



## **Strauss Group: Further Double-Digit Rapid Growth For The Fifth Consecutive Year, and an Increase in Profitability**

**Tel Aviv, August 21, 2007 - Strauss Group's (STRS.TA) Chairperson, Ofra Strauss, and President & CEO, Erez Vigodman, announced today upon publication of the second quarter of 2007 Financial Statement that the Group continues its double-digit growth for the fifth consecutive year, together with soaring profitability**

### **Financial Highlights First Half and Second Quarter 2007**

- **Group sales in Q2 up 13.9%, totaling NIS 1.4 billion. Sales in H1 up 12.3%, totaling NIS 2.8 billion.**
- **Operating profit (proforma) in Q2 totaled NIS 118 million, a 21% growth. Operating profit (proforma) in H1 totaled NIS 251 million, a 20% growth.**
- **Net profit (proforma) in Q2 up 45%, totaling NIS 69 million. Net profit (proforma) in H1 up 40%, totaling NIS 145 million.**

**(Growth rates in net profit compared to 2006 - after neutralizing one-time capital gain from selling real-estate in Ramat Gan in 2006.)**

### **Management Comments**

**Erez Vigodman, President & CEO of Strauss Group,** said today that 2007 is the fifth consecutive year in which we present a double-digit growth together with soaring profitability. We are "doubling Strauss" in the course of these five years.

Our strategy proves itself more and more every day. All our activities, in and outside of Israel, facilitate further growth and improved profitability. The international activity, which grew by almost 30% in the first half of this year, and whose profit soared by almost 60%, already accounts for more than 43% of our entire activity.

Concurrently, we are conducting an "open heart surgery" in Israel these days, spearheading an organizational change process which is designed to enhance the Group even further.

When in such a quarter our Group grows by almost 14%, operating profit is up 21%, and net profitability (proforma) is up 45%, it is, more than anything else, a testimony to the strategy we chose, the processes we completed and the strength of the company we have built.



**Main Second Quarter and First Half Figures (in NIS million):**

	H1			Q2		
	2007	2006	% Chg	2007	2006	% Chg
Sales	2,813.1	2,504.8	12.3	1,420.5	1,247.4	13.9
Gross profit	1,076.4	934.1	15.2	560.1	471.3	18.8
Operating profit Accounting before other income (expenses)	255.0	201.8	26.4	131.5	101.0	30.2
Operating profit Proforma before (other income (expenses)	250.7	208.6	20.2	118.0	97.7	20.8
Net profit accounting attributed to company shareholders	143.1	215.9		75.5	168.3	
Net profit Proforma profit*	145.0	103.7	39.8	69.3	47.9	44.7
Earning per share (basic) attributed to company's shareholders' Proforma (in NIS)	1.39	0.99	40.4	0.66	0.46	43.5

\*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):**

	H1			Q2		
	2007	2006	% Chg	2007	2006	% Chg
<b>Activity in Israel (1)</b>						
Sales	1,593.8	1,549.9	2.8%	759.0	758.3	0.1%
Operating profit (2)	165.6	155.1	6.8%	72.3	67.7	6.8%
<b>International activity (3)</b>						
Sales	1,219.3	954.9	27.7%	661.5	489.1	35.2%
Operating profit (2)	89.4	46.7	91.4%	59.2	33.3	77.8%
Operating profit Proforma (4)	85.1	53.5	59.1	45.7	30.0	52.3%

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

(2) Before other income and expenses.

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

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

**Financial Review:**

**Sales**

In the first half of 2007, Company sales grew by 12.3% compared to last year, totaling NIS 2,813.1 million, with the international activity growing by 27.7%, and activity in Israel by 2.8%. Sales growth in the first half



was particularly notable in the coffee activity of the Group, and also in Max Brenner and Sabra's activities. Organic growth neutralizing the impact of exchange rates in the first half totaled 12.6%.

