



## **STRAUSS GROUP REPORTS Q4 AND FULL YEAR 2009 RESULTS**

### **STRONG FOURTH QUARTER WITH 10% SALES GROWTH, 40% EBIT GROWTH and 27% NET INCOME GROWTH**

**In 2009 Sales Continued to Grow For the 7<sup>th</sup> Consecutive Year, With Growth in Gross and Operating Profits and Margins and Significant Improvement in Operating Cash Flow**

#### **FOURTH QUARTER FINANCIAL HIGHLIGHTS:**

- **Organic growth, net of exchange rate impacts, totaled 3.2%. Reported sales totaled NIS 1.7 billion, up 9.7%;**
- **Pro-forma operating profit increased 40%, totaling NIS 141 million; compared to NIS 101 million LY;**
- **Pro-forma net profit for shareholders totaled NIS 70 million compared to NIS 56 million LY, up 27.3%**
- **Operating cash flow totaled NIS 334 million compared to NIS 179 million last year.**

#### **ANNUAL FINANCIAL HIGHLIGHTS:**

- **Organic growth, net of exchange rate impacts, totaled 3.8%. Reported sales totaled NIS 6.4 billion, up 2.0%;**
- **Pro-forma operating profit increased 9.3%, reaching NIS 570 million compared to NIS 522 million LY;**
- **Profit for the period up 7.8%, totaling NIS 360 million compared to NIS 335 million LY;**
- **Pro-forma net profit for shareholders amounted to NIS 268 million compared to NIS 285 million LY, 5.8% decrease resulting mainly from the increase in minority income;**
- **Strong cash generation: operating cash flow improved as a result of enhanced working capital, mainly due to decrease in inventory level. Operating cash flow totaled NIS 793 million compared to NIS 229 million last year;**

**Tel Aviv, Israel, March 24, 2010** – The Strauss Group (STRS.TA) today reported its results for the fourth quarter and full year 2009.

**Ofra Strauss, Chairperson of Strauss Group**, said today, "The infrastructures that have been built in recent years have enabled us to succeed even in a challenging year such as this, allowing us to attain our objectives for all our areas of activity. Throughout 2009 Strauss Group acted as required in order to adapt to the changing business conditions. We have continued to work determinedly in the strategic manner that has



been so characteristic of our Group, especially in the past few years, expanding the scope of our international activity and reinforcing our Home Base in Israel. In addition, we have also continued our emphasis and investment in the development of our Brands, on innovation, developing infrastructures, enhancing strategic partnerships and retaining capabilities and people.”

**Gadi Lesin, President & CEO of Strauss Group**, said today, "Strauss Group reported a strong fourth quarter with growth of 10% in sales, 40% in operational profit and 27% in net income. In 2009 the Group succeeded in achieving its pre-defined objectives and had sales growth, in spite of the challenging business environment, while improving gross profit and profitability as well as operating profit and profitability. At the same time we had record operating cash flow, a testimony to the Company’s financial strength.

"In 2009 we continued to invest in future growth engines for the company. We completed the acquisition of Tami4, and are in the midst of integrating the H2Q and Tami4 activities which will, by combining the technology developed by H2Q with the proven ability of Tami4, provide the infrastructure for Strauss Water activity, both locally in Israel and globally. In the USA we are in the final stages of construction on the new Sabra fresh salads factory that will enable us to continue Sabra’s successful growth. The Coffee Company has succeeded in its continued growth and, even in this challenging year, has improved both gross and operating profits, while in Israel we improved profit and profitability in spite of a slowdown in growth."

