



STRAUSS GROUP: Q3 2008 – SALES GROW AND PROFITS SOAR

Tel Aviv, November 18, 2008 - Strauss Group's (STRS.TA) Ofra Strauss, Chairperson of Strauss Group, and Erez Vigodman, President and CEO of Strauss Group, Said Today That Strauss Reported Another Quarter of Growth and Increased Profits

Financial Highlights:

- The Group's sales in the first nine months of the year totaled NIS 4.7 billion, an increase of 7%; sales in the third quarter totaled NIS 1.6 billion, an increase of 4.5%.
- The (pro-forma) operating profit in the first nine months totaled NIS 421.1 million compared to NIS 401.4 million last year, an increase of 5%. The (pro-forma) operating profit in the third quarter totaled NIS 156.1 million compared to NIS 146.7 million last year, an increase of 6%.
- The (pro-forma) net profit attributed to the shareholders of the Company in the first nine months totaled NIS 227.5 million compared to NIS 215.1 million last year, an increase of 6%. The (pro-forma) shareholders' net profit in the third quarter totaled NIS 96.3 million compared to NIS 66.0 million last year, an increase of 46%.
- The financial accounting net profit attributed to the shareholders of the Company in the first nine months totaled NIS 388.5 million compared to NIS 205.9 million last year, an increase of 89%. The financial accounting net profit attributed to the shareholders in the third quarter totaled NIS 248.5 million compared to NIS 62.7 million last year, an increase of 296%.

Ofra Strauss, Chairperson of Strauss Group, said today, "The infrastructure we have built over the past few years has enabled us to successfully contend with a challenging year like this one, while achieving our objectives in all spheres. We will continue to do everything required of us in order to continue in this vein, even as the uncertainty in the economic environment increases for all of us."

Erez Vigodman, President & CEO of Strauss Group, said today, "The Group has coped very well with the significant challenges of this year, as reflected in our business results in both the third quarter and in the first nine months of the year. While contending on a day to day level we have also completed highly important moves that place us, in this extremely challenging period, in a position of financial and business robustness that will enable us to continue to achieve our objectives and to grow and expand while exploiting suitable opportunities in this competitive environment."



Main data for the first nine months and third quarter (NIS millions):

	Nine Months			Third Quarter		
	2008	2007	% Chg	2008	2007	% Chg
Sales	4,681.7	4,388.4	6.7	1,645.7	1,575.3	4.5
Financial accounting gross profit	1,708.2	1,657.7	3.0	587.1	581.3	1.0
Pro-forma operating profit	421.1	401.4	4.9	156.1	146.7	6.4
Financial accounting operating profit (1)	380.7	399.8	(4.8)	125.2	144.8	(13.5)
Pro-forma net profit (2)	227.5	215.1	5.8	96.3	66.0	45.9
Financial accounting net profit (2)	388.5	205.9	88.7	248.5	62.7	296.3

(1) Before other income (expenses)

(2) Attributed to the shareholders of the Company

The growth in the Group's sales and profits has continued despite the challenges in the economic environment in the first nine months of the year and in the third quarter. The Group's sales totaled NIS 4,681.7 million compared to NIS 4,388.4 million last year, an increase of 6.7%. Organic growth after neutralizing the impact of changes in currency exchange rates, and the acquisition and sale of businesses in the first nine months totaled **8.0%**.

In the third quarter and first nine months of the year the Group successfully overcame the sharp increase in energy and raw material prices by streamlining all areas of the Group's activity and by raising product prices in all markets. Although the combination of these actions led to erosion in the Group's gross profit rate, it also led to the improvement of the consolidated operating profit.

In the first nine months and the third quarter of the year the Company has improved its operating profit, and in the first nine months the management accounting operating profit increased by 4.9% and amounted to NIS 421.1 million (9.0% of sales), compared to NIS 401.4 million (9.1% of sales) last year. The improvement in the operating profit is due to the growth in sales, streamlining of the Company's cost structure, and a decrease in the rate of selling, marketing and administrative expenses. The growth in the operating profit is evident in most of the Company's units and occurred despite the erosion in the gross profit rate.

The management accounting net profit for the period attributed to the shareholders of the Company in the first nine months amounted to NIS 227.5 million compared to NIS 215.1 million in the corresponding period last year, an increase of 5.8%.

In the third quarter of the year the Company's sales grew by 4.5% and totaled NIS 1,645.7 million, compared to NIS 1,575.3 million in the corresponding period last year. Organic growth after neutralizing the impact of changes in currency exchange rates in the quarter totaled 5.3%.

