



## **Strauss-Elite Presents Second Quarter and First Half 2006 Results**

**Tel-Aviv, August 24, 2006 - Strauss-Elite (STEL.TA)** today announced its consolidated results for the second quarter and first half of 2006.

Highlights of the quarter include:

- A continuation of the accelerated growth in revenues and profit of the Group in both the second quarter and first half of 2006.
- Consolidated revenues in the second quarter grew by 22.1%, reaching NIS 1,247.4 million.
- Revenue growth in the first half of the year was 26.8%, reaching NIS 2,504.8 million.
- Operating profit in the second quarter grew 17.8% over a pro-forma operating profit in the second quarter of last year, reaching NIS 101.2 million. In the first half of the year, operating profit grew 16.4% compared with the pro-forma operating profit in the first half of last year, reaching NIS 211.9 million.
- Reported net profit according on a GAAP basis, in the second quarter reached NIS 170.1 million compared with NIS 19.4million in the second quarter last year, and in the first half reached NIS 232.5 million compared with NIS 72.4 million in the first half of last year.
- Excluding the net impact of one-time effects, which includes a capital gain in the second quarter, the net profit on a pro-forma basis for the second quarter reached NIS 52.5 million, an increase of 16.4% over the pro-forma net profit of the equivalent quarter of last year. First half pro-forma net profit reached NIS 114.9 million, a growth of 15.8% compared with the pro-forma net profit of the first half of last year.

The second quarter of 2006, like the first half year as a whole, showed continued growth in revenues across the Group. This was 22.1% in the second quarter, 31.8% in the first quarter and 26.8% in the first half as a whole. The accelerated growth was primarily driven by the widening of business activities from international operations, which grew in the second quarter of the year by 63.6% and in the first half by 78.9%.

The accelerated growth was also evident in the operating profit and net profit, thanks to the broadening of the international operation, improving operational efficiencies and



improvements in operating margins across some of the business segments and in some geographies in which the Company operates.

“Again, we have delivered strong results as we continue to grow sales, operating profit and net profit in both Israel and internationally,” commented **Erez Vigodmann**, CEO of Strauss-Elite. “Our recent acquisitions have been successfully integrated into the Strauss-Elite Group and are already making significant contributions to our results. We remain committed to our long-term strategy of building a global business and brand.”

## **Revenues**

Company revenues in the first half of the year reached a total of NIS 2,504.8 million compared with NIS 1,975.7 million in the first half of last year, a growth of 26.8%.

In the second quarter of the year revenues grew by 22.1%, reaching NIS 1,247.4 million compared to a total of NIS 1,021.5 million in the equivalent quarter of last year.

The revenues of the Company in Israel (including exports and Max Brenner) reached a total of NIS 1,549.9 million in the first half compared to NIS 1,441.9 million in the first half of last year, representing growth of 7.5%. In the second quarter, sales in Israel grew by 4.9%, reaching NIS 758.3 million compared with NIS 722.6 million in the second quarter of last year. The improvement in revenues was mainly due to the significant growth in sales of fresh foods.

Revenues from international operations in the first half reached NIS 954.9 million compared with NIS 533.8 million in the revenues in the same period of last year, a growth of 78.9%. In the second quarter, revenues grew 63.6% and reached NIS 489.1 million compared to NIS 298.9 million in the same quarter of last year.

The strong growth in the revenues of the international activities was mainly due to the acquisitions of companies outside of Israel mainly during the second half of 2005. Amongst others, the acquisitions included the purchase of Strauss-Elite’s partner’s 60% stake in Don Café in Serbia, the acquisition of the MK brand in Poland, the purchase of 51% of Sabra Salads in the United States and the merger of the Company’s activities in Brazil with those of Santa Clara.



## **Gross Profit**

Consolidated gross profit in the first half of 2006 totalled NIS 941.1 million (or 37.6% of revenues) compared with NIS 802.9 million (40.6% of revenues) in the second quarter of last year, an increase of 17.2%. The increase in gross profit was due mainly to the sharp revenue growth in Israel and internationally. On the other hand, there was an erosion of 3.0% in the gross margin, that was apparent in both the Israeli and international activities. In the second quarter, gross profit reached NIS 468.1 million (37.5% of revenues) compared with NIS 404.5 million (39.6% of revenues) in the second quarter of last year, a growth of 15.7%

The erosion in the overall gross margin was due to an expected change in the operating mix of the group, which brought an increase of the international activities which carry lower gross margin than that of the Group average. In addition, contributing to the erosion of the gross margin was the increased cost of raw materials, mainly green coffee, sugar, nuts and almonds, the increase in energy prices, as well as the strengthening of the dollar compared with the shekel. Furthermore, the Brazilian activities which were consolidated (on a proportional basis) for the first time into the results of the group, carry lower gross margins than that of the average of the Group's international operation and therefore contributed as well to the erosion in gross margin.