**MAIN PRO-FORMA DATA FOR THE FOURTH QUARTER AND FULL YEAR (in NIS million):**

	Full Year			Fourth Quarter		
	2009	2008	Chg %	2009	2008	Chg %
<b>Sales</b>	6,373	6,246	2.0%	1,715	1,564	9.7%
<b>Gross Profit</b>	2,371	2,289	3.6%	645	568	13.8%
<b>Operating Profit (1)</b>	570	522	9.3%	141	101	40.0%
<b>Profit for the Period</b>	360	335	7.8%	95	73	32.1%
<b>Net Profit (2) (3)</b>	268	285	-5.8%	70	56	27.3%

(1) Before other income (expenses)

(2) Attributed to the shareholders of the Company

(3) Net profit in 2008 include financial income of NIS 42 million

**HOME BASE**

The sales of the entire business of the Strauss Group in Israel include the Health & Wellness and Fun & Indulgence divisions, the coffee business in Israel, Max Brenner in Israel and the Tami4 activity. In 2009, the Strauss Group's sales in Israel totaled NIS 3,355 million compared to NIS 3,312 million in 2008, an increase of 1.3%. In the fourth quarter, Israel sales totaled NIS 862 million compared to NIS 787 million in the corresponding quarter last year, an increase of 9.5%.

Starting from the fourth quarter, following the Tami4 acquisition, the Group expanded its consumer touch points beyond retail sales and AFH (away from home) to direct consumer sales.



## **THE ISRAEL SECTOR – STRAUSS ISRAEL**

In 2009 sales by the Israel sector totaled NIS 2,624 million compared to NIS 2,671 million in 2008, a decrease of 1.8%.

In the fourth quarter sales by the Israel sector totaled NIS 634 million compared to NIS 645 million in the corresponding quarter last year, a decrease of 1.8%.

Despite the many challenges posed in 2009 (recession and growing competition), the Strauss Group succeeded to continue investing in its brands and in innovation, and launched 130 new products (including Chocolate Fingers, Must Long-Last chewing gum, Yogurt Desserts, Bites, chocolate milk in individual bottles, and others). Strauss Israel continues to focus on efficiency with emphasis on maintaining its two main assets, people and brands.

The gross profit in the Israel sector totaled NIS 1,080 million in 2009, similar to last year. The gross profit rate rose from 40.4% to 41.1% this year. Most of the improvement is due to the continued implementation of streamlining moves in the cost of sales.

In the fourth quarter the gross profit in the Israel sector decreased by 7.0% following reduced sales and an increase in production expenses as a result of several one-time actions.

The pro-forma operating profit in Israel increased by 5.2% in 2009. The growth in the operating profit in Israel is due to the continued improvement in the cost structure. The operating profit rate in Israel improved in 2009 and amounted to 11.0%, compared to 10.3% in the corresponding period last year.

In the fourth quarter the operating profit in Israel decreased by 11.6%; the decrease is due mainly to the decrease in the gross profit.

## **THE COFFEE SECTOR**

Sales - organic growth, after neutralizing the acquisition of businesses and the impact of exchange rate differentials, amounted to 6.3% in 2009.

Strauss's coffee sector sales in 2009 totaled NIS 3,349 million compared to NIS 3,243 million in 2008, an increase of 3.3%. After neutralizing the impact of currency exchange rates, growth amounted to 8.8%.

Coffee sales in 2009 were positively influenced by the growth in volumes, but were negatively influenced by the changes in the exchange rates of the various currencies (mainly in the first half of the year), coupled with a difficulty in raising prices in the prevailing macroeconomic conditions in some of the countries. The growth in local currency is evident mainly in the Company's activity in the former USSR countries and in Brazil, where the Company continues to grow at an accelerated pace, while increasing its market share and expanding to additional geographical regions.

In the fourth quarter, organic growth (neutralizing acquisition and the impact of exchange rate) amounted to 2.4%.

Sales totaled NIS 909 million in the fourth quarter of 2009 compared to NIS 833 million in the corresponding period last year, an increase of 9.1%. After neutralizing the impact of currency exchange



rates, growth amounted to 3.6%. The growth in local currency in the fourth quarter is evident mainly in the Company's businesses in the former USSR countries and in Brazil. Coffee sales in the quarter were positively influenced by the growth in sales volumes and by the strengthening of the various currencies compared to last year.

