STRAUSS GROUP LTD.
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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 2015[1] (HEREINAFTER: THE "PERIODIC REPORT")

Following is a description of material changes and/or developments that occurred in the Company's business in the three months ended on March 31, 2016 and through to the date of publication of the report, which are required to be described in the Periodic Report in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970. This update refers to several sections in the chapter Description of the Company's Business Affairs as well as a number of regulations appearing in the chapter Additional Information on the Company in the Company's 2015 Periodic Report ("Description of the Company's Business Affairs" and "Additional Information on the Company", respectively).

1. Section 22 of the Description of the Company's Business Affairs Report, Financing

Section 22.1, General – On May 18, 2016 the Company published a shelf prospectus. For further information, see the Company's Immediate Report dated May 18, 2016 (reference no. 2016-01-028557).

Section 22.8, Credit Rating – On April 4, 2016 the Company announced the reaffirmation of Standard & Poor's Maalot's ilAA+ rating with revision of the outlook from stable to negative. For further information, see the Company's Immediate Report dated April 4, 2016 (reference no. 2016-01-041209).

On April 21, 2016 the Company announced the reaffirmation of Midroog's Aa2 rating for the Company's outstanding Series B and Series D Debentures, with stable outlook. For further information, see the Company's Immediate Report dated April 21, 2016 (reference no. 2016-01-054433).

2. Section 27 of the Description of the Company's Business Affairs Report, Legal Proceedings

For updates, see Note 6 to the Consolidated Interim Financial Statements of the Company as at March 31, 2016.

3. Regulation 26 of the Additional Information on the Company Report, Directors of the Company

On May 3, 2016 the Company announced that Mr. Ran Midyan had ceased to serve as a director of the Company. For further information, see the Company's Immediate Report dated May 3, 2016 (reference no. 2016-01-058330).

Date: May 22, 2016

Names and titles of signatories:
Ofra Strauss, Chairperson of the Board of Directors
Gadi Lesin, CEO

Strauss Group Ltd.

[1] As published on March 21, 2016 (reference number 2016-01-010371).

STRAUSS GROUP LTD.

BOARD OF DIRECTORS' REPORT
TO THE SHAREHOLDERS
AS AT MARCH 31, 2016

STRAUSS GROUP LTD.
BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE QUARTER ENDED MARCH 31, 2016

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 2016 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, 2015, the Financial Statements and Board of Directors' Report on the Company's Business Position for the year then ended (the "2015 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 2016 the Group held an 11.8% share of the domestic food and beverage market (in value terms[1]), 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] (a company jointly held by the Group (50%) and by the Brazilian São Miguel Group (50%)) 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; and **the operation in the US and Canada**, which includes Sabra's operations and part of the Max Brenner business (not including Israel). The Group is also active in Australia and in 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 retail chains, private stores and supermarkets, kiosks, workplaces, hotels, vending machines, etc.

The controlling shareholders of the Company are Mr. Michael Strauss through his holdings in Strauss Holdings Ltd. (hereinafter: the **"Parent Company"** or **"Strauss Holdings"**) and Ms. Ofra Strauss, who is deemed to hold the shares of the Company together with him.

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[1] According to StoreNext figures. StoreNext engages in the measurement of the everyday consumer goods market in the barcoded retail market (hereinafter: **"StoreNext"**).

[2] Três Corações– "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).

The Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

CHANGES IN THE ECONOMIC ENVIRONMENT

Prices of raw materials and other production inputs – The commodities markets account for a substantive component of the materials used in the manufacture of the Group's products. The first quarter of 2016 was characterized by a drop in the average market prices of some of the Company's raw materials, while the average market prices of other raw materials increased compared to the corresponding period last year. On the one hand, green coffee prices dropped (except in Brazil), as did the price of raw milk (the "target price"), the prices of milk powders, tahini, hazelnuts and almonds, and the prices of seeds and sesame. On the other, green coffee prices in Brazil rose (in Brazilian Reals), as did the prices of cocoa (the increase was partly offset by the weakening of the Pound Sterling), sugar, potatoes and olive oil, coupled with increases in the minimum wage and other production inputs such as municipal rates and taxes. In the third quarter of 2015 the Group lowered its prices in a number of dairy product categories such as white cheese, desserts, milk beverages and enriched milk, by 3%-7%. In the beginning of 2016 the Company made a further significant reduction in prices – 15%-20% - particularly those of enriched milk and Activia yogurt. Since the beginning of 2016 there have been signs of a recovery in global commodity prices.

The Group is taking steps to reduce the impacts arising as a result of commodity price volatility, including hedging, changes in the raw materials mix in its products and operational streamlining. 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.

Energy prices – Commencing in the second half of 2014 oil prices dropped dramatically. This trend was curbed in the first quarter of 2016 and is reflected in rising energy prices. The cumulative decrease in energy prices has had a favorable effect on the costs of production, transportation and raw materials, and also on packaging costs. However, the drop in energy prices has indirect impacts, such as a high correlation between the decrease in oil prices and the weakening of the Russian Ruble against the US Dollar.

Exchange rate fluctuations – In the first quarter of 2016 the average currency rates weakened versus the Shekel compared to the average currency rates in the corresponding period last year. This weakening led to negative translation differences in the Group's statements of income. In the first quarter of 2016 part of the currencies in which the Group operates – such as the Brazilian Real and the Russian Ruble – were revalued against the Shekel, leading to a net increase in the Group's shareholders' equity. For an analysis of the foreign currency effect on the Group's sales, see the section on the analysis of financial results below.

The following table presents the average exchange rates **versus the Shekel** in the first quarter of 2016 compared to the corresponding period last year:

Currency		Average exchange rate in Q1		% change
		2016	2015	
United States Dollar	USD	3.905	3.944	*-1.0*
Ukrainian Hryvnia	UAH	0.152	0.182	*-16.4*
Russian Ruble	RUB	0.052	0.063	*-16.7*
Serbian Dinar	RSD	0.035	0.037	*-4.2*
Romanian RON	RON	0.959	1.001	*-4.2*
Polish Zloty	PLN	0.988	1.061	*-6.8*
Brazilian Real	BRL	1.002	1.389	*-27.9*
Renminbi (China)	CNY	0.597	0.642	*-7.1*
Canadian Dollar	CAD	2.846	3.185	*-10.6*
Australian Dollar	AUD	2.816	3.102	*-9.2*
Mexican Peso	MXN	0.217	0.264	*-17.9*

The following table presents the average exchange rates **versus the Dollar** in the first quarter of 2016 compared to the corresponding period last year:

Currency		Average exchange rate in Q1		% change
		2016	2015	
New Israeli Shekel	ILS	0.256	0.254	*1.0*
Ukrainian Hryvnia	UAH	0.039	0.046	*-15.6*
Russian Ruble	RUB	0.013	0.016	*-15.9*
Serbian Dinar	RSD	0.009	0.009	*-3.3*
Romanian RON	RON	0.246	0.254	*-3.2*
Polish Zloty	PLN	0.253	0.269	*-5.9*
Brazilian Real	BRL	0.257	0.352	*-27.2*

Mega Retail Ltd. - As at the reporting date and to the best of the Company's knowledge, on May 10, 2016 the trustees of the Mega Retail Ltd. chain (hereinafter: "Mega") filed a motion with the district court to enter into an agreement for Mega's acquisition by Yenot Bitan Ba'Ir (a company currently incorporating) of the Yenot Bitan Group. The trustees further requested that a meeting of the company's creditors be convened to discuss and vote on the company's proposed composition with its creditors. In light of the scale of the offer and the anticipated collection rates, and considering the credit insurance in place and the provisions made by the Company for doubtful debts, Management is of the view that this will not have a material impact on the Company's business results.

QUALITATIVE REPORT ON EXPOSURE TO MARKET RISKS AND THE MEANS FOR THEIR MANAGEMENT

Other than as described below, as at March 31, 2016 and compared to December 31, 2015, there has been no material change in the market risks to which the Company is exposed, in the policy for managing these risks, in the persons responsible for their management and in the means for supervising and realizing the policy, as described in the Board of Directors' Report as at December 31, 2015. For further information, see Note 28 to the financial statements regarding financial instruments and section 30 in the chapter "Description of the Company's Business Affairs" as at December 31, 2015, under the discussion of risk factors.

ANALYSIS OF FINANCIAL RESULTS

Commencing in the first quarter of 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 the cash flows of businesses which are jointly controlled by Strauss and a partner are no longer stated according to Strauss's relative holding in the entity as was formerly the practice, but in a separate row ("Income of equity-accounted investees", and in other reports in the relevant section). The reporting method does not alter the Group's profit. It is noted that this is a change in reporting method only 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 change in the management of the jointly held businesses.
The information contained in this report and its presentation were examined from the Company's perspective in order to provide a comprehensive picture and fairly present the manner in which the Company manages 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 the standard was applied. The next pages present the non-GAAP reports, the GAAP reports and the various adjustments made by the Company in making the transition between the Company's GAAP reports and its non-GAAP reports.
Strauss Group has a number of jointly controlled companies: 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).
The next pages present the non-GAAP reports, the GAAP reports and the various adjustments made by Company Management in making the transition from the Company's GAAP reports to its non-GAAP reports:

[1] Três Corações (3C) – "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 Company's non-GAAP management reports) for the quarters ended March 31, 2016 and 2015 (in NIS millions)*:

	First Quarter		
	2016	**2015**	**% Chg**
Sales	**1,880**	**1,930**	***(2.6)***
Organic growth excluding the foreign currency effect	4.7%	1.8%	
Cost of sales	1,154	1,201	*(3.9)*
Gross profit – non-GAAP	**726**	**729**	***(0.5)***
% of sales	38.6%	37.8%	
Selling and marketing expenses	403	423	*(4.6)*
General and administrative expenses(1)	110	109	*0.4*
Operating profit – non-GAAP	**213**	**197**	***7.7***
% of sales	11.3%	10.2%	
Financing expenses, net	(32)	(18)	*72.1*
Income before taxes on income	**181**	**179**	***1.0***
Taxes on income	(47)	(50)	*(6.3)*
Effective tax rate	26.1%	28.2%	
Income for the period – non-GAAP	**134**	**129**	***3.9***
Attributable to: The Company's shareholders	**107**	**102**	***5.1***
Non-controlling interests	27	27	*(0.6)*
EPS (NIS)	1.00	0.95	*4.9*

(1) In the first quarter of 2016, 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 non-GAAP management reports) of the major business sectors for the quarters ended March 31, 2016 and 2015 (in NIS millions)*:

	First Quarter		
	2016	**2015**	**% Chg**
Israel			
Net sales	776	753	*2.9*
Operating profit	98	92	*6.6*
Coffee			
Net sales	780	846	*(7.8)*
Operating profit	80	86	*(7.4)*
International Dips & Spreads			
Net sales	185	182	*1.6*
Operating profit	27	14	*90.7*
Other			
Net sales	139	149	*(6.4)*
Operating profit	8	5	*50.6*
Total			
Net sales	**1,880**	**1,930**	***(2.6)***
Operating profit	**213**	**197**	***7.7***

**** 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, 2016 and 2015 (in NIS millions)*:

	First Quarter		
	2016	**2015**	**% Chg**
Sales	1,321	1,308	*1.0*
Cost of sales excluding impact of valuation of balance of commodity hedging transactions	793	812	*(2.3)*
Valuation of balance of commodity hedging transactions as at end of period**	(6)	37	
Cost of sales	787	849	*(7.3)*
Gross profit	**534**	**459**	***16.2***
% of sales	40.4%	35.1%	
Selling and marketing expenses	292	284	*2.9*
General and administrative expenses	87	83	*3.9*
Total expenses	**379**	**367**	
Share of profit of equity-accounted investees	51	49	*2.8*
Operating profit before other expenses	**206**	**141**	***45.7***
% of sales	15.6%	10.8%	
Other expenses, net	(2)	(3)	
Operating profit after other expenses	**204**	**138**	***47.8***
Financing expenses, net	(30)	(11)	
Income before taxes on income	**174**	**127**	***36.8***
Taxes on income	(42)	(36)	*16.4*
Effective tax rate	24.1%	28.4%	
Income for the period	**132**	**91**	***44.9***
Attributable to: **The Company's shareholders**	**104**	**72**	***43.8***
Non-controlling interests	28	19	*49.3*

**** 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 March 31 of open positions in the Group in respect of financial derivatives used to hedge commodity prices***.

