STRAUSS GROUP LTD.
TABLE OF CONTENTS

STRAUSS GROUP LTD.

DESCRIPTION OF THE CORPORATION'S BUSINESS

UPDATE OF THE CHAPTER "DESCRIPTION OF THE COMPANY'S BUSINESS AFFAIRS" IN THE PERIODIC REPORT OF STRAUSS GROUP LTD. (HEREINAFTER: THE "COMPANY") FOR THE YEAR 2016[1] (HEREINAFTER: THE "PERIODIC REPORT")

The following is a summary of significant changes and/or innovations which occurred in the Company's business in the three months which ended March 31, 2017 and up to the publication date of the report and which should be outlined in the Periodic Report pursuant to Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), – 1970. This update relates to the numbers of the sections which appeared in the Chapter, Description of the Company's Business and to the number of the regulations which appeared in the Chapter, Additional Details on the Corporation in the Periodic Report of the Company for 2016 ("Description of the Company's Business Affairs" and "Report of Additional Details", respectively).

1. **Section 15.1 of other activities, Strauss Water**

On 28 May, 2017, it was decided that the subsidiary Strauss Water Ltd. ("Strauss Water ") will exercise its right in accordance with the joint venture agreement as defined in the reports, to purchase an additional 15% of the Qingdao HSW Health Water Appliance Co. Ltd ("Joint Venture" and "The Acquisition"), thus following the acquisition the joint venture will be owned by the Haier Group 51% and Strauss Water 49%. For further details, see Immediate Reports dated May 29, 2017 (Ref no. 2017-01-045247).

2. **Section 15.2 of other activities, Max Brenner**

On May 24, 2017, the Company reported that agreements were signed on May 23, 2017 for the sale of activity of Max Brenner to an Israeli franchise of Max Brenner. The sale of the Max Brenner activity took place as part of the realization of the Group's strategy to focus on its core activities.

Within the transaction, the Israeli franchise will pay the Company approximately NIS 18 million. The aforesaid amount includes lease fees for the Max Brenner factory in Beit Shemesh for five years.

3. **Section 21 to the Description of the Corporation's Business, Finance**

Section 21.1 – General – In April 2017, 4,074,752 shares of NIS 1 par value were issued to institutional entities and to the public for consideration of approximately NIS 260 million. For further details, see Immediate Reports dated April 5, 2017 (Ref no. 2017-01-030811), dated April 6, 2017 (Ref. no. 2017-01-031000) and April 7, 201 (Ref. no. 2017-01-031927).

Section 21.3 – Reportable credit – On March 30, 2017, the subsidiary, Strauss Coffee B.V. entered into a loan agreement with an institutional entity (not a related party). For further details, see Immediate Report dated April 2, 2017 (Ref. no. 2017-01-029197).

Section 21.7 – Credit rating – On April 2, 2017, the Company announced the ratification of a iIAA negative outlook rating of Standard & Poor's Maalot Ltd. For further details, see Immediate Report dated April 2, 2017 (Ref. no. 2017-01 029593).

On April 3, 2017, the Company reported on a Special Report of Midroog Ltd. ("**Midroog**"), following a buyback of shares of TPG by Strauss Coffee, pursuant to which Midroog ratified an Aa2 rating for Series B debentures and Series D debentures in circulation with a stable horizon. See Immediate Report of the Company dated April 3, 2017 (Ref. no. 2017-01-029839).

On April 27, 2017, the Company announced an Aa2 rating of Midroog for Series B debentures and Series D debentures in circulation with a stable horizon. For further details, see Immediate Report of the Company dated April 27, 2017 (Ref. no. 2017-01-035740).

[1] As published on March 28, 2017 (reference number 2017-01-025621).

4. **<u>Section 26 to the Description of the Corporation's Business – Legal Proceedings</u>**

For updates, see Note 6 to the condensed consolidated interim financial statements of the Company for March 31, 2017.

5. **<u>Regulation 26 to the Report of Additional Details, Directors of the Corporation</u>**

On May 7, 2017, the Company summoned a Special General Meeting, with the agenda including a proposal to appoint Dr. Samer Haj Yehia as external director in the Company. For further details, see Immediate Report published by the Company dated May 7, 2017 (Ref. no. 2017-01-037639).

Date: May 28, 2017

Names of the signatories and their positions:

Ofra Strauss, Chairperson of the Board of Directors

Gadi Lesin, Chief Executive Officer

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Strausss Group Ltd

STRAUSS GROUP LTD.

BOARD OF DIRECTORS' REPORT

TO THE SHAREHOLDERS

AS AT MARCH 31, 2017

STRAUSS GROUP LTD.
BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE QUARTER ENDED MARCH 31, 2017

EXPLANATIONS BY THE BOARD OF DIRECTORS REGARDING THE COMPANY'S BUSINESS POSITION, THE RESULTS OF ITS OPERATIONS, ITS SHAREHOLDERS' EQUITY AND CASH FLOWS

The Board of Directors of Strauss Group Ltd. (hereinafter: the **"Company"** or the **"Group"**) hereby respectfully submits the Board of Directors' Report for the first quarter of 2017 in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (the **"Regulations"**).

The review presented below is limited in scope and refers to events and changes that occurred in the state of the Company's affairs in the reporting period, which have a material impact, and should be read together with the chapter Description of the Company's Business Affairs in the Periodic Report as at December 31, 2016, the Financial Statements and the Board of Directors' Report on the Company's Business Position for the year then ended, as published on March 28, 2017 (reference no. 2017-01-025621) (the "2016 Periodic Report").

Strauss Group Ltd. and the companies it controls, including jointly controlled companies, are a group of industrial and commercial companies engaged mainly in the development, manufacture, sale and marketing of a variety of branded food and beverage products. The Group is also active in the development, marketing, servicing and sale of water filtration, purification and carbonation systems.

The Group is active in six segments, as follows: **Strauss Israel**, which comprises two activity segments (Health & Wellness and Fun & Indulgence); **Strauss Coffee**, which comprises two segments (Israel Coffee (which includes the coffee company's corporate center) and the International Coffee operation); the **International Dips & Spreads** segment; and other activities that are included in the financial statements as the **"Other Operations"** segment (the major operations being those of Strauss Water and Max Brenner).

The Group is a leading player in most of the markets in which it operates. The center of the Group's activity is in Israel, where it is the second-largest company in the food and beverage market. In the first quarter of 2017 the Group held a 12.0% share of the domestic food and beverage market (in value terms[1]) compared to 11.6% at the end of 2016, and it has the highest sales turnover among Israeli food companies (according to the Company's non-GAAP sales turnover).

The operation in Israel includes the activity of Strauss Israel (sale of a broad variety of refrigerated and dry food products), the coffee operation in Israel, Strauss Water's activity in Israel and Max Brenner in Israel. In addition to the operation in Israel, the Group is also active in three other major geographical regions: **the operation in Brazil**, which is conducted through the Três Corações joint venture[2] and mainly focuses on roast and ground (R&G) coffee in the domestic market; **the operation in Europe**, which mainly includes the coffee business in Russia, Ukraine and Central and Eastern Europe as well as Obela's activity in the Netherlands via the acquisition of Florentin B.V.[3]; and **the operation in the US and Canada**, which includes Sabra's operations and part of the Max Brenner business. The Group is also active in Australia and Mexico through the company Obela; and in China and the UK through Strauss Water.

The Group manages and develops its business with the aim of providing the entire public with a broad variety of top-quality branded products for different consumption opportunities. The products of the Group are generally sold through a variety of sales channels including large food chains, private stores and supermarkets, kiosks, workplaces, hotels, vending machines, etc.

The controlling shareholders of the Company are Mr. Michael Strauss, through his holdings (indirectly) in Strauss Holdings Ltd. (hereinafter: the **"Parent Company"** or **"Strauss Holdings"**) as well as a direct holding in the Company, and Ms. Ofra Strauss, who is deemed holder of the shares of the Company together with him.
The Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

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[1] According to StoreNext figures. StoreNext is engaged in the measurement of the fast-moving consumer goods (FMCG) market in the barcoded retail market (hereinafter: **"StoreNext"**).

[2] Três Corações (3C) – The Três Corações joint venture in Brazil – a company jointly held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

[3] For information on the acquisition of Florentin B.V., see Note 12.6.1 to the Consolidated Interim Financial Statements as at December 31, 2016.

CHANGES IN THE ECONOMIC ENVIRONMENT

Prices of raw materials and other production inputs – The commodities markets account for a substantive component of the raw materials used to manufacture the products of Strauss Group and the companies it controls, including joint ventures (hereinafter: the **"Group"**). In the first quarter of 2017 the average market prices of part of the Company's raw materials increased, while the average market prices of other raw materials dropped, compared to the corresponding period last year. On the one hand, green coffee prices rose as did the prices of sugar and raw milk (the "target price"), while on the other, the prices of cocoa, tahini, hazelnuts and almonds decreased. At the beginning of the second quarter, the price of raw milk (target price) was revised upward by 2.8% for the months April-June 2017, further to an increase of 4% for the months January-March 2017.

Beginning in the third quarter of 2015 and throughout 2016, the Group lowered its prices in a number of dairy product and salad categories such as white cheese, desserts, yogurt (Activia and fruit yogurts), milk beverages, enriched milk and hummus, by 3%-22%.

The Group is taking steps to reduce the impacts of commodity price volatility, including hedging, making changes in the materials mix in its products and operational efficiency enhancement. Up to and including 2016, the cost of raw materials to the Company (including green coffee) in the Group's non-GAAP reports includes profits and losses that were realized in respect of financial derivatives that served to economically hedge those commodities. Commencing in the first quarter of 2017, profits or losses arising from economic hedges of commodities have been recorded on the statements of income on the date of sale of the inventory to outside parties.

Energy prices – Since the beginning of the year and on or about the date of publication of the report, oil prices have dropped by approximately 10%; however, average oil prices in the first quarter of 2017 were some 50% higher than oil prices in the corresponding quarter last year.

Exchange rate fluctuations – In the first quarter of the year part of the average exchange rates versus the Shekel strengthened in relation to the average rates in the corresponding period last year. The impact of the devaluation of the Shekel against the average exchange rates of the Real and the Ruble, after setoff of the revaluation of the Shekel against the average exchange rates of the Group's other functional currencies, led to positive translation differences in the statements of income for the first quarter compared to the corresponding quarter last year. In terms of quarterly change (based on closing prices), the Shekel strengthened against the Real as well as against most other currencies. This revaluation contributed to a reduction in the Group's shareholders' equity in the quarter. In the first quarter part of the average exchange rates of Strauss Coffee's functional currencies strengthened (Shekel, Ruble and Real), while others weakened (Hryvnia, Zloty, Leu and Dinar) against the Dollar. Close to the date of this report the Brazilian Real devalued sharply following political unrest in Brazil. At this stage it would be premature to estimate the impacts of this devaluation on the company's future results.

The following table presents the average exchange rates **versus the Shekel** in the first quarter of 2017 compared to the corresponding period last year:

Currency		Average Exchange Rate in the First Quarter		% change
		2017	2016	
United States Dollar	USD	3.734	3.905	*(4.4)*
Ukrainian Hryvnia	UAH	0.138	0.152	*(9.5)*
Russian Ruble	RUB	0.063	0.052	*21.0*
Serbian Dinar	RSD	0.032	0.035	*(8.5)*
Romanian Leu	RON	0.880	0.959	*(8.3)*
Polish Zloty	PLN	0.920	0.988	*(6.9)*
Brazilian Real	BRL	1.188	1.002	*18.6*
Chinese Renminbi	CNY	0.542	0.597	*(9.1)*
Canadian Dollar	CAD	2.821	2.846	*(0.9)*
Australian Dollar	AUD	2.829	2.816	*0.4*
Mexican Peso	MXN	0.184	0.217	*(15.2)*

The following table presents the average exchange rates **versus the Dollar** in the first quarter of 2017 compared to the corresponding period last year:

Currency		Average Exchange Rate in the First Quarter		% change
		2017	2016	
New Israeli Shekel	ILS	0.268	0.256	*4.6*
Ukrainian Hryvnia	UAH	0.037	0.039	*(5.3)*
Russian Ruble	RUB	0.017	0.013	*26.5*
Serbian Dinar	RSD	0.009	0.009	*(4.3)*
Romanian Leu	RON	0.236	0.246	*(4.1)*
Polish Zloty	PLN	0.246	0.253	*(2.6)*
Brazilian Real	BRL	0.318	0.257	*24.0*

Regulation in the food industry – On April 3, 2017 the Ministry of Health distributed a Draft Protection of Public Health Regulations (Food) (Nutritional Labeling), 2017 for public comment. According to the Draft Regulations, food manufacturers will be mandatorily required to mark food products with a red label for specific nutritional ingredients (saturated fat, sodium and sugar), according to the threshold values specified in the Regulations. Labeling will be introduced gradually, in three steps, with third step labeling scheduled to be implemented in 2020. Additionally, a professional committee, which will be appointed by the Director of Public Health Services, will recommend to the Minister with regard to the conditions for labeling food types that meet the “green label” requirements, according to nutritional profiling.

ANALYSIS OF FINANCIAL RESULTS

Strauss Group has a number of jointly controlled companies in which the Company and/or subsidiaries hold 50%: the Três Corações joint venture (in Brazil)(1), Sabra Dipping Company (an investee company in North America), Strauss Frito-Lay Ltd. (the salty snack operation in Israel) and PepsiCo Strauss Fresh Dips & Spreads International (the international dips and spreads company, Obela). To clarify, the above companies are included in the management (non-GAAP) reports of the Company according to the holdings of the Company and/or the subsidiaries therein (50%).

Since 2013 Strauss Group has retrospectively applied IFRS 11 – Joint Arrangements. The significance of the standard is that the statements of income and statements relating to financial position, comprehensive income, changes in shareholders’ equity and cash flows of businesses which are jointly controlled by the companies in the Group and other partners are no longer stated according to the Group companies’ relative holding in the entity as was the practice until the publication of the standard, but in a separate row (“Income of equity-accounted investees”, and in other reports in the relevant section) (hereinafter: the **“Financial Statements”**).

The reporting method does not alter the Group’s profit and does not attest to any change in the scale of the businesses and in the ownership structure in the Group. There has been no managerial change in the jointly held businesses.

The information contained in this report and its presentation were examined from Company Management's perspective in order to provide a comprehensive picture and fairly present the manner in which the Company runs its businesses, which, in the Company's opinion, is material for the purposes of this report.

In view of the fact that the Group's non-GAAP reports and the method in which Group Management measures the results of subsidiaries and the jointly owned companies have remained unchanged, the Group has continued to present the activity segments in the same manner in which they were presented before IFRS 11 was applied, i.e. presentation of the Group’s relative holding in the income and expenses, assets and liabilities of the jointly controlled companies (50%) (hereinafter: the **“Management (Non-GAAP) Reports”** or the **“Non-GAAP Reports”**). Presentation of the data in this manner is different to the manner of their presentation in the Financial Statements of the Company as described.

The next pages present the Non-GAAP Reports, the GAAP Reports and the various adjustments made by the Company in making the transition from the Company’s GAAP reports to its Non-GAAP Reports.

(1) Três Corações (3C) – The Três Corações joint venture in Brazil – a company jointly held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%). (Data reflect Strauss Coffee’s share (50%) unless expressly stated otherwise).

Following are the condensed results of business operations (based on the Management (Non-GAAP) Reports) for the quarters ended March 31, 2017 and 2016 (in NIS millions)*:

	First Quarter		
	2017	**2016**	**% Chg**
Sales	**2,083**	**1,880**	***10.8***
Organic growth excluding foreign currency effect	7.4%	4.7%	
Cost of sales	1,303	1,154	*12.9*
Gross profit – non-GAAP	**780**	**726**	***7.4***
% of sales	37.4%	38.6%	
Selling and marketing expenses	444	403	*9.8*
General and administrative expenses(1)	113	110	*3.3*
Operating profit – non-GAAP	**223**	**213**	***5.0***
% of sales	10.7%	11.3%	
Financing expenses, net	(34)	(32)	*7.9*
Income before taxes on income	**189**	**181**	***4.4***
Taxes on income	(42)	(47)	*(11.7)*
Effective tax rate	22.1%	26.1%	
Income for the period – non-GAAP	**147**	**134**	***10.1***
Attributable to: The Company's shareholders	**116**	**107**	***8.1***
Non-controlling interests	31	27	*18.1*
EPS (NIS)	1.08	1.00	

(1) Including the Company's share of the profits of equity-accounted investees in an immaterial amount.

Following are the condensed results of business operations (based on the Management (Non-GAAP) Reports) of the major business sectors for the quarters ended March 31, 2017 and 2016 (in NIS millions)*:

	First Quarter		
	2017	**2016**	**% Chg**
Israel			
Net sales	818	776	*5.5*
Operating profit	105	98	*7.5*
Coffee			
Net sales	961	780	*23.3*
Operating profit	91	80	*14.5*
International Dips & Spreads			
Net sales	160	185	*(13.7)*
Operating profit	17	27	*(39.9)*
Other			
Net sales	144	139	*3.3*
Operating profit	10	8	*30.6*
Total			
Net sales	**2,083**	**1,880**	***10.8***
Operating profit	**223**	**213**	***5.0***

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

Following are the condensed financial accounting (GAAP) statements of income for the quarters ended March 31, 2017 and 2016 (in NIS millions)*:

	First Quarter		
	2017	**2016**	**% Chg**
Sales	1,408	1,321	*6.6*
Cost of sales excluding impact of valuation of balance of commodity hedging transactions as at end-of-period	831	793	*5.0*
Valuation of balance of commodity hedging transactions as at end-of-period**	9	(6)	
Cost of sales	840	787	*6.8*
Gross profit	**568**	**534**	***6.3***
% of sales	40.3%	40.4%	
Selling and marketing expenses	318	292	*8.9*
General and administrative expenses	93	87	*6.6*
Total expenses	**411**	**379**	
Share of profit of equity-accounted investees	44	51	*(12.2)*
Operating profit before other expenses	**201**	**206**	***(2.1)***
% of sales	14.3%	15.6%	
Other income (expenses), net	7	(2)	
Operating profit after other expenses	**208**	**204**	***2.4***
Financing expenses, net	(29)	(30)	*(1.8)*
Income before taxes on income	**179**	**174**	***3.1***
Taxes on income	(30)	(42)	*(28.5)*
Effective tax rate	16.7%	24.1%	
Income for the period	**149**	**132**	***13.2***
Attributable to: **The Company's shareholders**	**107**	**104**	***3.4***
Non-controlling interests	42	28	*48.9*

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

***** Reflects mark-to-market as at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices. Commencing in the first quarter of 2017, reflects all adjustments necessary to delay recognition of profit or loss arising from commodity derivatives until the date when the inventory is sold to outside parties.***

<u>Following are the adjustments to the Company's Management (Non-GAAP) Reports (NIS millions)*</u>:

- Adjustments for IFRS 11 – change from the equity method in the GAAP report to the proportionate consolidation method (according to the segmental information based on the Group's Management (Non-GAAP) and internal reports):

	First Quarter 2017			**First Quarter 2016**		
	Equity method	**Change**	**Proportionate consolidation method (formerly applied)**	**Equity method**	**Change**	**Proportionate consolidation method (formerly applied)**
Sales	**1,408**	**675**	**2,083**	**1,321**	**559**	**1,880**
Cost of sales excluding impact of commodity hedging transactions	831	472	1,303	793	361	1,154
Adjustments in respect of commodity hedging transactions	9	-	9	(6)	-	(6)
Cost of sales	840	472	1,312	787	361	1,148
Gross profit	**568**	**203**	**771**	**534**	**198**	**732**
% of sales	40.3%		37.0%	40.4%		38.9%
Selling and marketing expenses	318	126	444	292	111	403
General and administrative expenses and Company's share of profit of equity-accounted investees(1)	49	68	117	36	77	113
Operating profit before other expenses	**201**	**9**	**210**	**206**	**10**	**216**
% of sales	14.3%		10.1%	15.6%		11.4%
Other expenses, net	7	1	8	(2)	-	(2)
Operating profit after other expenses	**208**	**10**	**218**	**204**	**10**	**214**
Financing expenses, net	(29)	(5)	(34)	(30)	(2)	(32)
Income before taxes on income	**179**	**5**	**184**	**174**	**8**	**182**
Taxes on income	(30)	(5)	(35)	(42)	(8)	(50)
Effective tax rate	16.7%		18.6%	24.1%		27.3%
Income for the period	**149**	**-**	**149**	**132**	**-**	**132**
Attributable to: The Company's shareholders	**107**	**-**	**107**	**104**	**-**	**104**
Non-controlling interests	42	-	42	28	-	28

(1) For further information, see the above GAAP statements of income for the quarters ended March 31, 2017 and 2016.

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

- Additional adjustments to the Management (Non-GAAP) Reports (share-based payment and liability plans, valuation of hedging transactions, other expenses and taxes referring to these adjustments)*:

	First Quarter		
	2017	**2016**	**% Chg**
Operating profit (according to proportionate consolidation method) after other expenses	**218**	**214**	***2.1***
Share-based payment	4	3	
Valuation of balance of commodity hedging transactions as at end-of-period	9	(6)	
Other expenses, net	(8)	2	
Operating profit – non-GAAP	**223**	**213**	***5.0***
Financing expenses, net	(34)	(32)	
Taxes on income	(35)	(50)	
Taxes in respect of adjustments to the above non-GAAP operating profit	(7)	3	
Income for the period – non-GAAP	**147**	**134**	***10.1***
Attributable to: **The Company's shareholders**	**116**	**107**	***8.1***
Non-controlling interests	31	27	*18.1*

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

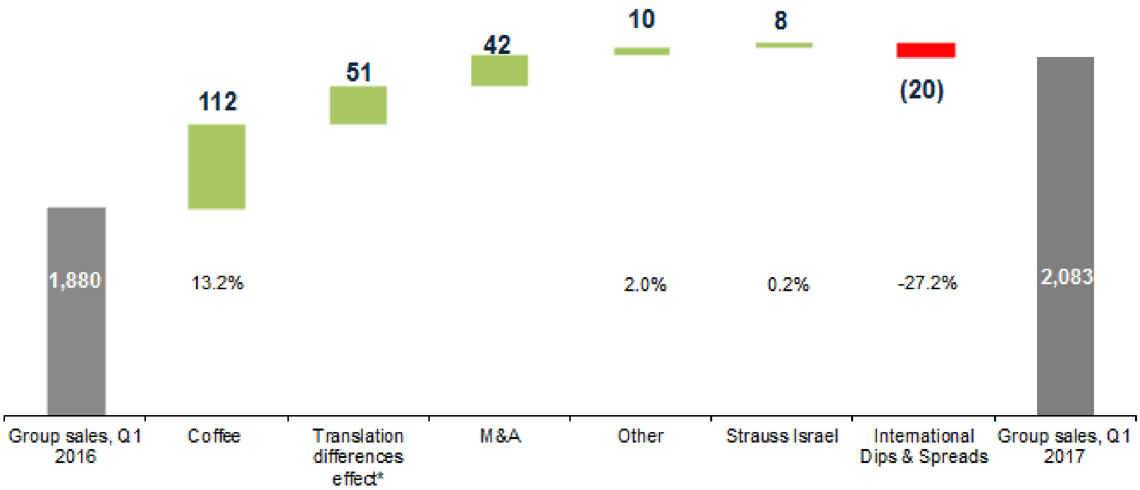
<u>ANALYSIS OF THE BUSINESS RESULTS OF THE GROUP</u>

Sales – non-GAAP

	First Quarter	
	2017	**2016**
Sales	2,083	1,880
Growth	10.8%	(2.6%)
Organic growth excluding foreign currency effect	7.4%	4.7%

Organic growth of the Group's sales in the first quarter of 2017, excluding the foreign currency effect, amounted to 7.4% compared to the corresponding period last year.

Following are the components of the change in sales in these periods in local currency and the rates of increase according to the Company's major activity sectors in local currency, together with the overall impact of translation differences (the "translation differences effect") and inorganic growth (M&A):



(*) The translation differences effect is calculated according to the average exchange rates in the relevant period.

The Group's sales in the first quarter of 2017, particularly sales by Strauss Coffee, were impacted by positive translation differences, which amounted to approximately NIS 51 million, of which NIS 58 million are due to the strengthening of the average exchange rate of the Brazilian Real against the Shekel compared to the corresponding period last year (see also the foreign exchange rate table in the section "Changes in the Economic Environment").

The change in the Group's sales **in local currency** was the result of the following factors:

- Organic growth in sales by the coffee business (an increase of approximately NIS 112 million) mainly reflected volume growth in most countries of operations, along with price increases implemented in some countries (in Romania prices were not raised, and the prices of some products were even reduced) in light of the rising cost of green coffee and the erosion of most of the functional currencies versus the US Dollar compared to the corresponding period last year. The US Dollar is the currency in which green coffee is purchased in all countries (except for Brazil).
- Growth in Strauss Israel's sales (an increase of approximately NIS 42 million) reflects the continuation of 2016's positive growth trend, and is mostly the result of volume growth thanks to innovation and the product mix sold as well as the timing of Passover, compared to the corresponding period last year.
- Organic decline in sales by the International Dips & Spreads operation (a decrease of approximately NIS 20 million), mainly as a result of the continuing negative impact of the recall of Sabra hummus products in the fourth quarter of 2016.
- Organic growth in sales by the Other Operations segment (an increase of approximately NIS 8 million), mainly as a result of growth in Strauss Water's business in Israel, which was offset by a drop in sales by Max Brenner.
- Inorganic growth in the Group's sales (an increase of approximately NIS 10 million), primarily as a results of the acquisition of the Dutch company, Florentin B.V. (**"Florentin"**) and of the acquisition of Cia Iguaçu by the Três Corações joint venture in Brazil[(1)].

Further explanations on the Group's sales are included in the chapter "Analysis of the Business Results of the Group's Major Business Units".

Gross Profit – Non-GAAP

	First Quarter			
	2017	**2016**	**% Chg**	**% chg less translation differences effect**
Gross profit	780	726	*7.4*	*5.9*
Gross profit margin	37.4%	38.6%		

The Group's non-GAAP gross profit in the first quarter of 2017 was positively impacted by translation differences into Shekels, which amounted to approximately NIS 11 million. Most of the translation differences originated in Strauss Coffee following the strengthening of the Brazilian Real and the Russian Ruble against the Shekel which amounted to approximately NIS 19 million in the quarter (see also the exchange rate table in the chapter "Changes in the Economic Environment").

The Group's non-GAAP gross profit in the first quarter of the year rose by approximately NIS 54 million compared to the corresponding period last year:

- In Strauss Coffee the gross profit increased by approximately NIS 53 million in the first quarter compared to the corresponding period last year. The change in the gross profit margin in the first quarter is explained by growth in sales volumes in all countries except in R&G in Brazil and Romania, price increases introduced in some of the countries where the Company is active (in Romania prices were not raised, and the prices of some products were even reduced) and an improvement in the product mix sold in some countries of operations (Israel and Poland). Additionally, the aggregate gross profit of the CEE countries rose following sales growth and a change in the product mix. Furthermore, in Russia the domestic currency strengthened against the Dollar compared to its weakening in the corresponding quarter last year, leading to a reduction in raw material prices and in the prices of imported goods.

(1) Três Corações (3C) – The Três Corações joint venture in Brazil – a company jointly held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

- In the Strauss Israel segment the gross profit rose by approximately NIS 22 million in the first quarter, compared to the corresponding period last year. The increase in the gross profit is due to growth in sales volumes, continued implementation of efficiency enhancing moves in production and packaging processes in a number of manufacturing sites, and also reflects the favorable impact of a drop in the prices of some raw materials (cocoa, tahini, hazelnuts and almonds), whereas the prices of other raw materials rose (raw milk and milk powders). Additionally, an increase in production inputs such as the minimum wage and municipal taxes was recorded during the year, compared to the corresponding period last year.

- The aggregate gross profit of the International Dips & Spreads and Other Operations segments dropped by approximately NIS 21 million in the first quarter, compared to the corresponding period last year. The decrease in the gross profit in the cumulative period and in the quarter is the result of the voluntary recall by Sabra in the fourth quarter last year.

Further explanations on the Group's gross profit are included in the chapter "Analysis of the Business Results of the Group's Major Business Units".

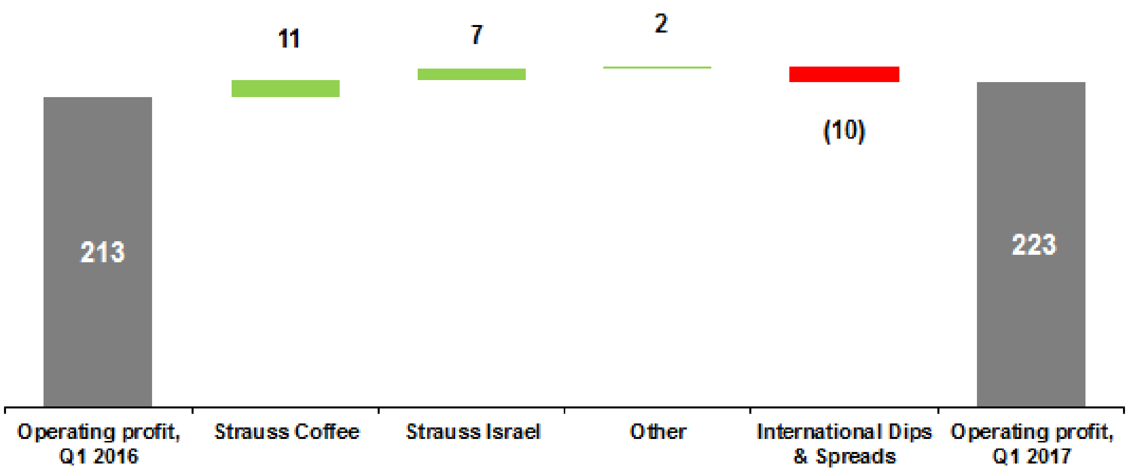
Operating Profit before Other Expenses – Non-GAAP

	First Quarter			
	2017	**2016**	**% Chg**	**% chg less translation differences effect**
Operating profit (EBIT)	223	213	*5.0*	*2.7*
Operating profit margin	10.7%	11.3%		

The Group's non-GAAP operating profit (EBIT) in the first quarter of 2017 was positively influenced by translation differences into Shekels, which amounted to approximately NIS 5 million. Most of the translation differences originated in Strauss Coffee (see also the exchange rate table in the chapter "Changes in the Economic Environment").

<u>In the first quarter of 2017 the non-GAAP operating profit</u> grew by approximately NIS 10 million.

Following are the components of the change in the operating profit compared to the corresponding period last year, according to the Company's major activity segments:



The change in the Group's EBIT in the first quarter of 2017 was the result of the following:

- An increase of approximately NIS 11 million in the operating profit of the coffee business in the first quarter, compared to the corresponding period last year. The change in Strauss Coffee's operating profit reflects:
    - An increase in the operating profit of the coffee business in the CEE countries, mainly as a result of an improvement in the product mix sold in Poland and of an increase in sales quantities in all countries except for Romania, compared to the corresponding period last year.

- In Russia, the operating profit and operating profit margin rose compared to the corresponding period last year as a result of volume growth in sales and a decrease in the cost of green coffee, coupled with the strengthening of the Ruble compared to the first quarter of 2016.

- An increase in the operating profit of Israel Coffee in the first quarter of the year, mainly as a result of price erosion in the corresponding quarter in 2016 as a result of marketing campaigns, as well as the timing of Passover compared to the corresponding period last year.

- A decrease in the operating profit of the Três Corações joint venture in Brazil[(1)] in the first quarter as a result of an increase in the cost of sales and a drop in R&G sales quantities. Três Corações' operating profit (before other expenses) in Brazilian Reals fell in the first quarter by 18.9% (see the financial statements of Três Corações Alimentos S.A., which are attached to the Financial Statements of the Group).

- An increase of approximately NIS 7 million in the operating profit of Strauss Israel in the first quarter, compared to the corresponding period last year. The growth in EBIT mainly reflects an increase in sales quantities and in gross profit compared to last year, which was partly offset by an increase in selling and marketing expenses.

- The operating profit of the International Dips & Spreads business decreased by approximately NIS 10 million in the first quarter, compared to the corresponding period last year. The decrease is due to the drop in Sabra's sales following the voluntary recall made by the company in the fourth quarter. The recall also adversely impacted the company's operating profit due to indirect expenses including, among others, damage to the company's trade agreements and the costs of an additional improvement made to the strict quality controls in place in the hummus factory in Virginia. Sabra has a certain amount of insurance coverage for the damages caused by the recall. In the current quarter, insurance coverage of approximately NIS 5 million (the Group's share) was recognized, in addition to the insurance coverage recognized in the fourth quarter of 2016.

- An increase in the EBIT of the Other Operations segment – approximately NIS 2 million in the first quarter – compared to last year. The increase in the operating profit is primarily due to an increase in Strauss Water's profit as a result of sales growth.

Financing Expenses, Net – Non-GAAP

Net financing expenses in the first quarter of 2017 amounted to NIS 34 million compared to expenses of NIS 32 million in the corresponding period last year.

The increase in financing expenses is the result of a decrease in income arising from the negative valuation of Index-linked liabilities due to a 0.9% decrease in the known Index in the corresponding quarter, compared to a decrease of 0.2% in the current quarter, less the impact of Index derivatives.

The net outstanding debt (according to the proportionate consolidation method) as at March 31, 2017 totaled NIS 2,689 million, compared to NIS 1,428 million on December 31, 2016. The gross outstanding debt as at March 31, 2017 was NIS 3,034 million, compared to NIS 2,314 million on December 31, 2016.

The net outstanding debt (according to the equity method) as at March 31, 2017 totaled NIS 2,348 million compared to NIS 1,120 million on December 31, 2016. The gross outstanding debt as at March 31, 2017 was NIS 2,637 million, compared to NIS 1,884 million on December 31, 2015.

Taxes on Income – Non-GAAP

In the first quarter of 2017 taxes on income (non-GAAP) amounted to NIS 42 million, reflecting an effective tax rate of 22.1%, whereas in the corresponding period last year income tax amounted to NIS 47 million and the effective tax rate was 26.1%.

The decrease in the effective tax rate in the first quarter this year is the result of the profit mix for tax purposes between the companies in the various countries.

[(1)] Três Corações (3C) – The Três Corações joint venture in Brazil – a company jointly held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Income for the Period Attributable to the Company's Shareholders – Non-GAAP

	First Quarter		
	2017	**2016**	**% Chg**
Income attributable to the Company's shareholders	116	107	*8.1*
% of sales	5.5%	5.7%	

Non-GAAP income attributable to the Company's shareholders in the first quarter of 2017 rose by approximately NIS 9 million compared to the corresponding period last year, mainly as a result of growth in the operating profit in the quarter as well as a decrease in tax expenses.

Comprehensive Income (Loss) for the Period (according to the GAAP report)

In the first quarter the GAAP comprehensive income amounted to approximately NIS 79 million, compared to comprehensive income of NIS 164 million in the corresponding period last year. In the reporting period losses in respect of translation differences, which are the main component of the other comprehensive income, amounted to approximately NIS 52 million compared to income of NIS 32 million arising from translation differences in the corresponding period last year.

The losses from translation differences in the first quarter of 2017 were primarily the result of Strauss Coffee's operations; of them, approximately NIS 12 million are due to the weakening of the Brazilian Real against the Shekel compared to their exchange rate at the end 2016.

LIQUIDITY, SOURCES OF FINANCE AND FINANCIAL POSITION (ACCORDING TO THE GAAP REPORT)

In the first quarter of 2017

Cash flows used in operating activities amounted to a negative cash flow of approximately NIS 58 million, compared to a negative cash flow of NIS 53 million in the corresponding period last year.

Cash flows used in investing activities amounted to a negative cash flow of approximately NIS 127 million compared to a negative cash flow of NIS 18 million in the corresponding period last year. The change is primarily due to the acquisition of an operation by Strauss Coffee (for further information, see the chapter on Strauss Coffee). Conversely, an investment in available-for-sale financial assets was realized in the quarter.

Cash flows used in financing activities amounted to a negative cash flow of approximately NIS 269 million compared to a negative cash flow of NIS 93 million in the corresponding period last year. The change is mainly due to the acquisition of a non-controlling interest in Strauss Coffee for approximately NIS 677 million. Conversely, a short-term bank loan of NIS 434 million was received for the purpose of acquiring a non-controlling interest in the coffee company.

In April 2017 the Company issued 4,074,752 shares of NIS 1 par value to institutional investors and the public, in consideration for approximately NIS 260 million. The costs of the issue amounted to NIS 4 million.

On April 4, 2017 the subsidiary Strauss Coffee took a long-term loan of NIS 234 million from an institutional body, which replaces part of the short-term loan. The long-term loan bears 2.5%-3.5% interest, which shall be paid half-yearly on the undischarged principal of the loan. The principal of the loan shall be repaid in ten yearly installments, as follows: two annual installments of 2% of the loan amount, four annual installments of 14%-15% of the loan amount, and four annual installments of 8%-10% of the loan amount.

Following is the change in net working capital:

	First Quarter	
	2017	**2016**
Change in net working capital, equity method	(197)	(108)
Change in net working capital, proportionate consolidation method	(276)	(144)

The Company's cash and cash equivalents as at March 31, 2017 totaled NIS 242 million compared to NIS 711 million on December 31, 2016. In accordance with Company policy, these assets are held mainly in liquid deposits.

The Company's liquidity ratio as at March 31, 2017 is 0.78 compared to 1.36 on December 31, 2016. On March 31, 2017 liabilities in respect of long-term loans and credit (including current maturities) amounted to NIS 1,748 million compared to NIS 1,866 million on December 31, 2016. On March 31, 2017 short-term credit (excluding current maturities) totaled NIS 889 million compared to NIS 18 million on December 31, 2016. On March 31, 2017 supplier credit totaled NIS 721 million, compared to NIS 743 million on December 31, 2016.

Total assets in the Company's Consolidated Statement of Financial Position on March 31, 2017 amounted to NIS 5,982 million, compared to NIS 6,182 million on December 31, 2016.

Reportable credit – further to Note 20.6 to the Periodic Report – Financial Criteria – the ratio of equity attributable to the Company's shareholders to total assets in the Company's Consolidated Statement of Financial Position as at March 31, 2017 is 22.8%, compared to 29.7% on December 31, 2016. The net financial debt-to-EBITDA ratio as at March 31, 2017 is 2.8, compared to 1.3 on December 31, 2016. The Company is in compliance with the required covenants.

Customer credit – from time to time, the Company executes non-recourse factoring transactions in accounts receivable, as well as reverse factoring transactions in supplier credit.

In April 2017 the Company announced the reaffirmation of Standard & Poor's Maalot's ilAA+ rating with negative outlook.

In April 2017 the Company announced the reaffirmation of Midroog's Aa2 rating for the Company's Series B and Series D Debentures in circulation, with stable outlook.

After IFRS 11 took effect on January 1, 2013 the Company elected to include a number of relevant data that correspond to the GAAP reporting method that was in practice prior thereto. The data below are in the proportionate consolidation method (as reported by the Company up to and including 2012). The Company reserves the right not to include this information in the future.

	First Quarter		**Year Ended December 31**
	2017	**2016**	**2016**
Cash flow from operating activities (proportionate consolidation method)	(86)	(26)	762
Acquisition of fixed assets and investment in intangibles (proportionate consolidation method)	61	56	239
Net debt balance (proportionate consolidation method) as at the reporting date	2,689	1,748	1,428
Depreciation and amortization (excluding impairment, which is included in the other expenses item):	55	56	231
Strauss Israel:			
Health & Wellness	14	15	58
Fun & Indulgence	8	9	35
Strauss Coffee:			
Israel Coffee	3	3	12
International Coffee	12	11	52
International Dips & Spreads	6	6	27
Other	12	12	47

The Group's EBITDA (non-GAAP) totaled approximately NIS 278 million in the first quarter of the year compared to NIS 269 million in the corresponding period in 2016, an increase of 3.5%.

ANALYSIS OF THE BUSINESS RESULTS OF THE GROUP'S MAJOR BUSINESS UNITS

Strauss Coffee

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of Strauss Coffee by reported segments for the quarters ended March 31, 2017 and 2016 (in NIS millions):

	First Quarter		
	2017	**2016**	**% Chg**
Israel Coffee			
Net sales	212	194	*9.1*
Operating profit	40	35	*13.6*
% operating profit	18.9%	18.1%	
International Coffee			
Net sales	749	586	*28.0*
Operating profit	51	45	*15.2*
% operating profit	6.8%	7.6%	
Total Strauss Coffee			
Net sales	**961**	**780**	***23.3***
Organic growth excluding foreign currency effect	**13.2%**	**8.4%**	
Gross profit	**309**	**256**	***20.5***
% gross profit	**32.1%**	**32.9%**	
Operating profit	**91**	**80**	***14.5***
% operating profit	**9.5%**	**10.2%**	

On March 27, 2017 the subsidiary Strauss Coffee made a buyback of TPG's entire holding (25.1%) in Strauss Coffee (hereinafter: the **"Acquisition"**) in consideration for €257 million (hereinafter: the **"Consideration"**). Of the Consideration, €172 million were paid in cash on the Acquisition date, and €85 million, which were given by TPG as a non-recourse loan to Strauss Coffee, will be paid by August 15, 2017. In addition, Strauss Coffee will redeem share options allotted to managers in Strauss Coffee at an amount of €16 million, and options of a value of €2 million will be exchanged for Strauss Group options. Exchange of the options, in which context 653,258 share options of the Company were allotted, was approved by the Company's Remuneration Committee on May 28, 2017. Transactions costs amounting to €3 million were incurred in the Acquisition.

The Acquisition and redemption of the options will be financed by Strauss Coffee's own sources and debt financing, and by Strauss Group raising capital under market conditions. To finance the Acquisition, Strauss Coffee took a short-term loan in the amount of NIS 434 million (approximately €110 million), bearing 1.5%-2.0% interest. On April 4, 2017, an amount of NIS 234 million (approximately €60 million) of the short-term loan was replaced by a long-term loan. Strauss Coffee intends to replace the remainder of the short-term loan with long-term debt.

As a result of the above transaction, the Company recognized a decrease of approximately NIS 554 million in non-controlling interests, a decrease of NIS 308 million in the reserve from transactions with non-controlling interests, and a decrease of NIS 224 million in the translation reserve.

On March 23, 2017 the subsidiary Strauss Coffee exercised its call option for the acquisition of 100% of the shares of Norddeutsche Kaffeewerke GmbH (hereinafter: **"NDKW"**), which operates a freeze-dried coffee production plant in Germany. For further information, see Note 4.2 to the Condensed Consolidated Interim Financial Statements as at March 31, 2017.

Sales

In the first quarter of 2017 organic growth in the coffee business, excluding the foreign currency effect, amounted to 13.2%, compared to the corresponding period last year.

Growth in coffee sales in local currency in the first quarter mainly reflects volume growth as well as price increases implemented in some countries (in Romania prices were not raised, and the prices of some products were even reduced), in light of the rising cost of green coffee to the Company and the erosion of most of the functional currencies versus the US Dollar compared to the corresponding period last year, since in all countries except for Brazil, green coffee is purchased in US Dollars. For further information, see the chapter "Strauss Coffee Sales by Major Geographical Regions".

In the first quarter of the year Strauss Coffee's Shekel sales increased by approximately NIS 181 million. Translation differences into Shekels in the coffee business amounted to NIS 60 million, of which NIS 58 million were the result of the increase in the average exchange rate of the Brazilian Real against the Shekel.

Further explanations on sales by the coffee operation in the reporting period are included in the chapter "Strauss Coffee Sales by Major Geographical Regions".

Gross profit

In the first quarter of 2017 the gross profit rose by approximately NIS 53 million compared to the corresponding period last year. The gross profit margin dropped by 0.8% and amounted to 32.1% in the quarter.

The increase in the gross profit is explained by growth in sales volumes in all countries except in R&G in Brazil and Romania, price increases introduced in most of the countries where the Company is active (in Romania the prices of some products were reduced) and an improvement in the product mix sold in some countries of operations (Israel and Poland). Additionally, in the first quarter the aggregate gross profit of the CEE countries rose following sales growth and a change in the product mix. Furthermore, in Russia the domestic currency strengthened against the Dollar compared to its weakening in the corresponding quarter last year, leading to a reduction in raw material prices and in the prices of imported goods.

Operating profit

In the first quarter of 2017 the operating profit of the coffee operation increased by approximately NIS 11 million compared to the corresponding period last year. The operating profit margin in the quarter was 9.5% (a decrease of 0.7% compared to the first quarter of 2016).

The change in Strauss Coffee's EBIT in the first quarter reflects:

- An increase in the operating profit of the CEE countries, mainly as a result of an improvement in the product mix sold in Poland and of an increase in sales quantities in all countries except for Romania, compared to the corresponding period last year.

- In Russia, the operating profit and operating profit margin rose in the first quarter compared to the corresponding period last year as a result of volume growth in sales, an increase in sales prices and a decrease in the cost of green coffee, coupled with the strengthening of the Ruble compared to the first quarter of 2016.

- An increase in the operating profit of Israel Coffee in the first quarter of the year, mainly as a result of an effective increase in sales prices as well as increased sales due to the timing of Passover compared to the corresponding period last year.

- A decrease in the operating profit of the Três Corações joint venture in Brazil[1] in the first quarter as a result of an increase in the cost of sales and a drop in R&G sales quantities, which did not cover the increase in the cost of coffee and other raw materials. Três Corações' operating profit (before other expenses) in Brazilian Reals fell in the first quarter by 18.9% (see the financial statements of Três Corações Alimentos S.A., which are attached to the Financial Statements of the Group).

(1) Três Corações (3C) – The Três Corações joint venture in Brazil – a company jointly held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Strauss Coffee sales by major geographical regions

Following is the scope of sales of the coffee business in the major geographical regions (not including intercompany sales), and growth rates for the quarters ended March 31, 2017 and 2016 (in NIS millions):

	First Quarter			
Geographical region	**2017**	**2016**	**% chg**	**% change in local currency***
Israel Coffee	**212**	**194**	***9.1***	***9.1***
International Coffee				
Brazil (Três Corações joint venture) (1) (2) - 50%	450	316	*42.6*	*20.5*
Russia and Ukraine	148	121	*21.8*	*9.6*
Poland	74	67	*10.3*	*18.6*
Romania	51	62	*(17.6)*	*(10.0)*
Serbia	26	20	*34.6*	*47.6*
Total International Coffee	**749**	**586**	***28.0***	***16.1***
Total Coffee	**961**	**780**	***23.3***	***14.5***

* The growth rate in local currency neutralizes the effect of changes in foreign exchange rates in the different countries versus the Shekel on the growth in the countries' sales.

(1) Três Corações – The Três Corações joint venture in Brazil – a company jointly held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%). (Data reflect Strauss Coffee's share (50%)).
(2) Três Corações' sales – excluding intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee.

The Três Corações (3C) joint venture (Brazil) – A company jointly held by the Group (50%) and the São Miguel Group (50%); (Data reflect Strauss Coffee's share (50%))

In March 2016 Três Corações acquired the operation attributed to the retail coffee brands of the coffee company Cia Iguaçu. The agreement between the companies includes the acquisition of the retail coffee brands (Iguaçu, Cruzeiro, Amigo) as well as accompanying Cia Iguaçu products, in South America, including Brazil.

In the first quarter of 2017 the Três Corações joint venture's average value market share in roast and ground (R&G) coffee amounted to approximately 24.9%, compared to 24.4% in the corresponding period last year (value market share reflecting 100% of the Três Corações joint venture's sales according to A.C. Nielsen figures). In the GAAP report, the Group's share of the joint venture is accounted for in the equity method.

Despite the economic and political crisis in Brazil, in the first quarter of 2017 the Três Corações joint venture's sales in local currency grew by approximately 20.5% (20.7% before the exclusion of intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee). Most of the growth originates in R&G sales as a result of price increases; however, the volume of sales by this operation dropped. The growth in the Três Corações joint venture's local currency sales reflects growth in sales volumes, excluding R&G sales, as well as price increases introduced in 2016 and 2017 in light of the rising cost of green coffee to Três Corações compared to the corresponding period last year. However, the increase in the cost of green coffee in Brazil tapered off somewhat in the first quarter of 2017, as did the increase in sales prices.

Growth in the Três Corações joint venture's Shekel sales in the first quarter of 2017 compared to the corresponding period last year was positively influenced by the strengthening of the average exchange rate of the Brazilian Real against the Shekel, which amounted to approximately NIS 58 million in the quarter.

The Três Corações joint venture's gross profit in domestic currency rose by 10.2% in the first quarter and amounted to approximately 91 million BRL. Três Corações' gross profit margin dropped by 2.3% in the quarter and amounted to 23.8%. The decrease in the gross profit margin primarily reflects the rising cost of green coffee to the Três Corações joint venture, which was offset in part by raising sales prices. EBIT (before other expenses) in BRL decreased in the first quarter of 2017 by 18.9%. The significant drop in operating profit in the quarter reflects an increase in selling and marketing expenses and erosion of the gross profit of the export of green coffee beans, along with a drop in sales quantities of R&G (see the financial statements of Três Corações Alimentos S.A., which are attached to the financial statements of the Group).

The overall impact of the TRES solution on Três Corações' EBIT in the first quarter of the year amounted to an operating loss of approximately NIS 3 million (approximately 2.5 million BRL), compared to a loss of NIS 3.4 million (3.3 million BRL) in the corresponding period last year (figures reflect Strauss Coffee's share (50%)).

Russia and Ukraine

In the final months of 2016 and in the first quarter of 2017 the Ruble began to strengthen against the US Dollar and the Shekel following a period of devaluation that began at the end of 2014. Nevertheless, the competitive environment in the region has remained challenging.

The Company's sales in the region in local currency grew in the first quarter of 2017 by approximately 9.6% compared to the corresponding period last year. The Company's sales in local currency mainly reflect volume growth and price increases introduced during 2016 in light of the devaluation of the Russian Ruble against the US Dollar, as mentioned. In the first quarter of this year, prices in Ukraine were raised.

The Company's Shekel sales in the region grew by approximately NIS 27 million in the quarter compared to the corresponding period last year and were affected by positive translation differences against the Shekel, along with the increase in sales prices in local currency in Ukraine and volume growth.

Poland

The Company's sales in Poland in local currency increased by approximately 18.6% in the first quarter of 2017 compared to the corresponding period in 2016. The growth in sales is the result of an improvement in the sales mix, growth in volumes and an increase in sales prices implemented in the quarter compared to the corresponding period last year.

The Company's Shekel sales in Poland grew by approximately NIS 7 million in the quarter compared to the corresponding period last year. Sales growth in local currency covered the erosion in sales as a result of translation differences into Shekels. Most of the increase in sales is due to growth in sales volumes and to price increases implemented in the first quarter of 2017.

Romania

The Company's sales in Romania in local currency fell by approximately 10% in the first quarter of 2017 compared to the corresponding period last year. The drop in sales in local currency is primarily due to growing competition, which led to a drop in sales prices.

Shekel sales in Romania decreased by approximately NIS 11 million in the quarter compared to the corresponding period in 2016. Sales were affected by negative translation differences following the erosion of the Romanian Leu against the Shekel and by the drop in sales prices, as described above.

Serbia

The Company's sales in Serbia in local currency rose by 47.6% in the first quarter of the year compared to the corresponding period last year. Sales were influenced by growth in volumes, despite a consumer trend of preferring cheaper coffee brands and price erosion due to the harshening competitive environment.

The Company's Shekel sales in Serbia rose by approximately NIS 6 million in the quarter compared to the corresponding period last year following the growth in volumes described above, but were affected by negative translation differences as a result of the erosion of the Serbian Dinar against the Shekel and by the consumer trend of preferring cheaper coffee brands, as well as by price erosion in light of the harshening competitive environment, as mentioned.

Israel

The Company's sales in Israel rose by approximately NIS 18 million in the first quarter of 2017 compared to the corresponding period last year. The increase in the quarter is explained by growth in volumes due to the timing of Passover as well as price erosion in the corresponding quarter in 2016 as a result of marketing campaigns. The increase in the operating profit in the quarter is the result of sales growth as mentioned, despite an increase in marketing expenses in the quarter.

The Group's Activity in Israel

Strauss Group is the second-largest company in the Israeli food industry, and in the first quarter of 2017, according to StoreNext figures, held a 12% share of the total domestic retail food and beverage market in value terms (compared to 11.9% in the corresponding period last year), an increase of 0.1% over the corresponding period. The Israeli market is the Group's home market, where it is active in various categories. The Company's sales in the Strauss Israel segment, which includes the Health & Wellness and Fun & Indulgence divisions, grew by 5.5% in value terms, whereas according to StoreNext, in the first quarter of 2017 the Israeli food and beverage market increased by 2.2% in value terms.

Sales by all operations of Strauss Group in Israel include sales by the Health & Wellness and Fun & Indulgence divisions, the coffee operation in Israel, Max Brenner in Israel and Strauss Water Israel (Tami 4). The Max Brenner and Strauss Water businesses are not included in StoreNext's market share measurements.

In the first quarter of the year Strauss Group's Israel sales totaled approximately NIS 1,151 million versus NIS 1,082 million last year, an increase of 6.3%.

Strauss Israel

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of Strauss Israel by activity segments, for the quarters ended March 31, 2017 and 2016 (in NIS millions):

	First Quarter		
	2017	**2016**	**% Chg**
Health & Wellness segment			
Net sales	486	474	*2.6*
Operating profit	53	51	*4.4*
% operating profit	10.9%	10.7%	
Fun & Indulgence segment			
Net sales	332	302	*10.0*
Operating profit	52	47	*10.8*
% operating profit	15.8%	15.7%	
Total Strauss Israel			
Net sales	**818**	**776**	***5.5***
Gross profit	**333**	**311**	***7.0***
% gross profit	**40.7%**	**40.1%**	
Operating profit	**105**	**98**	***7.5***
% operating profit	**12.9%**	**12.7%**	

Sales

In the first quarter of 2017 Strauss Israel's sales increased by approximately 5.5% (NIS 42 million). In Health & Wellness the increase was approximately 2.6% (NIS 12 million), and in Fun & Indulgence sales growth amounted to 10.0% (NIS 30 million).

The increase in sales in the quarter reflects volume growth, which was the result of the launch of new products in the yogurt, dessert, chocolate tablet and packaged salad categories, as well as of the timing Passover compared to the corresponding period last year.

Gross profit

In the first quarter of 2017 Strauss Israel's gross profit increased by approximately NIS 22 million with 0.6% growth in the gross profit margin, compared to the corresponding period last year.

The increase in the gross profit is the result of growth in sales volumes, continued efficiency enhancing moves applied in production and packaging processes in a number of plants, and also reflects the favorable effect of a drop in the prices of some raw materials (cocoa, tahini, hazelnuts and almonds), whereas the prices of other raw materials (raw milk and milk powders) rose. In addition, during the year an increase was recorded in production inputs such as the minimum wage and municipal taxes, compared to the corresponding period in 2016.

Operating profit

In the first quarter of 2017 Strauss Israel's EBIT increased by approximately NIS 7 million, and the operating profit margin rose by 0.2% and amounted to 12.9% of sales.

The growth in the operating profit mainly reflects growth in sales volumes and in the gross profit compared to the corresponding period last year, which was offset in part by an increase in selling and marketing expenses.

The International Dips & Spreads Activity

The Group develops, manufactures, sells, markets and distributes refrigerated dips and spreads through Sabra in the US and Canada, and through Obela in Mexico, Australia and Western Europe. The operations of Sabra and Obela are each carried out through joint ventures between the Group and PepsiCo (each party holds 50%). In the GAAP report, the Group's share of the operations of Sabra and Obela is accounted for in the equity method.

Sabra is the largest refrigerated flavored dips and spreads company in the US. According to IRI, Sabra's value market share of the total refrigerated dips and spreads category in the 12 weeks ended March 31, 2017 was 21.9% (Number 1 in the market), compared to 26.2% at the end of 2016 and 27.4% in the corresponding period last year. Sabra's value market share of the hummus category in the period was 51.4%, compared to 61.7% in the corresponding period last year. Sabra's market share in the last 4 weeks ended May 14, 2017 is approximately 56.4%.

In Australia, significant growth of approximately 34.5% was recorded in sales; in Mexico, sales volumes are immaterial. Obela is leader of the hummus market in Australia and Mexico in terms of market share.

Sabra

Following are selected financial data on Sabra's business (in NIS millions, reflecting 100% ownership):

	First Quarter	
	2017	**2016**
Sales	288	350
Growth	(17.7%)	0.7%
Organic growth excluding foreign currency effect	(13.6%)	1.9%
Operating profit before other expenses	38	61
% operating profit	13.0%	17.4%

Sales by Sabra in the first quarter of 2017 dropped by approximately NIS 62 million compared to the corresponding period last year as a result of the voluntary recall by the company in November 2016. On November 19, 2016 Sabra announced a voluntary recall in North America of some of its hummus products, manufactured and marketed in the US and Canada, due to concerns of possible Listeria contamination. The bacteria were detected in Sabra's production site in Virginia, but not in the end products. The company's sales were also adversely impacted by translation differences, which amounted to NIS 7 million.

In the first quarter of 2017 EBIT dropped by NIS 23 million (of which the Company's share is NIS 11.5 million). The drop in EBIT in the quarter is the result of the decrease in Sabra's sales following the voluntary recall in November 2016. The recall also adversely impacted the company's operating profit due to indirect expenses including, among others, damage to the company's trade agreements and the costs of an additional improvement made to the strict quality controls in place in the hummus factory in Virginia. Sabra has a certain amount of insurance coverage for the damages caused by the recall. In the current quarter, insurance coverage of approximately NIS 10 million was recognized.

Obela

Following are selected financial data on Obela's business (in NIS millions, reflecting 100% ownership):

Sales by Obela in the first quarter of 2017 totaled approximately NIS 32 million, compared to NIS 21 million in the corresponding period last year (54.2% growth). Excluding the foreign currency effect, growth in the period amounted to 56.7% compared to the corresponding period in 2016.

The operating loss in the first quarter amounted to NIS 5 million, compared to NIS 7 million in the corresponding period last year.

Other Operations

The Group has activities which are included in the financial statements as the "Other Operations" segment. The main operations in this segment are Strauss Water, Max Brenner, and other immaterial activities of the Group.

Strauss Water

Through Strauss Water the Group is active in the water market in the development, assembly, marketing and servicing of systems for the filtration, purification and carbonation of drinking water, mainly in Israel, China and the UK.

Commencing in the third quarter of 2015 the Group's Non-GAAP Reports have reflected the restructuring of the operation in China. Following this process the Company holds 34% of the Haier Strauss Water joint venture (HSW) in China.

In the first quarter of 2017 Strauss Water's sales totaled approximately NIS 125 million compared to NIS 114 million in the corresponding period in 2016, reflecting 9.9% growth, which mainly originates in the operation in Israel.

Sales by the Haier Strauss Water joint venture in China in the first quarter of 2017 amounted to approximately NIS 117.7 million compared to NIS 59.1 million in the corresponding period last year, reflecting 99% growth (unaudited, for 100%).

Strauss Water has posted an improvement in operating profit and cash flow in the quarter, compared to the corresponding period in 2016.

In November 2016 the Company announced the acquisition of the non-controlling interest in Strauss Water (12.4%) in consideration for NIS 69 million. For further information, see Note 6.4 to the Financial Statements of the Company as at December 31, 2016.

On 28 May, 2017, the subsidiary Strauss Water Ltd. Company exercised the right reserved to it in accordance with the joint venture agreement, to purchase an additional 15% of the Qingdao HSW Health Water Appliance Co. Ltd ("Joint Venture" and "The Acquisition"), thus following the acquisition the joint venture will be owned by the Haier Group 51% and Strauss Water 49%. In consideration for the acquisition, the company will pay approximately NIS 78 million ("The Consideration") within 30-90 days to a company of the Haier Group. The consideration was fixed in accordance with the company's appraisal based on the joint venture's financial results for the 2016 fiscal year as determined in the joint venture agreement. The consideration was financed through an owners' loan extended by the company to Strauss Water.

Max Brenner

In the first quarter of the year Max Brenner's sales totaled approximately NIS 18 million compared to NIS 25 million in the corresponding period last year, a decrease of 27.1%. Excluding the foreign currency effect, sales decreased by approximately 24.5% compared to the corresponding period last year.

Pursuant to the Company's decision to realize the Max Brenner operation (hereinafter: the **"Operation"**), assets and liabilities attributed to the Operation are classified as held for sale. The Company recognized a loss of approximately NIS 10 million as a result of the valuation of the Operation according to the lower of its carrying value and fair value less costs to sell. On May 23, 2017 an agreement was signed for the sale of the Operation in consideration for NIS 18 million. The said amount includes prepaid rental fees for Max Brenner's production facility in Beit Shemesh, for a five-year period.

DISCLOSURE RELATING TO THE EXAMINATION OF WARNING SIGNS IN RESPECT OF A WORKING CAPITAL DEFICIENCY PURSUANT TO REGULATION 10(B)(14)(a)

In the Consolidated Financial Statements and the Company's separate financial statements ("solo report") for the first quarter of 2017 there is a working capital deficiency of approximately NIS 589 million and NIS 271 million, respectively. Neither the Consolidated Financial Statements of the Company or its solo report contain a continuing negative cash flow from operating activities. In light of the working capital deficiency in the Consolidated Financial Statements and the solo report, on May 28, 2017 the Board of Directors of the Company examined the Company's liquidity as described below, and determined that said working capital deficiency is not indicative of a liquidity issue in the Company. This decision is based on a review, *inter alia*, of the Company's financial results as reported in the Financial Statements of the Company as at March 31, 2017, and is also based on data regarding the Company's projected cash flow for the next two years given the Company's existing and anticipated liabilities, including the Company's liabilities to the holders of its debentures (Series B and Series D) and to banking corporations and their maturity dates, and on an inspection of existing and anticipated sources for the repayment of these liabilities and the resources arising from the Company's holdings in its major investees, including the receipt of dividends, repayment of loans made available to investees, raising capital from banking corporations and/or other sources if necessary; as well as on the financial strength of the major investees of the Company and their leading competitive position in the markets where these companies operate. The Board of Directors also reviewed sensitivity analyses of the Company's projected cash flow for the next two years, and determined that the working capital deficiency is not indicative of a liquidity issue in the Company.

It is emphasized that the abovementioned assessment by the Board of Directors is forward-looking information, as this term is defined in the Securities Law, 1968, which is primarily based on the Company's forecasts and on its analysis of its actual cash flows in the period since the end of the quarter and its future cash flows, its existing and anticipated liabilities, its existing assets, its expectations as to future profits and dividend distributions by investees, etc. There can be no assurance that these assessments, in whole or in part, will, in fact, occur, or that they will not occur in a different form, including materially, than estimated, among other things as a result of market behavior and occurrence of the risk factors set forth in section 29 in the "Description of the Company's Business Affairs" as at December 31, 2016.

ASPECTS OF CORPORATE GOVERNANCE

General

For information on the effectiveness of internal control over financial reporting and disclosure pursuant to Regulation 38C(a), see the attached report.

Directors

On May 7, 2017 the Company summoned a Special General Meeting, on the agenda of which is a proposal to approve the appointment of Dr. Samer Haj-Yehia as an external director of the Company. For further information, see the Company's Immediate Report of May 7, 2017 (reference no. 2017-01-037639).

INFORMATION ON DEBENTURE SERIES

		Debentures Series B	Debentures Series D
A.	Nominal/par value	149	446
B.	Par value linked to the Consumer Price Index	177	446
C.	Carrying value of Debentures	177	456
D.	Carrying value of interest payable	1	-
E.	Market value	184	501

LIABILITY REPORT ACCORDING TO PAYMENT DATES

See Form T-126, published simultaneously with the financial statements.

MATERIAL EVENTS IN THE REPORTING PERIOD

For a review of material events occurring in the reporting period, see the update of the chapter “Description of the Company’s Business Affairs” as at March 31, 2017 and Notes 4, 5 and 6 to the Condensed Consolidated Interim Financial Statements as at March 31, 2017.

POST-STATEMENT OF FINANCIAL POSITION DATE EVENTS

For a review of events occurring after the statement of financial position date, see Note 9 to the Condensed Consolidated Interim Financial Statements as at March 31, 2017.

The Board of Directors and Management express their gratitude and appreciation to the employees and managers of Strauss Group.

Ofra Strauss	Gadi Lesin
Chairperson of the Board	Chief Executive Officer

May 28, 2017

STRAUSS GROUP LTD.

FINANCIAL STATEMENTS

AS AT MARCH 31, 2017

Convenience Translation from Hebrew

Strauss Group Ltd.

Condensed Consolidated Interim Financial Statements as at March 31, 2017

Contents

Convenience Translation from Hebrew

Strauss Group Ltd.

Condensed Consolidated Interim Statements of Financial Position

	March 31 2017 Unaudited	March 31 2016 Unaudited	December 31 2016 Audited
		NIS Millions	
Current assets			
Cash and cash equivalents	242	395	711
Securities and deposits	47	53	53
Trade receivables	1,033	1,024	881
Income tax receivables	37	20	38
Other receivables and debit balances	126	189	156
Inventory	580	600	537
Assets held for sale	51	56	32
Total current assets	2,116	2,337	2,408
Investments and non-current assets			
Investment in equity-accounted investees	1,138	1,081	1,119
Other investments and long-term debt balances	84	196	163
Fixed assets	1,646	1,594	1,581
Intangible assets	973	862	857
Deferred expenses	-	38	28
Investment property	7	7	8
Deferred tax assets	18	14	18
Total investments and non-current assets	3,866	3,792	3,774
Total assets	5,982	6,129	6,182

Ofra Strauss Chairperson of the Board of Directors	Gadi Lesin Chief Executive Officer	Shahar Florence Chief Financial Officer

Date of approval of the interim financial statements: May 28, 2017

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Financial Position (cont'd)

	March 31 2017 Unaudited	March 31 2016 Unaudited	December 31 2016 Audited
	NIS Millions		
Current liabilities			
Current maturities of debentures	205	195	196
Short-term credit and current maturities of long-term loans and other liabilities	1,029	228	147
Trade payables	721	663	743
Income tax payables	16	27	11
Other payables and credit balances	691	566	642
Provisions	31	32	31
Liabilities directly associated with the assets held for sale	12	-	-
Total current liabilities	2,705	1,711	1,770
Non-current liabilities			
Debentures	428	635	635
Long-term loans and credit	975	1,002	906
Long-term payables and credit balances	58	81	60
Employee benefits, net	49	56	47
Deferred tax liabilities	227	193	221
Total non-current liabilities	1,737	1,967	1,869
Equity and reserves			
Share capital	244	244	244
Share premium	622	622	622
Reserves	(1,557)	(948) *	(975)
Retained earnings	2,055	1,915*	1,944
Total equity attributable to the Company's shareholders	1,364	1,833	1,835
Non-Controlling interests	176	618	708
Total equity	1,540	2,451	2,543
Total liabilities and equity	5,982	6,129	6,182

* Adjustment due to retrospective implementation of changes in accounting policy, see Note 2.6 to the consolidated financial statements as at December 31, 2016.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Convenience Translation from Hebrew

Strauss Group Ltd.

Condensed Consolidated Interim Statements of Income

	For the three months ended		For the year ended
	March 31 2017 Unaudited	March 31 2016 Unaudited	December 31 2016 Audited
	NIS millions		
Sales	1,408	1,321	5,282
Cost of sales	840	787	3,179
Gross profit	568	534	2,103
Selling and marketing expenses	318	292	1,234
General and administrative expenses	93	87	367
	411	379	1,601
Share of profit of equity-accounted investees	44	51	178
Operating profit before other income	201	206	680
Other income	23	3	6
Other expenses	(16)	(5)	(55)
Other expenses, net	7	(2)	(49)
Operating profit	208	204	631
Financing income	2	9	7
Financing expenses	(31)	(39)	(116)
Financing expenses, net	(29)	(30)	(109)
Profit before income taxes	179	174	522
Taxes on income	(30)	(42)	(134)
Profit for the period	149	132	388
Attributable to:			
The Company’s shareholders	107	104	272
Non-Controlling interests	42	28	116
Profit for the period	149	132	388
Earnings per share			
Basic earnings per share (in NIS)	1.00	0.97	2.53
Diluted earnings per share (in NIS)	0.99	0.96	2.52

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Convenience Translation from Hebrew

Strauss Group Ltd.

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended		For the year ended
	March 31 2017 Unaudited	March 31 2016 Unaudited	December 31 2016 Audited
		NIS millions	
Profit for the period	149	132	388
Other comprehensive income (loss) items that will be transferred to profit or loss in subsequent periods:			
Foreign currency translation differences	(17)	20	17
Changes in fair value of available for sale financial assets, net	3	-	2
Available for sale financial assets reclassified to profit or loss	(21)	-	-
Other comprehensive income (loss) from equity-accounted investees	(35)	12	83
Total other comprehensive income (loss) items that will be transferred to profit or loss in subsequent periods, net	(70)	32	102
Comprehensive income for the period	79	164	490
Attributable to:			
The Company's shareholders	57	123	343
Non-controlling interests	22	41	147
Comprehensive income for the period	79	164	490

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Convenience Translation from Hebrew

Strauss Group Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

	Attributable to the Company's shareholders									
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Reserve in respect of available-for-sale financial assets	Retained earnings	Total	Non-Controlling interests	Total equity
	NIS millions									
Balance as at January 1, 2017	244	622	(20)	(81)	(881)	7	1,944	1,835	708	2,543
Changes during the three month period ended March 31, 2017 - unaudited:										
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	107	107	42	149
Components of other comprehensive income):										
Foreign currency translation differences	-	-	-	-	(11)	-	-	(11)	(6)	(17)
Other comprehensive income from equity accounted investees	-	-	-	-	(32)	-	-	(32)	(3)	(35)
Changes in fair value of available-for-sale financial assets, net	-	-	-	-	-	1	-	1	2	3
Available-for- sale financial assets reclassified to profit or loss	-	-	-	-	-	(8)	-	(8)	(13)	(21)
Other comprehensive income for the *period, net*	-	-	-	-	(43)	(7)	-	(50)	(20)	(70)
Total comprehensive income for the period, net	-	-	-	-	(43)	(7)	107	57	22	79
Share-based payment	-	-	-	-	-	-	4	4	-	4
Acquisition of non-controlling interest in a subsidiary	-	-	-	(308)	(224)	-	-	(532)	(554)	(1,086)
Balance as at March 31, 2017 - unaudited	244	622	(20)	(389)	(1,148)	-	2,055	(1,364)	176	1,540

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Strauss Group Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (cont'd)

	Attributable to the Company's shareholders									
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Reserve in respect of available-for-sale financial assets	Retained earnings	Total	Non-Controlling interests	Total equity
	NIS millions									
Balance as at January 1, 2016	244	622	(20)	(4)	(951)	6	1,808	1,705	603	2,308
Changes during the three month period ended March 31, 2016 - unaudited:										
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	104	104	28	132
Components of other comprehensive income):										
Foreign currency translation differences	-	-	-	-	14	-	-	14	6	20
Other comprehensive income from equity accounted investees	-	-	-	-	5	-	-	5	7	12
Other comprehensive income for the *period, net*	-	-	-	-	19	-	-	19	13	32
Total comprehensive income for the period, net	-	-	-	-	19	-	104	123	41	164
Share-based payment	-	-	-	-	-	-	3	3	-	3
Transaction with non-controlling interests	-	-	-	2	-	-	-	2	(5)	(3)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	(21)	(21)
Balance as at March 31, 2016 - unaudited	244	622	(20)	*(2)	(932)	6	1,915	1,833	618	2.451

* Adjustment due to retrospective implementation of changes in accounting policy, see Note 2.6 to the consolidated financial statements as at December 31, 2016.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Strauss Group Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (cont'd)

	Attributable to the Company's shareholders									
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Reserve in respect of available-for-sale financial assets	Retained earnings	Total	Non-Controlling interests	Total equity
	NIS millions									
Balance as at January 1, 2016	244	622	(20)	(4)	(951)	6	1,808	1,705	603	2,308
Changes in 2016 (audited) :										
Total comprehensive income . for the year										
Income for the year	-	-	-		-	-	272	272	116	388
Components of other comprehensive income):										
Foreign currency translation differences	-	-	-	-	11	-	-	11	6	17
Other comprehensive income from equity accounted investees	-	-	-	-	59	-	-	59	24	83
Changes in fair value of available-for-sale financial assets, net	-	-	-	-	-	1	-	1	1	2
Other comprehensive income for the *period, net*	-	-	-	-	70	1	-	71	31	102
Total comprehensive income for the year	-	-	-		70	1	272	343	147	490
Share-based payment	-	-	-	-	-	-	14	14	-	14
Acquisition of non-controlling interest in a subsidiary	-	-	-	(77)	-	-	-	(77)	21	(56)
Dividend	-	-	-	-	-	-	(150)	(150)	-	(150)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	(63)	(63)
Balance as at December 31, 2016	244	622	(20)	(81)	(881)	7	1,944	1,835	708	2,543

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

	For the three months ended		For the year ended
	March 31 2017 Unaudited	March 31 2016 Unaudited	December 31 2016 Audited
		NIS millions	
Cash flows from operating activities			
Profit for the period	149	132	388
Adjustments:			
Depreciation	33	34	137
Amortization of intangible assets and deferred expenses	8	11	44
Impairment loss of fixed assets and intangible assets and investment property, net	7	-	10
Other expenses (income), net	(20)	-	22
Expenses in respect of share-based payment	4	3	14
Financing expenses, net	29	30	109
Income tax expenses	30	42	134
Share of profit of equity-accounted investees	(44)	(51)	(178)
Change in inventory	(42)	(15)	47
Change in trade and other receivables	(173)	(105)	83
Change in long-term trade receivables	-	-	5
Change in trade and other payables	17	13	84
Change in employee benefits	1	(1)	(3)
Interest paid	(36)	(43)	(101)
Interest received	2	1	15
Income tax paid, net	(23)	(104)	(200)
Net cash flows provided by (used in) operating activities	(58)	(53)	610
Cash flows from investing activities			
Sale of marketable securities and deposits, net	6	7	5
Proceeds from sale of fixed assets, intangible assets and investment property	7	7	31
Investment in fixed assets, investment property and held-for-sale assets	(33)	(34)	(132)
Investments in intangible assets and deferred expenses	(10)	(5)	(30)
Acquisition of a subsidiary, net cash acquired (Note 4.2)	(119)	-	-
Available for sale financial assets realization	31	-	-
Repayment of deposits and loans granted	9	14	49
Loans granted	(9)	(7)	(15)
Dividends from investee companies	-	-	196
Investment in investee companies	(9)	-	(37)
Net cash flows provided by (used in) investing activities	(127)	(18)	67

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows (cont'd)

	For the three months ended		For the year ended
	March 31 2017 Unaudited	**March 31 2016 Unaudited**	**December 31 2016 Audited**
		NIS millions	
Cash flows from financing activities			
Short-term bank credit, net	541	33	(30)
Receipt of long-term loans	100	100	115
Repayment of long-term loans and debentures	(216)	(203)	(339)
Dividends paid	-	-	(150)
Acquisition of non-controlling interests in subsidiaries (see note 4.1 and note 4.6 to the annual financial statements)	(694)	(2)	(52)
Dividend paid to non-controlling interests in a subsidiary	-	(21)	(63)
Net cash flows used in financing activities	(269)	(93)	(519)
Net increase (decrease) in cash and cash equivalents	(454)	(164)	158
Cash and cash equivalents as at beginning of period	711	560	560
Effect of exchange rate fluctuations on cash balances	(15)	(1)	(7)
Cash and cash equivalents as at end of period	242	395	711

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Note 1 - Reporting Principles and Accounting Policy

1.1 General

1.1.1 The reporting entity, Strauss Group Ltd (hereinafter: "the Company" or "Strauss Group") is an Israeli resident company. The address of the Company's registered office is 49 Hasivim St. Petach Tikva.

The Company and its investee companies (hereinafter: the "Group") are a group of industrial and commercial companies operating in Israel and abroad and active mainly in the development, manufacture, marketing and sale of a broad variety of branded food and beverage products. The Group is also active in the development, marketing, servicing and sale of water filtration and purification products. The condensed consolidated interim financial statements as at March 31, 2017 and for the three month period then ended (hereinafter - the "Interim Statements") comprise the Company and its subsidiaries.

The Company's controlling shareholders are Mr. Michael Strauss through his holdings (indirect) in Strauss Holdings Ltd. (hereinafter: the "Parent Company" or "Strauss Holdings") and through a direct holding in the Company, and Ms. Ofra Strauss, who is considered a joint holder of the Company's shares with Mr. Strauss.

1.1.2 The consolidated Interim Statements have been prepared in accordance with IAS 34 regarding interim financial reporting and Section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.
These Interim Statements should be read in conjunction with the audited consolidated financial statements of the Company and its subsidiaries as at December 31, 2016 and for the year then ended together with their accompanying notes (hereinafter: the "Annual Financial Statements"). The accounting principles applied in preparing these Interim Statements are consistent with the principles applied in preparing the Annual Financial Statements.

1.1.3 The consolidated financial statements are presented in NIS, which is the functional currency of the Company. The financial information is presented in NIS millions and has been rounded to the nearest million.

1.1.4 These Interim Statements have been approved by the Company's Board of Directors on May 28, 2017.

Note 2 - Seasonality

The sales of Fun & Indulgence products are characterized by seasonality, and they are usually higher in the first quarter of the year. The seasonality is mainly affected by the winter, being characterized by a higher consumption of chocolate products, as well as by higher consumption before Passover.