The management accounting operating profit in the third quarter amounted to NIS 156.1 million compared to NIS 146.7 million last year, an increase of 6.4%.

The management accounting net profit attributed to the shareholders of the Company in the third quarter totaled NIS 96.3 million compared to NIS 66.0 million in the corresponding period last year, an increase of 45.9%.



Activities in Israel

	Nine Months			Third Quarter		
	2008	2007	% Chg	2008	2007	% Chg
Health & Wellness	1,362.6	1,316.4	3.5	493.0	480.1	2.7
Fun & Indulgence	663.4	641.3	3.4	212.9	208.7	2.0
Coffee	454.1	405.2	12.1	148.4	136.9	8.4
Total Israel sales*	2,480.1	2,362.9	5.0	854.3	825.7	3.5

* Israel sales not including Max Brenner in Israel and not including the industrial market.

The sales of the three divisions operating in Israel (Health & Wellness, Fun & Indulgence and Coffee) grew in the first nine months of the year by 5.0%, and in the third quarter – by 3.5%.

Growth in Israel is evident in all business divisions active in the country. In the first nine months the Health & Wellness Division grew by 3.5%, and in the third quarter – by 2.7%; the Fun & Indulgence Division grew by 3.4% in the first nine months and by 2.0% in the third quarter; and the Coffee Division grew by 12.1% in the first nine months and by 8.4% in the third quarter (for further information, see the Coffee Sector chapter below).

The Israeli Sector

In the first nine months of the year, activity in Israel focused on the implementation of the new organizational structure. Implementation of the new structure is part of a general streamlining program announced in 2007 and providing a response to consumer trends through new divisional restructuring.

The implementation of the streamlining plan and the new organizational structure are beginning to leave their mark on the improvement in the overall cost structure in the businesses in Israel and on the improvement of the operating profit and profitability.

The management accounting operating profit in the Israeli sector grew by 6.5% in the first nine months and amounted to NIS 213.8 million. The growth in the operating income in Israel is the result of an improvement in the cost structure of the sector and centered on a decrease in selling, marketing and administrative expenses. The operating profit rate in Israel also improved in the first nine months and amounted to 10.6%, compared to 10.0% in the corresponding period last year.

In the third quarter the operating profit in the Israeli sector grew by 5.2% and totaled NIS 81.5 million, compared to NIS 77.5 million last year. The operating profit rate in the third quarter amounted to 11.5%, compared to 11.0% in the corresponding quarter last year.



The Coffee Sector

In the first nine months Strauss's coffee sector grew by 15.0% and totaled NIS 2,409.7 million. After neutralizing the impact of currency exchange rates growth amounted to 17.5%, and organic growth (after neutralizing the acquisition of businesses and the impact of exchange rate differentials) amounted to 10.2%.

The growth in sales was positively impacted by the growth in volumes, organic growth in most of the countries, mergers and acquisitions, and increased sales prices, and was negatively impacted by changes in the exchange rates of different currencies (mainly the Romanian Lei, the Dollar and the Serbian Dinar). Although the growth in the coffee sector in the first nine months and in the third quarter is evident in most clusters, growth was especially strong in the Company's activities in the former USSR countries (following the acquisition of the coffee brands of Cosant Enterprises Ltd. in the CIS countries), Israel, Poland and Brazil. The AFH business grew in all countries where the Group is active, increasing by 11.8% in the first nine months of the year.

In the third quarter the coffee sector grew by 13.3% and totaled NIS 861.8 million. Growth after neutralizing the impact of currency exchange rates amounted to 18.4%, and organic growth (after neutralizing the acquisition of businesses and the effect of exchange rate differentials) in the third quarter amounted to 6.8%.

The operating income of the coffee sector totaled NIS 216.3 million in the first nine months (9.0% of sales) compared to NIS 189.8 million (9.1% of sales) in the corresponding period last year, an increase of 14.0%. The operating profit was impacted by the accelerated growth and the increase in the gross profit.

In the third quarter the operating income of the coffee sector totaled NIS 79.4 million (9.2% of sales) compared to NIS 66.3 million (8.7% of sales) in the corresponding period last year, an increase of 19.8%. The operating profit was impacted by the strong growth in the quarter, by the increase in the gross profit, and by a considerable growth in sales in Israel, Poland and the former USSR countries, which have an above average gross profit rate.

The Sabra Refrigerated Flavored Dips Business in the USA

Commencing in the second quarter of this year the Company has proportionately consolidated the Sabra business (50%) according to the rate of its holding following the transaction with PepsiCo.