<u>Following are the adjustments to the Company's non-GAAP management 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 accounting (non-GAAP) and internal reports):

	First Quarter 2016			**First Quarter 2015**		
	Equity method	**Change**	**Proportionate consolidation method (formerly applied)**	**Equity method**	**Change**	**Proportionate consolidation method (formerly applied)**
Sales	**1,321**	**559**	**1,880**	**1,308**	**622**	**1,930**
Cost of sales excluding impact of valuation of balance of commodity hedging transactions as at end of period	793	361	1,154	812	389	1,201
Valuation of balance of commodity hedging transactions as at end of period	(6)	-	(6)	37	2	39
Cost of sales	787	361	1,148	849	391	1,240
Gross profit	**534**	**198**	**732**	**459**	**231**	**690**
% of sales	40.4%		38.9%	35.1%		35.8%
Selling and marketing expenses	292	111	403	284	139	423
General and administrative expenses and Company's share of profit of equity-accounted investees[(1)]	36	77	113	34	79	113
Operating profit before other expenses	**206**	**10**	**216**	**141**	**13**	**154**
% of sales	15.6%		11.4%	10.8%		8.0%
Other expenses, net	(2)	-	(2)	(3)	-	(3)
Operating profit after other expenses	**204**	**10**	**214**	**138**	**13**	**151**
Financing expenses, net	(30)	(2)	(32)	(11)	(7)	(18)
Income before taxes on income	**174**	**8**	**182**	**127**	**6**	**133**
Taxes on income	(42)	(8)	(50)	(36)	(6)	(42)
Effective tax rate	24.1%		27.3%	28.4%		31.6%
Income for the period	**132**	**-**	**132**	**91**	**-**	**91**
Attributable to: The Company's shareholders	**104**	**-**	**104**	**72**	**-**	**72**
Non-controlling interests	28	-	28	19	-	19

(1) For further information, see the above GAAP statements of income for the quarters ended March 31, 2016 and 2015.

**** 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 non-GAAP management reports (share-based payment and liability plan, valuation of hedging transactions, other expenses and taxes referring to these adjustments)*:

	First Quarter		
	2016	**2015**	**% Chg**
Operating profit – according to proportionate consolidation method – after other expenses	**214**	**151**	***40.7***
Share-based payment and liability plan	3	4	
Valuation of balance of commodity hedging transactions as at end of period	(6)	39	
Other expenses, net	2	3	
Operating profit – non-GAAP	**213**	**197**	***7.7***
Financing expenses, net	(32)	(18)	
Taxes on income	(50)	(42)	
Taxes in respect of adjustments to the above non-GAAP operating profit	3	(8)	
Income for the period – non-GAAP	**134**	**129**	***3.9***
Attributable to: **The Company's shareholders**	**107**	**102**	***5.1***
Non-controlling interests	27	27	*(0.6)*

**** Financial data were rounded to NIS millions. The percentages change were calculated on the basis of the exact figures in NIS thousands***

ANALYSIS OF THE BUSINESS RESULTS OF THE GROUP

Sales – non-GAAP

	First Quarter	
	2016	**2015**
Sales	1,880	1,930
Growth	(2.6%)	(2.1%)
Organic growth excluding foreign currency effect	4.7%	1.8%

Organic growth of the Group's sales in the first quarter of 2016 excluding the foreign currency effect amounted to 4.7% compared to the corresponding quarter 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.

(1) As part of its activities in Brazil, the Três Corações joint venture exports green coffee, mainly to Europe and the US. The amount of green coffee sales is presented further on this report in the framework of sales by the coffee segment according to geographical regions.

The Group's sales in the first quarter of 2016, and particularly sales by Strauss Coffee, were impacted by translation differences into Shekels, which amounted to approximately NIS 134 million for the Group; of this sum, NIS 104 million are due to the erosion of the average rate of the Brazilian Real versus the Shekel in the quarter versus the corresponding quarter 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, excluding green coffee (an increase of approximately NIS 65 million), mainly reflected price increases implemented in most countries of operations (in Israel prices were reduced) in light of the rising cost of green coffee to the Company and the erosion of the local currencies versus the US Dollar compared to the corresponding period last year, as 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 22 million) mainly reflects volume growth, and was partly offset by price decreases in the various categories, particularly dairy products.

- Organic growth in sales by the International Dips & Spreads operation (approximately NIS 6 million), mainly reflecting growth in hummus sales with a slight increase in value market share since the end of the fourth quarter of 2015, up from 60.7% to 61.7% (62.5% in the corresponding quarter last year).

- Green coffee export sales by the Três Corações joint venture in Brazil[(1)(2)] , reflecting Strauss Coffee's share (50%), decreased in the first quarter by approximately NIS 5 million. The decrease reflects a substantial drop in sales volumes, which was partly offset by an increase in green coffee prices compared to the corresponding period last year.

- Organic decrease in sales by the "Other Operations" segment (approximately NIS 3 million), mainly arising from the change of the structure of the international operation in China, including a decrease in sales by Strauss Water to the Haier Strauss Water joint venture in light of the restructuring process, as well as a decrease in sales by Max Brenner.

- Inorganic decrease in the Group's sales (approximately NIS 1 million), mainly reflecting the discontinuation of proportionate consolidation and the change to the equity method in the Haier Strauss Water joint venture in China as a result of the restructuring process described above; the decrease was offset in part by sales arising from the acquisition of the Itamaraty coffee businesses by the Três Corações joint venture in Brazil.

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

[(1)] Três Corações (3C) – "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).

[(2)] As part of its activities in Brazil, the Três Corações joint venture exports green coffee, mainly to Europe and the US. The amount of green coffee sales is presented further on this report in the framework of sales by the coffee segment according to geographical regions.

Gross Profit – Non-GAAP

	First Quarter			
	2016	**2015**	**% change**	**% change less translation differences impact**
Gross profit	726	729	*(0.5)*	*5.6*
Gross profit margin	38.6%	37.8%		

The Group's non-GAAP gross profit in the first quarter of 2016 was negatively influenced by translation differences into Shekels, which amounted to approximately NIS 42 million. Most of the translation differences originated in Strauss Coffee (see also the table of exchange rates in the chapter "Changes in the Economic Environment").

The Group's non-GAAP gross profit in the first quarter of the year decreased by approximately NIS 3 million compared to the corresponding period last year:

- In Strauss Coffee the gross profit decreased by approximately NIS 37 million in the quarter compared to the corresponding period last year. The decrease mainly reflects negative translation differences into Shekels. The drop in the gross profit margin in the first quarter of 2016 is explained by the negative impact of the cost of green coffee to the Company in Brazil in local currency as well as the weakening of the local currencies versus the US Dollar compared to the corresponding period last year, since the currency in which green coffee is purchased in all countries of operations, except for Brazil, is the US Dollar. Most of this decrease was offset by price increases implemented in most countries where the Company is active (in Israel, prices were reduced). 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 used to economically hedge those commodities.

- In the Strauss Israel segment the gross profit rose by approximately NIS 27 million. The increase in the gross profit reflects the favorable effect of the launch of new products, efficiency enhancing moves applied in production and packaging processes in a number of manufacturing sites, a drop in energy prices and a decrease in the prices of some raw materials (particularly raw milk), which was accompanied by a reduction in the retail prices of some of the Company's products.

- The aggregate gross profit of the International Dips & Spreads and Other Operations segments grew by approximately NIS 7 million in the quarter. The growth in the gross profit in the first quarter of 2016 mainly reflects sales growth, efficiency enhancing processes and a decrease in the prices of commodities used in this segment.

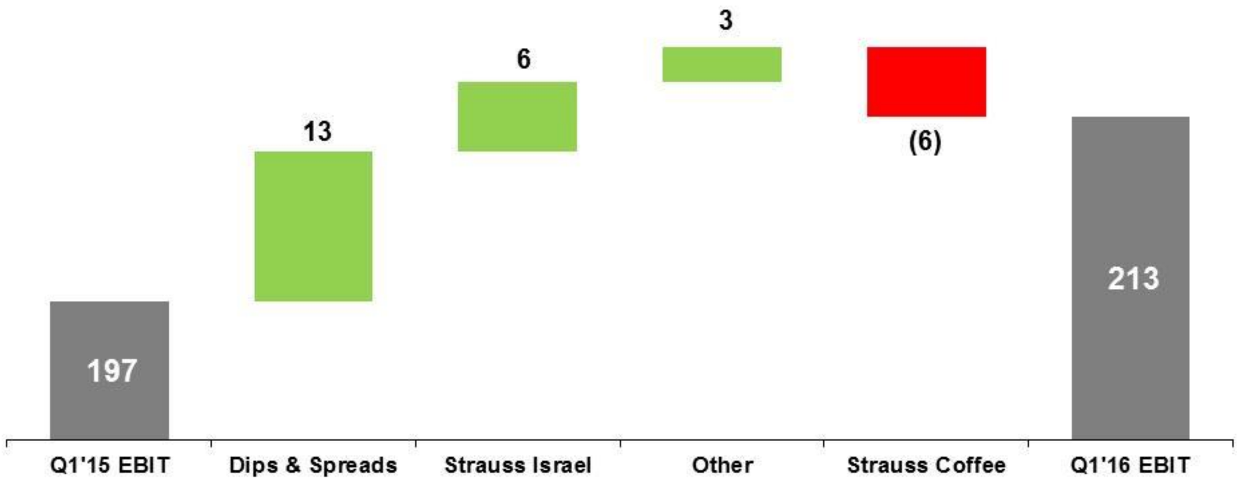
Further explanations on the Group's gross profit are included in the chapter "Analysis of the Business Results of the Group's Major Business Units".

Operating Profit before Other Expenses – Non-GAAP

	First Quarter			
	2016	**2015**	**% change**	**% change less translation differences impact**
Operating profit (EBIT)	213	197	*7.7*	*13.3*
Operating profit margin	11.3%	10.2%		

The Group's non-GAAP operating profit (EBIT) in the first quarter of 2016 was influenced by translation differences into Shekels, which amounted to approximately NIS 10 million. Most of the translation differences originated in Strauss Coffee (see also the table of exchange rates in the chapter "Changes in the Economic Environment").

