



## **Strauss Group: Further Organic Double-Digit Growth in Sales, With Continuous Improvement in Profitability**

Tel Aviv, November 25, 2007 - Strauss Group's (STRS.TA) Chairperson, Ofra Strauss, and President & CEO, Erez Vigodman, announced today upon publication of the third quarter of 2007 Financial Statement that the Group continues its double-digit growth together with improved profitability.

### **Nine Months and Third Quarter Financial Highlights**

- **Continued accelerated growth in the third quarter and first nine months sales .Sales in the third quarter are up 17.6%, totaling NIS 1.58 billion. Sales in nine months are up 14.1%, totaling NIS 4.39 billion.**
- **Operating profit (pro-forma)<sup>1</sup> in the third quarter totaled NIS 145.7 million, a 25.2% growth. Operating profit (pro-forma) in nine months totaled NIS 396.4 million, a 22.0% growth.**
- **Net profit (pro-forma)<sup>2</sup> attributed to company shareholders in the third quarter up 6.1%, totaling NIS 81.6 million. Net profit (pro-forma) in nine months up 20.7%, totaling NIS 242 million.**

### **Management Comments**

**Ofra Strauss, Chairperson of Strauss Group**, said today that the combination of investment in the future while building suitable infrastructures in Israel and overseas, and the daily improvement in current activity, continues to be manifested in the third-quarter results, as the company becomes more international.

**Erez Vigodman, President & CEO of Strauss Group**, stated that Strauss continues to expand with improved profitability, for the fifth consecutive year.

The Group presents its highest-ever operating profit with 17% organic growth in sales. Consequently, net profit in this quarter grew (capital-gains neutralized) despite the sharp increase in financing expenses.

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<sup>1</sup> Operating Profit (pro-forma)- before other income (expenses) neutralizing the impact of hedging transactions on commodities and Clubmarket doubtful debt reverse

<sup>2</sup> Net Profit (pro-forma)- before other income (expenses) neutralizing the impact of hedging transactions on commodities and Clubmarket doubtful debt reverse and Tax effect of the amount neutralized



**Main Third Quarter and Nine Months Figures (in NIS million):**

	Nine Months			Q3		
	2007	2006	% Chg	2007	2006	% Chg
Sales	4,388.4	3,844.8	14.1%	1,575.3	1,340.0	17.6%
Gross profit	1,657.7	1,447.7	14.5%	581.3	513.7	13.2%
Operating profit Accounting before other income (expenses)	399.8	329.2	21.4%	144.8	127.5	13.6%
Operating profit Pro-forma before other income (expenses)	396.4	324.8	22.0%	145.7	116.4	25.2%
Net profit accounting attributed to company shareholders	205.9	297.5	-30.8%	62.7	81.6	-23.2%
Net profit Pro-forma profit* attributed to company shareholders	210.4	168.0	25.2%	65.3	64.3	1.6%
Earning per share (basic) attributed to company's shareholders' Proforma (in NIS)	2.02	1.61		0.63	0.62	

\*Neutralizing the impact of hedging in commodities and other one-time income and expenses net.

**Main Data by Geographic segments, in NIS millions (in NIS million):**

	Nine Months			Q3		
	2007	2006	% Chg	2007	2006	% Chg
<b>Activity in Israel (1)</b>						
Net Sales	2,456.3	2,372.6	3.5	862.5	822.7	4.8
Operating profit (2)	260.2	238.7	9.0	94.6	83.7	13.0
Operating profit Pro-forma (3)	256.8	238.7	7.6	91.2	83.7	9.0
<b>International activity (4)</b>						
Net Sales	1,932.1	1,472.2	31.2	712.8	517.3	37.8
Operating profit (2)	139.6	90.5	54.3	50.2	43.8	14.6
Operating profit Pro-forma (3)	139.6	86.1	62.1	54.5	32.7	66.7
<b>Total Net Sales</b>	<b>4,388.4</b>	<b>3,844.8</b>	<b>14.1</b>	<b>1,575.3</b>	<b>1,340.0</b>	<b>17.6</b>
<b>Operating profit (2)</b>	<b>399.8</b>	<b>329.2</b>	<b>21.4</b>	<b>144.8</b>	<b>127.5</b>	<b>13.6</b>
<b>Operating profit Pro-forma (3) (5)</b>	<b>396.4</b>	<b>324.8</b>	<b>22.0</b>	<b>145.7</b>	<b>116.4</b>	<b>25.2</b>

(1) Israel includes exports and Max Brenner in Israel, H2Q

(2) Before other income and expenses.

