Strauss Group LTD.

Quarterly Report

as at March 31, 2024

Board of Directors	Ofra Strauss, Chairperson Adi Strauss David Mosevics Galia Maor Dalia Narkys Dorit Salinger Dalia Lev Tzipi Ozer-Armon Ravit Barniv Shaul Kobrinksy
Chief Executive Officer	Shai Babad
Corporate Secretary	Yael Nevo, Adv.
Auditors	Somekh Chaikin KPMG
Registered Office	49 Hasivim St., Kiryat Matalon Petach Tikva 4959504

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Strauss Group Ltd.

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Strauss Group Ltd.

Introduction

Company Profile

Strauss Group is a group of industrial and commercial companies operating in Israel and abroad, primarily engaged in the development, manufacture, marketing and sale 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 products for home and office use. The Group is guided by its purpose, Nourishing a Better Tomorrow. Strauss was established in 1933 and today, is listed on the Tel Aviv Stock Exchange's flagship index, the TA-35 Index, which includes the largest public companies in Israel. According to non-GAAP financial measures, Strauss's total global annual revenues in 2023 were over 10.5 billion shekels. Strauss is active in 17 countries and operates 28 production sites.

The Group's areas of activity

Strauss Israel

The second-largest food and beverage group in Israel in terms of sales volumes (according to StoreNext). Strauss Israel encompasses 11 business segments; operates 14 sites, which include production plants and logistics centers; and has 5,300 employees.

Strauss Coffee

One of the five largest coffee companies in the world in terms of market share (according to Euromonitor). Strauss Coffee is active in Brazil, Russia, Ukraine, Poland, Romania, Germany and Switzerland.

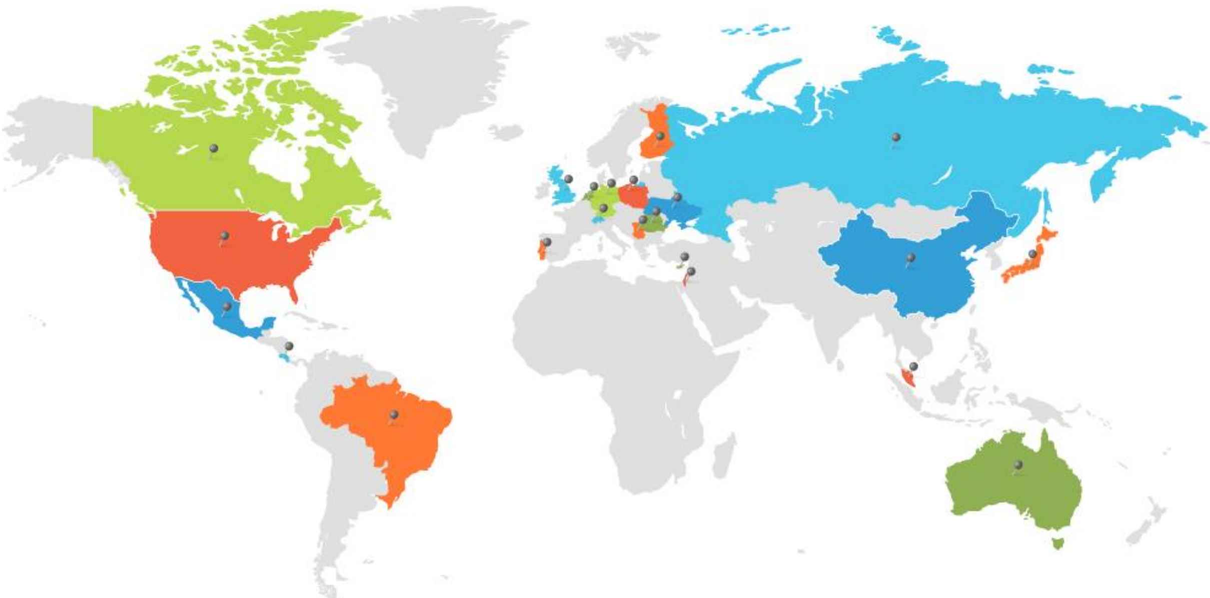
Strauss Water

A leading international company specializing in high-quality purified drinking water solutions. Strauss Water's primary markets are Israel, the UK and China.

