

# Strauss Group recorded NIS 4.5 billion in revenues the first half of 2022; 8% organic growth<sup>1</sup> and a decline of 59% in operating profit

The Company is preparing for the gradual resumption of manufacturing operations at the confectionery production site; the Sabra plant in Virginia has resumed partial production; the coffee and water companies and the business in Israel, excluding the confectionery division, delivered growth in the first half of 2022

This morning, Strauss Group published its financial statements for the first half and second quarter of 2022. In the half-year, the Company delivered an increase of 8%<sup>1</sup> in revenue, which amounted to NIS 4.5 billion. In the second quarter, revenue totaled NIS 2.3 billion, reflecting 4.6%<sup>1</sup> growth. Growth is largely due to an increase in sales by the coffee company and was offset by a drop in sales by the Confectionery Division and Sabra, both of which operated on a partial scale in the half-year.

Despite the increase in sales, the Company reported a decline in operating profit and in the operating margin in the half and quarter. The effects of the recall in the Confectionery Division and the adjustment plan at Sabra's plant, coupled with the rising costs of raw materials, shipping and energy, globally and in Israel, led to a drop of 59.1% in the Group's operating profit, which amounted to NIS 204 million in the half-year, while income attributable to shareholders fell by 66.2% to NIS 113 million.

**Ofra Strauss, Chairperson of the Strauss Group:** "I would like to thank Giora for the 5 years in which he served as CEO and led the group with extraordinary responsibility, determination, partnership and collegiality. Giora always knew how to put the people at the center, he was always aware of the day-to-day details whilst keeping a broad perspective and relentlessly striving to lead the group forward.

During his tenure, which was characterized by many challenges, including the corona virus and input inflation, among others, Giora led significant processes that will benefit Strauss for many years to come, among them, the definition of the group's vision, the formulation of a business strategy for the coming years and the derived work plans for implementation.

The same commitment and responsibility for the future, which characterized his leadership along the way, is what led him to the timely decision to pass the baton to the next CEO who will lead Strauss in the years to come.

All of us at Strauss, and I especially, express our great gratitude to him for his tenure of more than 25 years in the group."

The Strauss Group Board of Directors is conducting a search to appoint a new CEO for the group via a dedicated search committee."

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<sup>1</sup> Organic growth excluding foreign currency effects.

Data in this document are based on the company's non-GAAP figures, which include the proportionate consolidation of jointly controlled entities and do not include share-based payment, mark-to-market 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 net income and expenses, and the tax effect of excluding those items, unless stated otherwise.

**Giora Bardea, Strauss Group CEO:** “The first six months of 2022 reflect the Group’s inherent resilience as a diverse global company and its ability to successfully contend with a challenging macroeconomic environment along with internal challenges. In the past few months, we have simultaneously tackled two complex incidents –the Confectionery recall in Israel and the adjustments at Sabra’s plant in the USA – both of which have negatively affected on the Group’s results in the current half-year.

“At the same time, the coffee and water companies both delivered excellent performances, impressive sales growth and an increase in profit. We are wrapping up a quarter of strong revenue growth but a drop in our bottom line, mainly because of the effects of elevated raw material and energy prices as well as events in the Confectionery Division and Sabra.

“I know Strauss’s resilience and strength and its strong and dedicated employees and managers from up close, and I am confident that we are on the right path.”

**Strauss Israel** wrapped up the first half with NIS 1.75 billion in revenue and a decrease of 7.6%, which is largely the result of a 30.8% drop in sales by the Fun & Indulgence segment, which amounted to NIS 407 million in the six-month period as a result of the confectionery recall.

The Company has performed cleaning operations, has invested in infrastructure to ensure improved quality and food safety standards, and is presently preparing for the gradual resumption of production under strict control. A public announcement will be made accordingly, following receipt of approval from the Ministry of Health.

Sales by the Health & Wellness segment grew by 2.9% in the half-year and amounted to NIS 1.34 billion, mainly thanks to sales growth in the dairy business. Strauss Israel concluded the first six months of the year with an operating loss of NIS 26 million.