In the first nine months Sabra's pro-forma sales (assuming the full consolidation of Sabra's business) totaled NIS 211.0 million compared to NIS 187.0 million last year, an increase of 12.5%, and after neutralizing the impact of the erosion of the Dollar in relation to the Shekel, pro-forma growth in the first nine months totaled 33.3%¹.

¹ In the Group's management accounting (pro-forma) reports Sabra is proportionately consolidated beginning in the second quarter. For the sake of comparison, Sabra's results are presented here pro-forma, as if Sabra were fully consolidated in the reported period as well.



In the third quarter Sabra's pro-forma sales totaled NIS 79.0 million compared to NIS 71.0 million last year, an increase of 12.3%, and after neutralizing the impact of the erosion of the Dollar in relation to the Shekel, pro-forma growth in the quarter totaled 35.3%.

Sabra is persevering in its efforts to expand and deepen its activity in leading retail chains, along with continuing innovation. Sabra continues to increase its market share and to maintain a leading position in the refrigerated flavored spreads category. Its average market share in the first nine months was 30.4% (according to IRI figures published on September 7, 2008), and in the past four weeks its market share grew to 33.3%.

Activity in the Kosher Market in North America

In the first nine months of the year kosher market sales totaled NIS 45 million compared to NIS 29 million in the corresponding period last year. In the third quarter sales to the kosher market totaled NIS 16 million compared to NIS 10 million last year.

The Max Brenner Business

In the first nine months Max Brenner's sales totaled NIS 70.0 million compared to NIS 69.3 million last year, an increase of 1.0%. After neutralizing the impact of the erosion of the Dollar in relation to the Shekel, growth in the first nine months amounted to 7.3%.

In the third quarter Max Brenner's sales totaled NIS 24.3 million compared to NIS 28.3 million last year, a decrease of 14.1%. After neutralizing the impact of the erosion of the Dollar in relation to the Shekel, the decrease in the third quarter amounted to 9.9%.

Business Results Based on the Group's Financial Accounting Statements:

Sales

In the first nine months the Company's consolidated sales turnover amounted to NIS 4,681.7 million compared to NIS 4,388.4 million last year, an increase of 6.7%. In the third quarter sales totaled NIS 1,645.7 million compared to NIS 1,575.3 in the corresponding quarter last year, an increase of 4.5%.

Gross Income

In the first nine months the Group's consolidated gross profit totaled NIS 1,708.2 million (36.5% of sales) compared to NIS 1,657.7 million (37.8% of sales) in the corresponding period last year, an increase of 3.0%.

In the third quarter the Group's consolidated gross profit totaled NIS 587.1 million (35.7% of sales) compared to NIS 581.3 million (36.9% of sales) in the corresponding quarter last year, an increase of 1.0%.

Operating Income before Other Income (Expenses)

In the first nine months the Company's consolidated income from operations before other income (expenses) totaled NIS 380.7 million (8.1% of sales) compared to NIS 399.8 million (9.1% of sales) in the corresponding period last year, a decrease of 4.8%.



Other Income, Net

In the first nine months other income, net, amounted to NIS 193.2 million compared to expenses totaling NIS 8.8 million in the corresponding period last year. The other income in the reported period is mainly comprised of a capital gain of NIS 224.4 million for the transaction of the issue of 25.1% of Strauss Coffee to TPG Capital, a capital gain in respect of the change from full consolidation to proportionate consolidation in Sabra for a total of NIS 31.1 million, expenses in respect of an acquisition which was not realized in an amount of NIS 11 million, and expenses in respect of impairment of goodwill and a patent in an amount of NIS 53.2 million (approximately NIS 40 million in respect of impairment of goodwill of the Serbian subsidiary, and NIS 13.2 million in respect of the impairment of goodwill of a subsidiary in the USA as a result of cessation of operations).

Other income, net, in the third quarter amounted to NIS 173.4 million compared to expenses of NIS 2.0 million in the corresponding period last year. The other income in the third quarter includes mainly a capital gain in an amount of NIS 224.4 million in respect of the transaction for the issue of 25.1% of Strauss Coffee to TPG Capital, and expenses in respect of impairment of goodwill and a patent in an amount of NIS 53.2 million.

Income for the Period for the Shareholders of the Company

The income for the period for the shareholders of the Company totaled NIS 388.5 million compared to NIS 205.9 million last year, an increase of 88.7%. The income for the shareholders of the Company for the third quarter totaled NIS 248.5 million compared to NIS 62.7 million last year, an increase of 296.3%.