In the area of coffee in Israel, there is no clear trend of seasonality. However, total revenues are usually high in the first quarter of the year, due to increased consumption of coffee products prior to the Passover holiday.

Note 2 - Seasonality (cont'd)

In the area of health and wellness products, there is no clear trend of seasonality. However, total revenues are usually relatively high in the third quarter of the year, in which the hot summer months occur, characterized by an increase in consumption in dairy products.

The international coffee sales are usually higher in the fourth quarter of the year. The seasonality is mainly affected by the timing of the Christian holidays and the end of the calendar year in the fourth quarter of the year, a time characterized by higher purchases of coffee products.

Note 3 - Operating segments

Details by operating segments and reconciliation to the consolidated financial statements:

	For the three months ended		For the year ended
	March 31 2017	March 31 2016	December 31 2016
	Unaudited	Unaudited	Audited
		NIS millions	
Revenues			
Sales to external customers:			
Health & Wellness	486	474	1,975
Fun & Indulgence	332	302	1,006
Total Israel	818	776	2,963
Israel Coffee	212	194	673
International Coffee	749	586	3,000
Total Coffee	961	780	3,673
International dips and spreads	160	185	717
Other	144	139	590
Sales to other segments:			
Health & Wellness	2	2	7
Fun & Indulgence	3	3	11
Total Israel	5	5	18
Israel Coffee	-	1	2
International Coffee	1	-	1
Total Coffee	1	1	3
Other	-	-	1
Total revenues of the segments	2,089	1,886	7,965
Elimination of inter-segment sales	(6)	(6)	(22)
Total revenues of the segments excluding the inter-segment sales	2,083	1,880	7,943
Adjustment to the equity method	(675)	(559)	(2,661)
Total consolidated revenues	1,408	1,321	5,282

Note 3 - Operating segments (cont'd)

	For the three months ended		For the year ended
	March 31 2017	March 31 2016	December 31 2016
	Unaudited	Unaudited	Audited
	NIS millions		
Profit			
Health & Wellness	53	51	213
Fun & Indulgence	52	47	101
Total Israel	105	98	314
Israel Coffee	40	35	87
International Coffee	51	45	272
Total Coffee	91	80	359
International dips and spreads	17	27	48
Other	10	8	23
Total profit of reportable segments	223	213	744
Unallocated income (expenses):			
Valuation of commodities hedging transactions as at the end of the period (1)	(9)	6	-
Other expenses, net	8	(2)	(50)
Share based payment and non-recurring grant	(4)	(3)	(15)
Total operating profit	218	214	679
Adjustment to the equity method	(10)	(10)	(48)
Total operating profit in the consolidated financial statements	208	204	631
Financing expenses, net	(29)	(30)	(109)
Profit before taxes on income	179	174	522

(1) Reflects accounting revaluation (mark-to-market) to the end of the period of open positions in the Group in respect of derivative financial instruments which are used to hedge the prices of goods. As a result of a change in management reporting, with effect from the first quarter of 2017, reflects all of the adjustments required for the purpose of deferring a profit or loss in respect of derivatives of goods, up to the date on which the inventory will be sold to external factors.

Note 4 - Material Events during the Reported Period

4.1 On March 27, the subsidiary, Strauss Coffee (hereinafter: "Strauss Coffee") effected a buyback of the shares of TPG (25.1%) in Strauss Coffee (hereinafter: "the purchase") for consideration of €257 million (hereinafter: "the consideration"). Of the consideration, an amount of €172 million (NIS 676 million) was paid in cash at the date of the purchase and an amount of €85 million, which was given by TPG as non-recourse loans to Strauss Coffee, to be paid by August 15, 2017. In addition, Strauss Coffee will redeem options that were allocated to managers in Strauss Coffee amounting to €16 million, and they will be converted to options of Strauss Group, options with a value of €2 million. Exchange of the options, in which context 653,258 share options of the Company were allotted, was approved by the Company's Remuneration Committee on May 28, 2017. In respect of the purchase transaction costs amounting to approximately €3 million were incurred.

The purchase and the redemption of the options will be financed from independent resources and a debt assumed by Strauss Coffee, and a capital mobilization of Strauss Group under market conditions. In order to finance the purchase, Strauss Coffee took a short-term loan amounting to NIS 434 million (€110 million) bears 1.5%-2.0% interest. On April 4, 2017, the sum of NIS 234 million (€60 million) of the short-term loan was replaces by a long-term loan. Strauss Coffee intends to replace the balance of the short-term loan with long-term debt.

As a result of the transaction outlined above. the Company recognized a decrease in non-controlling interests amounting to NIS 554 million, a decrease in the reserve for transactions with non-controlling interests amounting to NIS 308 million and a decrease in translation reserve amounting to NIS 224 million.

4.2 On March 23, the subsidiary, Strauss Coffee exercised the Call option which it held to purchase 100% of the shares of Norddeutsche Kaffeewerke GmbH (hereinafter" "NDKW"), which operates a freeze-dried coffee plant in Germany (see also Note 24.4.7 to the annual financial statements). The consideration of the purchase amounted to€ 56 million (NIS 220 million) (€32 million in cash and €24 million in respect of the payment of a mutual balance). The subsidiary, Strauss Coffee is acting to complete the allocation of the cost of the purchase. Pursuant to a preliminary allocation of the cost of the purchase to the identifiable assets and liabilities which were purchased, the subsidiary, Strauss Coffee, recognized, mainly, fixed assets of €23 million and goodwill amounting to €32 million.

4.3 Pursuant to a decision of the Company to realize the activity of Max Brenner (hereinafter: "the Activity"), the assets and liabilities attributable to the Activity are presented as assets and liabilities held for sale. The Company has recognized a loss amounting to NIS 10 million which arose from the measurement of the Activity according to the lower of its value in the books and its fair value net of selling costs. On May 23, 2017 an agreement was signed for the sale of the Max Brenner activity in consideration of approximately NIS 18 million.

Note 5 - Share-Based Payment

5.1 Grants during the period

Details of the new options granted during the period are as follows:

Grant date	Number of options and entitled employees	Fair value NIS M	Share price NIS	Exercise price NIS	Expected life Years	Expected annual volatility %	Discount rate %
March 27, 2017	773,325 to 14 managers	8.3	62.26	63.49	4.29-5.29	19.95-21.00	0.12-0.23

The exercise increment of each one of the options is NIS 63.49, linked to the consumer price index, published on March 15, 2017. Entitlement to exercise the options will be crystallized in two equal tranches, on March 27 of each of the years 2019 and 2020. The benefit arising from these grants will be charged as an expense in the financial statements over the said vesting periods.

5.2 Exercises during the period

During the report period, 7,333 options which were granted to employees were realized to 1,376 shares in consideration of their par value.

Note 6 - Contingent liabilities

6.1 For details regarding legal claims and contingencies liabilities against the Company and its subsidiaries, as at December 31, 2016, see Note 24.1.1 to the Annual Financial Statements.

6.2 On January 17, 2017, a monetary claim and a petition to approve it as a class action were filed in the Central District of the District Court against the subsidiary, Strauss Water Ltd., relating to the failure to supply of spare parts on time. On April 30, 2017, the court instructed the dismissal of the request for approval for a class action without the ruling on expenses.

6.3 On April 5, 2017, a monetary claim and a petition to approve it as a class action were filed in the Central District of the District Court against the Company, regarding an allegation of displaying erroneous nutritional values and an erroneous weight mark on a 5% Ski cheese product in packages weighing 125 grams. The amount of the claim is NIS 53 million. Based on the estimates of the Company's legal counsels, management is of the opinion at this stage that the claims are not expected to be accepted.

Note 6 - Contingent liabilities (cont'd)

6.4 Further to note 24.1.1 of the annual financial statements, on April 6, 2017, the District Court in Haifa decided to approve a withdrawal notice of the plaintiff, from a monetary claim and a petition for its approval as a class action in the amount of NIS 915 million which was filed against the Company, Uri Horazo Yotvata Dairies and the subsidiary, Strauss Health in June 2016 due to sale of allegedly defective products.

6.5 Further to note 24.1.1 of the annual financial statements, on May 17, 2017, the District Court of Tel Aviv-Jaffa decided to approve the plaintiff's notice of withdrawal from a monetary claim and motion to certify a class action filed against the Company and Israel Railways in November 2014 due to alleged misleading in the sale of a product .The Company was required to pay compensation and fees in the amount of NIS 20,000 (in addition to VAT) for the plaintiff and its counsel.

6.6 Further to note 24.1.2 of the annual financial statements pertaining to a claim that was filed with the Central District Court in May 2016 due to charging a prima facie exaggerated price by a Monopolist for the Milky dairy dessert, the company's management, based on the assessment of its legal advisors, estimates at this stage that the claim will not be upheld.

Note 7 - Equity-Accounted Investees

7.1 Concise information on material equity-accounted investees:

	Sabra Dipping Company			Três Corações Group		
	March 31		December 31	March 31		December 31
	2017	2016	2016	2017	2016	2016
	Unaudited		Audited	Unaudited		Audited
	NIS millions			NIS millions		
Current assets	318	342	324	994	803	1,091
Of which:						
Cash and cash non-current assets	55	115	115	26	63	102
Non-current assets	655	674	696	656	487	653
Total assets	973	1,016	1,020	1,650	1,290	1,744
Current liabilities	217	223	236	681	445	779
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	109	126	102	315	171	352
Non-current liabilities	165	20	196	190	254	195
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	163	19	192	155	186	158
Total liabilities	382	243	432	871	699	974

Note 7 - Equity-Accounted Investees (Cont'd)

7.1 Concise information on material equity-accounted investees (cont'd)

	Sabra Dipping Company			Três Corações Group		
	For the three months ended March 31		For the year ended December 31	For the three months ended March 31		For the year ended December 31
	2017	2016	2016	2017	2016	2016
	Unaudited		Audited	Unaudited		Audited
	NIS millions			NIS millions		
Income	288	350	1,328	902	632	3,459
Profit for the period (1)	20	34	63	30	30	212
Other comprehensive income (loss)	(34)	(28)	(14)	(16)	36	120
Total comprehensive income (loss) (100%)	(14)	6	49	14	66	332
Of which:						
Depreciation and amortization	11	11	50	10	7	34
Interest income	-	-	-	2	3	12
Interest expenses	2	2	7	11	7	35
Income tax expense (1)	16	25	49	3	10	50

(1) Tax in respect of an equity-accounted investee assessed in the holding company, S.E. USA, Inc.

7.2 The Group is enclosing to these condensed consolidated interim financial statements the condensed consolidated interim financial statements of Três Corações Alimentos S.A, a joint venture in Brazil (50% ownership), accounted for under the equity method.
The investee's presentation currency is the Brazilian Real.

7.3 The real-shekel exchange rate was 1.15 as of March 31, 2017.
The following are the average exchange rates and rates of change in the Real exchange rates with respect to Israeli Shekel during the reporting period:

	Real Exchange Rate	
	Average for the period	Change in %
For the three-month period ending on:		
March 31, 2017	1.19	(2.6)
March 31, 2016	1.00	5.7
For the year ending December 31, 2016	1.11	19.7

Note 8 - Financial Instruments

8.1 Financial instruments measured at fair value for disclosure purposes only

The carrying amount of the cash and cash equivalents, short and long term investments, trade receivables, other receivables and debit balances, trade payables and other payables and credit balances is the same as or proximate to their fair value . There was no material change in the fair value (as stated in the annual financial statements) of long term loans.

Presented below are the carrying amounts (including accrued interest) and fair values of the Company's debentures, based on the prices of the Tel Aviv Stock Exchange:

	March 31, 2017		March 31, 2016		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Unaudited				Audited	
	NIS millions					
Series B Debentures	178	184	355	375	362	368
Series D Debentures	456	501	477	530	481	527

8.2 Fair value hierarchy of financial instruments measured at fair value

The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active market for similar instruments.
- Level 2: Inputs other than quoted prices within level 1.
- Level 3: inputs that are not based on observable market data.

	March 31, 2017			March 31, 2016			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	Unaudited						Audited		
	NIS million								
Financial assets (liabilities)									
Marketable securities	46	-	-	46	-	-	46	-	-
Trade receivables-derivatives	1	1	-	13	5	-	11	2	-
Trade payables- derivatives	(5)	(26)	-	(7)	(43)	-	(11)	(27)	-
Available for sale financial asset (1)	-	-	-	26	-	-	28	-	-
Option to purchase shares (2)	-	-	-	-	-	5	-	-	-
	42	(25)	-	78	(38)	5	74	(25)	-

(1) During the period, an available-for-sale financial asset was sold for consideration of NIS 31 million. As a result of such an exercise, a gain was recognized of approximately NIS 21 million which was classified as other income item in the operating statement.

(2) A share option in an equity-accounted investee. The fair value of the option is measured using the Monte Carlo simulation technique based, inter alia, on the investee's value and projected income as well as on peer company volatility. See note 9.3 Subsequent Events.

For details regarding the determination of the fair value of derivative financial instruments measured at level 2, see Note 28.7.2.1 to the Annual Financial Statements.

Note 9 – Subsequent Events

9.1 In April 2017, 4,074,752 shares of NIS 1 each par value were issued to institutional entities and to the public for consideration of NIS 260 million. The costs of the issue amounted to NIS 4 million.

9.2 On April 4, 2017, the subsidiary, Strauss Coffee took a long-term loan from an institutional entity amounting to NIS 234 million which replaces a part of the long-term loan (see Note 4.1). The long-term loan bears 2.5%-3.5% interest, which shall be paid half-yearly on the undischarged principal of the loan. The loan principal will be repaid in 10 annual installments, as follows: two annual installments of 2% of the total of the loan, four annual installments at a rate of between 14% and 15% of the total of the loan and four annual installments at a rate of between 8% and 10% of the total of the loan.

9.3 On 28 May, 2017, the subsidiary Strauss Water Ltd. Company exercised the right reserved to it in accordance with the joint venture agreement, to purchase an additional 15% of the Qingdao HSW Health Water Appliance Co. Ltd (“Joint Venture” and “The Acquisition”), thus following the acquisition the joint venture will be owned by the Haier Group 51% and Strauss Water 49%. In consideration for the acquisition, the company will pay approximately NIS 78 million (“The Consideration”) within 30-90 days to a company of the Haier Group. The consideration was fixed in accordance with the company's appraisal based on the joint venture’s financial results for the 2016 fiscal year as determined in the joint venture agreement. The consideration was financed through an owners’ loan extended by the company to Strauss Water.

9.4 On May 28, 2017 the Benefits Committee and the Group’s Board of Directors approved the award of 1,021,318 option warrants to 15 directors, of which 653,258 option warrants were awarded within the framework of converting options as detailed in Note 4.1 above. The exercise price was fixed as an average of the closing rates of the company’s shares during the 30 trading days preceding the award date, without any additional premium, and linked to the consumer prices index published on May 15, 2017. The value of these awards, based on an initial estimate, amounts to a sum of approximately NIS 15 million.

9.5 For details regarding realize the activity of Max Brenner after the date of the report on the financial position, see note 4.3, material events during the reported period.

9.6 For details regarding developments in claims after the date of the report on the financial position, see note 6.2 – 6.6.

Convenience Translation from Hebrew

Strauss Group Ltd.

<u>Separate Financial Information As At March 31, 2017</u>

<u>Table of Contents</u>: **Page**

Strauss Group Ltd.