(3) Before other income and expenses, neutralizing the impact of Clubmarket adjustments

(4) International activity includes coffee, Sabra and Max Brenner USA

(5) Neutralizing the impact of hedging in commodities and other one-time income and expenses net.



## **Financial Review:**

### **Sales**

In the first nine months of 2007, Company sales grew by 14.1% compared to last year, totaling NIS 4,388.4 million, with major growth resulting from the international activity that increased by 31.2%. Sales growth was particularly notable in the coffee activity of the Group. Organic growth in the first nine months, neutralizing the impact of exchange rates, totaled 13.2%.

In the third quarter, Company sales grew by 17.6%, totaling NIS 1,575.3 million, compared to last year. Organic growth in nine months, neutralizing the impact of exchange rates in the third quarter, totaled 17.4%.

### **Activity in Israel**

In the first nine months of the year, sales in Israel grew by 3.5%, totaling NIS 2,456.3 million. Sales growth in Israel resulted, in part, from growth in the fresh food and beverage sectors and from Max Brenner's activity.

In the third quarter this year, sales in Israel grew by 4.8%, totaling NIS 862.5 million. Growth in Q3 in Israel was impacted by the increase in the fresh food and beverage sectors and from Max Brenner's activity.

### **International activity**

The Company's international activity includes the international coffee activity, Sabra salads in the U.S., and Max Brenner's activity outside of Israel.

### **International coffee activity**

In the first nine months of the year, the coffee activity grew by 25.3% and sales totaled NIS 1,689.7 million. Neutralizing the impact of currency exchange rate differences, sales grew by 23.7%. Growth was evident in all clusters, and particularly in Brazil, Romania and countries of the Former Yugoslavia. Strong growth is evident in AFH (Away From Home) activity in all countries of operation.

Gross profitability was impacted by further green coffee price increase, which was compensated, in part, by a rise in sale prices and significant growth in the scope of activity in Brazil.

Operating profit before other income (expenses) grew by 28.4%. Neutralizing the impact of commodities hedging transactions, operating profit in the reporting period totaled NIS 117.6 million, 34.9% compared to last year.



The improved operating profit is evident in most regions and countries where Strauss operates and results from general growth, growth in the AFH activity, an increase in selling prices, sales mix and streamlining operations conducted by the Company.

In the third quarter, the international coffee activity grew by 33.1% totaling NIS 623.8 million. Neutralizing the impact of commodities derivatives, international coffee sales grew by 34.0%. Operating profit before other income (expenses) of the international coffee activity decreased by 2.7%, however neutralizing the impact of commodities derivatives, operating profit in the international coffee activity grew by 43.4%.

#### **Sabra salads' activity in the U.S.**

In the first nine months of the year, Sabra's continued its accelerated growth and sales increased by 81.2% compared to last year, totaling NIS 216.4 million.. Neutralizing the impact of the dollar erosion, Sabra's growth totaled 89.0%.

In the third quarter, Sabra sales grew by 81.9% compared to last year. Neutralizing the impact of the dollar erosion, its growth totaled 86.4%

Growth in Sabra's market shares continues, and in the third quarter, its average market share in the U.S. Mediterranean salads category totaled 27% (according to IRI figures) as at October 2007. Sabra maintains its #1 brand positioning in the U.S.. In concurrence with sales growth, the gross and operating profitability of this activity is improving significantly, due to streamlining in production, the sales activity and considerable growth.

#### **The Max Brenner activity (part of the international and Israeli activities)**

In the first nine months, Max Brenner's sales grew by 76.4% compared to last year totaling NIS 69.3 million. Growth in the Max Brenner activity stems from the opening of chocolate bars in NYC (during the second half of 2006), and also from a rise in the number of branches in Israel. Reduction in the operating loss before other income (expenses) continued, due to improvement in the gross profit, increase in the scope of activity, cutting various overhead costs, and more efficient utilization of the infrastructures built, in concurrence with the number of active branches.

In the third quarter, Max Brenner's sales grew by 45.1% compared to last year.



### **Gross profit**

The Company's gross profit in the first nine months totaled NIS 1,657.7 million (37.8% from sales), a 14.5% increase. In the third quarter, gross profit totaled NIS 581.3 million (36.9% from sales), a 13.2% increase.

The increase in gross profit resulted mainly from sharp growth in company sales in its various activities in and outside of Israel. The improvement in gross profit rate during the first nine month period and in the third quarter resulted mainly from improved gross profitability in some activities in Israel, and a significant growth in gross profit rates in the Sabra and Max Brenner activities.

### **Operating profit before other income (expenses)**

The operating profit in the first nine months totaled NIS 399.8 million (9.1% from sales), a 21.4% increase compared to last year. The operating profit pro-forma (neutralizing commodities hedging transaction and Clubmarket doubtful debt reverse) in nine months grew by 22.0%, totaling NIS 396.4 million.