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Table 1

Following are the condensed financial accounting statements of income for the quarter and the nine months ended September 30, 2008 and 2007 (in NIS millions):

	Nine Months			Three Months		
	2008	2007	% Chg	2008	2007	% Chg
Sales	4,681.7	4,388.4	6.7	1,645.7	1,575.3	4.5
Cost of sales not including impact of hedging transactions	2,962.7	2,730.7	8.5	1,041.9	989.7	5.3
Revaluation of the balance of commodity hedging transactions as at end of period	10.8			16.7	4.3	
Cost of sales	2,973.5	2,730.7	8.9	1,058.6	994.0	6.5
Gross Income	1,708.2	1,657.7	3.0	587.1	581.3	1.0
	36.5%	37.8%		35.7%	36.9%	
Selling and marketing expenses	1,053.1	994.6	5.9	369.3	344.8	7.1
General and administrative expenses	274.4	263.3	4.2	92.6	91.7	1.0
Operating income before other income (expenses)	380.7	399.8	(4.8)	125.2	144.8	(13.5)
	8.1%	9.1%		7.6%	9.2%	
Other income (expenses), net	193.2	(8.8)		173.4	(2.0)	
Operating income after other income (expenses)	573.9	391.0	46.8	298.6	142.8	109.1
Financing expenses, net	(62.6)	(63.7)	(1.7)	(8.9)	(37.8)	(76.5)
Income before taxes on income	511.3	327.3	56.2	289.7	105.0	175.9
Taxes on income	(90.2)	(88.8)	1.6	(27.9)	(25.7)	8.6
Effective tax rate	17.6%	27.1%		9.6%	24.5%	
Income for the period	421.1	238.5	76.6	261.8	79.3	230.1
Income attributed to shareholders of the Company	388.5	205.9	88.7	248.5	62.7	296.3
Income attributed to minority interest	32.6	32.6	-	13.3	16.6	(19.9)



Table 2

Following are the pro-forma condensed results of business operations (based on the Company's management accounting statements) for the quarter and the nine months ended September 30, 2008 and 2007 (in NIS millions):

	Nine Months			Three Months		
	2008	2007	% Chg	2008	2007	% Chg
Operating income – financial accounting	573.9	391.0	46.8	298.6	142.8	109.1
Share-based payment	20.1	5.0		7.0	1.0	
Revaluation of the balance of commodity hedging transactions as at end of period	10.8	-		16.7	4.3	
One-time amortizations of inventory and fixed assets	9.5	-		7.2	-	
Other expenses (income)	(193.2)	8.8		(173.4)	2.0	
Expenses (income) in respect of Clubmarket	-	(3.4)		-	(3.4)	
Operating income – management accounting	421.1	401.4	4.9	156.1	146.7	6.4
Financing expenses, net	(62.6)	(63.7)		(8.9)	(37.8)	
Taxes on income	(90.2)	(88.8)		(27.9)	(25.7)	
Taxes in respect of adjustments to the above management accounting operating income	(8.2)	(1.2)		(9.7)	(0.6)	
Income for the period – management accounting	260.1	247.7	5.0	109.6	82.6	32.7
Attributed to shareholders of the Company	227.5	215.1	5.8	96.3	66.0	45.9
Attributed to minority interest	32.6	32.6		13.3	16.6	(19.9)



Table 3

Following are the pro-forma condensed results of business operations (based on the Company's management accounting statements) of the business sectors for the quarter and the nine months ended September 30, 2008 and 2007:

	Nine Months			Third Quarter		
	2008	2007	% Chg	2008	2007	% Chg
Strauss Israel*						
Net sales**	2,026.0	2,007.8	0.9	705.9	705.7	-
Gross income	810.2	828.7	(2.2)	277.4	287.5	(3.5)
Operating income	213.8	200.7	6.5	81.5	77.5	5.2
Coffee						
Net sales	2,409.7	2,094.9	15.0	861.8	760.6	13.3
Gross income	792.3	688.6	15.1	288.0	243.9	18.1
Operating income	216.3	189.8	14.0	79.4	66.3	19.8
Other						
Net sales	246.0	285.7	(13.9)	78.0	109.0	(28.4)
Gross income	118.7	140.4	(15.5)	38.4	54.2	(29.2)
Operating income (loss)	(9.0)	10.9		(4.8)	2.9	
Total						
Net sales (1)	4,681.7	4,388.4	6.7	1,645.7	1,575.3	4.5
Gross income	1,721.2	1,657.7	3.8	603.8	585.6	3.1
Operating income	421.1	401.4	4.9	156.1	146.7	6.4

* Not including Coffee Israel sales and without neutralizing the impact of the sale of the industrial activity in Israel in 2007.

** In 2007, including the industrial market activity which was terminated, in an amount of NIS 50.1 million in the first nine months and NIS 16.9 million in the third quarter.