In the second quarter, Company sales grew by about 13.9%, totaling NIS 1,420.5 million, compared to a total of NIS 1,247.4 million in the same quarter last year.

### **The activity in Israel**

The activity in Israel includes Strauss Israel, Max Brenner Israel and H2Q. Strauss Israel is active in three major segments: salty and sweet snacks, beverages and fresh foods. Max Brenner Israel's activity includes the manufacture and sale of chocolate products and the operation of "Max Brenner Chocolate Bars".

In the first half of the year, sales in Israel totaled NIS 1,593.8 million compared to NIS 1,549.9 million last year, a 2.8% increase. Sales growth in Israel resulted, in part, from growth in the fresh food and beverage sectors and from Max Brenner's activity. The exports activity decreased in the first half and second quarter as a result of discontinuing the export activity of a private label abroad and shifting from work with an independent distributor in the U.S. to work through a subsidiary. Neutralizing the exports and Max Brenner Israel's activities, Strauss Israel's activity grew by 4.9% and sales totaled NIS 1,559.4 million.

In the second quarter, sales in Israel totaled NIS 759.0 million compared to NIS 758.3 million in the corresponding period last year, a 0.1% increase. The moderate growth in Q2 sales in Israel was impacted by the decrease in exports activity and seasonality in the confectionery activity. Neutralizing the exports and Max Brenner Israel's activities, Strauss Israel's activity in the second quarter grew by 2.2% and sales totaled NIS 742.9 million.

### **The 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.

#### **The international coffee activity**

In the first half of the year, the coffee activity grew by 21.2% and sales totaled NIS 1,065.9 million. Neutralizing the impact of currency exchange rates, sales grew by 23.1%. The bulk of growth was evident in the Company's activity in Brazil, countries of the Former Yugoslavia, Romania, and AFH consumption activity in most countries of operation.

The gross profitability of the international coffee activity, was impacted by further green coffee price rises, 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 57.2% totaling NIS 75.0 million compared to NIS 47.7 million last year. Neutralizing the impact of commodities hedging transactions Operating profit grew by 29.7% totaling NIS 70.7 million compare to NIS 54.5 million last year.

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

In the second quarter, the international coffee activity grew by 30.1% and sales totaled NIS 585.1 million. Neutralizing the impact of currency exchange rates, international coffee sales grew by 34.1%.

Operating profit before other income (expenses) of the international coffee activity grew by 54.7% in the second quarter, totaling NIS 51.2 million compared to NIS 33.1 million last year. Neutralizing the impact of commodities hedging transactions Operating profit grew by 26.5% totaling NIS 37.7 million compare to NIS 29.8 million last year.

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

In the first half of the year, Sabra's activity continues to grow at high rates, with its sales totaling NIS 135.8 million compared to NIS 75.1 million last year, a 80.8% rise. Neutralizing the impact of the dollar erosion, Sabra's growth totaled 89.9%.

In the second quarter, Sabra sales totaled NIS 67.9 million compared to NIS 39.2 million last year, a 73.2% growth. Neutralizing the impact of the dollar erosion, its growth totaled 82.5%

The Sabra brand continued to present innovation and record the highest growth in the U.S. Refrigerated Flavored Spreads category, which resulted in a sharp rise in Sabra's market shares in the U.S., positioning Sabra as the #1 brand in the U.S. with 25.2% market share in the second quarter (according to IRI figures) as at July 2007. 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 the considerable growth.

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

In the first half, Max Brenner's activity recorded a significant 125.4% growth in sales that total NIS 41.0 million. Growth in the Max Brenner activity stem from the opening of two chocolate bars in NYC (during the second half of 2006), and also from a rise in the number of branches in Israel. The first half saw a significant reduction in the operating loss before other income (expenses) compared to the corresponding period last year, 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 second quarter, Max Brenner's sales grew by 102.9%, totaling NIS 17.9 million compared to NIS 8.8 million in the same period last year.