In the first quarter of 2016 the non-GAAP operating profit grew by approximately NIS 16 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 2016 was the result of the following:

- The operating profit of the International Dips & Spreads operation increased by approximately NIS 13 million in the first quarter and mainly reflects an increase in Sabra's operating profit. The growth in EBIT in the quarter also reflects a positive impact by the product mix and the favorable effect of fuel and commodity prices compared to the corresponding quarter in 2015. In addition, Sabra's results include an insurance payout as a result of the product recall, which amounted to approximately NIS 10 million in the first quarter of 2016 (approximately NIS 5 million reflect the Group's share (50%)).

- An increase of approximately NIS 6 million in the operating profit of Strauss Israel in the quarter compared to the corresponding period last year. The increase in the operating profit mainly reflects an increase in sales, which was reflected in volume growth and was partly offset by price reductions in the various categories, as well as an increase in the gross profit reflecting the favorable effect of the drop in raw material prices as described above.

- An increase in the EBIT of the Other Operations segment – approximately NIS 3 million in the first quarter. The increase mainly reflects an improvement in Strauss Water's results.

- A drop of approximately NIS 6 million in the operating profit of the coffee operation in the first quarter of 2016 compared to last year. The decrease in the EBIT of the coffee business mainly reflects a drop in sales and a decrease in the gross profit, and was partly offset by a reduction in operating expenses. The change in Strauss Coffee's operating profit reflects:

    - A decrease in the operating profit of the Três Corações joint venture in Brazil[1] and a negative impact of the cost of green coffee. These were partly offset by an increase in volumes and prices. Três Corações' EBIT (before other expenses) dropped by 26.2% in the quarter (see the financial statements of Três Corações Alimentos S.A., which are attached to the financial statements of the Group);

    - An increase in the operating profit of the coffee business in the CEE countries in the first quarter of the year, mainly as a result of an improvement in the results of operations in Russia and Ukraine compared to the corresponding period last year;

    - A decrease in the operating profit of Israel Coffee in the first quarter of 2016, mainly as a result of a drop in sales due to the timing of the Passover holiday and an increase in the cost of green coffee to the Company compared to the corresponding period last year; on the other hand, an improvement in the instant coffee supply chain in Israel was achieved.

[1] Três Corações (3C) – "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).

Financing Expenses, Net – Non-GAAP

Net financing expenses in the first quarter of 2016 totaled NIS 32 million compared to expenses of NIS 18 million in the corresponding quarter last year. Most of the increase in financing expenses is due to the effect of a 0.9% decrease in changes in the (known) CPI, to which a substantive part of the Company's debt is indexed, in the quarter, compared to a decrease of 1.6% in the corresponding period last year, as well as expenses in respect of exchange differences and the valuation of foreign exchange derivatives following the weakening of the US Dollar in the current quarter, versus income from foreign exchange derivatives due to the strengthening of the Dollar in the corresponding period last year.

Net credit (according to the proportionate consolidation method) as at March 31, 2016 totaled NIS 1,748 million, compared to NIS 1,655 million on December 31, 2015.

Net credit (according to the equity method) as at March 31, 2016 totaled NIS 1,612 million, compared to NIS 1,516 million on December 31, 2015.

Taxes on Income – Non-GAAP

In the first quarter of 2016 taxes on income (non-GAAP) amounted to NIS 47 million, reflecting an effective tax rate of 26.1%, whereas in the corresponding period last year taxes on income amounted to NIS 50 million and the effective tax rate was 28.2%.

The decrease in the effective tax rate in the first quarter of 2016 is mainly the result of a decrease in the corporate tax rate (from 26.5% to 25%).

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

	First Quarter		
	2016	**2015**	**% Chg**
Income attributable to the Company's shareholders	107	102	*5.1*
% of sales	5.7%	5.3%	

Non-GAAP income attributable to the Company's shareholders in the first quarter of 2016 rose by approximately NIS 5 million compared to the corresponding quarter last year. The increase in non-GAAP income attributable to the Company's shareholders in the quarter was mainly due to growth in the operating profit and was offset in part by the increase in financing expenses.

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

In the first quarter of the year the GAAP comprehensive income amounted to approximately NIS 164 million, compared to a comprehensive loss of NIS 54 million in the corresponding period last year. In the reporting period income in respect of translation differences, which are the main component of the other comprehensive income, amounted to NIS 32 million compared to losses of NIS 151 million arising from translation differences in the corresponding period last year. The income from translation differences in the first quarter of 2016 primarily arises from Strauss Coffee's activity; of this sum, approximately NIS 28 million are due to the erosion of the average exchange rate of the Brazilian Real against the Shekel.

<u>LIQUIDITY, SOURCES OF FINANCE AND FINANCIAL POSITION (ACCORDING TO THE GAAP REPORT)</u>

<u>In the first quarter of 2016</u>

<u>Cash flows used in operating activities</u> amounted to a negative cash flow of approximately NIS 53 million, compared to a negative cash flow of NIS 153 million in the corresponding period last year. The change in cash flows is due to a decrease in supplier credit and payables in the reporting period compared to the corresponding period last year, mainly in light of changes in the supplier mix. In addition, in December 2015 the Company received a rebate from the Assessing Officer in respect of advance tax in the amount of approximately NIS 96 million. Of this amount, the sum of NIS 53 million was refunded to the Assessing Officer in January 2016.

<u>Cash flows used in investing activities</u> amounted to a negative cash flow of approximately NIS 18 million compared to a negative cash flow of NIS 35 million in the corresponding quarter last year. The change is mainly

due to investments in fixed assets on a smaller scale compared to the corresponding period and to the sale of securities and deposits on a smaller scale compared to the corresponding period in 2015.

Cash flows used financing activities amounted to a negative cash flow of approximately NIS 93 million compared to a negative cash flow of NIS 174 million last year. The change is mainly due a loan of NIS 100 million taken by a subsidiary in the current quarter, less a dividend paid to the holders of the non-controlling interest in the amount of NIS 21 million.

The Company's cash and cash equivalents as at March 31, 2016 totaled NIS 395 million compared to NIS 560 million on December 31, 2015. In accordance with Company policy, these assets are held mainly in deposits (most of them in Shekels and Dollars).

The Company's liquidity ratio as at March 31, 2016 is 1.37 compared to 1.39 on December 31, 2015. On March 31, 2016 liabilities in respect of long-term loans and credit (including current maturities) amounted to NIS 1,984 million compared to NIS 2,096 million on December 31, 2015. On March 31, 2016 short-term credit (excluding current maturities) totaled NIS 76 million compared to NIS 40 million on December 31, 2015. On March 31, 2016 supplier credit totaled NIS 663 million, compared to NIS 713 million on December 31, 2015.

Total assets in the Company's Consolidated Statement of Financial Position on March 31, 2016 amounted to NIS 6,129 million, compared to NIS 6,147 million on December 31, 2015.

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, 2016 is 29.9%, compared to 27.7% on December 31, 2015. The net financial debt-to-EBITDA ratio as at March 31, 2016 is 1.8, compared to 1.9 on December 31, 2015. The Company is in compliance with the required financial criteria.

Customer credit – from time to time, the Company executes non-recourse factoring transactions in accounts receivable, as well as reverse factoring transactions (supply chain finance).

In April 2016 the Company announced the reaffirmation of Midroog's Aa2 rating for the Company's outstanding Series B and Series D Debentures, with stable outlook.

In April 2016 the Company announced the reaffirmation of Standard & Poor's Maalot's ilAA+ rating with a revision of the rating outlook from stable to negative.

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**
	2016	**2015**	**2015**
Cash flow from operating activities (proportionate consolidation method)	(26)	(150)	516
Acquisition of fixed assets and investment in intangibles and deferred expenses (proportionate consolidation method)	56	87	279
Net debt balance (proportionate consolidation method) as at the reporting date	1,748	1,906	1,655
Depreciation and amortization (excluding impairment, which is included in the other expenses item):	56	55	232
Strauss Israel:			
Health & Wellness	15	12	54
Fun & Indulgence	9	7	32
Strauss Coffee:			
Israel Coffee	3	2	10
International Coffee	11	14	57
International Dips & Spreads	6	6	23
Other	12	14	56

The Group's EBITDA (non-GAAP) totaled approximately NIS 269 million in first quarter of the year compared to NIS 252 million in the corresponding period in 2015, an increase of 6.8%.

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 non-GAAP management reports of Strauss Coffee by reported segments for the quarters ended March 31, 2016 and 2015 (in NIS millions):

	First Quarter		
	2016	**2015**	**% Chg**
Israel Coffee			
Net sales	194	196	*(0.8)*
Operating profit	35	39	*(9.5)*
% operating profit	18.1%	19.8%	
International Coffee			
Net sales	586	650	*(9.9)*
Operating profit	45	47	*(5.7)*
% operating profit	7.6%	7.2%	
Total Strauss Coffee			
Net sales	**780**	**846**	***(7.8)***
Organic growth excluding foreign currency effect	**8.4%**	**8.2%**	
Gross profit	**256**	**293**	***(12.6)***
% gross profit	**32.9%**	**34.7%**	
Operating profit	**80**	**86**	***(7.4)***
% operating profit	**10.2%**	**10.2%**	

Sales

In the first quarter of 2016 organic growth in the coffee business, excluding the foreign currency effect amounted to 8.4% compared to the corresponding quarter last year. Organic growth of the coffee operation, excluding the foreign currency effect and green coffee exports amounted to 9.4% compared to the corresponding period in 2015.

Growth in coffee sales in local currency in the first quarter mainly reflects price increases implemented in most countries (in Israel, prices were reduced), in light of the rising cost of green coffee to the Company and the erosion 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 section "Strauss Coffee Sales by Major Geographical Regions".

In the first quarter of 2016 Strauss Coffee's sales decreased by approximately NIS 66 million. Translation differences into Shekels in the coffee operation amounted to NIS 130 million in the period, of which NIS 104 million were due to the erosion of the average exchange rate of the Brazilian Real against the Shekel and NIS 18 million to the erosion of exchange rates in Russia and Ukraine compared to the corresponding quarter in 2015.

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

Gross profit

In the first quarter of 2016 the gross profit decreased by approximately NIS 37 million compared to the corresponding quarter last year. The gross profit margin dropped by 1.8% and amounted to 32.9% in the quarter.

The drop in the gross profit mainly reflects the drop in sales by the coffee business, which, as described above, was affected by negative translation differences. Furthermore, the decrease in the gross profit margin in the first quarter of the year is explained by the negative impact of the cost of green coffee to the Company in local currency and the weakening of the local currencies against the US Dollar compared to the corresponding period last year, since the currency in which green coffee is purchased in all countries of operations except for Brazil is the US Dollar. Most of the decrease was offset by price increases implemented in almost all countries where the Company is active (in Israel, prices were reduced). 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.

Operating profit

In the first quarter of 2016 the operating profit of the coffee operation decreased by approximately NIS 6 million. The operating profit margin amounted to 10.2% in the quarter, similar to the corresponding quarter in 2015.

The change in Strauss Coffee's EBIT in the quarter is the result of a decrease in the coffee company's gross profit, which was offset in part by a decrease in operating expenses. The change in the operating profit of the coffee operation reflects:

- A decrease in the operating profit of the Três Corações joint venture in Brazil[(1)] arising from negative translation differences in respect of the Brazilian Real and the negative impact of the cost of green coffee. These effects were partly offset by an increase in volumes and prices. Três Corações' EBIT (before other expenses) dropped by approximately 26.2% in the first quarter of 2016 (see the financial statements of Três Corações Alimentos S.A., which are attached to the financial statements of the Group);

- An increase in the operating profit of the coffee business in the CEE countries in the first quarter of the year, mainly as a result of sales growth and an improvement in the results of operations in Russia and Ukraine compared to the corresponding period last year;

- A decrease in the operating profit of Israel Coffee in the first quarter of 2016, mainly as a result of a drop in sales due to the timing of the Passover holiday and an increase in the cost of green coffee to the Company compared to the corresponding period last year, offset by an improvement in the instant coffee supply chain in Israel.