**Strauss Coffee’s** performance in the half-year was especially strong. Sales in Israel Coffee grew by 6.1% in the first six months to NIS 395 million thanks to an increase in sales to the retail market and in away-from-home (AFH) sales. The coffee company’s sales in Brazil rose by a sharp 62.4%<sup>1</sup> in the half-year and amounted to NIS 1.26 billion following growth in quantities sold and price increases. The coffee business in Eastern Europe also delivered a successful half-year, with sales growing at double-digit rates<sup>1</sup> despite the ongoing war in Ukraine.

**Sabra** continues to be affected by the implementation of the adjustment plan at the plant in Virginia. Since the plant was partly shut down in the first half and resumed operations on a partial scale in the second quarter, the company’s sales in the half-year dropped by 50.2% and amounted to NIS 151 million (reflecting 50% ownership), with an operating loss of NIS 43 million (for 50%). Sabra’s average share of the hummus market in the first half of the year was 33% (Number 1 in the market). Additionally, the ramp-up of operations at the plant continued in August, and the Company estimates that it will return to full-scale production in the second half of 2022.

Obela wrapped up the first six months with NIS 41 million in revenue (reflecting 50% ownership), an increase of 2.5%<sup>2</sup>.

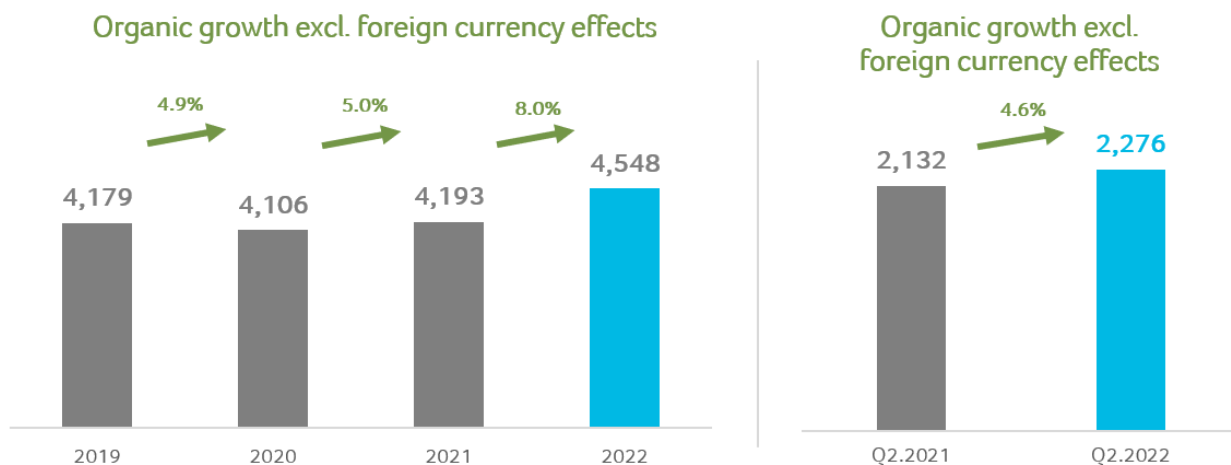
**Strauss Water** maintained its impressive growth in the current half-year. The company’s sales in Israel amounted to NIS 382 million - an increase of 7.4% - thanks to growth in the customer base and in sales of new appliances. The business in China, although affected by lockdowns imposed due to COVID-19 outbreaks in the second quarter, also grew, with sales of NIS 351 million – an increase of 6.9%.

