



Strauss Group announces results for the third quarter of 2019:

Revenue growth driven by volume growth, and continued improvement in profit margins

Sales in the quarter were NIS 2.24 billion, with organic sales up a stellar 6.1% excluding foreign currency effects; Operating profit rose significantly by 9.4% to NIS 256 million

Giora Bardea, President and CEO of Strauss Group: “This morning we are announcing another quarter of revenue growth and significantly improved profit earnings and margins across most of the Group’s businesses. These results were achieved thanks to innovation and product diversification, a guiding concept for the Group, as well as the implementation of efficiency enhancement processes in our plants in Israel and around the world. The appreciation of the shekel against most currencies continued to negatively impact our international operations in the current quarter, perpetuating the trend in prior quarters.

For some years now Strauss has been investing and focusing on getting the company ready for future disruptive challenges in the food industry. One of the ways we have chosen to tackle these challenges is through the establishment of The Kitchen, our FoodTech hub, the first in Israel, with the aim of leading the ecosystem of this sector in Israel and worldwide. In the past quarter we hosted our annual conference, FoodTech IL, here in Israel, which was attended by some 1,500 guests from Israel and other countries. Participants included representatives of the world’s largest food and beverage corporations, representatives of leading investment funds, scientists and tech people, gastronomy and culinary experts. It was exciting to see our FoodTech vision become a reality as companies nurtured in our FoodTech incubator in Ashdod realize achievements and are at the helm of advanced developments in all areas of activity, successfully raising capital as a result, and some already selling their products. We will continue full steam ahead to advance FoodTech, which we consider both an internal growth driver as well as a contribution to making the world a better place.”

Strauss Group delivered sales of NIS 2.24 billion in the third quarter, an increase of 4% compared to the corresponding period. The appreciation of the shekel against most currencies reduced earnings by approximately NIS 40 million, and accordingly, organic growth, excluding foreign currency effects, amounted to 6.1%. The Group’s total revenue in the first nine months of 2019 was approximately NIS 6.4 billion, in line with last year; however in organic terms and excluding foreign currency effects, the Group’s sales increased by 2.6% compared to the corresponding period last year.



Strauss Group delivered another successful quarter of profit growth and strong margins for the Group as a whole, as well as for its subsidiaries. This was achieved mainly thanks to volume growth across most of the Group’s operations, an improvement in product diversity and product mix, as well as operational efficiency enhancements. The Group’s gross profit in the quarter was NIS 887 million, accounting for 39.6% of sales, compared to gross profit of NIS 812 million and a gross profit margin of 37.6% in the corresponding period last year, an increase of 9.3%. In the first nine months the gross profit totaled NIS 2.55 billion compared to NIS 2.46 billion last year – an increase of 3.9%. The operating profit in the quarter amounted to NIS 256 million – 11.4% of sales – compared to an operating profit of NIS 235 million and an EBIT margin of 10.9% in the third quarter of 2018, which reflects an increase of 9.4%. Net profit rose in the quarter by 6.5% and totaled NIS 153 million, compared to NIS 144 million in the corresponding period last year. The improvement in net profit is mainly the result of the increase in operating profit and was partially offset by an increase in financing expenses and tax expenses.

Strauss Israel maintained the growth trend of the past quarters. Strauss Israel is the second-largest food company

in the Israeli food industry, and at the end of the third quarter its market share rose to 11.7% (according to StoreNext figures), compared to 11.4% in the corresponding period. The company's sales in the third quarter amounted to NIS 899 million, reflecting 7.4% growth compared to last year. Revenue growth is the result of volume growth, which is due in part to a number of additional selling days in the current quarter compared to the corresponding period as a result of the timing of the Jewish high holidays, as well as sales growth particularly in the fun and indulgence category. During the quarter Strauss Israel launched numerous new diverse products in the dessert and milk beverage categories. The company also launched innovative products during the quarter, including Splendid Single Origin and Cow 30% Less Sugar chocolate tablets.



