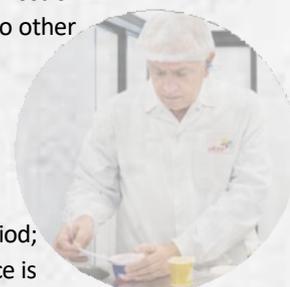




[Strauss Group announces results for the second quarter of 2019, with stable sales as earnings and profit margins rise significantly](#)

Sales in the quarter were NIS 2.07 billion, with organic sales up 1.7% excluding foreign currency effects; Operating profit rose 9.4% to NIS 227 million

Giora Bardea, President and CEO of Strauss Group: “As an international group with operations in diverse categories and numerous countries, we have delivered another quarter of growth and improvement in earnings and profit margins in most of the Group’s businesses, in line with the trend of the past three years. We note that in the second quarter, similar to other international Israeli firms, Strauss was once again negatively impacted by the appreciation of the shekel against foreign currencies, with most of this effect applying to international revenues of the coffee company. The Group’s other businesses – Strauss Israel, Sabra and Strauss Water – delivered growth and continued improvement in earnings and profit margins.”



Strauss Group posted sales of NIS 2.07 billion in the quarter, reflecting a drop of 1.4% compared to the corresponding period; however, in organic terms and excluding foreign currency effects, sales increased by 1.7%. As mentioned, the difference is primarily due to the impact of softer currencies in the coffee company’s countries of operations.

In terms of earnings and profit margins Strauss Group has delivered another strong quarter, with an increase in profit and improved profit margins for the Group and the subsidiaries, mainly thanks to continued innovation and long term productivity implementations. The Group’s gross profit in the quarter was approximately NIS 822 million, accounting for 39.6% of sales, compared to a gross profit margin of 38.7% in the corresponding quarter last year and reflecting an improvement of 1.1% in gross profit. The operating profit margin in the quarter was 11% of sales and amounted to NIS 227 million, compared to NIS 207 million in earnings and an EBIT margin of 9.9% in the second quarter of 2018, reflecting an improvement of 9.4% in operating profit. On the bottom line, the Group concluded the second quarter of 2019 with a net profit of NIS 121 million, an increase of 9.5% over the corresponding period last year. The improvement in net profit is the result of the increase in operating profit.

In the first half-year, the Group’s revenue amounted to NIS 4.18 billion, reflecting 0.8% organic growth excluding foreign currency effects; gross profit was NIS 1.67 billion – 39.9% of sales compared to 38.5% of sales in the corresponding period. The EBIT in the half-year was NIS 496 million, 11.9% of sales, reflecting an improvement of 7.4% compared to the corresponding period last year. Strauss Group’s net profit was NIS 293 million, an improvement of 13.6% compared to the net profit in the first half of 2018.

Strauss Israel continued the positive momentum, with sales rising by approximately 3.3% to NIS 803 million. The company’s business in the second quarter was mainly influenced by continued growth in the yogurt and milk beverage category under the Pro brand, and by the start of distribution of Arla products (butter and cheeses), continued growth of the bakery category, Energy healthy snacks products and salty snacks led by Tapuchips. The Taam Teva and Yad Mordechai brands also delivered strong growth.

Strauss Israel’s gross profit in the quarter was NIS 316 million – 39.3% of sales – compared to 38.6% in the corresponding period last year. Operating profit rose from approximately NIS 69 million in the second quarter of 2018 to NIS 80 million in the second quarter of 2019, reflecting margins of 8.9% and 10%, respectively. The improved margins were achieved mainly as a result of the sales mix, which was based on new launches in numerous categories while targeting different, and new, consumer publics, and the ramp-up of productivity processes initiated several months ago, particularly at the company’s manufacturing sites, following investments in technology and various operational enhancements. According to StoreNext’s¹ figures for the end of June 2019, Strauss’s aggregate share of the Israeli food and beverage market was 11.9%, compared to 11.7% in the corresponding period last year.



¹ StoreNext is engaged in the measurement of the fast-moving consumer goods (FMCG) segment in the barcoded retail market (hereinafter: “StoreNext”).