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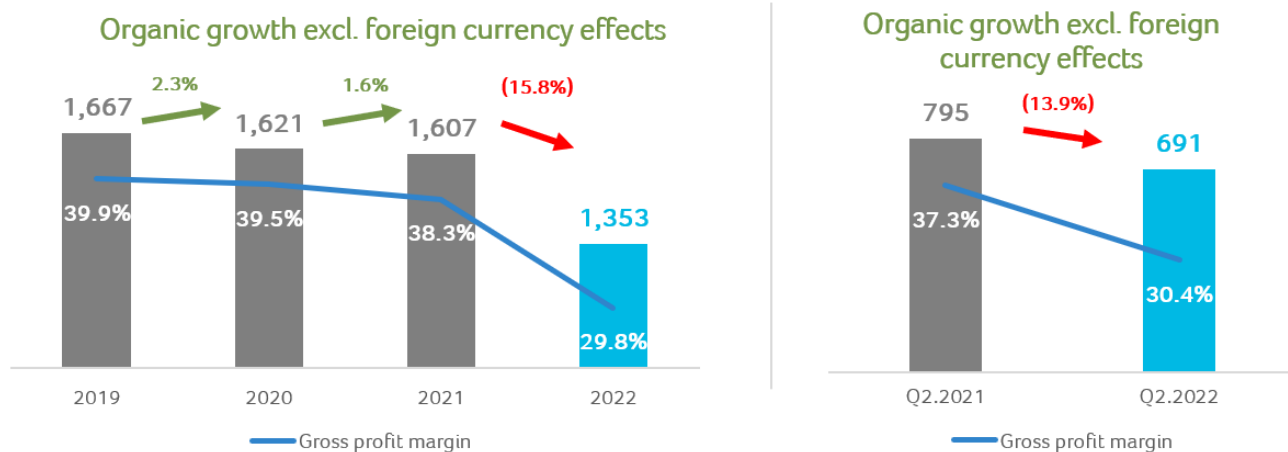
<sup>2</sup> Organic growth excluding foreign currency effects.

Following are key financial data in a quarterly and multi-year comparison, according to the Management (Non-GAAP) Reports:

### Net Sales

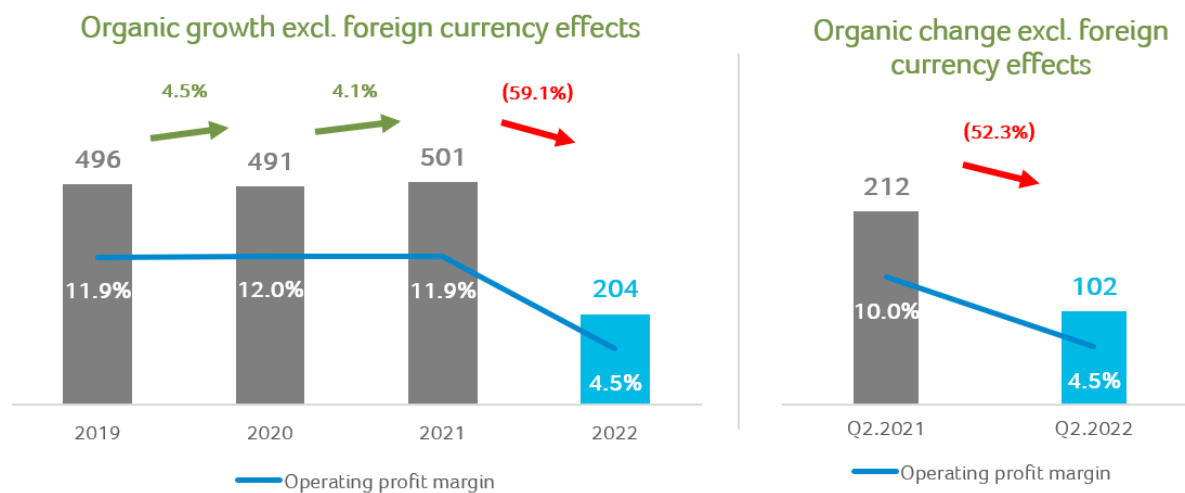


### Gross Profit and Gross Margin

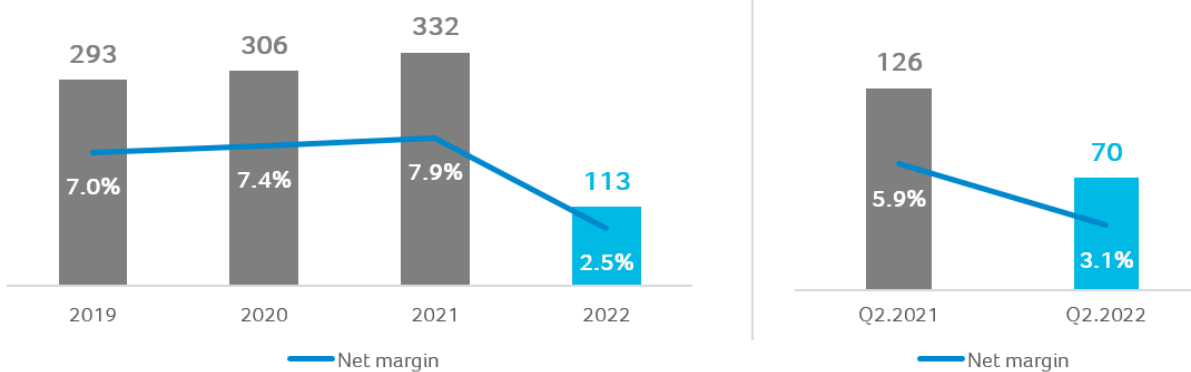


Financial data were rounded to NIS millions.

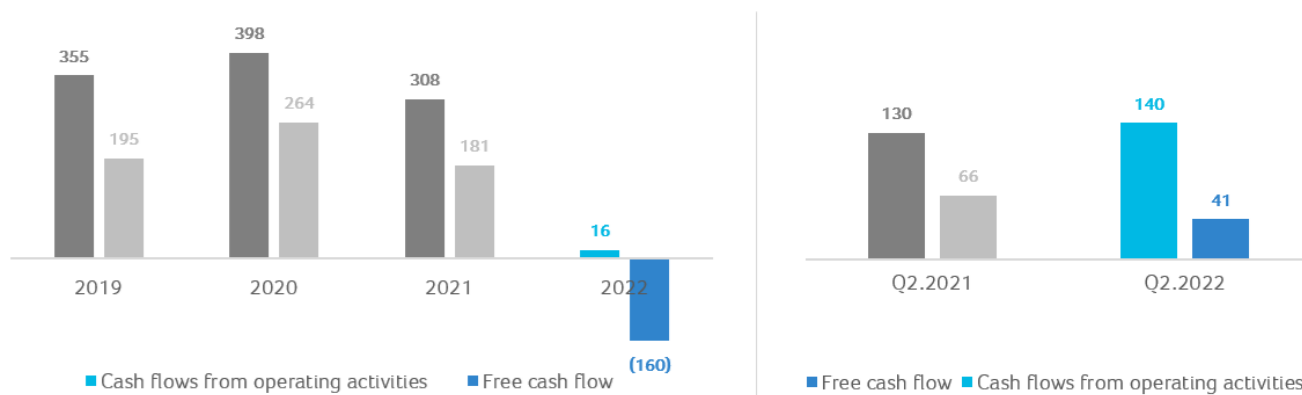
## Operating Profit and Operating Margin



## Net Profit and Net Margin



## Cash Flows from Operating Activities and Free Cash Flow



Financial data were rounded to NIS millions.

## Non GAAP Figures <sup>(1)</sup>

Second Quarter			
	2022	2021	Change
Total Group Sales (NIS mm)	2,276	2,132	6.8%
Organic Sales Growth excluding FX	4.6%	10.9%	
Gross Profit (NIS mm)	691	795	-13.0%
Gross Margins (%)	30.4%	37.3%	-690 bps
EBITDA (NIS mm)	201	296	-31.9%
EBITDA Margins (%)	8.9%	13.9%	-500 bps
EBIT (NIS mm)	102	212	-51.5%
EBIT Margins (%)	4.5%	10.0%	-550 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	70	126	-44.8%
Net Income Margin (Attributable to the Company's Shareholders) (%)	3.1%	5.9%	-280 bps
EPS (NIS)	0.60	1.08	-44.9%
Operating Cash Flow (NIS mm)	140	130	8.5%
Capex (NIS mm) <sup>(2)</sup>	99	72	54.7%
Net debt (NIS mm)	2,455	2,156	13.9%
Net debt / annual EBITDA	2.3x	1.7x	(0.6x)