Strauss Israel's gross profit in the quarter was NIS 358 million – 39.9% of sales – compared to 37.9% in the corresponding period last year. Operating profit rose from NIS 90 million in the third quarter of 2018 to NIS 98 million in the current quarter, raising the operating profit margin from 10.7% to 10.9%, respectively. In addition to the increase in sales, the improved margin was achieved, among other things, thanks to a diverse sales mix and the ramp-up of productivity processes at the company's manufacturing sites, following investments in technology and diverse operational enhancements.

Strauss Coffee delivered an outstanding quarter of growth in sales volumes, notably in local currency in its international business. In total, the coffee company posted revenues of NIS 986 million in the current quarter – an increase of 5.1% excluding foreign currency effects. Following the appreciation of the shekel, growth in the quarter totaled to 1.8%.

Strauss Group's revenue from the business of the Três Corações joint venture in Brazil¹ amounted to NIS 476 million in the third quarter (the Group's share), an increase of 1.5% compared to the corresponding period in local currency terms – achieved mainly by increased quantities sold and by significantly raising the Brazilian company's market share to 28.5%. In the third quarter of 2019 the TRES coffee machine and capsule business moved into the black for the first time since inception in 2015.



The coffee business in Israel, which is affected by seasonal factors, as well as the additional business days due to timing of Jewish High Holidays, grew 11.2% in the current quarter. In Eastern Europe, the coffee business in Russia and Ukraine grew strongly, and Poland delivered high sales growth in local currency. However Romania and Serbia posted a decline in revenues, mainly as a result of the growing competition in those countries.

Strauss Water delivered another strong quarter of growth with NIS 165 million in sales in the quarter, an increase of 5.4% compared to the corresponding period last year. Revenue growth was mainly achieved thanks to an increase in sales of new appliances in Israel and growth of the customer base. Operating profit in the quarter amounted to NIS 20 million, compared to NIS 18 million in the corresponding period. Operating profit increased as a result of growth in the customer base in Israel and improved profits of Haier Strauss Water (HSW).

Sales of Haier Strauss Water in China were NIS 134 million in the third quarter, compared to NIS 145* million in the corresponding period last year, a decrease of 7.4%. Excluding foreign currency effects, sales were down 1.5% compared to last year (unaudited, reflecting 100%). The decrease is primarily the result of an adverse change in the macro environment as well as the competitive environment.



Sabra and Obela delivered a solid quarter. Sabra's sales in local currency grew 5.2% and amounted to NIS 345 million, or 1.8% organic growth. However, the appreciation of the shekel against the US dollar eroded revenues, leading the company to register a drop of 1.6% in revenues. Operating profit in the quarter dropped from NIS 28 million to NIS 24 million, mainly as a result of an increase in selling and marketing expenses. In the third quarter Sabra increased its market share in the US, which is presently 62.2%, compared to 60.1% in the corresponding period.

Sales by Obela in the quarter were NIS 40 million, in line with the corresponding period. The company reduced its operating loss from NIS 4 million last year to NIS 3 million in the current quarter.

¹ 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).

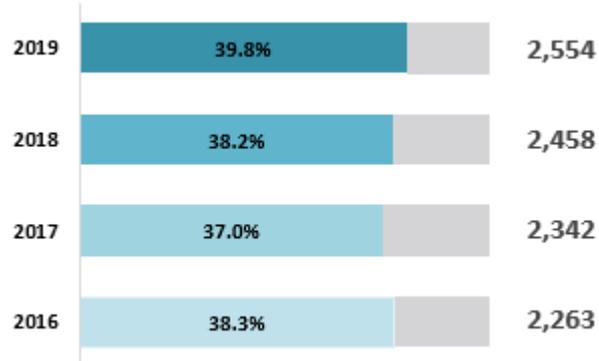
* Restated.