## **Operating Profit**

Consolidated operating profit in the first half reached NIS 211.9 million (8.5% of revenues), compared with NIS 182.1 million (9.2% of revenues) in the comparable quarter of last year (excluding the effect of the write off of the Clubmarket debt), representing growth of 16.4%. Second quarter operating profit of the company reached NIS 101.2 million (8.1% of revenues) compared with NIS 85.9 millions (8.4% of revenues) in the second quarter of last year, (excluding the effect of the write off of the Clubmarket debt), representing growth of 17.8%. The operating profit from the Israeli activities (including the results of Max Brenner Israel) in the first half of the year reached NIS 157.8 million (10.2% of revenues) compared with an operating profit of 152.6 million (10.6% of revenues) last year, representing a growth of 3.4%.

The operating profit in Israel (which include the effect of the results of Max Brenner in Israel) in the second quarter reached NIS 70.5 million (9.3% of revenues) compared with NIS 68.6 million (9.5% of revenues) in the same quarter of last year, a growth of 2.8%. The operating profit in Israel was affected by the erosion in gross margins and from accelerated investments in the development and expansion of Max Brenner's activities globally. Excluding the influence of Max Brenner, operating profit in the first half and second quarter of 2006 in Israel grew 7.1% and 5.2%, respectively, compared to the same periods of last year.



The operating profit of the international activities in the first half of the year reached NIS 54.1 million (5.7% of revenues) compared with NIS 29.5 million (5.5% of revenues) in the same period of last year, a growth of 83.4%. In the second quarter the operating profit grew 77.5% and reached NIS 30.7 million (6.3% of revenues).

### **Net profit**

Consolidated net income (GAAP reporting) for the Company in the first half of 2006 totalled NIS 232.5 million compared to NIS 71.7 million in the same period of the previous year. In the second quarter the net income totalled NIS 170.1 million compared to NIS 19.4 million in the second quarter 2005.

Excluding all one time effects (the write off of the Clubmarket debt, other income and expenses net of their respective tax effects) in the first half and in the previous period, the net income on a pro-forma basis in the first half of 2006 totalled NIS 114.9 million compared to NIS 99.2 million in the first half of last year, an increase of 15.8%. Excluding the one-time effect, the net income on pro-forma basis in the second quarter of 2006 totalled NIS 52.5 million, compared to NIS 45.1 million in the same period of last year, representing a growth of 16.4%.

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### **About Strauss-Elite:**

Strauss-Elite manufactures, markets and distributes a broad variety of food products in the chocolate, confectionery, dairy, coffee, salty snacks, health snacks, salads and bakery product categories. The company has over 8,800 employees, and operates in Israel and internationally through its 22 manufacturing plants, of which 14 are in Israel. Strauss-Elite sells its products through its sales and distribution network, which reaches approximately 11,000 points of sale within Israel and 10,300 internationally.

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**Table 1**

Summary of the consolidated financial results of the Company, in the second quarter and first half ending June 30 (in NIS millions):

	3 month period			6 month period		
	2005	2006	% Chg.	2005	2006	% Chg.
<b>Revenues</b>	<b>1,021.5</b>	<b>1,247.4</b>	22.1	<b>1,975.7</b>	<b>2,504.8</b>	26.8
Cost of revenues	617.0	779.3		1,172.8	1,563.7	
<b>Gross profit</b>	<b>404.5</b>	<b>468.1</b>	15.7	<b>802.9</b>	<b>941.1</b>	17.2
	39.6%	37.5%		40.6%	37.6%	
Revenues & marketing expenses	248.7	295.5		488.5	585.3	
General & administrative expenses	69.9	71.4		132.3	143.9	
<b>Operating profit before debt write-off</b>	<b>85.9</b>	<b>101.2</b>	17.8	<b>182.1</b>	<b>211.9</b>	16.4
	8.4%	8.1%		9.2%	8.5%	
Write-off of debt owed by Clubmarket	41.0	-		41.0	-	
<b>Operating profit after debt write-off</b>	<b>44.9</b>	<b>101.2</b>	125.4	<b>141.1</b>	<b>211.9</b>	50.2
	4.4%	8.1%		7.1%	8.5%	
Financing expenses, net	(7.2)	(7.7)		(11.3)	(16.6)	
Other expenses, net	(1.0)	141.5		(2.1)	141.5	
<b>Pre-tax profit (loss) on income</b>	<b>36.7</b>	<b>235.0</b>	540.3	<b>127.7</b>	<b>336.8</b>	163.7
	3.6%	18.8%		6.5%	13.4%	
Taxes on income	(10.5)	(52.7)		(41.8)	(83.1)	
<b>Profit (loss) after taxes on income</b>	<b>26.2</b>	<b>182.3</b>		<b>85.9</b>	<b>253.7</b>	
Company share in profits of affiliated companies	0.2	0.8		1.2	2.0	
Minority share in losses (profits) of a consolidated company	(7.0)	(13.0)		(14.7)	(23.2)	
Profit before cumulative impact for beginning of year in respect of changing the accounting system	19.4	170.1	776.8	72.4	232.5	221.1
Cumulative impact for beginning of year in respect of changing the accounting system, net	-	-		(0.7)	-	
<b>Net profit (loss)</b>	<b>19.4</b>	<b>170.1</b>	776.8	<b>71.7</b>	<b>232.5</b>	224.3
<b>Net profit (pro-forma*) excluding one time expenses</b>	<b>45.1</b>	<b>52.5</b>	16.4	<b>99.2</b>	<b>114.9</b>	15.8