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, 2016 and 2015 (in NIS millions):

	First Quarter			
Geographical region	**2016**	**2015**	**% chg**	**% change in local currency***
Israel Coffee	**194**	**196**	***(0.8)***	***(0.8)***
International Coffee				
Três Corações joint venture (Brazil) (1) (2) (3) - 50%	316	379	*(16.7)*	*14.8*
Former USSR countries	121	105	*15.6*	*39.0*
Poland	67	72	*(7.3)*	*(0.7)*
Romania	62	63	*(1.1)*	*2.7*
Serbia	20	31	*(37.5)*	*(34.8)*
Total International Coffee	**586**	**650**	***(9.9)***	***12.6***
Total Coffee	**780**	**846**	***(7.8)***	***8.9***

* 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 joint venture (Brazil) – A company jointly held by the Group (50%) and by São Miguel Holding e Investimentos S.A. (50%). (Data reflect Strauss Coffee's share (50%)).

(2) Sales by the Três Corações joint venture (Brazil) include:

	First Quarter	
	2016	**2015**
Green coffee sales	16	30
Sales of corn-based products	14	14

(3) The Três Corações joint venture (Brazil) – Excluding intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee.

[(1)] Três Corações (3C) – "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).

The Três Corações 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 signed a contract to acquire 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. Três Corações is still waiting the approval by the regulatory authorities in Brazil to conclude the agreement.

In the first quarter of 2016 the Três Corações joint venture's average value market share in roast and ground coffee (R&G) amounted to approximately 24.3%, compared to 24.5% 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).

Despite the economic and political crisis in Brazil, in the first quarter of 2016 the Três Corações joint venture's sales in local currency grew by approximately 14.8% (approximately 14.1% before the exclusion of intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee). Excluding green coffee sales, growth in local currency amounted to 18.1% in the quarter. Most of the growth originates in R&G sales. The increase in the Três Corações joint venture's local currency sales reflects price increases introduced in 2015 and 2016 in light of the rising cost of green coffee to Três Corações compared to the corresponding period last year, as well as volume growth in sales. The sales growth also reflects sales of machines and capsules under the TRES brand.

Green coffee export sales from Brazil by the Três Corações joint venture, reflecting Strauss Coffee's share (50%), decreased in the first quarter of 2016 by approximately NIS 14 million (excluding the foreign exchange effect, sales decreased by NIS 5 million). The decrease in the quarter reflects a significant drop in volumes, which was offset in part by an increase in green coffee prices compared to the corresponding period last year.

Growth in the Três Corações joint venture's Shekel sales in the first quarter of 2016 compared to the corresponding period last year was adversely affected by the erosion of the average exchange rate of the Brazilian Real against the Shekel, which amounted to approximately NIS 104 million.

The Três Corações joint venture's gross profit in domestic currency fell by 6.0% in the first quarter and amounted to approximately 82 million BRL. The Três Corações joint venture's gross profit margin decreased by 5.6% and amounted to 26.1%, primarily reflecting the increase in the cost of green coffee to the Três Corações joint venture; this was offset in part by price increases. EBIT (before other expenses) dropped in the first quarter by 26.2% (see the financial statements of Três Corações Alimentos S.A., which are attached to the financial statements of the Group). The significant drop in EBIT in the first quarter of the year reflects a decrease in the gross profit, coupled with a decrease in selling and marketing expenses in the quarter as well as the erosion of the TRES brand's gross profit margin.

The overall impact of the TRES solution on the Três Corações joint venture's operating profit in the first quarter of the year amounted to an operating loss of approximately NIS 4 million (approximately 4 million BRL), compared to an operating loss of NIS 3 million (approximately 2 million BRL) in the corresponding period last year (figures reflect Strauss Coffee's share (50%)).

The former USSR countries

Following the political crisis in Russia and Ukraine and the complexity of Russia's relations with the West and as a result of the drop in oil prices, the Russian and Ukrainian currencies devalued significantly against the major currencies, including the US Dollar (which adversely impacted the cost of sales in the region) and the Shekel (causing negative translation differences). Additionally, 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 2016 by approximately 39.0% compared to the corresponding period last year. The Company's sales in local currency mainly reflect price increases introduced in light of the devaluation of the Russian and Ukrainian currencies against the US Dollar, as mentioned.

The Company's Shekel sales in the region grew by approximately NIS 16 million in the quarter compared to the corresponding period last year, and were affected by volume growth as well as negative translation differences against the Shekel.

Poland

The Company's sales in Poland in local currency decreased by approximately 0.7% in the first quarter of 2016 compared to the corresponding period last year. Sales reflected price increases due to the rise in the cost of green coffee (particularly Arabica) to the Company, along with the strengthening of the US Dollar (the currency in which green coffee is purchased) against the Polish Zloty, compared to the corresponding quarter in 2015.

The Company's Shekel sales in Poland decreased by approximately NIS 5 million in the quarter compared to the corresponding period last year. Shekel sales were affected by the erosion of the Polish Zloty against the Shekel.

Romania

The Company's sales in Romania in local currency grew by approximately 2.7% in the first quarter of 2016 compared to the corresponding quarter last year.

The growth in sales in local currency reflects volume growth and an increase in the cost of green coffee to the Company, along with the strengthening of the US Dollar (the currency in which green coffee is purchased) against the Romanian RON, compared to last year.

Shekel sales in Romania dropped by approximately NIS 1 million in the first quarter compared to the corresponding period in 2015, reflecting negative translation differences due to the erosion of the Romanian RON against the Shekel.

On June 1, 2015 VAT on food products in Romania was lowered (from 24.0% to 9.0%).

Serbia

The Company's sales in Serbia in local currency decreased by 34.8% in the first quarter of 2016 compared to the corresponding period last year. Sales were influenced by a drop in volumes reflecting a consumer trend of preferring cheaper coffee brands and by price erosion due to the harshening competitive environment.

The Company's Shekel sales in Serbia dropped by approximately NIS 11 million in the quarter compared to the corresponding period last year and were affected by negative translation differences as a result of the erosion of the Serbian Dinar against the Shekel.

Israel

The Company's sales in Israel decreased by approximately NIS 2 million in the first quarter of 2016 compared to the corresponding period last year. The decrease is explained by the timing of the Passover holiday against the backdrop of a more intense competitive environment, as well as effective price reductions and a negative effect of the sales mix. The drop in the operating profit is the result of the decline in sales as mentioned, of the increase in the cost of green coffee to the Company, and of the strengthening of the US Dollar (in which green coffee is purchased) against the Shekel, compared to the corresponding period last year. By contrast, an improvement was assimilated in the instant coffee supply chain in Israel.

The Group's Activity in Israel

Strauss Group is the second-largest company in the Israeli food industry, and in the first quarter of 2016 according to StoreNext figures held an 11.8% share of the total retail domestic food and beverage market in value terms (compared to 11.3% in the corresponding period last year, an increase of 0.5% over the corresponding quarter). The Israeli market is the Group's home market, where it is active in various categories. The Company's sales in Israel grew by 1.8%, although according to StoreNext, in the first quarter of 2016 the Israeli food and beverage market decreased by 2.8% in financial value.

Sales by the entire activity 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 operations are not included in StoreNext's market share measurements.

In the first quarter of the year Strauss Group's Israel sales totaled approximately NIS 1,082 million versus NIS 1,063 million last year, an increase of 1.8%.

Strauss Israel

Following are the condensed results of business operations based on the non-GAAP management reports of Strauss Israel by activity segments, for the quarters ended March 31, 2016 and 2015 (in NIS millions):

	First Quarter		
	2016	**2015**	**% Chg**
Health & Wellness segment			
Net sales	474	454	*4.3*
Operating profit	51	45	*13.0*
% operating profit	10.7%	9.9%	
Fun & Indulgence segment			
Net sales	302	299	*0.9*
Operating profit	47	47	*0.4*
% operating profit	15.7%	15.7%	
Total Strauss Israel			
Net sales	**776**	**753**	***2.9***
Gross profit	**311**	**284**	***9.6***
% gross profit	**40.1%**	**37.7%**	
Operating profit	**98**	**92**	***6.6***
% operating profit	**12.7%**	**12.2%**	

Sales

In the first quarter of 2016 Strauss Israel's sales increased by approximately 2.9% (NIS 23 million). In the Health & Wellness segment the increase was approximately 4.3% (NIS 20 million), and in Fun & Indulgence, 0.9% (NIS 3 million).

The increase in sales in the quarter reflects volume growth, which was offset in part by price reductions in the various categories, particularly dairy products (in the first quarter of the year the Company lowered its prices in a number of dairy categories by 5%-20%, in addition to a 4.4% reduction in the controlled prices of white cheese and sweet cream).

Gross profit

In the first quarter of 2016 Strauss Israel's gross profit increased by approximately NIS 27 million, with 2.4% growth in the gross profit margin, compared to the corresponding quarter last year. The increase in gross profit is the result of sales growth, efficiency enhancing moves applied in production and packaging processes in a number of plants, and also reflects the favorable effect of a drop in raw material prices (notably raw milk) and energy prices compared to last year.

Operating profit

In the first quarter of 2016 Strauss Israel's EBIT increased by approximately NIS 6 million, and the operating profit margin rose by 0.5% and amounted to 12.7% of sales. The increase in operating profit mainly reflects the growth in sales and in the gross profit compared to the corresponding period in 2015, which was partly offset by an increase in marketing expenses.

The International Dips & Spreads Activity

The Group develops, manufactures, sells, markets and distributes dips and spreads through Sabra in the US and Canada, and through Obela in Mexico and Australia. 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 holdings in Sabra and Obela are 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 on March 20, 2016 was 27.4% (Number 1 in the market), compared to 27.8% at the end of 2015 and 29.0% in the corresponding period last year. Sabra's value market share of the hummus category in the same period was 61.7%, compared to 62.5% last year.

Sale volumes in Australia and Mexico are immaterial. Nevertheless, it is noted that the company leads the hummus market in Australia in terms of market share as well as in Mexico. In both countries growth in the company's sales volumes was recorded in the first quarter of 2016.

Sabra

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

	First Quarter	
	2016	**2015**
Sales	350	347
Growth	0.7%	22.1%
Organic growth excluding foreign currency effect	1.9%	8.1%
Operating profit before other expenses	61	40
% operating profit	17.4%	11.5%

Sales by Sabra in the first quarter of 2016 grew by approximately NIS 3 million compared to the corresponding quarter last year, despite the adverse effect of negative translation differences due to the weakening of the average exchange rate of the US Dollar against the Shekel (see also the foreign exchange rate table in the section "Changes in the Economic Environment"). In addition, sales reflect the cumulative negative influence of the recall of a hummus product manufactured by the company in the beginning of the second quarter of 2015.

