Company's Shareholders (%)	4.1%	3.6%	+50 bps
EPS (NIS)	0.76	0.67	13.1%
Operating Cash Flow (NIS mm)	289	*320	-9.6%
Capex (NIS mm) ⁽²⁾	-100	-79	26.7%
Net debt (NIS mm)	1,964	*2,189	-10.3%
Net debt / annual EBITDA	1.8x	*2.1	(0.3x)

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Non GAAP Figures ⁽¹⁾

	Fourth 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	534	3.9%	3.9%	57	5	8.1%	10.6%	+40 bps
Fun & Indulgence ⁽²⁾	261	2.8%	2.8%	18	1	3.1%	6.9%	--
Total Strauss Israel	795	3.5%	3.5%	75	6	7.8%	9.4%	+40 bps
Strauss Coffee:								
Coffee Israel	186	11.3%	11.3%	29	9	39.0%	15.2%	+300 bps
International Coffee ⁽²⁾	833	-9.2%	-2.7%	52	-7	-11.4%	6.3%	-10 bps
Total Strauss Coffee	1,019	-6.1%	-0.4%	81	2	1.5%	7.9%	+60 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	161	9.6%	8.9%	10	12	-714.5%	6.2%	+720 bps
Obela (50%) ⁽²⁾	25	15.2%	15.9%	-2	-0	NM	NM	NM
Total International Dips & Spreads	186	10.3%	9.8%	8	11	311.9%	4.1%	+630 bps
Strauss Water (2)(3)	149	8.9%	8.9%	20	11	125.6%	13.6%	+700 bps
Other	0	NM	NM	-15	-11	-205.1%	NM	NM
Total Group	2,149	-0.4%	2.5%	169	19	12.9%	7.9%	+100 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 EBIT 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.

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.

Condensed financial accounting (GAAP)			
	Year		
	2018	2017	Change
Sales	5,604	5,480	2.3%
Cost of sales excluding impact of commodity hedges	3,363	3,323	1.2%
Adjustments for commodity hedges	-10	31	
Cost of sales	3,353	3,354	0.0%
Gross profit	2,251	2,126	5.9%
% of sales	40.2%	38.8%	
Selling and marketing expenses	1,293	1,259	2.7%
General and administrative expenses	394	388	1.5%
Total expenses	1,687	1,647	
Share of profit of equity-accounted investees	250	162	54.3%
Operating profit before other expenses	814	641	26.9%
% of sales	14.5%	11.7%	
Other expenses, net	-6	-9	
Operating profit after other expenses	808	632	27.8%
Financing expenses, net	-93	-117	-21.3%
Income before taxes on income	715	515	39.0%
Taxes on income	-181	-99	85.0%
Effective tax rate	25.4%	19.1%	
Income for the period	534	416	28.2%
Attributable to the Company's shareholders	478	342	39.8%
Attributable to non-controlling interests	56	74	-24.9%
Condensed financial accounting (GAAP)			
	Fourth Quarter		
	2018	2017	Change
Sales	1,399	1,385	1.0%
Cost of sales excluding impact of commodity hedges	843	850	-0.9%
Adjustments for commodity hedges	-10	13	
Cost of sales	833	863	-3.5%
Gross profit	566	522	8.5%
% of sales	40.5%	37.7%	
Selling and marketing expenses	339	324	4.8%
General and administrative expenses	110	113	-2.8%
Total expenses	449	437	
Share of profit of equity-accounted investees	50	42	20.3%
Operating profit before other expenses	167	127	31.6%
% of sales	11.9%	9.2%	
Other expenses, net	-6	-2	
Operating profit after other expenses	161	125	28.1%
Financing expenses, net	-30	-27	6.2%
Income before taxes on income	131	98	34.3%
Taxes on income	-30	-22	40.4%
Effective tax rate	23.1%	22.1%	
Income for the period	101	76	32.5%
Attributable to the Company's shareholders	86	68	28.0%
Attributable to non-controlling interests	15	8	67.4%

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 at the Tel Aviv Stock Exchange on Wednesday, March 13, 2019 at 10:30 (Israel time) to review the Financial Statements of the Company for the full year and fourth quarter of 2018.

Investors can listen to the conference online at:

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

Strauss Group will also host an investor conference call in English on Wednesday, March 13, 2019 at 15:00 Israel time (13:00 UK, 09:00 EST) to review the Financial Statements of the Company for the full year and fourth quarter of 2018.

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

From the UK: 0-800-917-5108

From the US: 1-888-407-2553

From Israel: 03-918-0610

The Financial Statements for the full year and fourth quarter of 2018 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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