The operating profit in the third quarter totaled NIS 144.8 million (9.2% from sales), a 13.6% increase compared to last year. The operating profit pro-forma (neutralizing commodities hedging transaction and Clubmarket doubtful debt reverse) in the third quarter grew by 25.2%, totaling NIS 145.7 million.

### **Financing expenses, net**

In the first nine months, Group financing expenses grew and totaled NIS 63.7 million compared to NIS 40.4 million last year. The increase in financing expenses resulted from a sharp rise in the Consumer Price Index in the first nine months of the year, and an increase in the index-linked credit volume.

### **Income for the period attributed to the company's majority shareholders**

Income for the period attributed to the company's majority shareholders totaled NIS 205.9 million compared to NIS 297.5 million last year. Proforma income attributed to the company's majority shareholders (neutralizing the impact of hedging transactions in commodities, clubmarket doubtful debt reverse and other net income (expenses)) totaled NIS 210.4 in the first nine months, compared to NIS 168.0 million, a 25.2% increase.



In the third quarter, income attributed to the company's majority shareholders totaled NIS 62.7 million compared to about NIS 81.6 million. Proforma income totaled NIS 65.3 million in the third quarter, compared to NIS 64.3 million, a 1.6% increase.

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**About Strauss Group:**

Strauss Group is an international food and beverage company focused on branded beverages, fresh foods and snacks. Headquartered in Israel, Strauss employs about 11,000 people, manufactures hundreds of products, and operates 19 manufacturing sites in eleven countries. The company is among the ten top players in the world's coffee market, the leading company in the emerging markets of Central and Eastern Europe and the second largest in Brazil. The company also recently expanded into the US Mediterranean salads market, and accelerated the expansion of its chain of Max Brenner "Chocolate Bars."

The Strauss brands have an established reputation for excellence and a strong recognition across all product categories. The Group's aim is to provide a wide variety of superior quality products based on the latest trends in health, fun and indulgence, and the growing away-from-home market .

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**Table 1**

Summary of consolidated results for the period ended September 30, 2007 (in NIS million):

	Nine Months			Third Quarter		
	2007	2006	% Chg	2007	2006	% Chg
<b>Sales</b>	4,388.4	3,844.8	14.1	1,575.3	1,340.0	17.6
Cost of Sales w/o hedging impact						
Hedging	2,730.7	2,401.5		989.7	837.4	
<b>Cost of Sales w/o hedging impact</b>	-	(4.4)		4.3	(11.1)	
<b>Gross Profit</b>	<u>2,730.7</u>	<u>2,397.1</u>		<u>994.0</u>	<u>826.3</u>	
	<b>1,657.7</b>	<b>1,447.7</b>	<b>14.5</b>	<b>581.3</b>	<b>513.7</b>	<b>13.2</b>
	37.8%	37.7%		36.9%	38.3%	
Sales and Marketing Expenses	994.6	892.7	11.4	344.8	307.5	12.1
G&A Expenses	<u>263.3</u>	<u>225.8</u>	16.6	<u>91.7</u>	<u>78.7</u>	16.5
<b>Operating profit before other income (expenses)</b>	<b>399.8</b>	<b>329.2</b>	<b>21.4</b>	<b>144.8</b>	<b>127.5</b>	<b>13.6</b>
	9.1%	8.6%		9.2%	9.5%	
Other Income (expenses)	(8.8)	156.2		(2.0)	14.7	
<b>Operating profit after other income (expenses)</b>	<b>391.0</b>	<b>485.4</b>	<b>(19.4)</b>	<b>142.8</b>	<b>142.2</b>	<b>0.4</b>
Financing Expenses, net	<u>(63.7)</u>	<u>(40.4)</u>	57.7	<u>(37.8)</u>	<u>(13.3)</u>	184.2
Profit Before Income Tax	327.3	445.0	(26.4)	105.0	128.9	(18.5)
Income Tax	<u>(88.8)</u>	<u>(117.7)</u>	<u>(24.6)</u>	<u>(25.7)</u>	<u>(36.0)</u>	<u>(28.6)</u>
<b>Operating profit after other income (expenses)</b>	<b>238.5</b>	<b>327.3</b>	<b>(27.1)</b>	<b>79.3</b>	<b>92.9</b>	<b>(14.6)</b>
Company's equity in income of affiliated company	-	3.3		-	1.3	
<b>Net income for the period</b>	<b><u>238.5</u></b>	<b><u>330.6</u></b>	<b><u>(27.9)</u></b>	<b><u>79.3</u></b>	<b><u>94.2</u></b>	<b><u>(15.8)</u></b>
Attributable to:						
The Company's shareholders	205.9	297.5	(30.8)	62.7	81.6	(23.2)
Minority interest	<u>32.6</u>	<u>33.1</u>	<u>(1.5)</u>	<u>16.6</u>	<u>12.6</u>	<u>31.7</u>
<b>Net income for the period</b>	<b><u>238.5</u></b>	<b><u>330.6</u></b>	<b><u>(27.9)</u></b>	<b><u>79.3</u></b>	<b><u>94.2</u></b>	<b><u>(15.8)</u></b>
<b>Operating Profit Proforma before other income (expenses) (1)</b>	<b>396.4</b>	<b>324.8</b>	<b>22.0</b>	<b>145.7</b>	<b>116.4</b>	<b>25.2</b>
<b>Net income for the period Proforma (2)</b>	<b>242.7</b>	<b>201.1</b>	<b>20.7</b>	<b>81.6</b>	<b>76.9</b>	<b>6.1</b>
<b>Net income for the period attributed to company shareholders Proforma</b>	<b>210.4</b>	<b>168.0</b>	<b>25.2</b>	<b>65.3</b>	<b>64.3</b>	<b>1.6</b>