The operating profit in the first quarter of 2016 increased by NIS 21 million, with 5.9% growth in the EBIT margin compared to last year. The increase in the operating profit in the reporting period reflects a positive influence of the mix, the favorable effect of fuel and commodity prices and a decrease in marketing effort compared to the corresponding quarter in 2015. In addition, Sabra's results include an insurance payout as a result of the product recall, which amounted to approximately NIS 10 million in the first quarter of 2016 (approximately NIS 5 million reflect the Group's share (50%)).

Obela

Following are selected financial data on Obela's activity (reflecting 100% ownership):

Sales by Obela in the first quarter of 2016 totaled approximately NIS 21 million, compared to NIS 18 million in the corresponding quarter last year (17.8% growth). Excluding the foreign currency effect, growth in the quarter amounted to 30.6% compared to the corresponding period in 2015.

The operating loss in the first quarter totaled NIS 7 million, compared to NIS 12 million in the corresponding quarter 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 restructuring process of the operation in China is reflected in the Group's non-GAAP reports. Following this process the Company holds 34% of the Haier Strauss Water joint venture in China. For further information, see the Board of Directors' Report on the Company's Business Position for the year ended December 31, 2015.

In the first quarter of 2016 Strauss Water's sales amounted to approximately NIS 114 million compared to NIS 120 million in the corresponding quarter in 2015, a decrease of 4.9%.

The decrease in sales in the quarter is mainly explained by the restructuring of the international operation in China. The change of structure led to a drop in sales due to the discontinuation of the proportionate consolidation of the Haier Strauss Water joint venture in China and a transition to accounting in the equity method as described above.

In the first quarter of 2016 Strauss Water shows increase in the operating profit compared to the corresponding quarter in 2015.

Max Brenner

On the date of publication of the report, the Max Brenner chain comprises sixty-four "Chocolate Bars" in Israel and around the world, fifty-nine under franchise and five owned by the Company (in the US: New York, Philadelphia, New Jersey, Boston and Maryland). The Max Brenner bars are located in Australia (41), Israel (8), the US (5), Japan (5), Russia (2), Singapore (1), South Korea (1) and China (1).

In the first quarter of 2016 Max Brenner's sales totaled approximately NIS 25 million compared to NIS 28 million last year, a decrease of 12.1%. The decrease in sales, excluding the foreign currency effect, amounted to approximately 11.4% compared to the corresponding quarter last year.

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.

Master control in the process of preparing and approving the financial statements

The Company organ responsible for master control is the Financial Statements Review Committee established by the Board of Directors of the Company, which comprises five members. The members of the Financial Statements Review Committee (which does not serve as an audit committee) are Professor Dafna Schwartz (Chairperson) (outside director), Dalya Lev, CPA (independent director), Prof. Arie Ovadia, Meir Shanie and Dr. Michael Anghel (outside director). All possess accounting and financial qualifications and the ability to read and understand financial statements in view of their many years' experience and academic education in the financial field. For additional information on the qualifications, experience and education of the Committee members, see Article 26 in the chapter "Additional Information on the Company" in the 2015 Annual Report.

The Board of Directors of the Company and its Financial Statements Review Committee has a series of control processes in place for the financial statements before they are approved. These controls include, among others:

- Before the financial statements are approved the draft quarterly financial statements are forwarded to the Committee members and the rest of the members of the Board of Directors for their review. The draft financial statements of the Company were forwarded to the members of the Board approximately five business days before the date of approval of the financial statements, and the recommendations of the Financial Statements Review Committee were forwarded to the members of the Board two business days before the date of approval of the quarterly financial statements of the Company. The EVP Finance and the Company Controller hold meetings from time to time with the Chairperson of the Financial Statements Review Committee on subjects related to the financial statements of the Company. Before the financial statements as at March 31, 2016 were approved, a meeting was held with the Committee Chairperson to discuss material issues that arose during the preparation of the quarterly financial statements.
- The financial statements are presented for discussion by the Financial Statements Review Committee. In this discussion, the EVP Finance extensively reviews the business activity and business results of the Company for the reporting period. Additionally, the EVP Finance reviews the critical estimates applied, material issues that arose during the preparation of the financial statements, the internal controls relating to financial reporting, the completeness and adequacy of the disclosure in the financial statements, holds a discussion on the effectiveness of internal control over financial reporting and disclosure in the Company, the accounting policy adopted and accounting treatment applied in the material affairs of the corporation. On May 17, 2016 the Financial Statements Review Committee held a discussion on the financial statements of the Company as described. The meeting was attended by all members of the Financial Statements Review Committee, excluding Dr. Michael Anghel (outside director), Ofra Strauss and Adi Strauss as observers, the Company CEO, the EVP Finance, the CLO, the Company Controller, the Company Auditor and the Internal Auditor.
- At the meeting of the Board of Directors on May 22, 2016 the Board discussed the recommendation of the Financial Statements Review Committee to approve the financial statements of the Company as at March 31, 2016. The Board of Directors received an update from Company Management that no event or matter had occurred, which are able to alter the assessment of the effectiveness of internal control as presented in the latest Annual Report. In the opinion of the Board of Directors, the Committee's recommendations and

the necessary materials were forwarded to the members of the Board a reasonable time before the abovementioned meeting. All members of the Board of Directors were present at the meeting, excluding Dr. Michael Anghel (outside director), as well as the Company CEO, the EVP Finance, the CLO, the Company Controller and the Company Auditor.

- After the Board of Directors was satisfied that the financial statements accurately reflect the Company's position and the results of its operations, the Board of Directors resolved to approve the financial statements of the Company for the first quarter of 2016.

INFORMATION ON THE DEBENTURE SERIES

Following is information on the series of material capital notes with respect to the Company's liabilities as at March 31, 2016:

		Debentures Series B	**Debentures Series D**
A.	Nominal/par value	297	465
B.	Par value linked to the Consumer Price Index	353	465
C.	Book value of Debentures	353	477
D.	Book value of interest payable	2	-
E.	Market value	375	530

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, 2016 and Notes 4 and 6 to the consolidated interim financial statements as at March 31, 2016.

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 consolidated financial statements as at March 31, 2016.

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

Ofra Strauss Chairperson of the Board	Gadi Lesin Chief Executive Officer

May 22, 2016

STRAUSS GROUP LTD.

FINANCIAL STATEMENTS
AS AT MARCH 31, 2016

Strauss Group Ltd.

Financial Statements
As at March 31, 2016

Convenience Translation from Hebrew

Strauss Group Ltd.

Consolidated Interim Financial Statements as at March 31, 2016

Contents

Somekh Chaikin
KPMG Millennium Tower
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Review Report to the Shareholders of Strauss Group Ltd.

Introduction

We have reviewed the accompanying financial information of Strauss Group Ltd. and its subsidiaries (hereinafter– "the Group") comprising of the condensed consolidated interim statement of financial position as of March 31, 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The board of directors and management are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting"*, in addition management is responsible for the financial information to be prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 2.8% of the total consolidated assets as at March 31, 2016, and whose revenues constitute 1.9% of the total consolidated revenues for the three-month period then ended. Furthermore, we did not reviewed the financial statements of equity accounted investees the investment in which amounted to approximately NIS 16.1 million as of March 31, 2016, and the Group's share in their profits amounted to approximately NIS 2.1 million for the three-month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information 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 generally accepted auditing standards in Israel 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 and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to the mentioned in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not follow, in all material respects, the disclosure directives of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 22, 2016

Convenience Translation from Hebrew

Strauss Group Ltd.

Consolidated Interim Statements of Financial Position

	March 31 2016 Unaudited	March 31 2015 Unaudited	December 31 2015 Audited
	NIS Millions		
Current assets			
Cash and cash equivalents	395	389	560
Marketable securities and deposits	53	103	60
Trade receivables	1,024	1,016	926
Income tax receivables	20	48	20
Other receivables and debit balances	189	298	183
Inventory	600	659	581
Assets held for sale	56	36	62
Total current assets	2,337	2,549	2,392
Investments and non-current assets			
Investment in equity-accounted investees	1,081	983	1,018
Other investments and long-term debt balances	196	237	208
Fixed assets	1,594	1,600	1,612
Intangible assets	862	965	853
Deferred expenses	38	16	41
Investment property	7	29	7
Deferred tax assets	14	34	16
Total investments and non-current assets	3,792	3,864	3,755
Total assets	6,129	6,413	6,147

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 22, 2016

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

Consolidated Interim Statements of Financial Position (cont'd)

	March 31 2016 Unaudited	March 31 2015 Unaudited	December 31 2015 Audited
	NIS Millions		
Current liabilities			
Current maturities of debentures	195	177	178
Short-term credit and current maturities of long-term loans and other liabilities	228	183	181
Trade payables	663	717	713
Income tax payables	27	10	80
Other payables and credit balances	566	615	531
Provisions	32	35	34
Total current liabilities	1,711	1,737	1,717
Non-current liabilities			
Debentures	635	834	834
Long-term loans and credit	1,002	1,014	943
Long-term payables and credit balances	81	102	88
Employee benefits, net	56	61	55
Deferred tax liabilities	193	175	202
Total non-current liabilities	1,967	2,186	2,122
Equity and reserves			
Share capital	244	244	244
Share premium	622	622	622
Reserves	(946)	(785)	(965)
Retained earnings	1,913	1,709	1,804
Total equity attributable to the Company's shareholders	1,833	1,790	1,705
Non-Controlling interests	618	700	603
Total equity	2,451	2,490	2,308
Total liabilities and equity	6,129	6,413	6,147

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

Convenience Translation from Hebrew

Strauss Group Ltd.

Consolidated Interim Statements of Income

	For the three months ended		For the year ended
	March 31 2016 Unaudited	March 31 2015 Unaudited	December 31 2015 Audited
		NIS millions	
Sales	1,321	1,308	5,183
Cost of sales	787	849	3,228
Gross profit	534	459	1,955
Selling and marketing expenses	292	284	1,198
General and administrative expenses	87	83	329
	379	367	1,527
Share of profit of equity-accounted investees	51	49	198
Operating profit before other income (expenses)	206	141	626
Other income	3	3	16
Other expenses	(5)	(6)	(57)
Other expenses, net	(2)	(3)	(41)
Operating profit	204	138	585
Financing income	9	24	21
Financing expenses	(39)	(35)	(122)
Financing expenses, net	(30)	(11)	(101)
Profit before income taxes	174	127	484
Taxes on income	(42)	(36)	(139)
Profit for the period	132	91	345
Attributable to:			
The Company's shareholders	104	72	257
Non-Controlling interests	28	19	88
Profit for the period	132	91	345
Earnings per share for the Company's shareholders			
Basic earnings per share (in NIS)	0.97	0.67	2.40
Diluted earnings per share (in NIS)	0.96	0.67	2.39

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

Strauss Group Ltd.

Consolidated Interim Statements of Comprehensive Income

	For the three months ended		For the year ended
	March 31 2016 Unaudited	March 31 2015 Unaudited	December 31 2015 Audited
	NIS millions		
Profit for the period	132	91	345
Other comprehensive income (loss) items that will be transferred to profit or loss in subsequent periods:			
Foreign currency translation differences	20	(55)	(168)
Changes in fair value of available for sale financial assets, net	-	6	3
Other comprehensive income (loss) from equity-accounted investees	12	(96)	(219)
Total other comprehensive income (loss) items that will be transferred to profit or loss in subsequent periods, net	32	(145)	(384)
Comprehensive income (loss) for the period	164	(54)	(39)
Attributable to:			
The Company's shareholders	123	(37)	(32)
Non-controlling interests	41	(17)	(7)
Comprehensive income (loss) for the period	164	(54)	(39)

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

Strauss Group Ltd.

