



STRAUSS GROUP REPORTS STEADY REVENUES WITH INCREASED OPERATING AND NET PROFIT IN FIRST SIX MONTHS 2009

SIX MONTH 2009 FINANCIAL HIGHLIGHTS:

- **Sales totaled NIS 3.0 billion, similar to 2008;**
- **Sales, net of exchange rate impacts, increased 4.4%;**
- **Pro-forma operating profit increased 1.9% yoy reaching NIS 270 million;**
- **Pro-forma net profit increased 1.7% yoy to NIS 134 million;**
- **Strong cash generation: Operating cash flow improved as a result of decrease in inventory and improved working capital. Operating cash flow totaled NIS 280 million compared to NIS 1 million last year.**

Tel Aviv, Israel, August 25, 2009 – The Strauss Group (STRS.TA) today reported its results for the second quarter and first six months of 2009.

Ofra Strauss, Chairperson of Strauss Group, said today, "Strauss Group continues to expand globally while successfully navigating today's challenging business environment. We continue to develop the key foundations for our long term growth, investing in the development of new areas which will serve as the Company's future growth drivers."

Gadi Lesin, President & CEO of Strauss Group, said today, "Our results for the first six months clearly highlight our ability to successfully stand up to the current global challenges; Strauss has succeeded in meeting its pre-defined targets, preserving sales levels while improving both its operating profit and cash flow. Our strict control of expenses and our ongoing efforts to reduce inventory and working capital has resulted in a dramatic improvement in our operating cash flow."



MAIN PRO-FORMA DATA FOR H1 2009 (in million NIS):

	First Six Months			Second Quarter		
	2009	2008	Chg %	2009	2008	Chg %
Sales	3,036	3,036	-	1,514	1,532	-1.2%
Gross Profit	1,119	1,118	0.2%	568	566	0.3%
Operating Profit (1)	270	265	1.9%	135	128	5.6%
Profit for the Period	175	150	16.1%	80	75	5.7%
(Net Profit (2))	134	131	1.7%	55	65	-16.2%

(1) Before other income (expenses)

(2) Attributed to the shareholders of the Company

THE ISRAEL SECTOR – STRAUSS ISRAEL

In the second quarter of 2009, sales for Strauss Israel's activities, including the coffee business in Israel, totaled NIS 764 million, a decrease of 2.9% compared to the second quarter last year. Second quarter 2009 sales by the Israeli sector (excluding coffee) totaled NIS 627 million for the period, a decrease of 2.1% compared to the second quarter last year. Sales in the second quarter were affected by the timing of the Passover holiday, with the majority of the 2009 Passover holiday sales taking place during the first quarter, as opposed to 2008 when the majority of the Passover holiday sales occurred during the second quarter.

In the first six months of 2009, total sales for Strauss Group in Israel totaled NIS 1,620 million, a 0.3% decrease compared to the same period last year. Sales by the Israeli sector (excluding coffee), in the first six months, totaled NIS 1,308 million, a decrease of 0.9% compared to the same period last year.

The Company in Israel is investing greater resources in understanding consumer behavior in a period of recession in view of the change in purchasing power, and continues to focus on the fundamental elements – product quality, service level and pricing management. The Company in Israel is investing efforts to streamline its expenses while placing emphasis on retaining its two major assets –people and brands.

Operating profit, pro-forma, in Israel increased 7.6% in the second quarter, mainly due to the improved cost structure, also drawing an increase in the operating margin, reaching 10.6% in the quarter compared to 9.6% last year.

Operating profit, pro-forma, in Israel increased by 12.1% in the first six months of 2009, primarily due to the continued improvement in the cost structure. The majority of the improvement was evident in the Health & Wellness unit. Operating profit margin in Israel for the six months improved to 11.4% compared to 10.0% last year. The improved operating profit both in the quarter and six months resulted from the ongoing cost efficiencies in both production expenses and material cost.



THE COFFEE SECTOR

In the second quarter of 2009 sales by the coffee sector totaled NIS 811 million, a decrease of 0.8%. Sales, net of the impact of currency exchange rates, grew by 5.8%. Organic growth (net of acquisitions and exchange rates) amounted to 2.9%.

