



Press Release

Petach Tikva, Israel; March 14, 2018

Strauss posts yet another strong set of annual results with sales growth up 6.9% for 2017, or 8% excluding foreign currency effects; Net income rises an impressive 23.7% for the year due to excellent results at Strauss Coffee, Strauss Israel and Strauss Water⁽¹⁾

Gadi Lesin, President and CEO of Strauss Group (March 14, 2018): "Strauss Group continues to present solid results in all key parameters. In the fourth quarter of 2017 sales grew a stellar 10.2% excluding FX translation, and net income rose by 34%. These excellent results were attained, among other things, by implementing strategic moves which enhanced the Group's operational and managerial flexibility whilst focusing on core assets, by increasing our investment in innovation, signing new distribution agreements and expanding our geographical reach. Alongside the strong performance of Strauss Israel, Strauss Coffee and Strauss Water, 2017 was a challenging year for Sabra, our dips and spreads business in North America, which nevertheless succeeded in returning to close to pre-recall selling and market share levels".

2017 highlights ⁽¹⁾

- Organic sales growth, excluding foreign currency effects, was c8%. Shekel sales were NIS c8.5 billion compared to NIS 7.9 billion in the corresponding period last year; sales were impacted by a negative currency translation amounting to NIS c49 million as a result of the continued appreciation of the NIS in comparison to other currencies.
- Gross profit was NIS c3,116 million (c36.7% of sales), up c4.6% compared to the corresponding period last year. Gross margins were down c0.8%.
- Operating profit (EBIT) was NIS c780 million (c9.2% of sales), up c4.8% compared to the corresponding period last year. EBIT margins were down c0.2%.
- EPS for shareholders of the Company was NIS c3.7, up c18.8% compared to the corresponding period.
- Cash flow from operating activities totalled NIS c622 million, compared to NIS c762 million last year.

(1) 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, 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.

Non GAAP Figures ⁽¹⁾

	Year		
	2017	2016	Change
Total Group Sales (NIS mm)	8,492	7,943	6.9%
Organic Sales Growth excluding FX			8.0%
Gross Profit (NIS mm)	3,116	2,980	4.6%
Gross Margins (%)	36.7%	37.5%	-80 bps
EBITDA (NIS mm)	1,018	975	4.4%
EBITDA Margins (%)	12.0%	12.3%	-30 bps
EBIT (NIS mm)	780	744	4.8%
EBIT Margins (%)	9.2%	9.4%	-20 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	415	335	23.7%
Net Income Margin Attributable to the Company's Shareholders (%)	4.9%	4.2%	+70 bps
EPS (NIS)	3.70	3.12	18.8%
Operating Cash Flow (NIS mm)	622	762	-18.4%
Capex (NIS mm) ⁽²⁾	-268	-239	12.1%
Net debt (NIS mm)	2,080	1,428	45.6%
Net debt / annual EBITDA	2.0x	1.5x	0.5x

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

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. 2016
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	2,068	5.7%	5.7%	222	9	4.2%	10.8%	-10 bps
Fun & Indulgence ⁽²⁾	1,063	5.6%	5.6%	106	5	5.8%	10.0%	--
Total Strauss Israel	3,131	5.6%	5.6%	328	14	4.5%	10.5%	-10 bps
Strauss Coffee:								
Coffee Israel	704	4.5%	4.5%	104	17	19.0%	14.8%	+180 bps
International Coffee ⁽²⁾	3,396	13.2%	12.4%	289	17	6.4%	8.5%	-60 bps
Total Strauss Coffee	4,100	11.6%	11.0%	393	34	9.4%	9.6%	-20 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	622	-6.3%	0.2%	30	-29	-49.5%	4.8%	-410 bps
Obela (50%) ⁽²⁾	70	32.8%	23.9%	-11	1	NM	NM	NM
Total International Dips & Spreads	692	-3.4%	2.2%	19	-29	-59.9%	2.8%	-380 bps
Other ⁽²⁾⁽³⁾	569	-3.5%	7.7%	40	17	73.0%	6.9%	+300 bps
Total Group	8,492	6.9%	8.0%	780	36	4.8%	9.2%	-20 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. Other Operations figures include Strauss's share in the joint venture in China, Haier Strauss Water (HSW). Until August the Company held a 34% stake in the joint venture, and commencing in September, its percentage holding increased to 49% following the acquisition of an additional 15%.

(3) During the period, the Group 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. The figures for total International D&S were calculated on the basis of the exact Sabra and Obela figures in NIS thousands.

Q4 2017 highlights⁽¹⁾

- Organic sales growth, excluding foreign currency effects, was c10.2%. Shekel sales were NIS c2.2 billion compared to NIS 2 billion in the corresponding period last year, and include a NIS c53 million negative translation effect as a result of the weakening of the Brazilian Real versus the NIS.
- Gross profit was NIS c774 million (c35.9% of sales), up c8% compared to the corresponding period last year. Gross margins were up c0.6%.
- Operating profit (EBIT) was NIS c149 million (c6.9% of sales), up c10.4% compared to the corresponding period last year. EBIT margins were up c0.3%.
- EPS for shareholders of the company was NIS c0.67, up c26% compared to the corresponding period.
- Cash flows from operating activities totalled NIS c328 million, compared to NIS c360 million last year.