International Dips and Spreads

The segment includes two international brands (Sabra and Obela) in a joint venture with PepsiCo, which drive the development and growth of the category. The companies are mainly active in North America, Australia, Mexico and New Zealand.

Global presence



Strauss Israel

Israel

Strauss Coffee

Holland
Brazil
Romania
Switzerland
Poland
Germany
Ukraine
Russia

Strauss Water

Israel
China
UK

International Dips and Spreads

US
Australia
New Zealand
Mexico
Canada

Collaborations and innovation

Strauss is a party to collaborations with several leading multinational corporations such as Danone, PepsiCo, Haier and Culligan.

In 2015 the Group launched the technology incubator, "The Kitchen", in the Israel Innovation Authority's Technological Incubator Program. The incubator's goal is to boost Israeli FoodTech by investing in early-stage technological ventures, which offer solutions for the global food industry. Since its establishment, the incubator has invested in 28 companies, some of which have completed product development, commenced initial sales and raised further investments. The Group participated in several of the funding rounds at amounts that are immaterial to it.

In October 2022, The Kitchen Hub 2.0 launched its activity. For further information, see section 15 in the chapter Description of the Company's Business in the 2023 Periodic Report.

Summary of Q1 2024 Financial Performance

All financial information in this section is in accordance with the Company's non-GAAP measures.

NIS **2,589** million
Net sales

-0.7%
*Organic growth (excluding foreign currency effects)

33.7%
Gross margin

NIS **204** million
Operating profit

-2.4%
*Organic change in operating profit (excluding foreign currency effects)

7.8%
Operating margin

NIS **318** million
EBITDA

2.1%
*Organic change in EBITDA (excluding foreign currency effects)

NIS **(115)** million
Operating cash flow

NIS **159** million
Income attributable to shareholders

18.7%
*Growth in income attributable to shareholders

NIS **(278)** million
Free cash flow

NIS **1.37**
Earnings per share

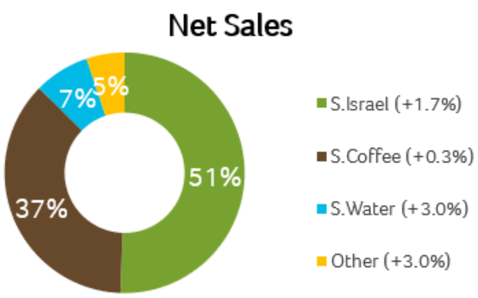
18.6%
*EPS growth

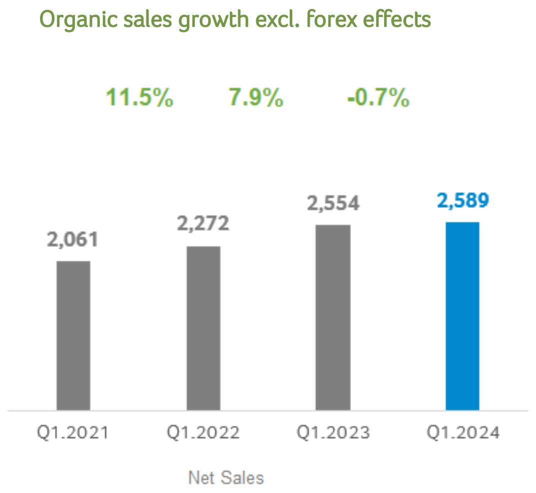
* Compared to the corresponding period last year.