The growth in local currency in the second quarter is evident mainly in the Company's businesses in Brazil and in the former Soviet Union countries. Coffee sales in the quarter were positively influenced by the growth in volumes in certain regions, partially offset by currency fluctuations.

Sales in the first six months of 2009 grew by 2.2% year-over-year reaching NIS 1,581 million. Net of the impact of currency exchange rates, sales increase 13.1% year-over-year. Organic growth (net of acquisitions and exchange rate) amounted to 8.2%.

Coffee sales in the first six months were adversely impacted by substantial operating currency fluctuations, combined with the difficulty of raising prices in the prevailing macroeconomic environment. Growth in local currency is evident in the Company's activity in the former Soviet Union countries, Brazil and Poland.

Gross profit for the second quarter totaled NIS 263 million (32.5% of sales) compared to NIS 271 million (33.2%) last year, a decrease of 2.9%. **Gross profit** in the first six months totaled NIS 493 million (31.2% of sales) compared to NIS 504 million (32.6%) last year, a decrease of 2.2%.

The decrease in the gross profit in both the quarter and first six months was mainly due to the currency impact on raw material costs in the local currency (the purchase currency of raw materials is the US Dollar, which grew stronger in relation to the different currencies in the reported period), and also due to the erosion of the various currencies against the Shekel, which led to a decrease in the gross profit, which is reported in Shekels.

Operating profit of the coffee business in the second quarter totaled NIS 73 million (9.0% of sales), similar to the operating profit in the corresponding period last year. **Operating profit** in the first six months of 2009 totaled NIS 123 million (7.8% of sales) compared to NIS 137 million (8.8% of sales) last year, a decrease of 10.0%. The decrease in the operating profit is mainly the result of the decrease in the gross profit and the impact of currency exchange rates.

The Sabra Refrigerated Dips Business in the USA

Commencing in the second quarter of 2008 the Company proportionately consolidated the Sabra business (50%) according to the rate of its holding following the closing of the transaction with PepsiCo.

Pro-forma sales in the second quarter of 2009 increased by 56.3%, reaching NIS 107 million compared to NIS 68 million last year. Pro-forma growth in the second quarter, net of the impact of currency exchange rates, was 30.0%.

In the first six months of 2009 Sabra's pro-forma sales (assuming the full consolidation of Sabra's business) increased 55.5% reaching NIS 201 million compared to NIS 129 million last year. Sales pro-forma net of the impact of currency exchange rates, increased by 32.5%.



Pro-forma operating profit totaled NIS 18 million (16.6% of sales) in the second quarter compared to NIS 9 million last year (13.6%), an increase of 90.9%.

Sabra's pro-forma operating profit in the first six months increased 114.7% reaching NIS 32 million (15.8% of sales), compared to NIS 15 million last year (11.4%).

Sabra has continued to grow its market share, while maintaining a leading position in the refrigerated flavored spreads category. Sabra's average market share in the first six months of 2009 increased to 37.7% compared to an average market share of 28.2% in the corresponding period last year (according to IRI figures published on June 14, 2009).

Strauss is partially consolidating Sabra's activity (50%).

The Max Brenner Business

In the second quarter Max Brenner's sales totaled NIS 22 million compared to NIS 24 million last year, a decrease of 8.0%. After neutralizing the impact of exchange rates, sales in the second quarter decreased by 13.6%. In the first six months of the year Max Brenner's sales totaled NIS 46 million, similar to last year. After neutralizing the impact of exchange rates, sales in the first six months decreased by 5.9%.

Consolidated Financial Review:

Sales

Group sales in the second quarter of 2009 totaled NIS 1,514 million, compared to NIS 1,532 million in the corresponding period last year, a decrease of 1.2%. Net of the currency impact, Group sales increased 1.5% year over year. Organic growth, net of the impact of changes in exchange rates, amounted to 1.5%.

Group sales in the first six months totaled NIS 3,036 million, similar to the corresponding period last year. Net of the currency impact, growth amounted to 4.4%. Organic growth, net of the impact of changes in exchange rates in the first six months, amounted to 4.6%.

Gross Profit

Pro-forma gross profit for the second quarter increased by 0.3%, to NIS 568 million, gross margin improved to 37.5%, from 37.0% last year. Accounting gross profit for the quarter decreased by 1.7% reaching 37.3%.