Consolidated Interim Statements of Changes in Shareholders' Equity

	Attributable to the Company's shareholders								
	Share capital	Share premium	Translation reserve	Treasury stock	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 - Audited	244	622	(951)	(20)	6	1,804	1,705	603	2,308
Changes during the three month period ended March 31, 2016 - unaudited:									
Total other comprehensive income for the period									
Profit for the period	-	-	-	-	-	104	104	28	132
Other comprehensive income:									
Foreign currency translation differences	-	-	14	-	-	-	14	6	20
Other comprehensive income from equity accounted investees	-	-	5	-	-	-	5	7	12
Total other comprehensive income for the Period, net	-	-	19	-	-	-	19	13	32
Total comprehensive income for the period	-	-	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	(932)	(20)	6	1,913	1,833	618	2,451

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

Convenience Translation from Hebrew

Strauss Group Ltd.

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

	Attributable to the Company's shareholders								
	Share capital	Share premium	Translation reserve	Treasury stock	Reserve in respect of available for sale financial assets	Retained earnings	Total	Non-Controlling interests	Total equity
	NIS millions								
Balance as at January 1, 2015 - Audited	244	622	(661)	(20)	5	1,633	1,823	717	2,540
Changes during the three month period ended March 31, 2015 - unaudited:									
Total comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	72	72	19	91
Components of other comprehensive income (loss) for the period:									
Foreign currency translation differences	-	-	(41)	-	-	-	(41)	(14)	(55)
Other comprehensive loss from equity-accounted investees	-	-	(70)	-	-	-	(70)	(26)	(96)
Changes in fair value of available for sale financial assets, net	-	-	-	-	2	-	2	4	6
Other comprehensive income (loss) for the period, net	-	-	(111)	-	2	-	(109)	(36)	(145)
Total comprehensive income (loss) for the period	-	-	(111)	-	2	72	(37)	(17)	(54)
Share-based payment	-	-	-	-	-	4	4	-	4
Balance as at March 31, 2015 - unaudited	244	622	(772)	(20)	7	1,709	1,790	700	2,490

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

Strauss Group Ltd.

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

	Attributable to the Company's shareholders								
	Share capital	Share premium	Translation reserve	Treasury shares	Reserve in respect of available-for-sale financial assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Balance as at January 1, 2015	244	622	(661)	(20)	5	1,633	1,823	717	2,540
Changes in 2015:									
Total comprehensive income (loss) for the year									
Income for the year	-	-	-	-	-	257	257	88	345
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	(126)	-	-	-	(126)	(42)	(168)
Other comprehensive loss from equity-accounted investees	-	-	(164)	-	-	-	(164)	(55)	(219)
Changes in fair value of available-for-sale financial assets, net	-	-	-	-	1	-	1	2	3
Other comprehensive loss for the year, net	-	-	(290)	-	1	-	(289)	(95)	(384)
Total comprehensive income (loss) for the year	-	-	(290)	-	1	257	(32)	(7)	(39)
Share-based payment	-	-	-	-	-	14	14	-	14
Share-based payment to non-controlling interests in a subsidiary	-	-	-	-	-	-	-	1	1
Dividend	-	-	-	-	-	(100)	(100)	-	(100)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(108)	(108)
Balance as at December 31, 2015	244	622	(951)	(20)	6	1,804	1,705	603	2,308

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

Convenience Translation from Hebrew

Strauss Group Ltd.

Consolidated Interim Statements of Cash Flows

	For the three months ended		For the year ended
	March 31 2016 Unaudited	**March 31 2015 Unaudited**	**December 31 2015 Audited**
		NIS millions	
Cash flows from operating activities			
Profit for the period	132	91	345
Adjustments:			
Depreciation	34	30	132
Amortization of intangible assets and deferred expenses	11	12	51
Impairment of fixed assets and intangible assets, net	-	3	29
Other Income, net	-	(1)	(14)
Expenses in respect of share-based payment and other liability plans	3	4	15
Financing expenses, net	30	11	101
Income tax expenses	42	36	139
Share of profit of equity-accounted investees	(51)	(49)	(198)
Change in inventory	(15)	17	62
Change in trade and other receivables	(105)	(171)	(56)
Change in long-term trade receivables	-	-	9
Change in trade and other payables	13	(71)	(204)
Change in employee benefits	(1)	2	(3)
Interest paid	(43)	(43)	(99)
Interest received	1	3	26
Income tax received (paid), net	(104)	(27)	14
Net cash flows provided by (used in) operating activities	(53)	(153)	349
Cash flows from investing activities			
Sale of marketable securities and deposits, net	7	18	61
Proceeds from sale of fixed assets, intangible assets and investment property	7	5	24
Investment in fixed assets, intangible assets and held-for-sale assets	(34)	(56)	(182)
Acquisition of subsidiary	-	(2)	(4)
Investments in intangible assets and deferred expenses	(5)	(7)	(30)
Repayment of deposits and loans granted	14	13	50
loans granted	(7)	(6)	(21)
Taxes received due to the sale of investment property	-	-	5
Dividends from investee companies	-	-	48
Investment in investee companies	-	-	(32)
Net cash flows used in investing activities	(18)	(35)	(81)

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

Consolidated Interim Statements of Cash Flows (cont'd)

	For the three months ended		For the year ended
	March 31 2016 Unaudited	March 31 2015 Unaudited	December 31 2015 Audited
	NIS millions		
Cash flows from financing activities			
Short-term bank credit, net	33	27	43
Receipt of long-term loans	100	-	38
Repayment of long-term loans and debentures	(203)	(201)	(329)
Dividends paid	-	-	(100)
Acquisition of non-controlling interest	(2)	-	-
Dividend paid to non-controlling interests in a subsidiary	(21)	-	(108)
Net cash flows used in financing activities	(93)	(174)	(456)
Decrease in cash and cash equivalents	(164)	(362)	(188)
Cash and cash equivalents as at beginning of period	560	767	767
Effect of exchange rate fluctuations on cash balances	(1)	(16)	(19)
Cash and cash equivalents as at end of period	395	389	560

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 consolidated interim financial statements as at March 31, 2016 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 in Strauss Holdings Ltd. (hereinafter: the “Parent Company” or “Strauss Holdings”) 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, 2015 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 22, 2016.

Note 2 - Seasonality

The sales of Fun & Indulgence products and coffee in Israel 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 and hot beverages, as well as by higher consumption before Passover.

There is no distinct trend of seasonality in Health & Wellness products; however, the volume of income is generally higher in the third quarter of the year, when the hot summer months fall – these are characterized by increased consumption of dairy products.

Note 2 - Seasonality (cont'd)

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 2016	March 31 2015	December 31 2015
	Unaudited	Unaudited	Audited
	NIS millions		
Revenues			
Sales to external customers:			
Health & Wellness	474	454	1,898
Fun & Indulgence	302	299	968
Total Israel	776	753	2,866
Coffee Israel	194	196	647
Coffee Abroad	586	650	2,785
Total Coffee	780	846	3,432
International dips and spreads	185	182	752
Other	139	149	592
Sales to other segments:			
Health & Wellness	2	2	8
Fun & Indulgence	3	2	9
Total Israel	5	4	17
Coffee Israel	1	1	1
Coffee Abroad	-	-	-
Total Coffee	1	1	1
Total revenues of the segments	1,886	1,935	7,660
Elimination of inter-segment sales	(6)	(5)	(18)
Total revenues of the segments excluding the inter-segment sales	1,880	1,930	7,642
Adjustment to the equity method	(559)	(622)	(2,459)
Total consolidated revenues	1,321	1,308	5,183

Note 3 - Operating segments (cont'd)

	For the three months ended		For the year ended
	March 31 2016	March 31 2015	December 31 2015
	Unaudited	Unaudited	Audited
		NIS millions	
Profit			
Health & Wellness	51	45	188
Fun & Indulgence	47	47	93
Total Israel	98	92	281
Coffee Israel	35	39	84
Coffee Abroad	45	47	184
Total Coffee	80	86	268
International dips and spreads	27	14	80
Other	8	5	30
Total profit of reportable segments	213	197	659
Unallocated income (expenses):			
Valuation of commodities hedging transactions as at the end of the period	6	(39)	22
Other expenses, net	(2)	(3)	(42)
Share based payment	(3)	(4)	(15)
Total operating profit of reportable segments	214	151	624
Adjustment to the equity method	(10)	(13)	(39)
Total consolidated operating profit	204	138	585
Financing expenses, net	(30)	(11)	(101)
Profit before taxes on income	174	127	484

Note 4 - Material Events during the Reported Period

4.1 On February, 2016 a subsidiary, "Strauss coffee B.V." distributed a dividend to shareholders in a way of capital reduction. 21 Million NIS were paid to the non-controlling interests.

4.2 On March, 2016, Três Corações Alimentos S.A., an equity-accounted joint venture in Brazil held 50% ownership by the subsidiary Strauss Coffee, has signed an agreement with Cia. Iguacu de Café Soluvel to acquire the business related to the brands of retailed coffee in South America, for the consideration of 72 Million NIS (38 Million NIS, the Group's share). The agreement is subject to approval by the regulatory authorities in Brazil.

4.3 On January 5, 2016 the Knesset plenum passed the Law for the Amendment of the Income Tax Ordinance (Amendment 216) - 2016, by which, inter alia, the corporate tax rate would be reduced by 1.5% to a rate of 25% as from January 1, 2016. The deferred tax balances as at March 31, 2016 were calculated according to the new tax rates specified in the Law for the Amendment of the Income Tax Ordinance, at the tax rate expected to apply on the date of reversal. The effect of the change on the financial statements as at March 31, 2016 is reflected in a decrease in deferred tax liabilities in the amount of 8 Million NIS. The adjustment in deferred tax balances was recognized against deferred tax income.

Note 5 - Share-Based Payment

During the reported period, 2,650 share options that were granted to employees were exercised to 1,187 shares in consideration for their par value.

Note 6 - Contingent liabilities

6.1 In March 2016, the Central District Court (Lod) decided to approve the claimant's notice of withdrawal without a costs order, in a motion for class certification filed against the subsidiary Strauss Water Ltd. (see Note 24.1.2 to the Annual Financial Statements).

6.2 On May 17, 2016 two claims were filed with Tel Aviv District Court, with motions for class certification, against the Company and the Parent Company, Strauss Holdings Ltd., relating to alleged excessive pricing by a monopoly of Elite cocoa product in the years 2009-2016, and alleged excessive pricing by a monopoly of Milky dairy dessert in the years 2012-2016. The amounts of the claims against the Company and the Parent Company are approximately NIS 37.7 million and NIS 100 million, respectively. As at the date of approval of the report, the Company is unable, at this initial stage, to assess the chances of the actions being accepted and their impact, if accepted, on the financial statements of the Company.

6.2 For details regarding legal claims and contingencies against the Company and its subsidiaries, as at December 31, 2015, see Note 24.1.1 to the Annual Financial Statements.

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
	2016	2015	2015	2016	2015	2015
	Unaudited		Audited	Unaudited		Audited
	NIS millions			NIS millions		
Current assets	342	289	336	803	751	773
Of which:						
Cash and cash equivalents	115	47	99	63	35	158
Non-current assets	674	695	691	487	540	468
Total assets	1,016	984	1,027	1,290	1,291	1,241
Current liabilities	223	264	257	445	525	405
Of which:						
Financial liabilities except trade and other payables and provisions	126	142	140	171	276	192
Non-current liabilities	20	77	29	254	159	312
Of which:						
Financial liabilities except trade and other payables and provisions	19	73	26	186	116	182
Total liabilities	243	341	286	699	684	717

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

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

	Sabra Dipping Company			Três Corações Group		
	March 31		December 31	March 31		December 31
	2016	2015	2015	2016	2015	2015
	Unaudited		Audited	Unaudited		Audited
	NIS millions			NIS millions		
Income	350	347	1,422	632	763	2,982
Profit for the period (1)	34	22	102	30	63	202
Other comprehensive income (loss)	(28)	14	2	36	(138)	(293)
Total comprehensive Income (loss)	6	36	104	66	(75)	(91)
Of which:						
Depreciation and amortization	11	11	42	7	9	31
Interest income	-	-	-	3	3	10
Interest expenses	2	2	9	7	6	25
Income tax expense (1)	25	16	76	10	6	18

(1) Taxable income of Sabra Dipping Company is assessed in the holding company, S.E. USA, lnc.

7.2 The Group is enclosing to these interim consolidated financial statements the condensed interim consolidated financial statements of Tres Coracoes 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 1.04 as of March 31, 2016.
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, 2016	1.00	5.7
March 31, 2015	1.39	(16.7)
For the year ending December 31, 2015	1.19	(32.9)

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. 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, 2016		March 31, 2015		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Unaudited				Audited	
	NIS millions					
Series B Debentures	355	375	534	578	544	562
Series D Debentures	477	530	481	546	483	537

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, 2016			March 31, 2015			December 31, 2015		
	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	-	-	85	-	-	45	-	-
Receivables- derivatives	13	5	-	14	20	-	9	6	-
Payables- derivatives	(7)	(43)	-	(74)	(39)	-	(9)	(36)	-
Available for sale financial asset	26	-	-	29	-	-	26	-	-
Option to purchase shares (1)	-	-	5	-	-	-	-	-	5
	78	(38)	5	54	(19)	-	71	(30)	5

(1) Option to purchase shares 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's volatility. The revaluation is included in the statement of income under financing income.

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 For details regarding class actions filed after the reporting period, see Note 6.2.

Annex "B"

Separate Financial Information As At March 31, 2016

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Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

To the Shareholders of Strauss Group Ltd.

Special Auditors' Report on Separate Financial Information According to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970

We have reviewed the separate financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Strauss Group Ltd. (hereinafter – the "Company") as at March 31, 2016 for the three-month period then ended .The separate financial information is the responsibility of the Company's Board of Directors and its Management. Our responsibility is to express an opinion on the separate financial information based on our review.

The data contained in the separate financial information which refer to equity accounted investments and to the Company's share of the profits (losses) of equity accounted investees are based on financial statements, some of which were audited by other auditors.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information 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 generally accepted auditing standards in Israel 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 and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not follow, in all material respects, the disclosure directives of Section D of the Securities Regulations (Periodic and Immediate Reports),1970.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 22, 2016

Strauss Group Ltd.

Information Pertaining To Financial Position

	March 31 2016 (Unaudited)	March 31 2015 (Unaudited)	December 31 2015 (Audited)
		NIS Millions	
Current assets			
Cash and cash equivalents	173	127	232
Securities and deposits	23	59	30
Trade receivables	247	213	180
Income tax receivables	9	16	4
Other receivables and debit balances	41	45	28
Investee receivables	266	115	330
Inventory	122	107	142
Assets held for sale	56	36	62
Total current assets	937	718	1,008
Investments and non-current assets			
Investments in investees	1,622	1,951	1,565
Other investments and long-term debit balances	614	650	618
Fixed assets	950	865	959
Intangible assets	54	59	56
Investment property	-	23	-
Total investments and non-current assets	3,240	3,548	3,198
Total assets	4,177	4,266	4,206

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

Date of approval of the separate financial information: May 22, 2016

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

Information Pertaining To Financial Position (cont'd)

	March 31 2016 (Unaudited)	March 31 2015 (Unaudited)	December 31 2015 (Audited)
		NIS Millions	
Current liabilities			
Current maturities of debentures	195	177	178
Short-term credit and current maturities of long-term loans and other long term liabilities	32	33	37
Trade payables	200	177	203
Other payables and credit balances	213	221	202
Investee payables	153	104	115
Provisions	4	5	6
Total current liabilities	797	717	741
Non-current liabilities			
Debentures	635	834	834
Long-term loans and other long term liabilities	802	830	812
Long-term payables and credit balances	30	35	32
Employee benefits, net	25	21	23
Deferred tax liabilities	55	39	59
Total non-current liabilities	1,547	1,759	1,760
Total equity attributable to the Company’s shareholders	1,833	1,790	1,705
Total liabilities and equity	4,177	4,266	4,206

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

Strauss Group Ltd.

Information Pertaining To Statements Of Income

	March 31 2016 (Unaudited)	March 31 2015 (Unaudited)	December 31 2015 (Audited)
		NIS Millions	
Sales	301	257	904
Cost of sales	181	161	555
Gross profit	120	96	349
Selling and marketing expenses	67	45	226
General and administrative expenses	12	9	36
	79	54	262
Operating profit before other expenses	41	42	87
Other income	1	1	5
Other expenses	(1)	(3)	(18)
Other expenses, net	-	(2)	(13)
Operating profit	41	40	74
Financing income	14	29	36
Financing expenses	(35)	(28)	(99)
Financing income (expenses), net	(21)	1	(63)
profit before taxes on income	20	41	11
Taxes on income	(9)	(14)	(28)
Income (loss) after taxes on income	11	27	(17)
Income from investees	93	45	274
Income for the period attributable to the shareholders of the Company	104	72	257

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

Information Pertaining To Comprehensive Income

	March 31 2016 (Unaudited)	March 31 2015 (Unaudited)	December 31 2015 (Audited)
		NIS Millions	
Income for the period attributable to the shareholders of the Company	104	72	257
Other comprehensive income (loss) items that will be transferred to profit or loss in subsequent periods:			
Other comprehensive income (loss) from investees	19	(109)	(289)
Total other comprehensive income (loss) items that will be transferred to profit or loss, net of tax	19	(109)	(289)
Comprehensive income (loss) for the period attributable to the shareholders of the Company	123	(37)	(32)

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

Information Pertaining To Cash Flows

	March 31 2016 (Unaudited)	March 31 2015 (Unaudited)	December 31 2015 (Audited)
		NIS Millions	
Cash flows from operating activities			
Income for the period attributable to the shareholders of the Company	104	72	257
Adjustments:			
Depreciation	14	8	46
Amortization of intangible assets and deferred expenses	3	3	18
Other expenses (income), net	(1)	1	(4)
Expenses in respect of share-based payment	2	3	12
Income from investees	(93)	(45)	(274)
Financing expenses (income), net	21	(1)	63
Income tax expense	9	14	28
Change in inventory	20	35	12
Change in trade and other receivables	(75)	(73)	24
Change in investee receivables	75	5	(118)
Change in long-term receivables	-	(9)	(7)
Change in trade and other payables	32	28	(51)
Change in investee payables	38	(41)	(30)
Change in employee benefits	1	-	1
Interest paid	(38)	(42)	(89)
Interest received	-	1	20
Income tax received (paid), net	(17)	(3)	16
Net cash flows from (used in) operating activities	95	(44)	(76)
Cash flows from investing activities			
Sale of marketable securities and deposits, net	7	21	49
Proceeds from sale of fixed and other assets	6	3	4
Acquisition of fixed assets	(16)	(27)	(90)
Investment in intangible assets and deferred expenses	(1)	(2)	(13)
Repayment of deposits and long-term loans	2	1	5
Long-term loans granted	(5)	(1)	(3)
Dividends from investees	63	-	340
Cash received in respect of investing activities with investees	-	6	35
Cash paid in respect of investing activities with investees	(22)	(16)	(82)
Net cash flows from (used in) investing activities	34	(15)	245
Cash flows from financing activities			
Repayment of debentures and long-term loans	(188)	(188)	(211)
Dividends paid	-	-	(100)
Net cash flows used in financing activities	(188)	(188)	(311)
Net decrease in cash and cash equivalents	(59)	(247)	(142)
Cash and cash equivalents as at January 1	232	374	374
Cash and cash equivalents as at end of period	173	127	232

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 and the Group's confectionery operation in Israel, which includes the development, manufacture and marketing of branded candy products. In addition, since the third quarter of 2015, the company operations also include the operations of the Group's salads in Israel.

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, 2015, and in conjunction with the interim consolidated financial statements as at March 31, 2016 (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, 2015.

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, 2015.

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.

Note 3 - Material Events during the Reported Period

For information on material events during the Reported Period see Notes 4, 5 and 6 to the Consolidated Interim Financial Statements.

Note 4 - Financial Instruments

4.1 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.

Note 4 - Financial Instruments (cont'd)

4.2 Fair value hierarchy

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

Note 5 - Events after the Reporting Date

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, 2015 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 2016 (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, 2015) 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 22, 2016

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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 2016 (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, 2015) 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 22, 2016

____

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 on 31 March 2016 and 2015 and independent auditors' limited review report on condensed consolidated interim financial statements

KPDS 148424

Content

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Independent auditors' report on review of interim financial information

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

Introduction

We have reviewed the accompanying 31 March, 2016 condensed consolidated interim financial statements of Três Corações Alimentos S.A. ("the Company"), which comprise: the consolidated statement of financial position as at 31 March, 2016; the consolidated statement of income and other comprehensive income for the three months period ended 31 March, 2016; the consolidated statement of changes in equity for the three-month period ended 31 March, 2016; the consolidated statement of cash flows for the three-month period ended 31 March, 2016; and condensed notes to the 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 Information 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, 2016 condensed consolidated interim financial statements do not give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with IAS 34, 'Interim Financial Reporting'.