(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 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, investment in intangible assets and proceeds from the sale of fixed 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 <sup>(1)</sup>

	Second Quarter							
	Sales (NIS mm)	Sales growth vs. prior year	Organic sales growth excluding FX	EBIT (NIS mm)	NIS Change in EBIT	% Change in EBIT	EBIT margins	Change in EBIT margins vs. 2021
<b>Sales and EBIT by Operating Segments and Activities</b>								
<b>Strauss Israel:</b>								
Health & Wellness	672	1.2%	1.2%	64	-24	-26.3%	9.6%	-360 bps
Fun & Indulgence <sup>(2)</sup>	101	-60.1%	-60.1%	-75	-95	-471.9%	-74.4%	-8240 bps
<b>Total Strauss Israel</b>	<b>773</b>	<b>-15.7%</b>	<b>-15.7%</b>	<b>-11</b>	<b>-119</b>	<b>-110.0%</b>	<b>-1.4%</b>	<b>-1310 bps</b>
<b>Strauss Coffee:</b>								
Israel Coffee	180	10.5%	10.5%	20	-6	-23.5%	11.6%	-520 bps
International Coffee <sup>(2)</sup>	1,050	53.2%	44.5%	107	56	110.5%	10.2%	+280 bps
<b>Total Strauss Coffee</b>	<b>1,230</b>	<b>45.0%</b>	<b>38.3%</b>	<b>127</b>	<b>50</b>	<b>63.8%</b>	<b>10.4%</b>	<b>+120 bps</b>
<b>International Dips &amp; Spreads:</b>								
Sabra (50%) <sup>(2)</sup>	54	-66.2%	-67.0%	-28	-41	-326.8%	-52.0%	-5980 bps
Obela (50%) <sup>(2)</sup>	20	-6.0%	-0.1%	-3	-1	-47.0%	NM	NM
<b>Total International Dips &amp; Spreads</b>	<b>74</b>	<b>-59.2%</b>	<b>-59.8%</b>	<b>-31</b>	<b>-42</b>	<b>-406.8%</b>	<b>-42.5%</b>	<b>-4820 bps</b>
<b>Strauss Water <sup>(2)</sup></b>	<b>199</b>	<b>7.3%</b>	<b>7.6%</b>	<b>23</b>	<b>1</b>	<b>3.5%</b>	<b>11.7%</b>	<b>-40 bps</b>
<b>Other</b>	<b>0</b>	<b>NM</b>	<b>NM</b>	<b>-6</b>	<b>0</b>	<b>-1.9%</b>	<b>NM</b>	<b>NM</b>
<b>Total Group</b>	<b>2,276</b>	<b>6.8%</b>	<b>4.6%</b>	<b>102</b>	<b>-110</b>	<b>-51.5%</b>	<b>4.5%</b>	<b>-550 bps</b>

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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 <sup>(1)</sup>

First Half			
	2022	2021	Change
Total Group Sales (NIS mm)	4,548	4,193	8.5%
Organic Sales Growth excluding FX	8.0%	5.0%	
Gross Profit (NIS mm)	1,353	1,607	-15.8%
Gross Margins (%)	29.8%	38.3%	-850 bps
EBITDA (NIS mm)	395	669	-41.0%
EBITDA Margins (%)	8.7%	16.0%	-730 bps
EBIT (NIS mm)	204	501	-59.1%
EBIT Margins (%)	4.5%	11.9%	-740 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	113	332	-66.2%
Net Income Margin (Attributable to the Company's Shareholders) (%)	2.5%	7.9%	-540 bps
EPS (NIS)	0.97	2.86	-66.2%
Operating Cash Flow (NIS mm)	16	308	-94.7%
Capex (NIS mm) <sup>(2)</sup>	176	127	38.6%
Net debt (NIS mm)	2,455	2,156	13.9%
Net debt / annual EBITDA	2.3x	1.7x	(0.6x)