Pro-forma gross profit in the first six months increased by 0.2%, reaching 36.9% compared to 36.8% last year. The gross profit was positively impacted by the improvement in activities in Israel and in Sabra and by the streamlining measures applied, and was adversely affected by the impact of currency exchange rates. The financial accounting gross profit in the first six months totaled NIS 1,121 million, similar to last year, and was maintained at a level of 36.9%, similar to last year.



Exchange rates adversely impacted the gross profit in the coffee business in the second quarter, while the improvement in Sabra and in Israel positively affected the gross profit. The Group is contending with the changes in raw material prices and exchange rates by applying streamlining measures in all areas of its activity and by raising the prices of its products.

Operating Profit before Other Income (Expenses)

Pro-forma operating profit increased 5.6% reaching NIS 135 million (8.9% of sales) in the second quarter, compared to NIS 128 million (8.4% of sales) last year. The increase in the Group's profit is due mainly to the increase in the operating profit of the Israel sector and Sabra, which is the result of continued streamlining, and the decrease in selling and G&A expenses. The improvement in the operating profit is mainly the result of the improvement in the gross profit and the streamlining moves. In the second quarter of 2009, accounting operating profit (before other expenses) increased 0.4% reaching NIS 131 million (8.7% of sales), compared to NIS 131 million (8.5%) last year.

The pro-forma operating profit totaled NIS 270 million (8.9% of sales) in the first six months, compared to NIS 265 million (8.7%) last year, an increase of 1.9%. The increase in the Group's operating profit is due mainly to the increase in the operating profit of the Israel sector, which improved by 12.1% as a result of streamlining the cost structure of the Company and of the decrease in the rate of selling and G&A expenses. This, in addition to the improvement in Sabra's operating profit. The operating profit margin in the first six months rose to 8.8%, compared to 8.4% last year. In the first six months of 2009, accounting operating profit (before other expenses) increased 4.1% reaching NIS 266 million (8.8% of sales), compared to NIS 255 million (8.4% of sales) last year.

Income for the Period

Income for the second quarter, on a pro-forma basis, increased 5.7% totaling NIS 80 million, compared to NIS 75 million last year. Accounting income for the period totaled NIS 57 million, compared to NIS 66 million last year.

Income for the first six months, on a pro-forma basis, increased 16.1% reaching NIS 175 million, compared to NIS 150 million last year. Accounting income for the period amounted to NIS 147 million, compared to NIS 159 million last year.

Income for the Period for the Shareholders of the Company

Pro-forma income for the shareholders of the Company in the second quarter totaled NIS 55 million, compared to NIS 65 million last year, a decrease of 16.2%. Accounting income for the shareholders of the Company in the second quarter totaled NIS 37 million, compared to NIS 56 million last year, a decrease of 33.8%. This decrease is due mainly to the fact that the second quarter results included a NIS 22 million other expense impairment in goodwill, while in the comparable period last year, other income included a capital gain of NIS 27 million as a result of the commencement of the PepsiCo partnership with Sabra, as well as from an increase in the minority share of the income following the TPG transaction (acquisition by TPG Capital of 25.1% of the Strauss Coffee shares).



Pro-forma income for the shareholders of the Company in the first six months increased 1.7%, reaching NIS 134 million compared to NIS 131 million last year. Accounting income for the shareholders of the Company, in the first six months totaled NIS 112 million compared to NIS 140 million last year, a decrease of 20.4%.

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Table 1

Following are the condensed financial accounting statements of income for the quarters and the six month years ended June 30, 2009 and 2008 (in NIS millions):

	First Six Months			Second Quarter		
	2009	2008	% Chg	2009	2008	% Chg
Sales	3,036	3,036	-	1,514	1,532	-1.2
Cost of sales not including impact of hedging transactions	1,917	1,921	-0.2	946	966	-2.1
Revaluation of the balance of commodity hedging transactions as at end of period	(2)	(6)		3	(9)	
Cost of sales	1,915	1,915	-	949	957	-0.9
Gross Income	1,121	1,121	-	565	575	-1.7
Selling and marketing expenses	678	684	-0.8	344	352	-2.4
General and administrative expenses	177	182	-2.4	90	92	-2.4
Operating income before other income (expenses)	266	255	4.1	131	131	0.4
Other income (expenses), net	(27)	20		(22)	(8)	
Operating income after other income (expenses)	239	275	-13.3	109	123	-11.2
Financing income (expenses), net	(27)	(54)	-50.9	(31)	(29)	6.5
Income before taxes on income	212	221	-4.2	78	94	-16.7
Taxes on income	(65)	(62)	5.2	(21)	(28)	-22.3
Effective tax rate	30.8%	28.1%		27.3%	29.3%	
Income for the period	147	159	-7.9	57	66	-14.4
Income attributed to shareholders of the Company	112	140	-20.4	37	56	-33.8
Income attributed to minority interest	35	19	82.6	20	10	90.3