Gross profit in the coffee sector totaled NIS 1,067 million in 2009 (31.9%) compared to NIS 1,044 million (32.2%) last year, an increase of 2.2%. The gross profit in the coffee sector was positively influenced by the growth in sales, but was negatively impacted by the effect of exchange rates on the cost of raw materials in local currency, especially in the first half of the year (the purchase currency of raw materials is the US Dollar, which grew stronger in relation to the different currencies in the reported period). It was also affected by the erosion of the various currencies versus the Shekel, which led to a decrease in the gross profit, which is reported in Shekels, as well as by the significant growth in the volume of activity in Brazil, which is characterized by below-average profit rates.

The gross profit in the fourth quarter totaled NIS 299 million (32.9% of sales) compared to NIS 252 million (30.2% of sales) last year, an increase of 18.7%. The increase in the gross profit is the result of the growth in sales and the strengthening of the currencies compared to the corresponding period last year.

Operating profit of the coffee sector totaled NIS 270 million (8.1% of sales) in 2009 compared to NIS 255 million (7.9% of sales) last year, an increase of 5.8%. The operating profit was influenced by the growth in sales and in the gross profit.

In the fourth quarter, the operating profit totaled NIS 78 million (8.6% of sales) compared to NIS 39 million (4.7% of sales) in the corresponding quarter last year, an increase of 101.5%. The increase in the operating profit was influenced mainly by the increase in the gross profit.

#### **THE SABRA REFRIGERATED DIPS BUSINESS IN THE USA**

Sabra continues its marketing efforts to further penetrate the American market and has succeeded in continuing to grow its market share while maintaining a leading position in the refrigerated flavored spreads and dips category. Sabra's average market share in 2009 was 39.4% compared to an average market share of 31.8% in 2008; in the fourth quarter the average market share was 41.2% (according to IRI data published on January 24, 2010).

Sales- Sabra's 2009 (pro-forma reflecting 100%) sales totaled NIS 430 million compared to NIS 300 million last year, an increase of 43.2%. After neutralizing the currency impact, growth amounted to 31.1%.

Sabra's sales in the fourth quarter totaled NIS 121 million compared to NIS 89 million in the corresponding period last year, an increase of 35.0%. After neutralizing the currency impact, growth amounted to 34.2%.

The operating profit in 2009 totaled NIS 73 million (17.0% of sales) compared to NIS 35 million last year (11.8% of sales), an increase of 106.4%

The operating profit in the fourth quarter totaled NIS 21 million (17.6% of sales) compared to NIS 8 million in the corresponding quarter last year (8.8% of sales), an increase of 170.6%.



## **THE MAX BRENNER BUSINESS**

In 2009 Max Brenner's sales totaled NIS 108 million compared to NIS 95 million last year, an increase of 14.3%. After neutralizing the impact of the erosion of the US Dollar in relation to the Shekel, growth in 2009 totaled 10.4%.

In the fourth quarter Max Brenner's sales totaled NIS 35 million compared to NIS 25 million last year, an increase of 39.8%. After neutralizing the impact of the erosion of the US Dollar in relation to the Shekel, growth in the fourth quarter amounted to 39.4%.

The Company continued to invest in the development of core infrastructure for the Max Brenner business in Israel and abroad, and in 2010 the Company plans to open additional stores while continuing to invest in core infrastructure for the Max Brenner business.

## **STRAUSS WATER**

In 2009 Strauss presented Strauss Water and its strategy. Strauss Water will lead and manage the Strauss Group's activity in the water industry and will serve as one of the Group's growth drivers in the coming years.

Strauss Water will collate knowledge in the fields of development, production, marketing, distribution and business development of this sector of activity, in Israel and internationally. In this context the Company announced that an agreement had been signed for the acquisition of Tana Industries (Tami4) through its subsidiary, H2Q. This acquisition, completed on October 1, 2009, is a direct continuation of Strauss's entry into the drinking water industry, which began some three years ago when Strauss invested in H2Q with the aim of becoming a significant global player in providing drinking water solutions to consumers in and outside of Israel.