Adjustments to Operating Profit Proforma						
<b>Operating profit before other income (expenses) accounting</b>	399.8	329.2	21.4	144.8	127.5	13.6
Hedging	-	(4.4)		4.3	(11.1)	
<b>Income from Clubmarket</b>	<u>(3.4)</u>	-		<u>(3.4)</u>	-	
<b>Operating profit before other income (expenses) Proforma</b>	<b>396.4</b>	<b>324.8</b>	<b>22.0</b>	<b>145.7</b>	<b>116.4</b>	<b>25.2</b>
Adjustments to Income for the period proforma-						
Net income for the period accounting	238.5	330.6	(27.9)	79.3	94.2	(15.8)
Hedging (profit), loss	-	(4.4)		4.3	(11.1)	
Other Income (expenses)	8.8	(156.2)		2.0	(14.7)	
Doubtful debts expenses - Clubmarket	(3.4)	-		(3.4)	-	
Taxes related to adjustments	<u>(1.2)</u>	<u>31.1</u>		<u>(0.6)</u>	<u>8.5</u>	
<b>Net income for the period Proforma</b>	<b><u>242.7</u></b>	<b><u>201.1</u></b>	<b><u>20.7</u></b>	<b><u>81.6</u></b>	<b><u>76.9</u></b>	<b><u>6.1</u></b>
Attributable to:						
The Company's shareholders	210.4	168.0	25.2	65.3	64.3	1.6
Minority interest	28.9	33.1		12.9	12.6	
<b>Net income for the period proforma</b>	<b><u>242.7</u></b>	<b>124.2</b>	<b><u>20.7</u></b>	<b>80.7</b>	<b><u>76.9</u></b>	<b><u>6.1</u></b>

(1) ) Neutralizing the impact of hedging in commodities

(2) ) Neutralizing the impact of hedging in commodities and other one-time income and expenses net



**Table 2**

*Consolidated Balance Sheet as at September 30, 2007 (in NIS million):*

	As at Sept 30 <sup>th</sup>			
	2007		2006	
	Millions NIS	%	Millions NIS	%
Cash and Marketable Securities	617	12.4%	254	6.3%
Accounts Receivables	940	18.9%	899	22.4%
Other Accounts Receivables	291	5.8%	184	4.6%
Inventory	633	12.7%	523	13.0%
Investments & Long Term Loans	123	2.5%	120	3.0%
Investment Property	19	0.4%	20	0.5%
Fixed Assets	1,075	21.6%	957	23.8%
Other Assets	1,283	25.7%	1,058	26.4%
<b>Total Assets</b>	<b>4,981</b>	<b>100.0%</b>	<b>4,015</b>	<b>100.0%</b>
Current Bank Liabilities	320	6.4%	683	17.0%
Accounts Payables	633	12.7%	485	12.1%
Other Creditors	565	11.3%	522	13.0%
Long Term Liabilities	1,492	30.0%	780	19.4%
Minority Interest	227	4.6%	196	4.9%
Group Equity Attributable to the Company's Shareholders	1,744	35.0%	1,349	33.6%
Total equity	<u>1,971</u>	<u>39.6%</u>	<u>1,545</u>	<u>38.5%</u>
<b>Total Liabilities &amp; Equity</b>	<b>4,981</b>	<b>100.0%</b>	<b>4,015</b>	<b>100.0%</b>