Key financial data for the nine months ended September 30 – non-GAAP (NIS millions)*:

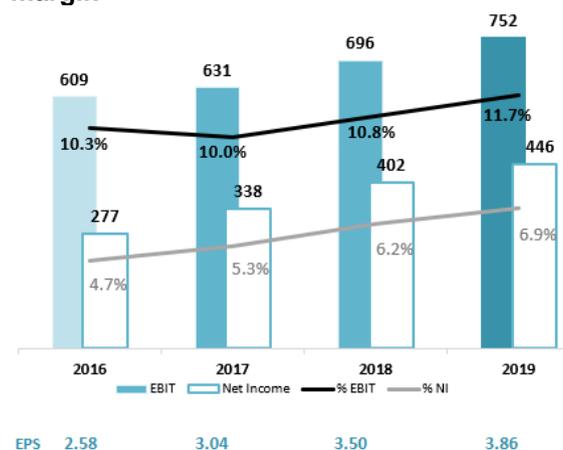
Net sales



Gross profit and gross profit margin



Operating profit and operating profit margin



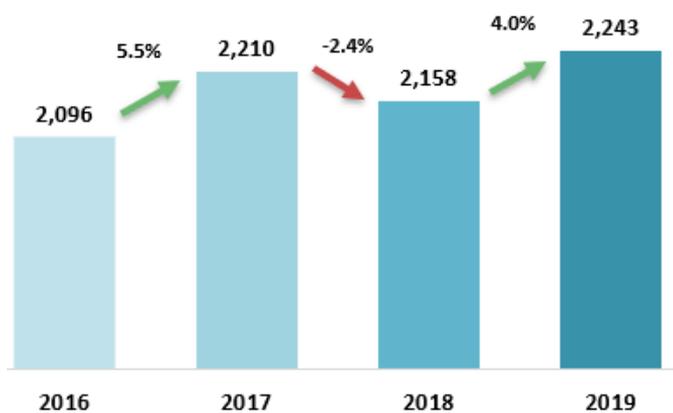
Cash flows from operating activities and free cash flow**



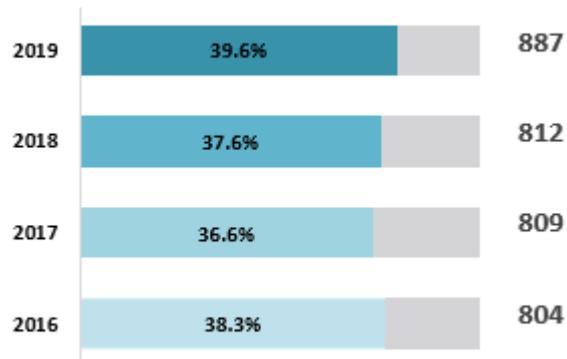
* Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.
 **The figures for 2016-2018 were reclassified. For further information, see Note 1.3 to the Condensed Consolidated Interim Financial Statements as at September 30, 2019.

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

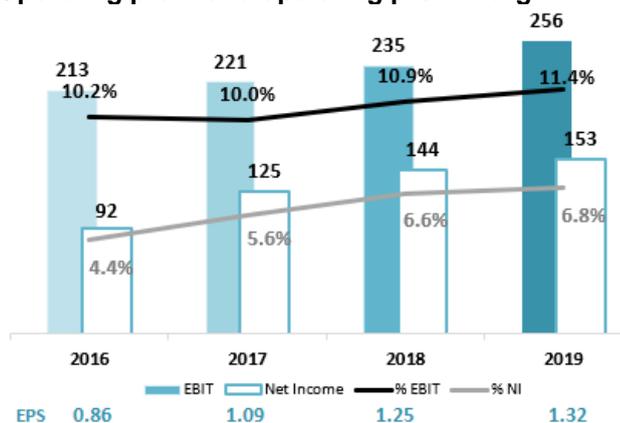
Net sales



Gross profit and gross profit margin



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Cash flows from operating activities and free cash flow**



