



CONVENIENCE TRANSLATION

The Hebrew version is the binding version

12.5.2022

Re: Preliminary estimates regarding financial implications in connection with the recall and shutdown of the plant for the first quarter of 2022

Following the company's reports from April 25, 2022, April 27, 2022 and April 28, 2022 (reference numbers: 2022-01-050542, 2022-01-042555 and 2022-01-052288), regarding the recall of all confectionery factory products in the Galilee landscape (Hereinafter: "the recall event"), closure of the plant and suspension of the production permit for the plant for a period of three months or until correction of defects found therein from 28.4.2022 in the decision of the National Food Service in the Ministry of Health (hereinafter: "shutdown of the plant"). Strauss Group expects to have a material impact on the Company's profit for 2022 and is examining the estimates of the financial implications for the reports of the first quarter of 2022 and for 2022 as a whole.

The Company's assessments regarding effects on the financial results in the first quarter of 2022 Since the recall event is an event after the balance sheet date that requires adjustment in accordance with IFRS accountancy rules. The Company conducted estimates as to the amounts to be recognized in its financial statements in the first quarter of 2022 in respect of the recall event.



Accordingly, the Company estimates, as of this date, that due to the recall event, in the consolidated financial statements as of March 31, 2022 which are expected to be published on or after May 25, 2022, the Company's net profit is expected to be impaired to the extent of NIS 115-125 million.

The Company's assessment is based on estimates that include a decrease in sales, the costs of collecting products from retailers, an estimate of the extent of total product destruction, compensation costs as determined by the Company to consumers, additional ancillary costs and the tax effect.

The above data regarding the impact on the financial results of the first quarter of 2022, reflect management estimates only and are based on the data known as of the date of this report. These data and their effect on the financial statements of the first quarter of 2022 have not yet been approved by the Company's auditors, while all the data used in the preparation of the consolidated financial statements as of March 31, 2022 have not yet been finally collected and reviewed and audited, and therefore changes may apply from the above until the date of publication of the consolidated financial statements as of March 31, 2022.

The Company's assessments regarding the effects on the financial results of 2022

The company estimates, according to preliminary estimates, that due to the recall event and the shutdown of the plant in 2022, significant damage to the company's net profit for 2022 is expected to range between NIS 170-230 million.



In addition to the relevant estimates regarding the effects on the financial results in the first quarter of 2022, the estimates for 2022 also include estimates regarding the cost of the plant's return to full production capacity, loss of profits due to the plant's shutdown and the timing of the return to production and sales based on various possible scenarios including the insurance coverage for some of the damages caused to the Company.

It should be noted that as of the date of this report the company cannot assess the impact on the company's market shares in the confectionery products, as this would depend on the timing of the return to full operation as well as the impact of other indirect implications of the recall event on the company's results.

It will also be emphasized that as of the date of this report, the Company cannot assess the implications for legal proceedings in connection with the recall and shutdown of the plant including legal proceedings already filed as detailed in the Company's reports dated 27.4.2022, 28.4.2022, 1.5.2022, 2.5.2022 , 8.5.2022 and 9.5.2022 (reference numbers: 2022-01-051385, 2022-01-052125, 2022-01-052906, 2022-01-053158, 2022-01-053965, 2022-01-054775 and 2022-01-055789) as well as additional procedures or requirements as may be filed.

Forward-looking statement:

What is stated in this report regarding the effects of the recall and shutdown of the plant on the results of the Company's operations is forward-looking information, as defined in the Securities Law, 1968, and is based on the information available to the Company at the time of this report and which may or may not



materialize. Among other things, the continued receipt of results for tests conducted by the company, further developments of the events, additional requirements of the Ministry of Health, changes in the cost of restoring the plant to full production capacity, Failure to fulfill the scenarios examined by the company in connection with the end date of the plant shutdown, the duration and rate of return to full production on all lines, results of legal proceedings against the company that have already been filed (or will be filed) in the future, rate and scope of the company's ability to outsource and supply retailers with products, the extent of full utilization (to the extent that they are utilized), the extent of demand for products after their return to the market, an error or non-realization of estimates and the extent of damages that will be compensated under the insurance coverage.

Signers:

Giora Bardea, President and CEO of the company

Ariel Chetrit, CFO

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