Information Pertaining To Financial Position

	March 31 2017 (Unaudited)	March 31 2016 (Unaudited)	December 31 2016 (Audited)
		NIS Millions	
Current assets			
Cash and cash equivalents	23	173	126
Securities and deposits	16	23	23
Trade receivables	253	247	179
Income tax receivables	25	9	17
Other receivables and debit balances	39	41	31
Investee receivables	138	266	196
Inventory	105	122	118
Assets held for sale	42	56	32
Total current assets	641	937	722
Investments and non-current assets			
Investments in investees	1,333	1,622	1,816
Other investments and long-term debit balances	645	614	665
Fixed assets	938	950	944
Intangible assets	52	54	53
Total investments and non-current assets	2,968	3,240	3,478
Total assets	3,609	4,177	4,200

Ofra Strauss Chairperson of the Board of Directors	Gadi Lesin Chief Executive Officer	Shahar Florence Chief Financial Officer

Date of approval of the separate financial information: May 28, 2017

The attached information is an integral part of the separate financial information.

Information Pertaining To Financial Position (cont'd)

	March 31 2017 (Unaudited)	March 31 2016 (Unaudited)	December 31 2016 (Audited)
		NIS Millions	
Current liabilities			
Current maturities of debentures	205	195	196
Short-term credit and current maturities of long-term loans and other long term liabilities	59	32	15
Trade payables	220	200	202
Other payables and credit balances	234	213	248
Investee payables	188	153	160
Provisions	2	4	2
Liabilities directly associated with the assets held for sale	4	-	-
Total current liabilities	912	797	823
Non-current liabilities			
Debentures	428	635	635
Long-term loans and other long term liabilities	789	802	796
Long-term payables and credit balances	16	30	16
Employee benefits, net	20	25	20
Deferred tax liabilities	80	55	75
Total non-current liabilities	1,333	1,547	1,542
Total equity attributable to the Company's shareholders	1,364	1,833	1,835
Total liabilities and equity	3,609	4,177	4,200

The attached information is an integral part of the separate financial information.

Strauss Group Ltd.

Information Pertaining To Statements Of Income

	For the three months ended		For the year ended
	March 31 2017 (Unaudited)	March 31 2016 (Unaudited)	December 31 2016 (Audited)
	NIS Millions		
Sales	311	301	1,010
Cost of sales	187	181	622
Gross profit	124	120	388
Selling and marketing expenses	66	67	266
General and administrative expenses	17	12	61
	83	79	327
Operating profit before other income (expenses)	41	41	61
Other income	-	1	2
Other expenses	(2)	(1)	(12)
Other expenses, net	(2)	-	(10)
Operating profit	39	41	51
Financing income	7	14	28
Financing expenses	(31)	(35)	(88)
Financing expenses, net	(24)	(21)	(60)
Profit (loss) before taxes on income	15	20	(9)
Taxes on income	(1)	(9)	(38)
Income (loss) after taxes on income	14	11	(47)
Income from investees	93	93	319
Income for the period attributable to the shareholders of the Company	107	104	272

The attached information is an integral part of the separate financial information.

Information Pertaining To Comprehensive Income

	For the three months ended		For the year ended
	March 31 2017 (Unaudited)	March 31 2016 (Unaudited)	December 31 2016 (Audited)
		NIS Millions	
Income for the period attributable to the shareholders of the Company	107	104	272
Other comprehensive income (loss) items that will be transferred to profit or loss in subsequent periods:			
Other comprehensive income (loss) from investees	(50)	19	71
Total other comprehensive income (loss) items that will be transferred to profit or loss, net of tax	(50)	19	71
Comprehensive income for the period attributable to the shareholders of the Company	57	123	343

The attached information is an integral part of the separate financial information.

Strauss Group Ltd.

Information Pertaining To Cash Flows

	For the three months ended		For the year ended
	March 31 2017 (Unaudited)	March 31 2016 (Unaudited)	December 31 2016 (Audited)
	NIS Millions		
Cash flows from operating activities			
Income for the period attributable to the shareholders of the Company	107	104	272
Adjustments:			
Depreciation	13	14	56
Amortization of intangible assets and deferred expenses	4	3	14
Other income, net	-	(1)	(1)
Expenses in respect of share-based payment	4	2	13
Income from investees	(93)	(93)	(319)
Financing expenses, net	24	21	60
Income tax expense	1	9	38
Change in inventory	10	20	24
Change in trade and other receivables	(85)	(75)	6
Change in investee receivables	32	75	65
Change in trade and other payables	43	32	15
Change in investee payables	28	38	45
Change in employee benefits	-	1	(3)
Interest paid	(34)	(38)	(77)
Interest received	-	-	18
Income tax paid, net	(4)	(17)	(41)
Net cash flows from operating activities	50	95	185
Cash flows from investing activities			
Sale of marketable securities and deposits, net	7	7	6
Proceeds from sale of fixed and other assets	7	6	29
Acquisition of fixed assets	(13)	(16)	(49)
Investment in intangible assets and deferred expenses	(2)	(1)	(11)
Repayment of deposits and long-term loans	1	2	9
Loans granted	(7)	(5)	(8)
Dividends from investees	-	63	159
Cash received in respect of investing activities with investees	39	-	91
Cash paid in respect of investing activities with investees	(27)	(22)	(152)
Net cash flows from investing activities	5	34	74
Cash flows from financing activities			
Repayment of debentures and long-term loans	(202)	(188)	(215)
Dividends paid	-	-	(150)
Short-term bank credit, net	44	-	-
Net cash flows used in financing activities	(158)	(188)	(365)
Net decrease in cash and cash equivalents	(103)	(59)	(106)
Cash and cash equivalents as at January 1	126	232	232
Cash and cash equivalents as at end of period	23	173	126

The attached information is an integral part of the separate financial information.

Note 1 - Reporting Rules and Accounting Policies

1.1 General

1.1.1 The Company's business comprises the activity of the Group Headquarters the Group's salad activity in Israel and the Group's confectionery operation in Israel, which includes the development, manufacture and marketing of branded candy products.

1.1.2 The Interim Separate Financial Information of Strauss Group Ltd. (hereinafter: the "Company") is presented in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970 and the Tenth Addendum to the said regulations with respect to the separate financial information of the corporation. This financial information should be read in conjunction with the Financial Information as at and for the year ended on December 31, 2016, and in conjunction with the interim consolidated financial statements as at March 31, 2017 (hereinafter: the "Interim Consolidated Financial Statements").

The accounting policy applied in this Condensed Interim Separate Financial Information is in accordance with the accounting policy rules described in the Separate Financial Information as at December 31, 2016.

1.1.3 In this Separate Financial Information – the Company and investee companies as defined in Note 1 to the Consolidated Financial Statements of the Company as at December 31, 2016.

1.1.4 The Interim Separate Financial Information is presented in Shekels, which is the Company's functional currency. The financial information is presented in NIS millions and rounded to the nearest million.

Note 2 - Seasonality

Confectionery sales in Israel are characterized by seasonality and are generally higher in the first quarter of the year. Seasonality is mainly affected by the winter months, when greater consumption of chocolate products is typical, as well as by increased consumption of confectionery products as Passover approaches. There is no clear trend of seasonality in the area of salads in Israel

Note 3 - Material Events during the Reported Period

For information on material events during the Reported Period see Notes 4 to the Consolidated Interim Financial Statements.

Note 4 - Share-Based Payment

For information on share-based payment see Notes 5 to the Consolidated Interim Financial Statements.

Note 5 - Contingent liabilities

For information on Contingent liabilities see Notes 6 to the Consolidated Interim Financial Statements.

Note 6 - Financial Instruments

6.1 Fair value of financial instruments measured at fair value

For information on the fair value of financial instruments measured at fair value, see Note 8.1 to the Consolidated Interim Financial Statements.

6.2 Fair value hierarchy

For information on the Fair value hierarchy of financial instruments, see Note 8.2 to the Consolidated Interim Financial Statements.

Note 7 - Events after the Reporting Date

7.1 After the date of the Statement of Financial Position, and further to the acquisition of the minority in the subsidiary Strauss Water Ltd. (the "Subsidiary") in November 2016, the Company and the Subsidiary signed on a change to the terms of the loans provided by the Company to the Subsidiary in the past, which will apply as of January 1, 2017. The balance of the loans (principal and interest accrued) as of January 1, 2017, amounted to approximately NIS 124 million. Within the change to the terms, the existing loans were replaced with interest-free capital deeds and the maturity date is May 18, 2022.

7.2 For information on events after the reporting date, see Note 9 to the Consolidated Interim Financial.

STRAUSS GROUP LTD.

ISOX DECLARATION

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure Pursuant to Regulation 38c(a)

Management, under the supervision of the Board of Directors of Strauss Group Ltd. (the "Corporation"), is responsible for determining and maintaining proper internal control over financial reporting and disclosure within the Corporation.

For this purpose, the members of Management are:

1. Gadi Lesin, President & CEO;
2. Giyora Bar Dea, Deputy Chief Executive Officer;
3. Shahar Florence, EVP & CFO;
4. Mike Avner, EVP, CLO, Company Secretary;
5. Nurit Tal Shamir, SVP HR;

Internal control over financial reporting and disclosure includes controls and procedures existing within the Corporation, which were planned by or under the supervision of the CEO and the most senior financial officer, or by anyone actually performing such functions, under the supervision of the Board of Directors of the Corporation, which are designed to provide a reasonable level of assurance regarding the reliability of financial reporting and preparation of the reports according to the provisions of the law, and to ensure that information which the Corporation is required to disclose in reports released thereby according to the law is gathered, processed, summarized and reported within the time frames and in the format set forth in the law.

Internal control includes, *inter alia*, controls and procedures which were planned to ensure that information which the Corporation is required to disclose as aforesaid, is gathered and transferred to the Management of the Corporation, including the CEO and the most senior financial officer, or anyone actually performing such functions, in order to enable timely decision-making in reference to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide full assurance that misrepresentation or omission of information in the reports is prevented or discovered.

In the Annual Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure, which was attached to the Periodic Report for the period ended December 31, 2015 (hereinafter: the "Latest Annual Report on Internal Control"), the Board of Directors and Management evaluated internal control in the Corporation.

Based on this evaluation, the Board of Directors and Management of the Corporation reached the conclusion that the above mentioned internal control as at December 31, 2016 is effective.

Until the reporting date the Board of Directors and Management were not informed of any event or matter that are able to alter the evaluation of the effectiveness of financial control, as presented in the Latest Annual Report on Internal Control.

As at the reporting date, based on the evaluation of the effectiveness of internal control in the Latest Annual Report on Internal Control, and based on information brought to the knowledge of Management and the Board of Directors as mentioned above, internal control is effective.

<u>Statement of the Chief Executive Officer Pursuant to Regulation 38c(d)(1):</u>

Managers' Statement

Statement of the Chief Executive Officer

I, Gadi Lesin, warrant that:

(1) I have reviewed the quarterly report of Strauss Group Ltd. (hereinafter: the “Corporation”) for the first quarter of 2017 (hereinafter: the “Reports”).

(2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, nor omit any representation of a material fact which is required for the representations included therein, in view of the circumstances in which such representations were included, not to be misleading in reference to the period of the Reports.

(3) To my knowledge, the Financial Statements and other financial information included in the Reports adequately reflect, from all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the Reports relate.

(4) I have disclosed to the Corporation’s auditor and to the Corporation’s Board of Directors and the Audit and Financial Statement Committees, based on my most current assessment of the internal control over financial reporting and disclosure:

a. Any and all significant flaws and material weaknesses in the determination or operation of internal control over financial reporting and disclosure, which may reasonably adversely affect the Corporation’s ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in accordance with the provisions of the law; and -

b. Any fraud, either material or immaterial, which involves the CEO or anyone directly subordinate to him or which involves other employees who play a significant role in the internal control over financial reporting and disclosure.

(5) I, either alone or jointly with others in the Corporation:

a. Have determined controls and procedures, or confirmed the determination and existence of controls and procedures under my supervision, which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 2010, is presented to me by others within the Corporation and the consolidated companies, particularly during the period of preparation of the Reports; and –

b. Have determined controls and procedures or confirmed the determination and existence of controls and procedures under my supervision, which are designed to provide reasonable assurance of the reliability of financial reporting and preparation of the Financial Statements according to the provisions of the law, including in accordance with GAAP.

c. Was not informed of any event or matter occurring in the period between the date of the latest report (the Periodic Report as at December 31, 2016) and the date of the

Reports, which could alter the conclusion of the Board of Directors and Management regarding the effectiveness of the Corporation's internal control over financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person pursuant to any law.

May 28, 2017

____

Gadi Lesin, President & CEO

<u>Statement of the Most Senior Financial Officer Pursuant to Regulation 38c(d)(2):</u>

Managers' Statement

Statement of the Most Senior Financial Officer

I, Shahar Florence, warrant that:

(1) I have reviewed the Interim Financial Statements and the other financial information included in the interim reports of Strauss Group Ltd. (hereinafter: the "Corporation") for the first quarter of 2017 (hereinafter: the "Reports" or the "Interim Reports").

(2) To my knowledge, the Interim Financial Statements and other financial information contained in the Interim Reports do not contain any misrepresentation of a material fact, nor omit any representation of a material fact which is required for the representations included therein, in view of the circumstances in which such representations were included, not to be misleading in reference to the period of the Reports.

(3) To my knowledge, the Financial Statements and other financial information included in the Interim Reports adequately reflect, from all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the Reports relate.

(4) I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit and Financial Statement Committees, based on my most current assessment of the internal control over financial reporting and disclosure:

a. Any and all significant flaws and material weaknesses in the determination or operation of internal control over financial reporting and disclosure to the extent that it relates to the Interim Financial Statements and to the other financial information included in the Interim Reports, which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in accordance with the provisions of the law; and –

b. Any fraud, either material or immaterial, which involves the CEO or anyone directly subordinate to him or which involves other employees who play a significant role in the internal control over financial reporting and disclosure.

(5) I, either alone or jointly with others in the Corporation:

a. Have determined controls and procedures, or confirmed the determination and existence of controls and procedures under our supervision, which are designed to ensure that material information in reference to the Corporation, including companies thereof as defined in the Securities Regulations (Annual Financial Statements), 2010, is presented to me by others within the Corporation and the consolidated companies, particularly during the period of preparation of the Reports; and -

b. Have determined controls and procedures or confirmed the determination and existence of controls and procedures under my supervision, which are designed to provide reasonable assurance of the reliability of financial reporting and preparation of the Financial Statements according to the provisions of the law, including in accordance with GAAP.

c. Was not informed of any event or matter occurring in the period between the date of the latest report (the Periodic Report as at December 31, 2016) and the date of the Reports that refers to the Interim Financial Statements and to any other financial information included in the Interim Report, which I estimate could alter the conclusion of the Board of Directors and Management regarding the effectiveness of the Corporation's internal control over financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person pursuant to any law.

May 28, 2017

Shahar Florence, EVP & CF

STRAUSS GROUP LTD.

Inclusion of the financial statements of an investee pursuant to Regulation 44 of the Securities Regulations, 1970

Três Corações Alimentos S.A.

Condensed consolidated interim financial statements as of and for the three month periods ended 31 March 2017 and 2016 and independent auditors' limited review report on condensed consolidated interim financial statements

Contents

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Independent auditors' report on review of interim financial statements

To
Directors and shareholders of Três Corações Alimentos S.A.
Eusébio - Ceará

Introduction
We have reviewed the accompanying 31 March 2017 condensed consolidated interim financial statements of Três Corações Alimentos S.A. ("the Company"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2017;
- the condensed consolidated statement of income and other comprehensive income for the three month period ended 31 March 2017;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2017;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2017; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Statement Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2017 condensed consolidated interim financial statements are not prepared in all material respects in accordance with IAS 34, 'Interim Financial Reporting'.