\* Excluding the bad debt expenses due to Clubmarket, other income and expenses and the accumulating impact due to a change in accounting method (net impact and the tax on these items)



**Table 2**

Below is a summary of the consolidated operating results of the main geographic sectors which include the results of the activities in Israel and international activities, for the first half period ended June 30<sup>th</sup> (in NIS millions):

	2005			2006		
	Consolidated	International activities	Israel activities	Consolidated	International activities	Israel activities
Revenues	1,975.70	533.8	1,441.90	2,504.80	954.9	1,549.90
% Change				26.8%	78.9%	7.5%
Operating profit	182.1	29.5	152.6*	211.9	54.1	157.8
% Change				16.4%	83.4%	3.4%

\*The results of the 6 month period in 2005 do not include the impact of the bad debt due to Clubmarket

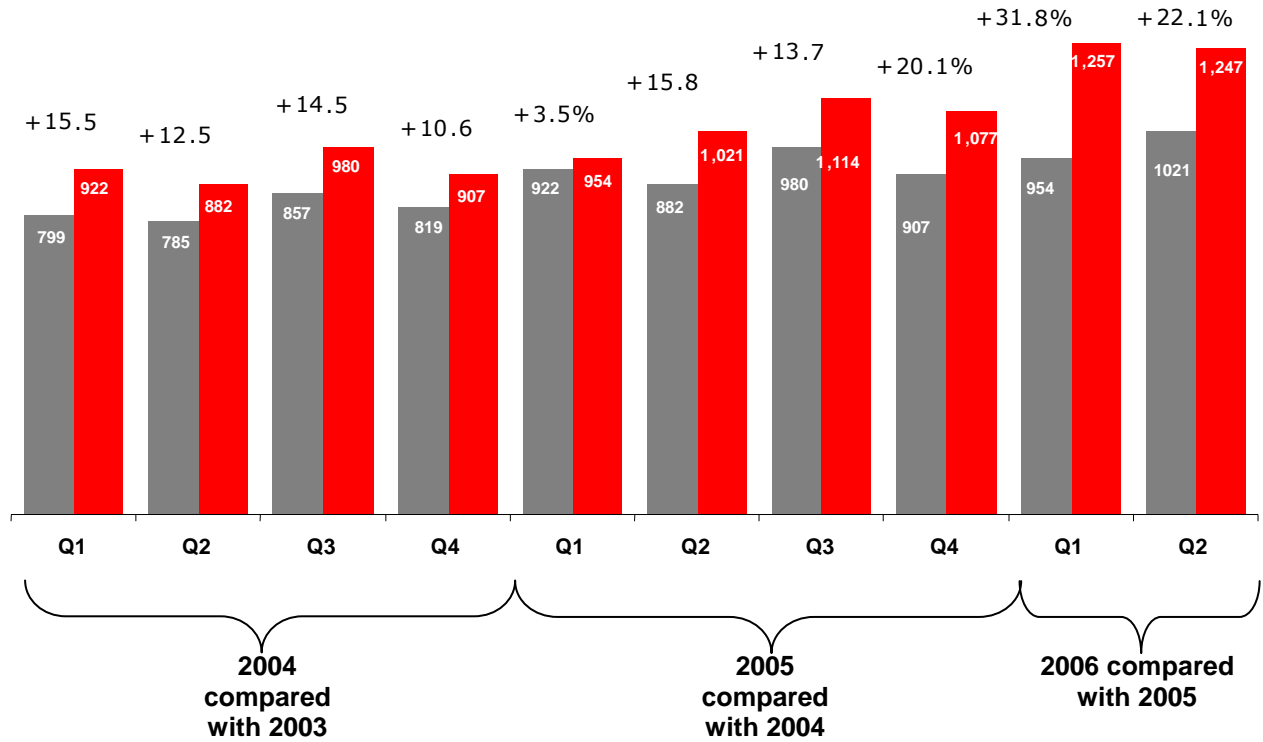
	2005			2006		
	Consolidated	International activities	Israel activities	Consolidated	International activities	Israel activities
Revenues	1,021.50	298.9	722.60	1,247.40	489.1	758.30
% Change				22.1%	63.6%	4.9%
Operating profit	85.9	17.3	68.6*	101.2	30.7	70.5
% Change				17.8%	77.5%	2.8%

\*The results of the 3 month period in 2005 do not include the impact of the bad debt due to Clubmarket



## Graph 1

*Strauss Elite's consolidated pro-forma revenues growth on quarterly basis during the years 2004-2006:*





## Graph 2

Consolidated pro-forma operating profit growth, on a quarterly basis during the years 2004-2006:

