



## Press Release

Petach Tikva, Israel; March 28, 2017

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### **Strauss Group Reports Fourth Quarter and Full Year 2016 Results; A strong set of results with 3.9% annual sales growth and 12.8% EBIT growth <sup>(1)</sup>**

**Excellent results delivered by Strauss Coffee and significant achievements at Strauss Israel, together with continued improvement in Strauss Water, lead to positive results across all metrics**

**Gadi Lesin, President and CEO of Strauss Group (March 28, 2017):** “2016 was a strong year for the Group and its businesses, which have posted an improvement across all metrics and strong cash flows. Strauss Israel continued to exceed market growth rates in our home base in Israel and Strauss Coffee posted a set of excellent results for 2016. Sabra's recall from November is being responsibly managed to ensure a return to solid performance. We will continue to invest in innovation, in efficiency enhancement and in delivering genuine added value to our consumers around the world.”

#### **2016 highlights <sup>(1)</sup>**

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- Organic sales growth, excluding foreign exchange effects, was c6.2%. Shekel sales were NIS c7.9 billion compared to NIS 7.6 billion in 2015; sales were impacted by a negative currency translation amounting to NIS c176 million as a result of the continued strengthening of the NIS in comparison to other currencies.
- Gross profit was NIS c2,980 million (c37.5% of sales), up c5.4% compared to the corresponding period last year. Gross margins were up c0.5%.
- Operating profit (EBIT) was NIS c744 million (c9.4% of sales), up c12.8% compared to the corresponding period last year. EBIT margins were up c0.8%.
- EPS for shareholders of the Company were NIS c3.12, up c14.2% compared to the corresponding period.
- Cash flow from operating activities totaled NIS c762 million, compared to NIS c516 million in 2015.

(1) Data represent the Company's non-GAAP figures, which include the proportionate consolidation of jointly controlled businesses (without implementation of IFRS 11) and do not include share-based payment, valuation of the balance of commodity hedging transactions as at end-of-period and other income and expenses, unless stated otherwise.

## Non GAAP Figures <sup>(1)</sup>

	Year		
	2016	2015	Change
Total Group Sales (NIS mm)	7,943	7,642	3.9%
Organic Sales Growth excluding FX			6.2%
Gross Profit (NIS mm)	2,980	2,829	5.4%
Gross Margins (%)	37.5%	37.0%	+50 bps
EBITDA (NIS mm)	975	891	9.4%
EBITDA Margins (%)	12.3%	11.7%	+60 bps
EBIT (NIS mm)	744	659	12.8%
EBIT Margins (%)	9.4%	8.6%	+80 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	335	293	14.3%
Net Income Margin Attributable to the Company's Shareholders (%)	4.2%	3.8%	+40 bps
EPS (NIS)	3.12	2.73	14.2%
Operating Cash Flow (NIS mm)	762	516	47.7%
Capex (NIS mm) <sup>(2)</sup>	-239	-279	-14.3%
Net debt (NIS mm)	1,428	1,655	-13.7%
Net debt / annual EBITDA	1.5x	1.9x	(0.4x)

(1) Data represents the Company's non-GAAP figures, which include the proportionate consolidation of jointly controlled businesses (without implementation of IFRS 11) and do not include share-based payment, valuation of the balance of commodity hedging transactions as at end-of-period and other income and expenses, unless stated otherwise.

(2) Investments include the acquisition of fixed assets and investment in intangibles.

**Note:** Financial data were rounded off to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

# Non GAAP Figures <sup>(1)</sup>

	Year							
	Sales (NIS mm)	Sales Growth vs. Last Year	Organic Sales Growth excluding FX	EBIT (NIS mm)	NIS Change in EBIT	% Change in EBIT	EBIT margins	Change in EBIT margins vs. 2015
<b>Sales and EBIT by Operating Segments and Activities</b>								
<b>Strauss Israel:</b>								
Health & Wellness	1,957	3.1%	3.1%	213	25	13.5%	10.9%	+100 bps
Fun & Indulgence <sup>(2)</sup>	1,006	3.9%	3.9%	101	8	8.2%	10.0%	+40 bps
<b>Total Strauss Israel</b>	<b>2,963</b>	<b>3.4%</b>	<b>3.4%</b>	<b>314</b>	<b>33</b>	<b>11.8%</b>	<b>10.6%</b>	<b>+80 bps</b>
<b>Strauss Coffee:</b>								
Coffee Israel	673	4.1%	4.1%	87	3	3.5%	13.0%	-10 bps
International Coffee <sup>(2)</sup>	3,000	7.7%	13.2%	272	88	47.9%	9.1%	+250 bps
<b>Total Strauss Coffee</b>	<b>3,673</b>	<b>7.0%</b>	<b>11.4%</b>	<b>359</b>	<b>91</b>	<b>33.9%</b>	<b>9.8%</b>	<b>+200 bps</b>
<b>International Dips &amp; Spreads:</b>								
Sabra (50%) <sup>(2)</sup>	664	-6.6%	-5.1%	59	-35	-37.1%	8.9%	-430 bps
Obela (50%) <sup>(2)</sup>	53	29.2%	16.3%	-11	2	NM	NM	NM
<b>Total International Dips &amp; Spreads</b>	<b>717</b>	<b>-4.6%</b>	<b>-3.8%</b>	<b>48</b>	<b>-32</b>	<b>-40.7%</b>	<b>6.6%</b>	<b>-410 bps</b>
<b>Other <sup>(2)</sup></b>	<b>590</b>	<b>-0.3%</b>	<b>3.3%</b>	<b>23</b>	<b>-7</b>	<b>-22.7%</b>	<b>3.9%</b>	<b>-110 bps</b>
<b>Total Group</b>	<b>7,943</b>	<b>3.9%</b>	<b>6.2%</b>	<b>744</b>	<b>85</b>	<b>12.8%</b>	<b>9.4%</b>	<b>+80 bps</b>

(1) Data represent the Company's non-GAAP figures, which include the proportionate consolidation of jointly controlled businesses (without implementation of IFRS 11) and do not include share-based payment, valuation of the balance of commodity hedging transactions as at end-of-period and other income and expenses, unless stated otherwise.

(2) Fun & Indulgence figures include Strauss 50% share in the salty snacks business. International Coffee figures include Strauss 50% share in Três Corações Joint Venture (3C) – Brazil - a company jointly held by the Group (50%) and by the São Miguel Group (50%). International D&S figures reflect Strauss 50% share in Sabra and Obela. Other Operations includes Strauss's share in Strauss Water China (50%) until June 30, 2015.

**Note:** Financial data were rounded off to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

- Organic sales growth, excluding foreign exchange effects, was c4.2%. Shekel sales were NIS c2 billion compared to NIS 1.9 billion in the corresponding quarter last year, and includes a NIS c42 million positive translation effect as a result of the strengthening of the Brazilian Real versus NIS during the fourth quarter.
- Gross profit was NIS c717 million (c35.3% of sales), up c2.6% compared to the corresponding period last year. Gross margins were down c1.5%.
- Operating profit (EBIT) was NIS c135 million (c6.6% of sales), down c14.4% compared to the corresponding quarter last year. EBIT margins were down c1.7%.
- EPS for shareholders of the company were NIS c0.53, down c22.1% compared to the corresponding period.
- Cash flows from operating activities totaled NIS c360 million, compared to NIS c426 million last year.

(1) Based on non-GAAP data, which include the proportionate consolidation of jointly-held partnerships (without implementation of IFRS 11) and do not include share-based payment, valuation of the balance of commodity hedging transactions as at end-of-period and other income and expenses, unless stated otherwise.

## Non GAAP Figures <sup>(1)</sup>

Fourth Quarter			
	2016	2015	Change
Total Group Sales (NIS mm)	2,034	1,899	7.2%
Organic Sales Growth excluding FX			4.2%
Gross Profit (NIS mm)	717	700	2.6%
Gross Margins (%)	35.3%	36.8%	-150 bps
EBITDA (NIS mm)	194	220	-11.8%
EBITDA Margins (%)	9.5%	11.6%	-210 bps
EBIT (NIS mm)	135	158	-14.4%
EBIT Margins (%)	6.6%	8.3%	-170 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	58	74	-22.0%
Net Income Margin (Attributable to the Company's Shareholders) (%)	2.8%	3.9%	-110 bps
EPS (NIS)	0.53	0.69	-22.1%
Operating Cash Flow (NIS mm)	360	426	-15.5%
Capex (NIS mm) <sup>(2)</sup>	-76	-68	11.8%
Net debt (NIS mm)	1,428	1,655	-13.7%
Net debt / annual EBITDA	1.5x	1.9x	(0.4x)

(1) Data represent the Company's non-GAAP figures, which include the proportionate consolidation of jointly controlled businesses (without implementation of IFRS 11) and do not include share-based payment, valuation of the balance of commodity hedging transactions as at end-of-period and other income and expenses, unless stated otherwise.

(2) Investments include the acquisition of fixed assets and investment in intangibles.

**Note:** Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

## Non GAAP Figures <sup>(1)</sup>

	Fourth Quarter							
	Sales (NIS mm)	Sales Growth vs. Last Year	Organic Sales Growth excluding FX	EBIT (NIS mm)	NIS Change in EBIT	% Change in EBIT	EBIT margins	Change in EBIT margins vs. 2015
<b>Sales and EBIT by Operating Segments and Activities</b>								
<b>Strauss Israel:</b>								
Health & Wellness	466	0.7%	0.7%	51	4	10.8%	11.1%	+100 bps
Fun & Indulgence <sup>(2)</sup>	223	-0.9%	-0.9%	15	3	13.1%	6.3%	+80 bps
<b>Total Strauss Israel</b>	<b>689</b>	<b>0.2%</b>	<b>0.1%</b>	<b>66</b>	<b>7</b>	<b>11.3%</b>	<b>9.6%</b>	<b>+100 bps</b>
<b>Strauss Coffee:</b>								
Israel Coffee	147	-3.9%	-3.9%	8	-12	-56.3%	6.0%	-710 bps
International Coffee <sup>(2)</sup>	914	26.6%	17.4%	76	27	55.9%	8.3%	+160 bps
<b>Total Strauss Coffee</b>	<b>1,061</b>	<b>21.2%</b>	<b>13.9%</b>	<b>84</b>	<b>15</b>	<b>23.1%</b>	<b>8.0%</b>	<b>+20 bps</b>
<b>International Dips &amp; Spreads:</b>								
Sabra (50%) <sup>(2)</sup>	117	-32.2%	-31.0%	-13	-41	-145.4%	NM	NM
Obela (50%) <sup>(2)</sup>	19	32.5%	10.0%	-1	-1	NM	NM	NM
<b>Total International Dips &amp; Spreads</b>	<b>136</b>	<b>-27.2%</b>	<b>-27.2%</b>	<b>-14</b>	<b>-42</b>	<b>-150.7%</b>	<b>NM</b>	<b>NM</b>
<b>Other <sup>(2)</sup></b>	<b>148</b>	<b>0.1%</b>	<b>2.0%</b>	<b>-1</b>	<b>-3</b>	<b>-161.4%</b>	<b>NM</b>	<b>NM</b>
<b>Total Group</b>	<b>2,034</b>	<b>7.2%</b>	<b>4.2%</b>	<b>135</b>	<b>-23</b>	<b>-14.4%</b>	<b>6.6%</b>	<b>-170 bps</b>

- (1) Based on non-GAAP data, which include the proportionate consolidation of jointly-held partnerships (without implementation of IFRS 11) and do not include share-based payment, valuation of the balance of commodity hedging transactions as at end-of-period and other income and expenses, unless stated otherwise.
- (2) Fun & Indulgence figures include Strauss's 50% share in the salty snacks business. International Coffee figures include Strauss's 50% share in the Três Corações joint venture (3C) – Brazil – a company jointly held by the Group (50%) and by the local São Miguel Group (50%). International D&S figures reflect Strauss's 50% share in Sabra and Obela.

**Note:** Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands. The figures for total International D&S were calculated on the basis of the exact Sabra and Obela figures in NIS thousands.

## Appendix

Condensed financial accounting (GAAP)			
Year			
	2016	2015	Change
Sales	5,282	5,183	1.9%
Cost of sales excluding impact of valuation of balance of commodity hedging transactions	3,179	3,250	-2.2%
Valuation of balance of commodity hedging transactions as at end of period	-	-22	
Cost of sales	3,179	3,228	-1.5%
<b>Gross profit</b>	<b>2,103</b>	<b>1,955</b>	<b>7.6%</b>
% of sales	39.8%	37.7%	
Selling and marketing expenses	1,234	1,198	3.1%
General and administrative expenses	367	329	11.8%
<b>Total expenses</b>	<b>1,601</b>	<b>1,527</b>	
Share of profit of equity-accounted investees	178	198	-10.1%
<b>Operating profit before other expenses</b>	<b>680</b>	<b>626</b>	<b>8.4%</b>
% of sales	12.9%	12.1%	
Other expenses, net	-49	-41	18.6%
<b>Operating profit after other expenses</b>	<b>631</b>	<b>585</b>	<b>7.7%</b>
Financing expenses, net	-109	-101	7.3%
<b>Income before taxes on income</b>	<b>522</b>	<b>484</b>	<b>7.8%</b>
Taxes on income	-134	-139	-3.5%
Effective tax rate	25.8%	28.8%	
<b>Income for the period</b>	<b>388</b>	<b>345</b>	<b>12.4%</b>
<b>Attributable to the Company's shareholders</b>	<b>272</b>	<b>257</b>	<b>5.7%</b>
Attributable to non-controlling interests	116	88	32.1%

Condensed financial accounting (GAAP)			
Fourth Quarter			
	2016	2015	Change
Sales	1,310	1,302	0.6%
Cost of sales excluding impact of valuation of balance of commodity hedging transactions	792	816	-3.0%
Valuation of balance of commodity hedging transactions as at end of period	28	-25	
Cost of sales	820	791	3.6%
<b>Gross profit</b>	<b>490</b>	<b>511</b>	<b>-4.0%</b>
% of sales	37.4%	39.2%	
Selling and marketing expenses	323	306	5.9%
General and administrative expenses	98	92	6.8%
<b>Total expenses</b>	<b>421</b>	<b>398</b>	
Share of profit of equity-accounted investees	24	64	-64.1%
<b>Operating profit before other expenses</b>	<b>93</b>	<b>177</b>	<b>-48.1%</b>
% of sales	7.0%	13.7%	
Other expenses, net	-6	-21	-72.5%
<b>Operating profit after other expenses</b>	<b>87</b>	<b>156</b>	<b>-44.8%</b>
Financing expenses, net	-16	-23	-32.5%
<b>Income before taxes on income</b>	<b>71</b>	<b>133</b>	<b>-46.9%</b>
Taxes on income	-15	-45	-66.3%
Effective tax rate	21.7%	34.1%	
<b>Income for the period</b>	<b>56</b>	<b>88</b>	<b>-36.9%</b>
<b>Attributable to the Company's shareholders</b>	<b>30</b>	<b>65</b>	<b>-55.0%</b>
Attributable to non-controlling interests	26	23	16.4%

## **Investor Conference Call**

Strauss Group will host an Annual and Fourth Quarter 2016 Investor Conference Call at the offices of the company in Petach Tikva on Tuesday, March 28, 2017 at 17:30 (Israel time) to review the Financial Statements of the Company for the year and quarter.

The Financial Statements for the fourth quarter and full-year of 2016 and Investors Presentation are posted on the Group's Investor Relations website at:

<http://ir.strauss-group.com/phoenix.zhtml?c=92539&p=irol-irhome>

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