Fortaleza, 8 May 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6

João Alberto da Silva Neto
Accountant CRC RS-048980/O-0 T-CE

Três Corações Group

Consolidated interim statements of financial position as of 31 march 2017 and 31 december 2016

(In thousand of Brazilian Reais)

Assets	31 March 2017	31 December 2016
Current		
Cash and cash equivalents	23,005	86,524
Deposits	2,111	2,418
Trade receivables	399,338	393,469
Inventories	364,336	377,163
Recoverable taxes	48,386	37,798
Income tax receivable	11,272	14,030
Other current assets	16,824	14,114
	865,272	925,516
Non-current		
Judicial deposits	8,455	8,780
Loans to related parties	17,432	7,908
Other non-current assets	5,720	7,765
Deferred tax assets	14,177	14,299
Investments	4,093	4,211
Fixed assets	248,141	242,291
Intangible assets	272,928	268,456
	570,946	553,710
	1,436,218	1,479,226

Liabilities	31 March 2017	31 December 2016
Current		
Short term loans	273,975	298,804
Trade payables	125,865	151,143
Income tax payables	1,035	1,253
Employees and other payroll related liabilities	45,408	42,134
Proposed dividends	59,268	59,268
Interest on equity payable	48,008	43,938
Payable taxes	19,561	27,724
Derivative instruments	57	-
Other current liabilities	19,858	36,335
	593,035	660,599
Non-current		
Long term loans	134,720	134,243
Other non-current liabilities	2,616	2,565
Deferred tax liabilities	9,067	9,364
Provision for legal proceedings	18,970	19,518
	165,373	165,690
Equity		
Share capital	272,370	272,370
Translation reserve	(95,331)	(99,228)
Retained earnings	500,771	479,795
	677,810	652,937
	1,436,218	1,479,226

The accompanying notes are an integral part of these consolidated financial statements.

Três Corações Group

Consolidated interim statements of income

Three months period ended 31 March 2017 and 2016

(In thousand of Brazilian Reais)

	Three months period ended	
		31 March
	2017	**2016**
Revenue	760,330	629,826
Cost of sales	(579,375)	(465,556)
Gross profit	180,955	164,270
Selling and marketing expenses	(118,077)	(100,140)
General and administrative expenses	(27,437)	(20,566)
Equity method	(118)	-
Other income, net	28	40
Operating profit	35,351	43,604
Finance income	1,933	2,863
Finance expenses	(9,752)	(5,815)
Profit before income tax	27,532	40,652
Income tax expenses	(2,156)	(10,333)
Profit for the period	25,376	30,319

The accompanying notes are an integral part of these consolidated financial statements.

Três Corações Group

Consolidated interim statements of comprehensive income

Three months period ended 31 March 2017 and 2016

(In thousand of Brazilian Reais)

	Three months period ended	
		31 March
	2017	**2016**
Profit for the period	25,376	30,319
Foreign currency translation differences	3,897	4,537
Comprehensive income for the period	29,273	34,856

The accompanying notes are an integral part of these consolidated financial statements.

Três Corações Group

Consolidated interim statements of changes in equity

Three months period ended 31 March 2017 and 2016

(In thousand of Brazilian Reais)

		Retained earnings					
	Share capital	Legal reserve	Tax incentives	Profit to distribute	Translation adjustments	Accumulated profit	Total
Balance as of 31 December, 2015	272,370	32,716	157,782	175,004	(105,500)	-	532,372
Profit for the period	-	-	-	-	-	30,319	30,319
Other comprehensive gain:							
Foreign currency translation differences	-	-	-	-	4,537	-	4,537
Total other comprehensive gain:	-	-	-	-	4,537	30,319	34,856
Internal equity changes							
State VAT and Federal tax incentives	-	-	7,506	-	-	(7,506)	-
Profit destination:							
Legal reserve	-	1,516	-	-	-	(1,516)	-
Reserve for profit to be distributed	-	-	-	21,297	-	(21,297)	-
	-	1,516	7,506	21,297	-	(30,319)	-
Balance as of 31 March, 2016	272,370	34,232	165,288	196,301	(100,963)	-	567,228
Balance as of 31 December, 2016	272,370	42,209	194,522	243,064	(99,228)	-	652,937
Profit for the period	-	-	-	-	-	25,376	25,376
Other comprehensive gain:							
Foreign currency translation differences	-	-	-	-	3,897	-	3,897
Total other comprehensive gain:	-	-	-	-	3,897	25,376	29,273
Internal equity changes							
State VAT and Federal tax incentives	-	-	8,787	-	-	(8,787)	-
Profit destination:							
Legal reserve	-	1,269	-	-	-	(1,269)	-
Interest on equity credited	-	-	-	-	-	(4,400)	(4,400)
Reserve for profit to be distributed	-	-	-	10,920	-	(10,920)	-
	-	1,269	8,787	10,920	-	(25,376)	(4,400)
Balance as of 31 March, 2017	272,370	43,478	203,309	253,984	(95,331)	-	677,810

The accompanying notes are an integral part of these consolidated financial statements.

Três Corações Group

Consolidated interim statements of cash flows

Three months period ended 31 March 2017 and 2016

(In thousand of Brazilian Reais)

	Three months period ended	
		31 March
	2017	2016
Cash flows from operating activities		
Profit for the period	25,376	30,319
Adjustments for:		
Depreciation and amortization	8,240	7,044
Provision for legal proceedings	(548)	14
Other income, net	(28)	(40)
Equity method	118	-
Financing expenses, net	7,819	2,952
Income tax expenses	2,156	10,333
Interest paid, net	(11,578)	(4,065)
Income tax paid	-	(3,862)
	31,555	42,695
Change in:		
Trade receivables	(7,374)	(16,826)
Inventories	14,251	(15,444)
Recoverable and payable taxes, net	(19,081)	(5,729)
Derivatives, net	57	-
Judicial deposits	325	(74)
Trade payables	(25,278)	(19,174)
Employees and other payroll related liabilities	3,274	4,425
Other current and non-current assets and liabilities	(198)	3,615
Net cash flows used in operating activities	(2,469)	(6,512)
Cash flows from investing activities		
Change in deposits	237	(54,554)
Payment for acquisition of operations	(18,992)	-
Proceeds from sales of fixed assets	265	597
Acquisition of fixed assets	(11,202)	(12,199)
Investments in intangible assets	(3,733)	(571)
Long-term loans to related parties	(9,154)	-
Net cash flows used in investing activities	(42,579)	(66,727)
Cash flows from financing activities		
Proceeds from loans	93,783	101,897
Repayment of loans	(112,254)	(127,818)
Net cash flows used in financing activities	(18,471)	(25,921)
Net decrease in cash and cash equivalents	(63,519)	(99,160)
Net decrease in cash and cash equivalents		
Cash and cash equivalents as of beginning of period	86,524	159,996
Cash and cash equivalents as of end of period	23,005	60,836
	(63,519)	(99,160)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the condensed consolidated interim financial statements

(Amounts in thousands of Brazilian reais, unless otherwise stated)

1 Reporting entity

Três Corações Alimentos S.A. and its controlled entities are an industrial and commercial group of companies, which operates in Brazil, in producing and selling branded coffee products, multibeverage single portion capsules and machines, powdered juices, chocolate drinks and corn meal products. The Group is also active in green coffee exports, lending Away-From-Home machines and operation of cafeterias.

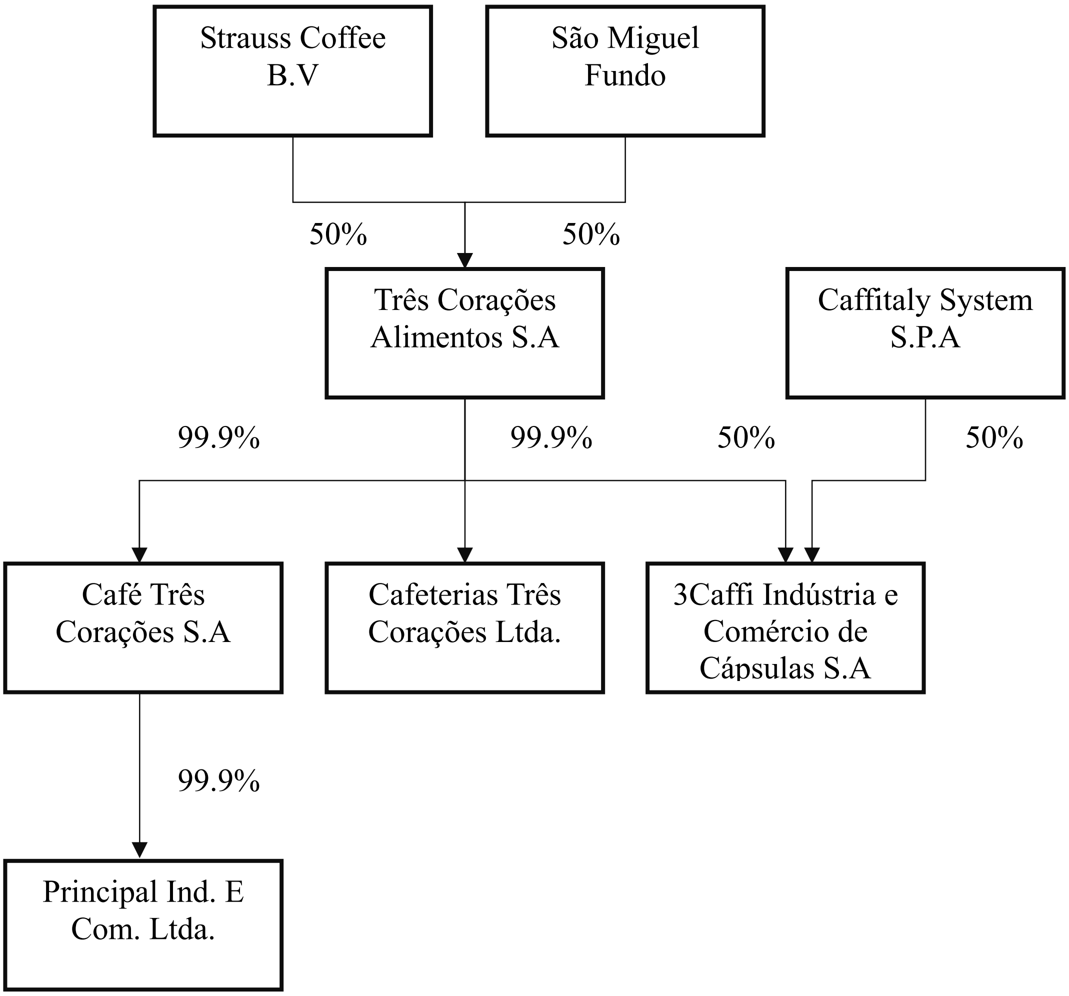
The Company controls the entities Cafeterias Três Corações Ltda. and Café Três Corações S.A., which controls the entity Principal Comércio e Indústria de Café Ltda., all together referred to as "the Group". The Company is part of a joint-venture with Caffitaly System S.p.A., whereby it holds 50% share of company 3Caffi Indústria e Comércio de Cápsulas S.A. ("3Caffi"). 3Caffi is not consolidated in this report, since the Group no longer controls it.

The Company is located at Rua Santa Clara, 100, Parque Santa Clara, Eusébio, Ceará, Brazil.

The Group is currently the largest group in roasted and ground coffee business in Brazil, and owns the coffee and other food brands of Santa Clara, Kimimo, Três Corações, Pimpinela, Principal, Fino Grão, Café Doutor, Café Opção, Café Divinópolis, Café Geronymo, Estrada Real, Café Letícia, Itamaraty, Londrina, Chocolatto, Dona Clara, Claramil, Frisco, Tornado, Tres, Iguaçu, Cruzeiro, Amigo, and the recently acquired brands Cirol, Cirol Real and Realmil.

The Group's industrial facilities are located in the states of Ceará, Rio Grande do Norte, Minas Gerais and Rio de Janeiro, and its distribution centers are located in almost all states of Brazil. In addition to that, the Group owns green coffee processing plants in the state of Minas Gerais. Part of the facilities used by the Group is leased from one of its related parties, Três Corações Imóveis Armazéns Gerais e Serviços Ltda., which is not consolidated in this report, since it is not part of the Group structure presented below. Três Corações Imóveis Armazéns Gerais e Serviços Ltda. is owned by São Miguel Holding e Investimentos S.A. (50%) and Strauss Coffee B.V. (50%).

As of 31 March 2017, the Group had the following structure:



2 Basis of preparation

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 regarding interim financial reporting. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the IFRS audited financial statements of the Company as of 31 December 2016 and for the year then ended, together with its accompanying notes (hereinafter - the "Annual Financial Statements").

These condensed consolidated interim financial statements were authorized for issue by the Company's Management on 8 May 2017.

3 Significant accounting policies

The accounting principles applied by the Company in preparing these condensed consolidated interim financial statements are consistent with the principles applied by the Company in preparing its audited Annual Financial Statements as of 31 December 2016 and have been applied consistently to all entities of the Group.

4 Material events during the reported period

4.1 Caffi Indústria e Comércio de Cápsulas S.A. ("3Caffi")

During the three month period ended on 31 March 2017, the Company entered in shareholders loan agreement with 3Caffi in the amount of R$ 9,154 in order to support the investment in the capsules factory. The shareholder's loan is supported by a formal agreement, stipulates interest of 100% of the Brazilian Interbank Deposit CDI rate, with a due date in 181 days.

4.2 Acquisition of Cirol Royal S.A brands portfolio

In March 2017, the Group won a Governamental auction to purchase from Cirol Royal S.A the brands portfolio with a bid of R$ 2,200, plus 5% of public auctioneer commission, to be paid as follows:

- R$ 360 paid in March 2017, already included the R$ 110 commission of 5%.

- R$ 1,950 will be paid in 10 consecutive monthly installments of R$ 195 each, plus interest at the Benchmark rate (TR) of 1% a month.

4.3 Iguaçu acquisition

In March 2017, the Group paid the remaining amount of R$ 18,992, due Iguaçu acquisition.

5 Net debt

	31 March 2017 (Unaudited)	**31 December 2016 (Audited)**
Short term loans	273,975	298,804
Long term loans	134,720	134,243
Cash and cash equivalents	(23,005)	(86,524)
Net debt	385,690	346,523

The increase in net debt presented above is mainly due to decreae in trade payables and payment for acquisition, as mentioned in item 4.3 above.

6 Contingent liabilities

There were no material events related to contingent liabilities during the reported period, except for the usual interest accrued on the provisioned contingent liabilities balances.

7 Financial instruments

a. Fair value of financial instruments

The carrying amounts of the cash and cash equivalents, short and long term financial investments, trade receivables, other receivables and debit balances, credit from banks and others, trade payables and other payables and credit balances are the same or close to their fair value, except as mentioned below.

Presented below are the carrying amounts and fair values of financial liabilities that are not presented in the financial statements at fair value or close to it:

	31 March 2017		**31 December 2016**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	(Unaudited)		**(Audited)**	
Financial liabilities				
Short term loans	273,975	243,175	298,804	254,013
Long term loans	134,720	108,351	134,243	110,019

The fair value is based on the contractual cash flow discounted to each reporting date, based on the market interest rates as of each reporting date. The carrying amount includes interest accrued as of each reporting date.

b. Fair value hierarchy

The Company uses the following hierarchy to determine and disclose the fair values of financial instruments, based on the valuation methodology used:

- **Level 1**: quoted prices (unadjusted) in active market.
- **Level 2**: inputs other than quoted prices within level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- **Level 3**: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

As of 31 December 2016, the Group did not have financial instrument balances carried at fair value using valuation methods. As of 31 March 2017 the Group had futures open positions in the amount of R$ 57, classified as level 2 and with due date of May 2017.

*   *   *

Pedro Alcântara Rêgo de Lima	Danisio Costa Lima Barbosa	Adenise Evangelista de Melo
Chief Executive Officer	Chief Financial Officer	Accountant
Três Corações Alimentos S.A.	Três Corações Alimentos S.A.	Três Corações Alimentos S.A.