Strauss Water's pro-forma sales (assuming that the Tami4 business had been fully consolidated from the beginning of the year) amounted to NIS 316 million in 2009 compared to NIS 249 million last year, an increase of 27.0%.

In the fourth quarter Strauss Water's pro-forma sales totaled NIS 78 million compared to NIS 62 million in the corresponding period last year, an increase of 25.5%.

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## **FINANCIAL RESULTS:**

### **Sales**

In 2009 the Strauss Group's sales amounted to NIS 6,373 million compared to NIS 6,246 million last year, an increase of 2.0%. After neutralizing the currency impact, growth amounted to 4.4%. **Organic growth after neutralizing the impact of changes in exchange rates in 2009 amounted to 3.8%.**

The Group's sales in the fourth quarter totaled NIS 1,715 million compared to NIS 1,564 million in the corresponding period last year, an increase of 9.7%. After neutralizing the currency impact, growth amounted to 6.6%. **Organic growth after neutralizing the impact of changes in exchange rates in the fourth quarter amounted to 3.2%.**

### **Gross Profit**

The financial accounting gross profit in 2009 totaled NIS 2,375 million (37.3%) compared to NIS 2,277 million last year (36.4%), an increase of 4.3%. The management accounting (pro-forma) gross profit in 2009 increased by 3.6% compared to the corresponding period last year, rising from 36.6% to 37.2%.

The gross profit was positively impacted by the improvement in most of the Group's businesses, notably Sabra and Strauss Coffee, by the consolidation of the Tami4 activity for the first time and by the streamlining measures applied, and was adversely affected by the impact of currency exchange rates. The Group has contended with the changes in raw material prices and exchange rates through operational streamlining in most areas of its activity and by raising the prices of its products in the coffee business outside of Israel.

The financial accounting gross profit in the fourth quarter increased by 13.1% and rose from 36.3% last year to 37.5% this year. The management accounting (pro-forma) gross profit increased in the quarter by 13.8%, up from 36.3% in 2008 to 37.6% this year.

The improvement in the gross profit is the result of the improvement in the coffee business and in Sabra, and of the consolidation of the Tami4 activity for the first time.

### **Operating Profit before Other Income (Expenses)**

The financial accounting operating profit (before other expenses) totaled NIS 559 million (8.8% of sales) in 2009 compared to NIS 481 million (7.7% of sales) last year, an increase of 16.3%. The growth in the Group's operating profit is mainly due to the increase in the operating profit in all of the Company's activities and to the consolidation of Tami4 for the first time.

The management accounting (pro-forma) operating profit totaled NIS 570 million (8.9% of sales) in 2009 compared to NIS 522 million (8.4% of sales) last year, an increase of 9.3%.

The increase in the Group's management accounting (pro-forma) operating profit is due to the increase in the operating profit in all of the Company's activities and to the consolidation of Tami4 for the first time.

The financial accounting operating profit (before other income and expenses) totaled NIS 134 million (7.8% of sales) in the fourth quarter compared to NIS 100 million (6.4% of sales) in the corresponding



period last year, an increase of 34.0%. The improvement is mainly the result of the improvement in the gross profit.

The management accounting (pro-forma) operating profit totaled NIS 141 million (8.2% of sales) in the fourth quarter compared to NIS 101 million (6.4% of sales) last year, an increase of 40.0%.

The increase in the Group's management accounting (pro-forma) operating profit in the fourth quarter is due mainly to the increase in the operating profit of Strauss Coffee, which is due in part to the strengthening of the currencies in the emerging markets, to continued streamlining and to the improvement in the operating profit in Sabra, Max Brenner and Strauss Water.

### **Income for the Period**

The 2009 financial accounting income for the period amounted to NIS 318 million compared to NIS 507 million last year. The 2009 pro-forma income for the period amounted to NIS 360 million compared to NIS 335 million last year, an increase of 7.8%.

Income for the period in the fourth quarter totaled NIS 81 million compared to NIS 86 million last year, down 6.0% compared to last year. The pro-forma income for the period in the fourth quarter amounted to NIS 95 million compared to NIS 73 million last year, an increase of 32.1%.