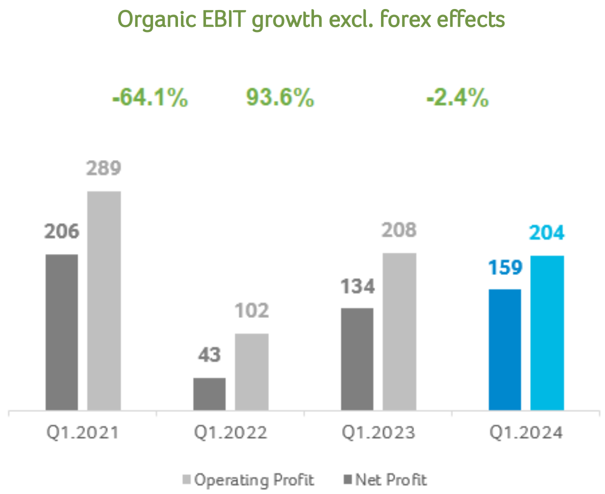
Selected financial data for Q1 2024

	1-3/2024	1-3/2023	% Change
Sales	2,589	2,554	1.4%
Organic growth excluding foreign currency effects	(0.7%)	7.9%	
Gross profit – non-GAAP	874	837	4.3%
% of sales	33.7%	32.8%	
Total operating expenses	680	632	7.5%
Share of profit of equity-accounted investees	12	11	6.9%
Operating profit before profit of incubator investees	206	216	(4.6%)
Share of profit (loss) of equity-accounted incubator investees	(2)	(8)	(70.1%)
Operating profit – non-GAAP	204	208	(2.4%)
% of sales	7.8%	8.1%	
Net finance expenses	(26)	(18)	45.4%
Income before tax – non-GAAP	178	190	(6.9%)
Income tax	1	(41)	(105.1%)
Income for the period – non-GAAP	179	149	20.2%
Income attributable to shareholders	159	134	18.7%
% of sales	6.2%	5.3%	
Income attributable to non-controlling interests	20	15	33.7%
EPS (NIS)	1.37	1.15	18.6%

Segmentation of net sales in Q1 2024 and sales growth rates by operating segment




Organic sales growth excl. forex effects
11.5%
7.9%
-0.7%
2,061
2,272
2,554
2,589
Q1.2021
Q1.2022
Q1.2023
Q1.2024
Net Sales


Organic EBIT growth excl. forex effects
-64.1%
93.6%
-2.4%
206
289
43
102
134
208
159
204
Q1.2021
Q1.2022
Q1.2023
Q1.2024
Operating Profit
Net Profit

Definitions

In all of the following chapters, the following terms will have meanings indicated below:

"Strauss" / the "Company"	Strauss Group Ltd.
"Strauss Group" / the "Group"	Strauss Group Ltd. and companies controlled by it, including joint control.
"Strauss Holdings"	Strauss Holdings Ltd.
"Controlling shareholders"	For information, see section 1 in the Update to the Chapter Description of the Company's Business in Strauss Group's Periodic Report below.
"Strauss Coffee"	Strauss Coffee B.V.
"São Miguel"	São Miguel Holding e Investimentos S.A.
"Três Corações (JV)"	A joint venture in Brazil, held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%).
"Sabra"	Sabra Dipping Company LLC.
"Obela"	PepsiCo-Strauss Fresh Dips & Spreads International GmbH.
"Florentin"	Florentin B.V., a wholly-owned subsidiary of Obela.
"Danone"	Compagnie Gervais Danone S.A. of France.
"PepsiCo" / "PepsiCo, Inc."	The North American multinational food, snack and beverage corporation.
"PepsiCo Europe"	PepsiCo Investments (Europe) I B.V., a PepsiCo subsidiary.
"PRB"	PRB Luxembourg, a PepsiCo subsidiary.
"Haier"	Haier Group Corporation of China.
"VSW"	A joint venture, Virgin Strauss Water UK Ltd.
"VEL"	Virgin Enterprises Ltd.
"Culligan"	Culligan (UK) Ltd.
"HSW"	Qingdao HSW Health Water Appliance Co. Ltd.

The "Stock Exchange" / "TASE"	The Tel Aviv Stock Exchange Ltd.
The "Financial Statements"	The financial statements of the Company, as defined in section 5 of the Description of the Company's Business Report for the year 2023.
The "Non-GAAP Reports" / "Non-GAAP Management Reports"	The Company's non-GAAP reports, as defined in section 5 of the Description of the Company's Business Report for the year 2023.
The "Milk Law"	The Milk Sector Planning Law, 2011.
The "Packaging Law"	The Packaging Treatment Regulation Law, 2011.
The "Food Law"	The Promotion of Competition in the Food Sector Law, 2014.
"StoreNext"	StoreNext is engaged in the measurement of the fast-moving consumer goods (FMCG) segment in the barcoded retail market (which includes the large food chains, private barcoded minimarkets and independent retail chains).
"Nielsen"	Nielsen Holdings plc is a leading global data and analytics company, which, to the best of the Company's knowledge, is active in 110 countries, including Israel.
"Euromonitor"	Euromonitor International is a provider of strategic market research, creating data and analysis on products and services around the world.
"ICE"	Intercontinental Exchange, Inc. (ICE) is a provider of commodity data, which generates and provides analyses of commodities. https://www.theice.com/index

Strauss Group Ltd.

Update of the Description of the Company's Business

UPDATE OF THE CHAPTER DESCRIPTION OF THE COMPANY'S BUSINESS IN THE PERIODIC REPORT OF STRAUSS GROUP LTD. (HEREINAFTER: THE "COMPANY") FOR THE YEAR 2023[1] (HEREINAFTER: THE "PERIODIC REPORT")

In accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, following is a description of material developments that occurred in the Company's business in the three months ended March 31, 2024 and through to the publication date of the report, in which respect no disclosure has yet been made in the Periodic Report. This update refers to several sections in the chapter Description of the Company's Business as well as a number of regulations in the chapter Additional Information on the Company in the Company's 2023 Periodic Report ("**Description of the Company's Business Report**" and "**Additional Information Report**", respectively), and is presented according to the order of the sections in said reports. It is noted that the terms used in this chapter shall have the meaning assigned to them in the Periodic Report, unless expressly stated otherwise.

1. Section 1 in the Description of the Company's Business Report, the Group's Activities and Description of the Development of its Business

For information on a change in the ownership interest of the controlling shareholder, Strauss Holdings Ltd., see the Immediate Report of March 27, 2024 (reference no. 2024-01-027184).

2. Section 4 in the Description of the Company's Business Report, Dividend Distribution

On March 25, 2024, the Board of Directors of the Company approved a cash dividend to shareholders of the Company. For information on the dividend distribution, see the Immediate Reports of March 26, 2024 and March 28, 2024 (reference no. 2024-01-025990 and 2024-01-028729, respectively, and also Note 4.3 to the Condensed Consolidated Interim Financial Statements of the Company as of March 31, 2024).

3. Section 17 in the Description of the Company's Business Report, Financing

Section 17.5, Credit rating

On March 27, 2024, the Company announced that Standard & Poor's Maalot Ltd. had affirmed the rating of the Company and its debentures as ilAA+ and had revised to rating outlook to stable. For further information, see the Immediate Report of March 27, 2024, reference no. 2024-01-027421).

1 As published on March 26, 2024 and amended on March 27, 2024 (reference no. 2024-01-025999 and 2024-01-027409).

4. Section 22 in the Description of the Company's Business Report, Legal Proceedings

For updates, see Note 6 to the Condensed Consolidated Interim Financial Statements of the Company as of March 31, 2024.

5. Regulation 21 in the Additional Information on the Company Report, Payments to Interested Parties and Senior Officers

Further to the resolution of the Board of Directors regarding the appointment of Ms. Ravit Barniv and Mr. Shaul Kobrinsky and to the resolution of the Remuneration Committee of April 11, 2024 regarding the terms of office and employment of Ms. Barniv and Mr. Kobrinsky as directors of the Company, on May 26, 2024 the Board of Directors approved the above directors' terms of office and employment as directors with accounting and financial expertise, in accordance with the Company's Remuneration Policy for Officers of the Company and the Companies Regulations (Rules Regarding Compensation and Expenses of an External Director), 2000 (the "**Remuneration Regulations**"). For further information, see the Immediate Report of May 26, 2024 (reference no. 2024-01-054042).

6. Regulation 24 in the Additional Information on the Company Report, Holdings of Interested Parties and Senior Officers

For information on the status of holdings of interested parties and senior officers (including information on the treasury shares held by the Company), see the Company's Immediate Report of April 7, 2024 (reference no. 2024-01-033562).

On March 31, 2024, Zion Balas ceased to be an interested party in the Company. For further information, see the Company's Immediate Report of April 1, 2024 (reference no. 2024-01-030991).

On April 4, 2024, Clal Insurance Enterprises Holdings Ltd. became an interested party in the Company. For further information, see the Company's Immediate Report of April 8, 2024 (reference no. 2024-01-034657).

On April 4, 2024, Asset Management L.P. ceased to be an interested party in the Company. For further information, see the Company's Immediate Report of May 5, 2024 (reference no. 2024-01-043027).

7. Regulation 26 in the Additional Information on the Company Report

On April 8, 2024, the Company reported that Ms. Ravit Barniv and Mr. Shaul Kobrinsky had been appointed as directors of the Company commencing on May 5, 2024. For further information, see the Immediate Reports of April 8, 2024 (reference no. 2024-01-034786 and 2024-01-034789, respectively).

8. Regulation 29(C) in the Additional Information on the Company Report, Resolutions of the Special General Meeting

On May 26, 2024, the Company published a convening report for a Special General Meeting to be held on June 30, 2024, on the agenda of which is the renewal of the grant of a letter of exemption to Mr. Adi Strauss, who is among the controlling shareholders of the Company, for a three-year period commencing on the date of receipt of the approval of the General Meeting. For further information, see the Immediate Report of May 26, 2024 (reference no. 2024-01-054030).

Date: May 26, 2024

Names and titles of signatories:

Ofra Strauss, Chairperson of the Board of Directors

Shai Babad, Chief Executive Officer

Strauss Group Ltd.

Strauss Group Ltd.

Board of Directors’ Report on the Status of the Company’s Affairs as of March 31, 2024

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EXPLANATIONS BY THE BOARD OF DIRECTORS REGARDING THE STATUS OF THE COMPANY'S BUSINESS AFFAIRS

1. General

The Board of Directors of Strauss Group Ltd. respectfully submits herewith the Board of Directors Report for the first quarter of 2024, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

The review presented below is limited in scope and refers to events and changes that occurred in the status of the Company's affairs in the reporting period that have a material impact, and should be read together with the chapter Description of the Company's Business in the Periodic Report as of December 31, 2023, the Financial Statements, and the Board of Directors' Report on the Status of the Company's Affairs for the year then ended, as published on March 26, 2024 (reference no. 2024-01-025999) (the 2023 Periodic Report).

2. Principal Information from the Description of the Company's Business

2.1 Overview of the operating segments in 2024

The Group was engaged in six key areas of activity, reported as business segments as described in Note 25 to the Financial Statements of the Company as of December 31, 2023. Four of the operating segments are concentrated under two main frameworks: the Israel Operation and the Coffee Operation[1].

Further to the approval of the Group's 2024-2026 strategy, several changes were made in the operating segments to align them with the manner in which segmental information regarding the Group's operating segments is presented, that are based on the Group's internal management (non-GAAP) reports (the "**Management (Non-GAAP) Reports**").

Accordingly, responsibility for the Israel Coffee segment was transferred from the Coffee Operation to the Israel Operation, Fun & Indulgence. It was further decided to include the International Dips & Spreads segment within the Other Operations segment. Consequently, these changes are reflected in the segmental business results, including a revision of comparative information. Today, the Group is active in five operating segments that are reported as business segments, three of which are included within the framework of the Israel Operation.

For information on how these changes are reflected in the presentation of segmental business results, including the revision of comparative information, see the section Results of Business Operations and also Notes 3 and 4.1 to the Consolidated Financial Statements as of March 31, 2024.

[1] In addition to the operating segments described above, the Group has various activities that are immaterial to its business, which fall short of the quantitative threshold for presentation in the financial statements of the Company as reportable segments or the criteria for aggregation and separate presentation as a reportable segment; these are included in the Financial Statements as of December 31, 2023 as the "Other Operations" segment.