### **Gross profit**

The Company's consolidated gross profit in the first half totaled NIS 1,076.4 million (38.8% from sales) compared to NIS 934.1 million (37.3% from sales) last year, a 15.2% increase. In the second quarter, the gross profit totaled NIS 560.1 million (39.4% from sales) compared to NIS 471.3 million (37.8% from sales) in the same period last year, a 18.8% increase.

The increase in gross profit resulted mainly from the sharp growth in company sales in its various activities in and outside of Israel. The improvement in gross profit rate during the first half period and in the second 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 half totaled NIS 255.0 million (9.1% from sales) compared to NIS 201.8 million (8.1% from sales) in the corresponding period last year. The operating profit proforma in the first half totaled NIS 2250.7 million compared to NIS 208.6 million last year.

The operating profit in the second quarter totaled NIS 131.5 million (9.3% from sales) compared to NIS 101.0 million (8.1% from sales) last year. The operating profit proforma in the second quarter totaled NIS 118.0 million compared to NIS 97.7 million last year.

In the Israeli activity (including Max Brenner), the operating profit in the first half totaled NIS 165.6 million (about 10.4% from sales) compared to a profit of NIS 155.1 million (10.0% from sales) last year, a 6.8% increase. The operating profit in Israel was impacted mainly by improved gross profit and reduced operating loss in Max Brenner. In the second quarter the operating profit in Israel totaled NIS 72.3 million (9.5% from sales) compared to NIS 67.7 million (8.9% from sales) in the corresponding period last year.

In the international activity, the operating profit in the first half totaled NIS 89.4 million (about 7.3% from sales) compared to NIS 46.7 million (4.9% from sales) last year, a 91.4% improvement.

Growth in operating profit stemmed from significant growth, a sharp rise in Sabra's profitability, and also improved profitability in most countries of coffee activities the Company operates. Second quarter operating profit in the international activity totaled NIS 59.2 million (9.0% from sales) compared to NIS 33.3 million (6.8% from sales) in the corresponding period last year.



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

In the first half, income totaled NIS 143.1 million compared to NIS 215.9 million last year. Proforma income attributed to the company's shareholders (neutralizing the impact of hedging transactions in commodities and other net income (expenses)) totaled NIS 145.0 compared to about NIS 103.7 million, a 39.8% increase.

In the Second quarter, Income attributed to the company's shareholders' totaled NIS 75.5 million compared to about NIS 168.3 million. Proforma Income totaled NIS 69.3 million in the second quarter compared to NIS 47.9 million, a 44.7% 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 June 30, 2007 (in NIS million):