### **Income for the Period for the Shareholders of the Company**

The 2009 financial accounting income for the period for the shareholders of the Company totaled NIS 233 million compared to NIS 461 million last year, a decrease of 49.5%. The decrease is due mainly to the capital gain in respect of the issue to TPG Capital, which was included in the corresponding period last year, and to the growth in the profit attributed to the minority interest (which in this period also includes TPG Capital's share of the profits of Strauss Coffee).

The management accounting (pro-forma) income for the shareholders of the Company in 2009 totaled NIS 268 million compared to NIS 285 million last year, a decrease of 5.8%. The decrease is due mainly to the growth in the profit attributed to the minority interest.

The financial accounting income for the period for the shareholders of the Company in the fourth quarter totaled NIS 59 million compared to NIS 73 million last year, a decrease of 18.9%. The decrease is due mainly to the fact that in the corresponding quarter last year other income was included in respect of the sale of the kosher products business in North America.

The management accounting (pro-forma) income for the shareholders of the Company in the fourth quarter totaled NIS 70 million compared to NIS 56 million last year, an increase of 27.3%. The income was positively impacted by the improvement in the operating profit, which was partly offset against the increase in the minority share of the income compared to last year.



**Table 1**

*Following are the condensed results of business operations (based on the Company's Pro-forma statements) for the years and quarters ended December 31, 2009 and 2008 (in NIS millions):*

	For the Years			For the Three Months		
	2009	2008	% change	2009	2008	% change
<b>Sales</b>	<b>6,373</b>	<b>6,246</b>	<b>2.0</b>	<b>1,715</b>	<b>1,564</b>	<b>9.7</b>
Cost of sales	4,002	3,957	1.1	1,070	996	7.4
<b>Gross income</b>	<b>2,371</b>	<b>2,289</b>	<b>3.6</b>	<b>645</b>	<b>568</b>	<b>13.8</b>
Selling and marketing expenses	1,442	1,421	1.5	393	375	5.3
General and administrative expenses	359	346	3.8	111	92	22.3
<b>Operating income – management accounting</b>	<b>570</b>	<b>522</b>	<b>9.3</b>	<b>141</b>	<b>101</b>	<b>40.0</b>
Financing expenses, net	(87)	(72)	20.3	(17)	(12)	37.0
<b>Income before taxes on income</b>	<b>483</b>	<b>450</b>	<b>7.5</b>	<b>124</b>	<b>89</b>	<b>40.4</b>
Taxes on income	(123)	(115)	6.7	(29)	(16)	75.1
<b>Income for the period – management</b>	<b>360</b>	<b>335</b>	<b>7.8</b>	<b>95</b>	<b>73</b>	<b>32.1</b>
<b>Income attributed to shareholders of the Company</b>	<b>268</b>	<b>285</b>	<b>-5.8</b>	<b>70</b>	<b>56</b>	<b>27.3</b>
Income attributed to minority interest	92	50	85.4	25	17	57.8

**Table 2**

*Following are the condensed financial accounting statements of income for the years and quarters ended December 31, 2009 and 2008 (in NIS millions):*