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Non GAAP Figures ⁽¹⁾

Fourth Quarter			
	2017	2016	Change
Total Group Sales (NIS mm)	2,157	2,034	6.0%
Organic Sales Growth excluding FX			10.2%
Gross Profit (NIS mm)	774	717	8.0%
Gross Margins (%)	35.9%	35.3%	+60 bps
EBITDA (NIS mm)	214	194	10.6%
EBITDA Margins (%)	9.9%	9.5%	+40 bps
EBIT (NIS mm)	149	135	10.4%
EBIT Margins (%)	6.9%	6.6%	+30 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	77	58	34.0%
Net Income Margin (Attributable to the Company's Shareholders) (%)	3.6%	2.8%	+80 bps
EPS (NIS)	0.67	0.53	26.0%
Operating Cash Flow (NIS mm)	328	360	-8.9%
Capex (NIS mm) ⁽²⁾	-79	-76	3.9%
Net debt (NIS mm)	2,080	1,428	45.6%
Net debt / annual EBITDA	2.0x	1.5x	0.5x

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Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	514	10.2%	10.2%	52	1	1.3%	10.2%	-90 bps
Fun & Indulgence ⁽²⁾	254	13.6%	13.6%	17	2	23.5%	6.9%	+60 bps
Total Strauss Israel	768	11.3%	11.3%	69	3	5.1%	9.0%	-60 bps
Strauss Coffee:								
Israel Coffee	167	13.9%	13.9%	20	12	132.7%	12.2%	+620 bps
International Coffee ⁽²⁾	918	0.4%	5.3%	59	-17	-21.8%	6.4%	-190 bps
Total Strauss Coffee	1,085	2.3%	6.5%	79	-5	-5.9%	7.3%	-70 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	147	25.9%	37.3%	-2	11	87.3%	NM	+1000 bps
Obela (50%) ⁽²⁾	21	13.0%	20.1%	-2	-1	NM	NM	NM
Total International Dips & Spreads	168	24.1%	34.8%	-4	10	74.4%	NM	+830 bps
Other ⁽²⁾⁽³⁾	136	-8.4%	9.5%	5	6	451.2%	3.0%	+380 bps
Total Group	2,157	6.0%	10.2%	149	14	10.4%	6.9%	+30 bps

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Appendix

Condensed financial accounting (GAAP)			
	Year		
	2017	2016	Change
Sales	5,480	5,282	3.7%
Cost of sales excluding impact of commodity hedges	3,323	3,179	4.5%
Adjustments for commodity hedges	31	-	
Cost of sales	3,354	3,179	5.5%
Gross profit	2,126	2,103	1.1%
% of sales	38.8%	39.8%	
Selling and marketing expenses	1,259	1,234	2.0%
General and administrative expenses	388	367	5.6%
Total expenses	1,647	1,601	
Share of profit of equity-accounted investees	162	178	-8.9%
Operating profit before other expenses	641	680	-5.7%
% of sales	11.7%	12.9%	
Other expenses, net	-9	-49	
Operating profit after other expenses	632	631	0.3%
Financing expenses, net	-117	-109	8.7%
Income before taxes on income	515	522	-1.5%
Taxes on income	-99	-134	-27.1%
Effective tax rate	19.1%	25.8%	
Income for the period	416	388	7.4%
Attributable to the Company's shareholders	342	272	25.8%
Attributable to non-controlling interests	74	116	-35.6%

Condensed financial accounting (GAAP)			
	Fourth Quarter		
	2017	2016	Change
Sales	1,385	1,310	5.7%
Cost of sales excluding impact of commodity hedges	850	792	7.4%
Adjustments for commodity hedges	13	28	
Cost of sales	863	820	5.3%
Gross profit	522	490	6.4%
% of sales	37.7%	37.4%	
Selling and marketing expenses	324	323	0.1%
General and administrative expenses	113	98	15.1%
Total expenses	437	421	
Share of profit of equity-accounted investees	42	24	78.9%
Operating profit before other expenses	127	93	37.4%
% of sales	9.2%	7.0%	
Other expenses, net	-2	-6	
Operating profit after other expenses	125	87	45.3%
Financing expenses, net	-27	-16	78.5%
Income before taxes on income	98	71	38.1%
Taxes on income	-22	-15	40.9%
Effective tax rate	22.1%	21.7%	
Income for the period	76	56	37.3%
Attributable to the Company's shareholders	68	30	128.6%
Attributable to non-controlling interests	8	26	-66.2%

Investor Conference

Strauss Group will host an Annual and Fourth Quarter 2017 Investor Conference at the Tel Aviv Stock Exchange on Wednesday, March 14, 2018 at 14:00 (Israel time) to review the Financial Statements of the Company for the year and quarter.

Strauss Group will also host an Investor Conference call in English on Wednesday, March 14, 2018 at 17:00 Israel time (UK – 15:00, US Eastern Standard Time – 11:00) to review the Financial Statements of the Company for the year and quarter.

To join the conference in English, please call:

UK: 0-800-917-5108

US: 1-888-668-9141

Israel: 03-918-0609

The Financial Statements for the fourth quarter and full-year of 2017 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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