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Non GAAP Figures ⁽¹⁾

Third Quarter

	2019	2018	Change
Total Group Sales (NIS mm)	2,243	2,158	4.0%
Organic Sales Growth excluding FX			6.1%
Gross Profit (NIS mm)	887	812	9.3%
Gross Margins (%)	39.6%	37.6%	+200 bps
EBITDA (NIS mm)	342	294	16.3%
EBITDA Margins (%)	15.2%	13.6%	+160 bps
EBIT (NIS mm)	256	235	9.4%
EBIT Margins (%)	11.4%	10.9%	+50 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	153	144	6.5%
Net Income Margin Attributable to the Company's Shareholders (%)	6.8%	6.6%	+20 bps
EPS (NIS)	1.32	1.25	5.8%
Operating Cash Flow (NIS mm)	191	228 *	-16.2%
Capex (NIS mm) ⁽²⁾	-64	-77	-16.9%
Net debt (NIS mm)	2,275	2,132 *	6.7%
Net debt / annual EBITDA	1.8x **	2.0x *	(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 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 September 30, 2019.

** EBITDA for the 12 months ended September 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	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. 2018
Strauss Israel:								
Health & Wellness	613	6.5%	6.5%	70	8	11.4%	11.4%	+50 bps
Fun & Indulgence ⁽²⁾	286	9.4%	9.4%	28	0	3.5%	9.8%	-50 bps
Total Strauss Israel	899	7.4%	7.4%	98	8	9.2%	10.9%	+20 bps
Strauss Coffee:								
Israel Coffee	196	11.2%	11.2%	42	11	37.5%	21.5%	+410 bps
International Coffee ⁽²⁾	790	-0.2%	3.8%	85	5	6.6%	10.8%	+70 bps
Total Strauss Coffee	986	1.8%	5.1%	127	16	15.2%	12.9%	+150 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	173	-1.6%	5.2%	12	-2	-13.9%	7.0%	-100 bps
Obela (50%) ⁽²⁾	20	1.0%	10.2%	-2	1	25.9%	NM	NM
Total International Dips & Spreads	193	-1.3%	5.7%	10	-2	-11.5%	5.4%	-60 bps
Strauss Water ⁽²⁾	165	5.4%	5.6%	20	2	11.3%	12.2%	+70 bps
Other	0	NM	NM	1	-3	87.5%	NM	NM
Total Group	2,243	4.0%	6.1%	256	21	9.4%	11.4%	+50 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 Dips & Spreads figures reflect Strauss's 50% share in Sabra and Obela. Strauss Water EBIT figures include Strauss's share in Haier Strauss Water (HSW) in China (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 Nine Months

	2019	2018	Change
Total Group Sales (NIS mm)	6,422	6,428	-0.1%
Organic Sales Growth excluding FX			2.6%
Gross Profit (NIS mm)	2,554	2,458	3.9%
Gross Margins (%)	39.8%	38.2%	+160 bps
EBITDA (NIS mm)	1,000	869	14.9%
EBITDA Margins (%)	15.6%	13.5%	+210 bps
EBIT (NIS mm)	752	696	8.1%
EBIT Margins (%)	11.7%	10.8%	+90 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	446	402	11.1%
Net Income Margin Attributable to the Company's Shareholders (%)	6.9%	6.2%	+70 bps
EPS (NIS)	3.86	3.50	10.5%
Operating Cash Flow (NIS mm)	546	495 *	10.3%
Capex (NIS mm) ⁽²⁾	-224	-209	7.2%
Net debt (NIS mm)	2,275	2,132 *	6.7%
Net debt / annual EBITDA	1.8x **	2.0x *	(0.2x)