Fortaleza, 9 May, 2016

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 2016 and 31 december 2015

(In thousand of Brazilian Reais)

Assets	31 March 2016	31 December 2015 (Reclassified)
Current		
Cash and cash equivalents	60,836	159,996
Deposits	57,801	3,478
Trade receivables	320,605	304,652
Inventories	292,250	277,283
Recoverable taxes	24,326	18,813
Income tax receivable	1,829	6,594
Other current assets	13,620	14,117
	771,267	784,933
Non-current		
Judicial deposits	8,873	8,799
Other non-current assets	5,316	10,135
Deferred tax assets	25,033	23,324
Fixed assets	233,730	231,134
Intangible assets	194,565	195,219
	467,517	468,611
	1,238,784	1,253,544

Liabilities	31 March 2016	31 December 2015 (Reclassified)
Current		
Short term loans	164,113	194,222
Trade payables	82,006	101,180
Income tax payables	5,953	1,056
Employees and other payroll related liabilities	38,301	33,876
Proposed dividends	100,001	100,001
Payable taxes	16,155	16,371
Other current liabilities	21,044	23,239
	427,573	469,945
Non-current		
Long term loans	178,791	184,567
Proposed dividends	34,548	34,548
Deferred tax liabilities	9,942	11,424
Provision for legal proceedings	20,702	20,688
	243,983	251,227
Equity		
Share capital	272,370	272,370
Translation reserve	(100,963)	(105,500)
Retained earnings	395,821	365,502
	567,228	532,372
	1,238,784	1,253,544

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 2016 and 2015

(In thousand of Brazilian Reais)

	Three months period ended 31 March	
	2016	**2015 (Reclassified)**
Revenue	629,826	551,820
Cost of sales	(465,556)	(377,118)
Gross profit	164,270	174,702
Selling and marketing expenses	(100,140)	(98,433)
General and administrative expenses	(20,566)	(17,254)
Other income (expenses), net	40	292
Operating profit	43,604	59,307
Finance income	2,863	1,787
Finance expenses	(5,815)	(10,829)
Profit before income tax	40,652	50,265
Income tax expenses	(10,333)	(4,493)
Profit for the period	30,319	45,772

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 2016 and 2015

(In thousand of Brazilian Reais)

	Three months period ended 31 March	
	2016	**2015**
Profit for the period	30,319	45,772
Foreign currency translation differences	4,537	(14,564)
Comprehensive income for the period	34,856	31,208

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 2016 and 2015

(In thousand of Brazilian Reais)

		Retained earnings					
	Share capital	Legal reserve	Tax incentives	Profit to distribute	Translation adjustments	Retained earnings	Total
Balance as of 31 December, 2014	271,669	24,026	115,667	122,669	(68,574)	-	465,457
Profit for the period	-	-	-	-	-	45,772	45,772
Other comprehensive gain:							
Foreign currency translation differences	-	-	-	-	(14,564)	-	(14,564)
Total other comprehensive gain:	-	-	-	-	(14,564)	45,772	31,208
Internal equity changes							
State VAT and Federal tax incentives	-	-	14,930	-	-	(14,930)	-
Profit destination:							
Legal reserve	-	2,289	-	-	-	(2,289)	-
Reserve for profit to be distributed	-	-	-	28,553	-	(28,553)	-
	-	2,289	14,930	28,553	-	(45,772)	-
Balance as of 31 March, 2015	271,669	26,315	130,597	151,222	(83,138)	-	496,665
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	-	-	-	-	-		-
	-	1,516	7,506	-	-	(9,022)	-
Balance as of 31 March, 2016	272,370	34,232	165,288	175,004	(100,963)	21,297	567,228

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 2016 and 2015

(In thousand of Brazilian Reais)

	Three months period ended 31 March	
	2016	**2015 (Reclassified)**
Cash flows from operating activities		
Profit for the period	30,319	45,772
Adjustments for:		
Depreciation and amortization	7,044	6,156
Provision for legal proceedings	14	(341)
Other expenses, net	(40)	(292)
Financing expenses, net	2,952	9,042
Income tax expenses	10,333	4,493
Interest paid, net	(4,065)	(1,443)
Income tax paid	(3,862)	(6,561)
	42,695	56,826
Change in:		
Trade receivables	(16,826)	5,518
Inventories	(15,444)	(16,162)
Recoverable and payable taxes, net	(5,729)	(4,810)
Derivatives, net	-	347
Judicial deposits	(74)	(31)
Trade payables	(19,174)	(22,108)
Employees and other payroll related liabilities	4,425	5,949
Other current and non-current assets and liabilities	3,615	2,385
Net cash flows provided by (used in) operating activities	(6,512)	27,914
Cash flows from investing activities		
Change in deposits	(54,554)	2,172
Payment for acquisition of operations	-	(1,980)
Proceeds from sales of fixed assets	597	1,301
Acquisition of fixed assets	(12,199)	(6,138)
Investments in intangible assets	(571)	(1,216)
Long-term loans to related parties	-	(33)
Net cash flows used in investing activities	(66,727)	(5,894)
Cash flows from financing activities		
Proceeds from loans	101,897	24,631
Repayment of loans	(127,818)	(105,531)
Net cash flows used in financing activities	(25,921)	(80,900)
Net decrease in cash and cash equivalents	(99,160)	(58,880)
Net decrease in cash and cash equivalents		
Cash and cash equivalents as of beginning of period	159,996	87,775
Cash and cash equivalents as of end of period	60,836	28,895
	(99,160)	(58,880)

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 and operation of cafeterias.

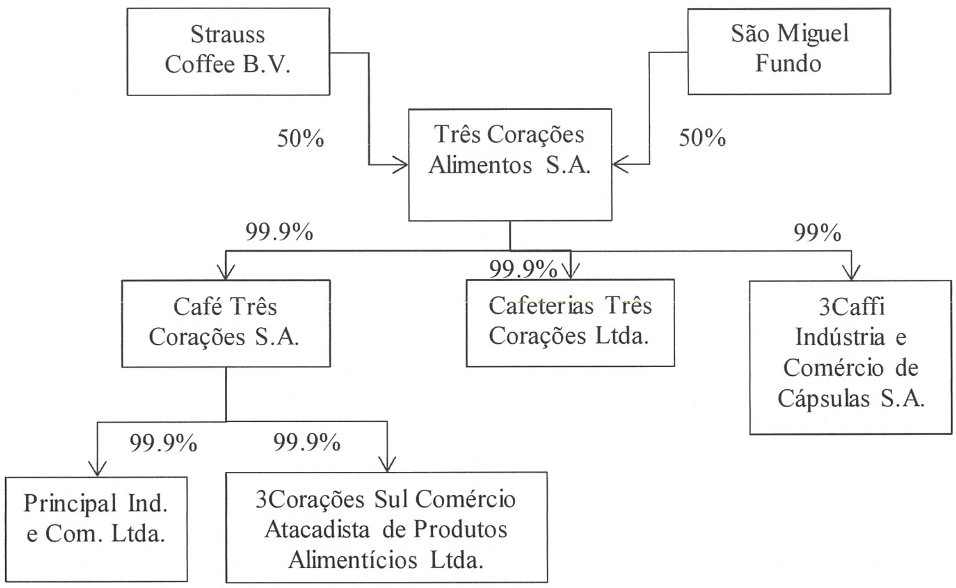
The Company controls the entities Cafeterias Três Corações Ltda., 3Caffi Indústria e Comércio de Cápsulas S.A. and Café Três Corações S.A., which controls the entities 3Corações Sul Comércio Atacadista de Produtos Alimentícios Ltda. (former Polo Participações Ltda.) and Principal Comércio e Indústria de Café Ltda., all together referred to as "the Group".

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

The Group is currently the largest groups 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, Claralate, Dona Clara, Claramil, Frisco, Tornado and Tres.

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 all states of Brazil. In addition to that, the Group owns green coffee processing plants in the states of Minas Gerais and Bahia. 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 2016, the Group had the following structure:



2 Basis of preparation

a. Statement of compliance

These consolidated interim financial statements have been prepared in accordance with IAS 34 regarding interim financial reporting. These 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 2015 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 9 May 2016.

3 Significant accounting policies

The accounting principles applied by the Company in preparing these consolidated interim financial statements are consistent with the principles applied by the Company in preparing its audited Annual Financial Statements as of 31 December 2015 and have been applied consistently to all entities of the Group.

4 Reclassification

(i) Reclassification of 31 March 2015 financial statements exchange rate variation gains and losses

Exchange rate variations gains and losses were presented in the 31 March 2015 statements of income separately, according to their nature, as finance income and finance expenses, respectively.

When preparing these 31 March 2016 condensed consolidated interim financial statements, Management decided to present exchange rate variation in its net position, as finance income if positive or finance expense if negative. Management understands that the net presentation is more understandable and relevant for the users of financial information. The reclassification effect in the consolidated interim statements of income for the three month period ended 31 March 2015 is presented below:

	Originally presented 31 March, 2015	Exchange rate variation reclassification	Reclassified 31 March, 2015
Finance income	34,243	(32,456)	1,787
Finance expenses	(43,285)	32,456	(10,829)
Finance expenses, net	(9,042)	-	(9,042)

(ii) Reclassification of 31 March 2015 financial statements of fixed assets acquired through loans and borrowings

Fixed assets purchased through loans and borrowings were presented in the financial statements as of 31 March 2015 as a cash outflows in the cash flows from investment activities, while cash inflows were presented as cash flows from financing activities, following the new loans or borrowings contracted.

When preparing these 31 March 2016 condensed consolidated interim financial statements, Management decided to treat these acquisitions as non-cash activities, once the funds rased with the loans or borrowings are directly transferred by the banks to the supplier. The reclassification effect in the consolidated interim statement of cash flows for the three month period ended 31 March 2015 is presented below:

	Originally presented 31 March, 2015	Fixed assets purchased with through loans and borrowings reclassification	Reclassified 31 March, 2015
Cash flows from investing activities			
Change in deposits	2,172	-	2,172
Payment for acquisition of operations	(1,980)	-	(1,980)
Proceeds from sales of fixed assets	1,301	-	1,301
Acquisitions of fixed assets	(12,802)	6,664	(6,138)
Investments in intangible assets	(1,216)	-	(1,216)
Long-term loans to related parties	(33)	-	(33)
Net cash flows used in investing activities	(12,558)	6,664	(5,894)
Cash flows from financing activities			
Proceeds from loans	32,239	(7,608)	24,631
Repayment of loans	(106,475)	944	(105,531)
Net cash flows used in financing activities	(74,236)	(6,664)	(80,900)

(iii) Reclassification of 31 December 2015 financial statements judicial deposit

The Group is has a legal obligation to pay the Accident Prevention Factor (FAP), but in accordance with its assessment of the assigned FAP percentage, Management understands the applied percentage should be lower.

Due to the above, the amount paid in excess was recorded as judicial deposit, and a provision was made as employees and other payroll related liabilities. Both the provision and the deposit will be settled on a net basis when the legal issue is concluded, and therefore Management decided to present both in the net position.

The amount reclassified from judicial deposits to employees and other payroll related liabilities is R$ 6,605.

5 Material events during the reported period

On 11 March, 2016, the Group signed an agreement with Companhia Iguaçu de Café Solúvel, for the business acquisition related to retail brands of coffee and related products in Latin America, including Brazil. The agreement is yet to be approved by the Government regulatory authorities, as the Administrative Council for Economic Defense (CADE).

6 Net debt

	31 March 2016 (Unaudited)	31 December 2015 (Audited)
Short term loans	164,113	194,222
Long term loans	178,791	184,567
Cash and cash equivalents	(60,836)	(159,996)
Net debt	282,068	218,793

The increase in net debt presented above is mainly due to increase in deposits.

7 Contingent liabilities

On 19 January 2016, the Company has obtained favorable outcome in the Board of Tax Appeals (CARF), first administrative instance, on the Goodwill amortization tax claim mentioned in 2015 consolidated annual financial statements, Note 20.

The Government may still contest the outcome at higher instances.

8 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 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	(Unaudited)		(Audited)	
Financial liabilities				
Short term loans	164,113	151,529	194,222	184,171
Long term loans	178,791	155,748	184,567	174,216

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 table below illustrates an analysis of financial instruments carried at fair value, using valuation method. The different levels have been defined as follows:

- **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 asset or liability that are not based on observable market data (unobservable inputs).

As of 31 March 2016 and 31 December 2015, the Group did not have financial instruments balances carried at fair value using valuation methods.

Pedro Alcântara Rêgo de Lima	Victor André Figueira de Oliveira	Adenise Evangelista de Melo
Chief Executive Officer Três Corações Alimentos S.A.	Chief Financial Officer Três Corações Alimentos S.A.	Accountant Três Corações Alimentos S.A.