2.2 Summary of major developments in the reporting period and thereafter

- On May 21, 2023, the Company and fourteen other companies received a letter from the Supervisor of Prices. In the letter to the Company, the Supervisor of Prices sought to review the need to subject part of the Group's products to price control under sections 6 and 31 of the Supervision of Prices of Goods and Services Law, 1996, and demanded that the Company furnish information on the profitability of those products. On June 22, 2023, the Manufacturers Association of Israel and eight other companies, including the Company, submitted a motion to the High Court of Justice for the award of an order nisi, a motion for an interlocutory order and for an urgent hearing of the petition, under the argument that the Supervisor of Prices lacked the authority to demand the information. The High Court granted the petitioners' motion for the award of an interlocutory order and a date for the hearing was set. On February 11, 2024, the court discussed the matter and determined that the date for the hearing would be postponed to enable negotiations that had begun between the parties to be fully leveraged. On February 25, 2024, the Price Controller announced that the negotiations between the parties had failed to deliver results, and accordingly, the hearing regarding the petitions remained necessary. Further to a hearing on May 20, 2024, the petitioners requested that the High Court of Justice dismiss the petitions.
- On May 23, 2023, the Company announced that Strauss Coffee had signed an agreement for the sale of 100% of its holding in the local company operating in Serbia, Strauss Adriatic d.o.o., to Atlantic Grupa d.d., subject to the adjustment of the consideration for the cash balances, financial debt and working capital of the company in Serbia on the closing date, and to the receipt of approval from the Serbian Commission for Protection of Competition. On February 29, 2024, approval of the transaction by the Serbian Commission for Protection of Competition was received, and subsequently, on March 1, 2024, the transaction was closed and the consideration for the sale, EUR 38.8 million, was paid to Strauss Coffee. For further information, see Notes 4.2 and 9 to the Consolidated Financial Statements as of March 31, 2024 and section 22.2 below.
- In July 2021, the Company entered into a transaction for the acquisition of a 51% stake in Wyler Farms Ltd., which is active in the manufacture of tofu-based products. The transaction (the "**Merger Agreement**") was subject to the satisfaction of suspending conditions, including approval by the Competition Commissioner. On February 23, 2022, the Competition Commissioner announced that the merger was not approved. The Company subsequently received a request for information concerning the Merger Agreement, following which the Competition Authority sent another request for information to three officers who had served in the Company, alleging the suspected violation of section 19 of the Economic Competition Law, 1988, which prohibits companies from merging prior to furnishing a notice of the merger and receipt of the Commissioner's consent. The Company responded to the requests for information in full. On June 21, 2023, the Company received a summons to a hearing prior to a decision by the Competition Commissioner concerning the violation of the provisions of section 19 of the Competition Law and the intent to impose a financial sanction on the Company at a total amount of NIS 111 million and to impose financial sanctions on each of the three former officers. For clarity, the Company disputes the Commissioner's position, and is of the opinion that its actions, as far as the body of arguments against it are concerned, were compliant with the law. The Company and the officers submitted their written arguments at a hearing on February 19, 2024,

and on March 3 and March 11, 2024, an oral hearing was held before the representatives of the Competition Authority. In the opinion of outside counsel, the Company has strong arguments countering the body of arguments and against each argument individually, as well as against the alleged violation of section 19. Even if the Company's arguments concerning the alleged violation are not accepted, the Company has strong arguments concerning the amount of the sanction and the manner in which it was calculated, which indicate a sanction that is significantly lower than the amount calculated by the Authority. Outside counsel estimates that the chances of the above financial sanction being imposed are lower than 50%, but the Company is presently unable to assess whether a sanction of a different amount will be imposed. The Company will present its position in any legal proceeding insofar as necessary. For further information, see Note 22.1.5 to the Consolidated Financial Statements as of December 31, 2023.

- On August 21, 2023, the Company, a Company officer and a former Company officer (hereinafter in this paragraph: the "**Officers**") received letters of notice regarding an intent to file an indictment against them, subject to a hearing, in respect of suspicions of an attempted restrictive trade arrangement through a public announcement in the Company's quarterly financial statements. To clarify, the Company disputes the Commissioner's position and is of the opinion that its actions as far as the body of arguments made against the Company and the Officers were legal. On January 23, 2024, an oral hearing was held, and on February 11, 2024, the Company and the Officers submitted their written arguments. In the opinion of outside counsel, at the present stage the chances of the hearing's success, the chances of a bill of indictment being filed and the chances of a conviction cannot be estimated, if a bill of indictment is filed. The Company will present its position in any legal proceeding insofar as required. For further information, see section 20.4.4 in the Description of the Company's Business for the year 2023.

- In November 2022, the Board of Directors approved the implementation of the "Strauss One" plan, designed to improve the Group's organizational operating model and align it with the Group's strategy and the economic environment. In January 2024, the Board of Directors approved an additional organizational efficiency enhancement plan that is expected to deliver yearly savings estimated at NIS 45-55 million, beginning in the second quarter of 2024. On March 25, 2024, the Board of Directors approved a revision of the Company's strategy for 2024-2026 in light of the significant changes that occurred in the external environment in the past two years, while the Group also contended with internal challenges. For further information, see sections 16 and 23 in the Description of the Company's Business for the year 2023.

  The information contained in this report concerning expected yearly savings is forward-looking information, as this term is defined in the Securities Law, 1968, which is based on the Company's plans and the information available to it on the date of this report, and may not materialize if the plan is not implemented or if it is partially implemented.

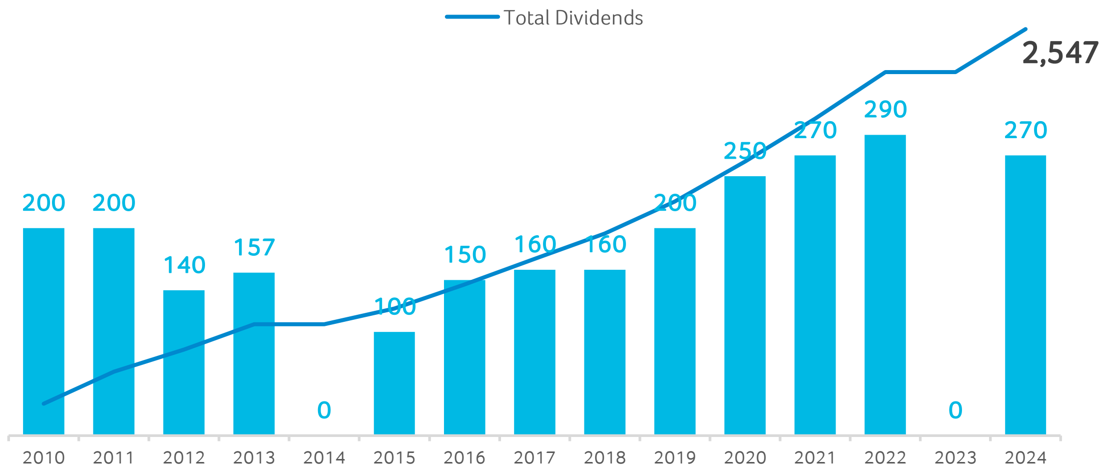
2.3 Dividends

Decisions regarding the payment of dividends are made by the Company's Board of Directors. The frequency and amounts of distributions are based on the Group's business results and according to its needs.

Since 2010 through to the present, the Company has distributed dividends amounting to approximately NIS 2.5 billion.

The following figure presents the cumulative dividend payout in recent years:

Dividend Payouts, Annual and Total, in 2010–2024



Figures are in NIS millions.

On March 25, 2024, the Board of Directors approved the payment of a dividend to shareholders of NIS 270 million (NIS 2.32 per share) for 2023, which was paid on April 11, 2024.

The balance of retained earnings on the date of the statement of financial position is NIS 3,571 million.

CHANGES IN THE ECONOMIC ENVIRONMENT AND MATERIAL EVENTS IN THE REPORTING PERIOD

3. Swords of Iron War

On October 7, 2023, the Hamas terrorist organization attacked the State of Israel. Following the attack, the government of Israel declared the Swords of Iron War (the "War"). Among other things, the War led to a massive call-up of military reserves, the evacuation of communities, the temporary or partial closure of businesses, the imposition of various restrictions on civilian activities in extensive areas, a slowdown in economic activity, a slump in share prices on the Tel Aviv Stock Exchange, the devaluation of the Shekel against foreign currencies, a rise in corporate bond yields due to increased risk levels and uncertainty, a cut in Israel's credit rating by S&P Global Ratings from AA- to A+ with an outlook downgrade from stable to negative, while Moody's lowered Israel's credit rating from A1 to A2. In April, Fitch Ratings removed Israel from Rating Watch Negative, which it had announced when the War broke out, but assigned Israel a negative credit outlook. All of the foregoing disrupted economic activity and consumer spending in the country.

Since then and through to proximate to the publication date of the report, the Shekel rallied, as did the nominal effective exchange rate (published by the Bank of Israel), which is now lower than before the War, and Israel's risk premium has declined somewhat.

Since the War broke out, in its business in Israel the Group has focused on three major goals: To maintain full business continuity to the greatest extent possible and ensure regular food supply to all customers, subject to the restrictions and the directives of the Home Front Guard; to keep its people safe and tend to the needs of employees and their families in a state of war; to support the community, provide help to soldiers and the families who were evacuated in southern and northern Israel, and to support the farmers who suffered damage in the Western Negev.