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## Non GAAP Figures (1)

First Half								
	Sales (NIS mm)	Sales growth vs. prior year	Organic sales growth excluding FX	EBIT (NIS mm)	NIS Change in EBIT	% Change in EBIT	EBIT margins	Change in EBIT margins vs. 2021
<b>Sales and EBIT by Operating Segments and Activities</b>								
<b>Strauss Israel:</b>								
Health & Wellness	1,341	2.9%	2.9%	146	-18	-10.7%	10.9%	-170 bps
Fun & Indulgence <sup>(2)</sup>	407	-30.8%	-30.8%	-172	-245	-337.7%	-42.4%	-5470 bps
<b>Total Strauss Israel</b>	<b>1,748</b>	<b>-7.6%</b>	<b>-7.6%</b>	<b>-26</b>	<b>-263</b>	<b>-111.0%</b>	<b>-1.5%</b>	<b>-1400 bps</b>
<b>Strauss Coffee:</b>								
Israel Coffee	395	6.1%	6.1%	67	-18	-20.7%	17.2%	-580 bps
International Coffee <sup>(2)</sup>	1,831	49.2%	46.6%	165	74	82.1%	9.0%	+160 bps
<b>Total Strauss Coffee</b>	<b>2,226</b>	<b>39.2%</b>	<b>37.3%</b>	<b>232</b>	<b>56</b>	<b>32.1%</b>	<b>10.5%</b>	<b>-50 bps</b>
<b>International Dips &amp; Spreads:</b>								
Sabra (50%) <sup>(2)</sup>	151	-50.2%	-49.9%	-43	-72	-252.9%	-28.6%	-3790 bps
Obela (50%) <sup>(2)</sup>	41	-4.7%	2.5%	-5	0	-12.6%	NM	NM
<b>Total International Dips &amp; Spreads</b>	<b>192</b>	<b>-44.6%</b>	<b>-44.2%</b>	<b>-48</b>	<b>-72</b>	<b>-304.2%</b>	<b>-25.2%</b>	<b>-3200 bps</b>
<b>Strauss Water <sup>(2)</sup></b>	<b>382</b>	<b>7.4%</b>	<b>7.6%</b>	<b>48</b>	<b>4</b>	<b>9.4%</b>	<b>12.7%</b>	<b>+30 bps</b>
<b>Other</b>	<b>0</b>	<b>NM</b>	<b>NM</b>	<b>-2</b>	<b>-22</b>	<b>-110.7%</b>	<b>NM</b>	<b>NM</b>
<b>Total Group</b>	<b>4,548</b>	<b>8.5%</b>	<b>8.0%</b>	<b>204</b>	<b>-297</b>	<b>-59.1%</b>	<b>4.5%</b>	<b>-740 bps</b>

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**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			
	2022	2021	Change
Sales	1,421	1,458	-2.5%
Cost of sales excluding impact of commodity hedges	921	875	5.2%
Adjustments for commodity hedges	-2	-12	
Cost of sales	919	863	6.5%
<b>Gross profit</b>	<b>502</b>	<b>595</b>	<b>-15.7%</b>
% of sales	35.3%	40.8%	
Selling and marketing expenses	340	328	3.3%
General and administrative expenses	106	103	2.4%
<b>Total expenses</b>	<b>446</b>	<b>431</b>	<b>3.1%</b>
Share of profit of equity-accounted investees	27	*46	-43.4%
Share of loss of equity-accounted incubator investees	-7	*-3	101.4%
<b>Operating profit before other expenses</b>	<b>76</b>	<b>207</b>	<b>-63.2%</b>
% of sales	5.4%	14.2%	
Other expenses, net	-3	-1	
<b>Operating profit after other expenses</b>	<b>73</b>	<b>206</b>	<b>-64.9%</b>
Financing expenses, net	20	-25	180.9%
<b>Income before taxes on income</b>	<b>93</b>	<b>181</b>	<b>-48.5%</b>
Taxes on income	-24	-33	-26.5%
Effective tax rate	25.9%	18.1%	
<b>Income for the period</b>	<b>69</b>	<b>148</b>	<b>-53.4%</b>
<b>Attributable to the Company's shareholders</b>	<b>55</b>	<b>130</b>	<b>-57.8%</b>
Attributable to non-controlling interests	14	18	-21.5%