Strauss Coffee delivered sales growth in Israel and Brazil (in local currency) during the second quarter, whereas the coffee company's business in Eastern Europe experienced a challenging quarter. Sales by the Três Corações joint venture in Brazil² grew by 1.7% in local currency and amounted to NIS 470 million (the Group's share 50%), while significantly increasing sales volumes and growing the company's market share from 27% in the corresponding period to 28.4% in the second quarter this year (according to A.C. Nielsen figures). Gross profit and profitability in local currency also rose; however, the 7.9% depreciation of the Brazilian currency eroded shekel income in the quarter by 6.1% compared to the corresponding quarter. The company's sales were also impacted by the drop in green coffee prices in Brazil.



The coffee business in Eastern Europe posted a drop in sales, mainly as a result of the softer currencies in the region as well as increased competition in those countries. In Israel, Strauss Coffee continued to grow, mainly as a result of an increase in sales volumes.

In total, the coffee business yielded revenue of approximately NIS 913 million in the quarter – a drop of 6.6% compared to the corresponding period last year. Excluding foreign currency effect, the drop in revenue amounted to 1.3%.

Strauss Water delivered another strong quarter of growth with NIS 159 million in sales, an increase of 6% compared to the corresponding period. Strauss Water's operating profit, which includes the Group's share of the net profit of the joint venture with Haier Group in China, HSW, amounted to NIS 19 million, 11.9% of sales compared to 11.3% in the corresponding period. The business in China delivered sales of approximately NIS 141 million (100%) in the second quarter, similar to sales in the corresponding period. Excluding foreign currency effects, sales increased by 5.7%



compared to the corresponding period. HSW is presently active only in the POU (point of use) segment, which consists of filters and purifiers installed inside homes.

Given the joint venture's interest in expanding into additional categories in the water business, including the point of entry (POE) category (point of entry filtration and purification systems treat the water as it enters the home by connecting directly to the water line, improving water quality for general use and not only for consumption), in the second quarter the HSW joint venture entered into a distribution agreement for POE products manufactured by a company owned by Haier Electronics (which holds 51% of the HSW joint venture) and BWT.

These filtration and purification systems filter the water as it enters the home by connecting directly to the water line and provide an overall water purification solution for general home use, and are designed for private homes and higher income sectors of the population.

Sabra and Obela delivered 6.8% organic growth in local currency during the quarter. Sales by Sabra, which is active in the US and Canada, amounted to approximately NIS 357 million (100%) in the quarter. Sabra is the largest refrigerated dips and spreads manufacturer in the US. According to IRI, Sabra's value market share of the hummus market in the 24 weeks ended June 30, 2019 was 61.6%, compared to 59.9% in the corresponding period last year.

Sabra's operating profit rose 49.7% to NIS 60 million, constituting 16.7% of sales in the second quarter. Sales by Obela, which is active in Mexico, Australia, New Zealand and Western Europe, amounted to approximately NIS 38 million in the quarter, similar to the corresponding period; however, excluding foreign currency effects, growth was 7.7%



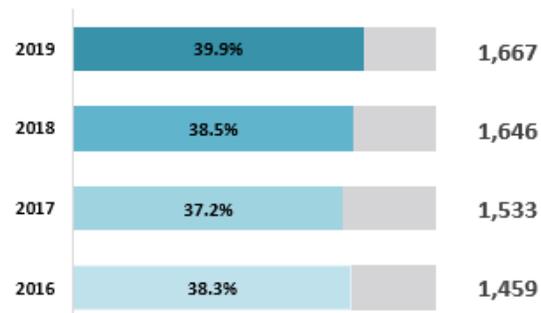
² Três Corações (3C) – The Três Corações joint venture in Brazil – a company jointly held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Key financial data the half year ended June 30 – non-GAAP (NIS millions)*:

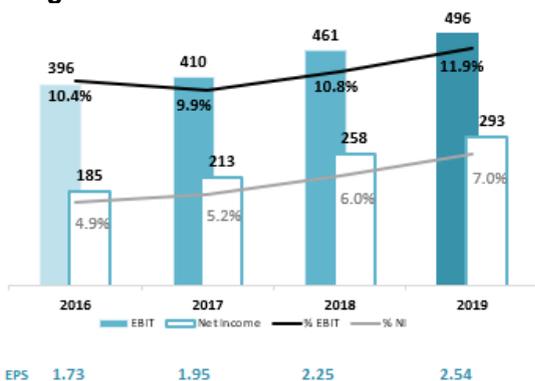
Net sales



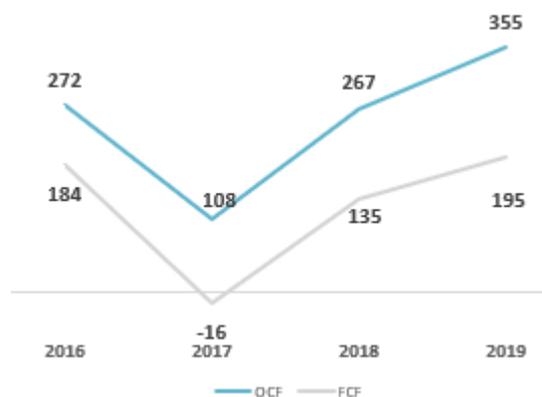
Gross profit and gross profit margin



Operating profit and operating profit margin



Cash flows from operating activities and free cash flow**

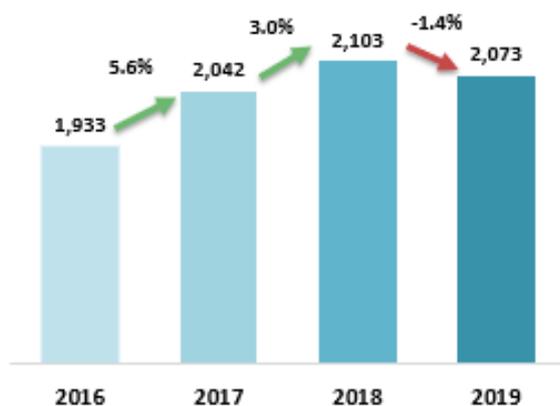


* Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

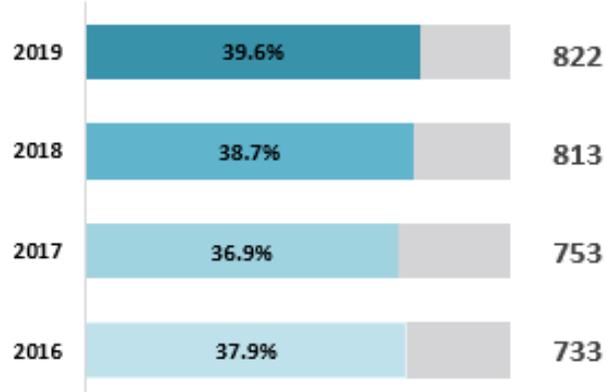
** Reclassified. For further information, see Note 1.3 to the Condensed Consolidated Interim Financial Statements as at June 30, 2019.

Key financial data for the quarters ended June 30 – non-GAAP (NIS millions)*:

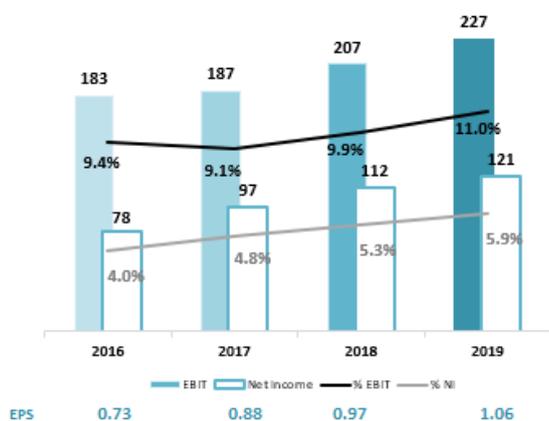
Net sales



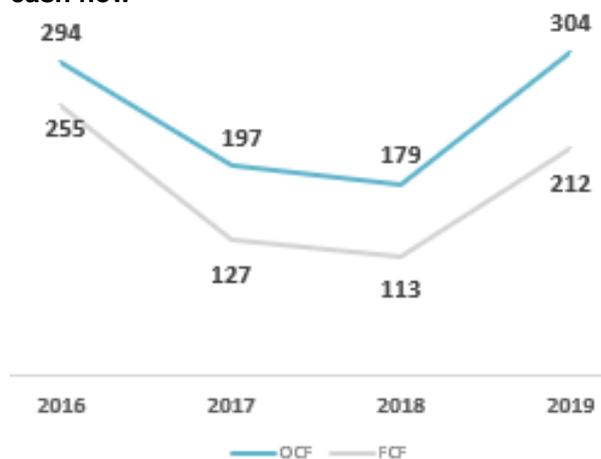
Gross profit and gross profit margin



Operating profit and operating profit margin



Cash flows from operating activities and free cash flow**



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

** Reclassified. For further information, see Note 1.3 to the Condensed Consolidated Interim Financial Statements as at June 30, 2019.