Table 2

Following are the condensed results of business operations (based on the Company's management accounting statements) for the quarters and the six months ended June 30, 2009 and 2008 (in NIS millions):

	First Six Months			Second Quarter		
	2009	2008	% Chg	2009	2008	% Chg
Sales	3,036	3,036	-	1,514	1,532	-1.2
Cost of sales	1,917	1,918	-0.1	946	966	-2.1
Gross Income	1,119	1,118	0.2	568	566	0.3
Selling and marketing expenses	678	684	-0.8	344	352	-2.4
General and administrative expenses	171	169	1.5	89	86	3.4
Operating income – management accounting	270	265	1.9	135	128	5.6
Financing income (expenses), net	(27)	(54)	-50.9	(31)	(29)	6.5
Income before taxes on income	243	211	15.4	104	99	5.3
Taxes on income	(68)	(61)	13.4	(24)	(24)	-
Income for the period – management accounting	175	150	16.1	80	75	5.7
Income attributed to shareholders of the Company	134	131	1.7	55	65	-16.2
Income attributed to minority interest	41	19	113.7	25	10	143.8

Table 3

Following are the condensed results of business operations (based on the Company's management accounting statements) of the business sectors for the quarters and the six months ended June 30, 2009 and 2008 (in NIS millions):

	First Six Months			Second Quarter		
	2009	2008	% Chg	2009	2008	% Chg
Israel sector						
Net sales	1,308	1,320	-0.9	627	640	-2.1
Gross income	542	533	1.8	261	261	0.3
Operating income	149	132	12.1	66	62	7.6
Coffee sector						
Net sales	1,581	1,548	2.2	811	818	-0.8
Gross income	493	504	-2.2	263	271	-2.9
Operating income	123	137	-10.0	73	73	0.8
Other*						
Net sales	147	168	-12.5	76	74	2.7
Gross income	84	81	3.7	44	34	29.4
Operating income	(2)	(4)	-50.0	(4)	(7)	-42.9
Total						
Net sales	3,036	3,036	-	1,514	1,532	-1.2
Gross income	1,119	1,118	0.2	568	566	0.3
Operating income	270	265	1.9	135	128	5.6

* Sabra's sales are 100% consolidated in the first quarter of 2008 and proportionately consolidated (50%) commencing in the second quarter of 2008 and thereafter.



Table 4
Consolidated Balance Sheet (in NIS million):

	As at June 30	
	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents	935	358
Marketable securities and deposits	156	60
Trade receivables	964	987
Income tax receivables	59	51
Other receivables and debit balances	200	286
Inventory	714	700
Assets classified as held for sale		3
Total current assets	3,028	2,445
Investments and non-current assets		
Other investments and long-term debit balances	132	96
Assets designated for the payment of employee benefits, net	6	6
Fixed assets	1,271	1,231
Intangible assets	1,286	1,417
Deferred expenses	52	60
Investment property	21	18
Deferred tax assets	8	9
Total investments and non-current assets	2,776	2,837
Total assets	5,804	5,282
Current liabilities		
Current maturities of debentures	92	86
Short term loans and credit	179	634
Trade payables	609	702
Income tax payables	75	44
Other payables and credit balances	409	450
Provisions	29	39
Total current liabilities	1,393	1,955
Non-current liabilities		
Debentures	1,474	1,069
Long-term loans and credit	19	51
Long-term payables and credit balances	50	30
Employee benefits, net	31	20
Deferred taxes	103	125
Total non-current liabilities	1,677	1,295
Group equity	2,734	2,032
Total liabilities and equity	5,804	5,282