Condensed financial accounting (GAAP)			
First Half			
	2022	2021	Change
Sales	2,932	2,967	-1.2%
Cost of sales excluding impact of commodity hedges	1,975	1,753	12.7%
Adjustments for commodity hedges	-4	-11	
Cost of sales	1,971	1,742	13.1%
<b>Gross profit</b>	<b>961</b>	<b>1,225</b>	<b>-21.6%</b>
% of sales	32.8%	41.3%	
Selling and marketing expenses	664	649	2.2%
General and administrative expenses	213	207	2.7%
<b>Total expenses</b>	<b>877</b>	<b>856</b>	<b>2.3%</b>
Share of profit of equity-accounted investees	72	*88	-18.0%
Share of profit of equity-accounted incubator investees	1	*23	-95.8%
<b>Operating profit before other expenses</b>	<b>157</b>	<b>480</b>	<b>-67.3%</b>
% of sales	5.4%	16.2%	
Other expenses, net	-31	3	
<b>Operating profit after other expenses</b>	<b>126</b>	<b>483</b>	<b>-74.0%</b>
Financing expenses, net	6	-22	128.2%
<b>Income before taxes on income</b>	<b>132</b>	<b>461</b>	<b>-71.4%</b>
Taxes on income	-32	-92	-65.6%
Effective tax rate	23.9%	19.9%	
<b>Income for the period</b>	<b>100</b>	<b>369</b>	<b>-72.8%</b>
<b>Attributable to the Company's shareholders</b>	<b>69</b>	<b>333</b>	<b>-79.3%</b>
Attributable to non-controlling interests	31	36	-12.2%

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

\* Reclassified

## **Conference Call**

Strauss Group will host a Zoom conference call in Hebrew on Tuesday, August 16, 2022 at 14:00 (Israel time) with the participation of company management to review the financial statements of the company for the second quarter of 2022. Following is information for those wishing to join the conference:

Meeting URL: <https://strauss-group.zoom.us/j/98848817114?pwd=K1NwS2YwQWp4Tjlxelk3cjNMQVlrUT09>

Meeting ID: 988 4881 7114

Password: 307162

Strauss Group will also host a Zoom conference call in English on Tuesday, August 16, 2022 at 15:30 (Israel time) (13:30 UK, 08:30 EST) with the participation of company management to review the financial statements of the company for the second quarter of 2022.

Meeting URL: <https://strauss-group.zoom.us/j/95733191118?pwd=dXFZUEROdHZybG1qa2FBOWxIZEk5UT09>

Meeting ID: 957 3319 1118

Password: 632114

A recording of the calls will subsequently be available on the company's website at:

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

The financial statements of the company for the fourth quarter and full year 2021 and the presentation that will accompany the conferences will be available prior to the conference calls on the following websites:

<http://www.tase.co.il>

<http://www.magna.isa.gov.il>

<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.**  
**972-54-426-2636**  
**972-3-675-2545**  
[Daniella.Finn@Strauss-Group.com](mailto:Daniella.Finn@Strauss-Group.com)

**Osnat Golan**  
**VP Communications, Corporate Brand & Sustainability**  
**Strauss Group Ltd.**  
**972-52-828-8111**  
**972-3-675-2281**  
[Osnat.Golan@Strauss-Group.com](mailto:Osnat.Golan@Strauss-Group.com)

**Shlomi Sheffer**  
**External Communications Director**  
**Strauss Group Ltd.**  
**972-50-620-8000**  
**972-3-675-6713**  
[Shlomi.Sheffer@Strauss-Group.com](mailto:Shlomi.Sheffer@Strauss-Group.com)