Non GAAP Figures ⁽¹⁾

Second Quarter

	2019	2018	Change
Total Group Sales (NIS mm)	2,073	2,103	-1.4%
Organic Sales Growth excluding FX			1.7%
Gross Profit (NIS mm)	822	813	1.1%
Gross Margins (%)	39.6%	38.7%	+90 bps
EBITDA (NIS mm)	309	264	16.9%
EBITDA Margins (%)	14.9%	12.6%	+230 bps
EBIT (NIS mm)	227	207	9.4%
EBIT Margins (%)	11.0%	9.9%	+110 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	121	112	9.5%
Net Income Margin Attributable to the Company's Shareholders (%)	5.9%	5.3%	+60 bps
EPS (NIS)	1.06	0.97	8.8%
Operating Cash Flow (NIS mm)	304	179 *	69.8%
Capex (NIS mm) ⁽²⁾	-92	-66	39.4%
Net debt (NIS mm)	2,388	2,281 *	4.7%
Net debt / annual EBITDA	1.9x **	2.1x *	(0.2x)

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. For further information, see Note 1.3 to the Condensed Consolidated Interim Financial Statements as at June 30, 2019.

** EBITDA for the 12 months ended June 30, 2019 was adjusted to reflect the effects of IFRS 16, Leases.

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⁾

Sales and EBIT by Operating Segments and Activities	Second Quarter							
	Sales (NIS mm)	Sales Growth vs. Last Year	Organic Sales Growth	EBIT (NIS mm)	NIS Change in EBIT	% Change in EBIT	EBIT margins	Change in EBIT margins vs. 2018
			excluding FX					
Strauss Israel:								
Health & Wellness	561	4.7%	4.7%	64	8	14.1%	11.3%	+90 bps
Fun & Indulgence ⁽²⁾	242	0.1%	0.1%	16	3	20.1%	7.0%	+120 bps
Total Strauss Israel	803	3.3%	3.3%	80	11	15.4%	10.0%	+110 bps
Strauss Coffee:								
Israel Coffee	165	4.5%	4.5%	28	10	54.2%	17.1%	+550 bps
International Coffee ⁽²⁾	748	-8.8%	-2.5%	71	-18	-20.4%	9.5%	-140 bps
Total Strauss Coffee	913	-6.6%	-1.4%	99	-8	-7.6%	10.9%	-10 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	179	0.2%	6.7%	30	10	49.7%	16.7%	+550 bps
Obela (50%) ⁽²⁾	19	1.5%	7.7%	-3	-1	-82.5%	NM	NM
Total International Dips & Spreads	198	0.3%	6.8%	27	9	46.5%	13.5%	+420 bps
Strauss Water ⁽²⁾	159	6.0%	6.2%	19	2	12.2%	11.9%	+60 bps
Other	0	NM	NM	2	6	143.5%	NM	NM
Total Group	2,073	-1.4%	1.7%	227	20	9.4%	11.0%	+110 bps

- (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) 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 Dips & Spreads 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) (49%).

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			
	2019	2018	Change
Total Group Sales (NIS mm)	4,179	4,270	-2.1%
Organic Sales Growth excluding FX			0.8%
Gross Profit (NIS mm)	1,667	1,646	1.2%
Gross Margins (%)	39.9%	38.5%	+140 bps
EBITDA (NIS mm)	658	575	14.3%
EBITDA Margins (%)	15.8%	13.5%	+230 bps
EBIT (NIS mm)	496	461	7.4%
EBIT Margins (%)	11.9%	10.8%	+110 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	293	258	13.6%
Net Income Margin Attributable to the Company's Shareholders (%)	7.0%	6.0%	+100 bps
EPS (NIS)	2.54	2.25	13.1%
Operating Cash Flow (NIS mm)	355	267 *	33.0%
Capex (NIS mm) ⁽²⁾	-160	-132	21.2%
Net debt (NIS mm)	2,388	2,281 *	4.7%
Net debt / annual EBITDA	1.9x **	2.1x *	(0.2x)

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.