	First Half			Second Quarter		
	2007	2006	% Chg	2007	2006	% Chg
<b>Sales</b>	<b>2,813.1</b>	<b>2,504.8</b>	<b>12.3%</b>	<b>1,420.5</b>	<b>1,247.4</b>	<b>13.9%</b>
Cost of Sales w/o hedging impact	1,741.0	1,563.9		873.9	779.4	
Hedging	-4.3	6.8		-13.5	-3.3	
<b>Cost of Sales w/o hedging impact</b>	<b>1,736.7</b>	<b>1,570.7</b>		<b>860.4</b>	<b>776.1</b>	
<b>Gross Profit</b>	<b>1,076.4</b>	<b>934.1</b>	<b>15.2%</b>	<b>560.1</b>	<b>471.3</b>	<b>18.8%</b>
	38.3%	37.3%		39.4%	37.8%	
Sales and Marketing Expenses	649.9	585.3	11.0%	339.4	295.5	14.9%
G&A Expenses	171.5	147.0	16.7%	89.2	74.8	19.3%
<b>Operating profit before other income (expenses)</b>	<b>255.0</b>	<b>201.8</b>	<b>26.4%</b>	<b>131.5</b>	<b>101.0</b>	<b>30.2%</b>
	9.1%	8.1%		9.3%	8.1%	
Other Income (expenses)	-6.8	141.4		-5.6	141.4	
<b>Operating profit after other income (expenses)</b>	<b>248.2</b>	<b>343.2</b>	<b>-27.7%</b>	<b>125.9</b>	<b>242.4</b>	<b>-48.1%</b>
Financing Expenses, net	-25.9	-27.1	-4.4%	-12.8	-11.7	9.4%
Profit Before Income Tax	222.3	316.1	-29.7%	113.1	230.7	-51.0%
Income Tax	-63.1	-81.7		-26.2	-52.5	
<b>Operating profit after other income (expenses)</b>	<b>159.2</b>	<b>234.4</b>	<b>-32.1%</b>	<b>86.9</b>	<b>178.2</b>	<b>-51.2%</b>
Company's equity in income of affiliated company	-	2.0		-	0.8	
<b>Net income for the period</b>	<b>159.2</b>	<b>236.4</b>		<b>86.9</b>	<b>179.0</b>	
Attributable to:						
The Company's shareholders	143.1	215.9		75.5	168.3	
Minority interest	16.1	20.5	-21.5%	11.4	10.7	6.5%
<b>Net income for the period</b>	<b>159.2</b>	<b>236.4</b>		<b>86.9</b>	<b>179.0</b>	
<b>Operating Profit Proforma before other income (expenses) (1)</b>	<b>250.7</b>	<b>208.6</b>	<b>20.2%</b>	<b>118.0</b>	<b>97.7</b>	<b>20.8%</b>
<b>Net income for the period Proforma (2)</b>	<b>161.1</b>	<b>124.2</b>	<b>29.7%</b>	<b>80.7</b>	<b>58.6</b>	<b>37.7%</b>
<b>Net income for the period attributed to company shareholders Proforma</b>	<b>145.0</b>	<b>103.7</b>	<b>39.8%</b>	<b>69.3</b>	<b>47.9</b>	<b>44.7%</b>

Adjustments to Operating Profit Proforma						
<b>Operating profit after other income (expenses) accounting</b>	<b>255.0</b>	<b>201.8</b>	<b>26.4%</b>	<b>131.5</b>	<b>101.0</b>	<b>30.2%</b>
Hedging	-4.3	6.8		-13.5	-3.3	
<b>Operating profit after other income (expenses) Proforma</b>	<b>250.7</b>	<b>208.6</b>	<b>20.2%</b>	<b>118.0</b>	<b>97.7</b>	<b>20.8%</b>
Adjustments to Income for the period						
Net income for the period accounting	159.2	236.4		86.9	179.0	
Hedging (profit), loss	-4.3	6.8		-13.5	-3.3	
Other Income (expenses)	6.8	-141.4		5.6	-141.4	
Taxes related to adjustments	-0.6	22.4		1.7	24.3	
<b>Net income for the period Proforma</b>	<b>161.1</b>	<b>124.2</b>	<b>29.7%</b>	<b>80.7</b>	<b>58.6</b>	<b>37.7%</b>
Attributable to:						
The Company's shareholders	145.0	103.7	39.8%	69.3	47.9	44.7%
Minority interest	16.1	20.5		11.4	10.7	
<b>Net income for the period</b>	<b>161.1</b>	<b>124.2</b>	<b>29.7%</b>	<b>80.7</b>	<b>58.6</b>	<b>37.7%</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 June 30  
(in NIS million):

	<b>As at June 30</b>	
	<b>2007</b>	<b>2006</b>
Cash and Marketable Securities	620	188
Accounts Receivables	869	842
Other Accounts Receivables	264	276
Inventory	647	555
Investments & Long Term Loans	120	111
Investment Property	19	20
Fixed Assets	1,065	969
Other Assets	1,271	1,069
<b>Total Assets</b>	<b>4,875</b>	<b>4,030</b>
Current Bank Liabilities	280	652
Accounts Payables	663	450
Other Creditors	570	522
Long Term Liabilities	1,454	833
Group Equity	1,908	1,573
<b>Total Liabilities &amp; Equity</b>	<b>4,875</b>	<b>4,030</b>