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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. 2018
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	1,712	4.2%	4.2%	189	17	9.3%	11.0%	+50 bps
Fun & Indulgence ⁽²⁾	867	3.5%	3.5%	101	5	5.4%	11.7%	+20 bps
Total Strauss Israel	2,579	4.0%	4.0%	290	22	8.0%	11.2%	+40 bps
Strauss Coffee:								
Coffee Israel	583	5.8%	5.8%	128	38	42.0%	22.0%	+560 bps
International Coffee ⁽²⁾	2,210	-7.2%	-1.2%	210	-37	-14.7%	9.5%	-80 bps
Total Strauss Coffee	2,793	-4.8%	0.1%	338	1	0.5%	12.1%	+60 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	522	1.3%	6.1%	69	21	43.5%	13.3%	+390 bps
Obela (50%) ⁽²⁾	61	4.8%	11.4%	-7	-0	-4.3%	NM	NM
Total International Dips & Spreads	583	1.7%	6.7%	62	21	49.9%	10.6%	+340 bps
Strauss Water ⁽²⁾	467	5.8%	5.9%	55	10	23.9%	11.9%	+180 bps
Other	0	NM	NM	7	2	32.8%	NM	NM
Total Group	6,422	-0.1%	2.6%	752	56	8.1%	11.7%	+90 bps

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Condensed financial accounting (GAAP)			
Third Quarter			
	2019	2018	Change
Sales	1,504	1,411	6.6%
Cost of sales excluding impact of commodity hedges	889	856	3.9%
Adjustments for commodity hedges	3	13	
Cost of sales	892	869	2.6%
Gross profit	612	542	13.0%
% of sales	40.7%	38.4%	
Selling and marketing expenses	343	314	9.4%
General and administrative expenses	99	86	14.9%
Total expenses	442	400	
Share of profit of equity-accounted investees	65	66	-1.6%
Operating profit before other expenses	235	208	13.0%
% of sales	15.6%	14.7%	
Other income (expenses), net	0	-2	
Operating profit after other expenses	235	206	14.0%
Financing expenses, net	-31	-25	21.0%
Income before taxes on income	204	181	13.0%
Taxes on income	-44	-38	16.5%
Effective tax rate	21.5%	20.8%	
Income for the period	160	143	12.0%
Attributable to the Company's shareholders	145	129	13.0%
Attributable to non-controlling interests	15	14	3.6%

Condensed financial accounting (GAAP)			
First Nine Months			
	2019	2018	Change
Sales	4,272	4,205	1.6%
Cost of sales excluding impact of commodity hedges	2,512	2,520	-0.3%
Adjustments for commodity hedges	3	-	
Cost of sales	2,515	2,520	-0.2%
Gross profit	1,757	1,685	4.3%
% of sales	41.1%	40.1%	
Selling and marketing expenses	979	954	2.7%
General and administrative expenses	297	284	4.4%
Total expenses	1,276	1,238	
Share of profit of equity-accounted investees	218	200	9.2%
Operating profit before other expenses	699	647	8.0%
% of sales	16.4%	15.4%	
Other income (expenses), net	-3	0	
Operating profit after other expenses	696	647	7.5%
Financing expenses, net	-96	-63	50.3%
Income before taxes on income	600	584	2.9%
Taxes on income	-131	-151	-13.2%
Effective tax rate	21.8%	25.9%	
Income for the period	469	433	8.5%
Attributable to the Company's shareholders	428	392	9.3%
Attributable to non-controlling interests	41	41	0.5%

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

Investor Conference and Conference Calls

Strauss Group will host an investor conference at the company's offices in Petach Tikva on Wednesday, November 20, 2019 at 14:00 (Israel time) to review the Financial Statements of the Company for the third quarter of 2019.

Investors can listen to the conference in Hebrew by dialing 03-918-0687.

Strauss Group will also host an investor conference call in English on Wednesday, November 20, 2019 at 17:30 Israel time (15:30 UK, 10:30 EST) to review the Financial Statements of the Company for the third 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: 1-866-860-9642

From Israel: 03-918-0691

The Financial Statements for the third 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:

Daniella Finn

Director of Investor Relations

Strauss Group Ltd.

972-54-577-2195

972-3-675-2545

Daniella.Finn@Strauss-Group.com

Osnat Golan

VP Communications, Digital & Sustainability

Strauss Group Ltd.

972-52-828-8111

972-3-675-2281

Osnat.Golan@Strauss-Group.com

Or

Shlomi Sheffer

External Communications Director

Strauss Group Ltd.

972-50-620-8000

972-3-675-6713

Shlomi.Sheffer@Strauss-Group.com