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* Reclassified. For further information, see Note 1.3 to the Condensed Consolidated Interim Financial Statements as at June 30, 2019.

** EBITDA for the 12 months ended June 30, 2019 was adjusted to reflect the effects of IFRS 16, Leases.

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⁾

	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. 2018
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	1,099	3.0%	3.0%	119	9	8.0%	10.8%	+50 bps
Fun & Indulgence ⁽²⁾	581	0.8%	0.8%	73	5	6.2%	12.6%	+60 bps
Total Strauss Israel	1,680	2.2%	2.2%	192	14	7.3%	11.4%	+50 bps
Strauss Coffee:								
Coffee Israel	387	3.3%	3.3%	86	27	44.2%	22.2%	+630 bps
International Coffee ⁽²⁾	1,420	-10.7%	-3.9%	125	-42	-24.8%	8.8%	-170 bps
Total Strauss Coffee	1,807	-8.0%	-2.5%	211	-15	-6.6%	11.7%	+20 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	349	2.9%	6.6%	57	23	66.8%	16.4%	+630 bps
Obela (50%) ⁽²⁾	41	6.8%	12.0%	-5	-1	-19.5%	NM	NM
Total International Dips & Spreads	390	3.3%	7.1%	52	23	74.1%	13.2%	+530 bps
Strauss Water ⁽²⁾	302	6.0%	6.1%	35	8	32.5%	11.7%	+230 bps
Other	0	NM	NM	6	5	589.2%	NM	NM
Total Group	4,179	-2.1%	0.8%	496	35	7.4%	11.9%	+110 bps

- 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) 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 Dips & Spreads 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) (49%).

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)			
Second Quarter			
	2019	2018	Change
Sales	1,338	1,348	-0.8%
Cost of sales excluding impact of commodity hedges	793	808	-1.9%
Adjustments for commodity hedges	-13	-2	
Cost of sales	780	806	-3.1%
Gross profit	558	542	2.8%
% of sales	41.7%	40.2%	
Selling and marketing expenses	322	325	-0.7%
General and administrative expenses	99	103	-3.7%
Total expenses	421	428	
Share of profit of equity-accounted investees	85	76	13.3%
Operating profit before other expenses	222	190	16.4%
% of sales	16.5%	14.1%	
Other income (expenses), net	-2	0	
Operating profit after other expenses	220	190	15.2%
Financing expenses, net	-38	-22	71.8%
Income before taxes on income	182	168	7.8%
Taxes on income	-41	-46	-12.8%
Effective tax rate	22.5%	27.8%	
Income for the period	141	122	15.8%
Attributable to the Company's shareholders	127	110	15.4%
Attributable to non-controlling interests	14	12	19.4%

Condensed financial accounting (GAAP)			
First Half			
	2019	2018	Change
Sales	2,768	2,794	-0.9%
Cost of sales excluding impact of commodity hedges	1,623	1,664	-2.4%
Adjustments for commodity hedges	0	-13	
Cost of sales	1,623	1,651	-1.6%
Gross profit	1,145	1,143	0.1%
% of sales	41.4%	40.9%	
Selling and marketing expenses	636	640	-0.7%
General and administrative expenses	198	198	-0.1%
Total expenses	834	838	
Share of profit of equity-accounted investees	153	134	14.5%
Operating profit before other expenses	464	439	5.7%
% of sales	16.7%	15.7%	
Other income (expenses), net	-3	2	
Operating profit after other expenses	461	441	4.5%
Financing expenses, net	-65	-38	70.0%
Income before taxes on income	396	403	-1.6%
Taxes on income	-87	-113	-23.1%
Effective tax rate	22.0%	28.1%	
Income for the period	309	290	6.8%
Attributable to the Company's shareholders	283	263	7.6%
Attributable to non-controlling interests	26	27	-0.8%

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 13, 2019 at 14:00 (Israel time) to review the Financial Statements of the Company for the second quarter of 2019.

Investors can listen to the conference in Hebrew by dialing 03-918-0609.

Strauss Group will also host an investor conference call in English on Tuesday, August 13, 2019 at 15:30 Israel time (13:30 UK, 08:30 EST) to review the Financial Statements of the Company for the second quarter of 2019.

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: 1-888-668-9141

From Israel: 03-918-0610

The Financial Statements for the second quarter of 2019 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>

For further information please contact:

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