	For the Years			For the Three Months		
	2009	2008	% change	2009	2008	% change
<b>Sales</b>	<b>6,373</b>	<b>6,246</b>	<b>2.0</b>	<b>1,715</b>	<b>1,564</b>	<b>9.7</b>
Cost of sales not including impact of hedging transactions	4,002	3,959	1.1	1,070	996	7.3
Revaluation of the balance of hedging transactions on commodities as at the end of the period	(4)	10		2	(1)	
Cost of sales	3,998	3,969	0.7	1,072	995	7.7
<b>Gross income</b>	<b>2,375</b>	<b>2,277</b>	<b>4.3</b>	<b>643</b>	<b>569</b>	<b>13.1</b>
Selling and marketing expenses	1,442	1,424	1.2	393	371	5.8
General and administrative expenses	374	372	0.6	116	98	19.4
<b>Operating income before other income (expenses)</b>	<b>559</b>	<b>481</b>	<b>16.3</b>	<b>134</b>	<b>100</b>	<b>34.0</b>
Other income (expenses), net	(35)	208		(8)	18	
<b>Operating income</b>	<b>524</b>	<b>689</b>	<b>-24.0</b>	<b>126</b>	<b>118</b>	<b>6.7</b>
Financing expenses, net	(87)	(72)	20.3	(17)	(12)	37.1
<b>Income before taxes on income</b>	<b>437</b>	<b>617</b>	<b>-29.2</b>	<b>109</b>	<b>106</b>	<b>3.1</b>
Taxes on income	(119)	(110)	8.2	(28)	(20)	44.3
Effective tax rate	27.1%	17.7%		25.4%	18.1%	
<b>Income for the period</b>	<b>318</b>	<b>507</b>	<b>-37.3</b>	<b>81</b>	<b>86</b>	<b>-6.0</b>
<b>Income attributed to shareholders of the Company</b>	<b>233</b>	<b>461</b>	<b>-49.5</b>	<b>59</b>	<b>73</b>	<b>-18.9</b>
Income attributed to minority interest	85	46	86.2	22	13	65.2



**Table 3**

*Following are the condensed results of business operations (based on the Company's management accounting (pro-forma) statements) of the business sectors for the years and quarters ended December 31, 2009 and 2008 (in NIS millions):*

	For the Years			For the Three Months		
	2009	2008	%	2009	2008	%
<b>Israel</b>						
Net sales	2,624	2,671	-1.8	634	645	-1.8
Gross income	1,080	1,080	0.0	250	269	-7.0
Operating income	288	274	5.2	53	60	-11.6
<b>Coffee</b>						
Net sales	3,349	3,243	3.3	909	833	9.1
Gross income	1,067	1,044	2.2	299	252	18.7
Operating income	270	255	5.8	78	39	101.5
<b>Other*</b>						
Net sales	400	332	20.8	172	86	103.4
Gross income	224	165	35.8	96	47	103.8
Operating income (loss)	12	(7)		10	2	
<b>Total</b>						
<b>Total net sales</b>	<b>6,373</b>	<b>6,246</b>	<b>2.0</b>	<b>1,715</b>	<b>1,564</b>	<b>9.7</b>
<b>Total gross income</b>	<b>2,371</b>	<b>2,289</b>	<b>3.6</b>	<b>645</b>	<b>568</b>	<b>13.8</b>
<b>Total operating income</b>	<b>570</b>	<b>522</b>	<b>9.3</b>	<b>141</b>	<b>101</b>	<b>40.0</b>

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



**Table 4**  
*Consolidated Balance Sheet (in NIS million):*

	December 31, 2009		December 31, 2008	
	Millions NIS	%	Millions NIS	%
Cash and Marketable Securities	1,044	16.9%	713	13.1%
Accounts Receivables	998	16.1%	949	17.5%
Other Accounts Receivables	253	4.1%	286	5.3%
Inventory	664	10.7%	814	15.0%
Investments & Long Term Loans	166	2.7%	132	2.4%
Fixed Assets	1,354	21.9%	1,230	22.6%
Intangible Assets	1,626	26.3%	1,226	22.6%
Other Assets	84	1.3%	85	1.6%
<b>Total Assets</b>	<b>6,189</b>	<b>100.0%</b>	<b>5,435</b>	<b>100.0%</b>
Current Bank Liabilities	261	4.2%	314	5.8%
Accounts Payables	758	12.2%	758	13.9%
Other Creditors	588	9.5%	512	9.4%
Long Term Liabilities	1,696	27.4%	1,152	21.2%
Minority Interest	901	14.6%	842	15.5%
Group Equity	1,985	32.1%	1,857	34.2%
<b>Total Liabilities &amp; Equity</b>	<b>6,189</b>	<b>100.0%</b>	<b>5,435</b>	<b>100.0%</b>