To provide for maximum flexibility and financial stability, in November and December 2023 the Group entered into a number of agreements with banks to acquire secured lines of credit for its regular operations, at a total amount of NIS 200 million for a one-year period. This is in addition to the secured lines of credit that were in place before the War, at an amount of NIS 400 million. For further information, see section 22 below regarding liquidity, sources of finance and financial position.

As of the publication date of this report, the effects of the War, described below, have had no material impact on the Group's business and its financial results. In the first quarter, the repercussions were mainly reflected in a negative impact on sales by the Fun & Indulgence (Snacks and Confectionery) and Fun & Indulgence (Israel Coffee) segments. The prolongation of the fighting continued to adversely affect fundraising by the incubator investees. For further information, see section 21.4.2 below.

Shipping of raw materials from Asia and Africa has been affected following tensions with Houthis, but the Company took action to find solutions for importing raw materials to Israel. The Group continues to monitor developments and is preparing for various scenarios that could evolve, particularly in the context of supply chain risks, which include finding alternative sources for the procurement of raw materials, production outsourcing, making adjustments to the logistics array, and monitoring the increase in cybersecurity risks and food quality and safety risks. In early May 2024, the President of Turkey announced the full suspension of trade relations with Israel as part of Turkey's efforts to enforce a ceasefire on Israel. As of the publication date of this report, the effect of this decision on the Group has been immaterial.

As of the publication date of the report, the development of the War, its scale, impacts and duration remain uncertain. Consequently, it is not possible at the present time to assess the scope of future consequences of the War on the Group's business.

To clarify, the Company's assessments regarding the possible effects and consequences of the War, as described above, on the Group's operations, businesses and results, are forward-looking information, as this term is defined in the Securities Law, 1968. These assessments are based, *inter alia*, on the experience of Company Management in the Company's fields of business, on the information available to the Company on the date of this report and on public economic forecasts. Accordingly, materialization of all or part of these assessments is uncertain, and they may also materialize, including substantially, in a different form than anticipated as a result of various factors, including the consequences of the War and the uncertainty surrounding its nature and duration, the state of the economy, and also due to the effects of the Company's risk factors as set forth in section 25 in the Description of the Company's Business for 2023.

4. Russia-Ukraine War

The fighting between Russia and Ukraine has continued, as have the economic sanctions that were imposed on Russia by the West, but as of the date of this report, they have not had a material effect on the Group's business results.

Since the war broke out, the Company has taken steps to ensure that its business in Russia is managed as a stand-alone business to the greatest extent possible. In Ukraine, the Group's business has operated continuously given the circumstances.

The Group continues to be exposed to possible global consequences of the war, which are likely to include, *inter alia,* increases in commodity, raw material and energy costs. For changes in commodity and energy prices as of the publication date of this report, see sections 5 and 6 below.

Since these are unfolding events that involve a high degree of uncertainty, there are several possible geopolitical scenarios that could lead to further negative economic and financial consequences. The Company continuously monitors events in Ukraine, Russia and the markets. As mentioned, until the publication date of this report, the actual impact of these events has been immaterial. The Group is unable to assess their future impact on its business results.

For further information on the Company's business in Russia and Ukraine, see section 21.2 below and Note 1.1.2 to the Consolidated Financial Statements as of December 31, 2023.

5. Prices of Raw Materials and Other Production Inputs

A substantial part of the raw materials used to manufacture the Group's products are traded on the commodities markets. In the first quarter of 2024, the average market prices of part of the Group's raw materials rose sharply compared to the corresponding period last year, including cocoa and green coffee (mainly Robusta and excluding Arabica in Brazil), and the price of sugar increased. Conversely, the average market prices of grains declined significantly, and there was a slight drop in sesame and plastic prices. The price of raw milk declined in the first quarter of 2024 by 4.1% compared to the same quarter last year, and at the beginning of April, its price for second quarter of 2024 was set at 2.2% higher than in the first quarter of the year. At the beginning of the second quarter, cocoa and green coffee prices continued to rise sharply, but the price of cocoa subsequently fell, such that as of the publication date of this report, the price of cocoa dropped by 18% compared to its price at the end of the first quarter. Green coffee prices declined compared to the peak prices in April and reflected an increase of 16% in Arabica and Robusta since the end of the first quarter. It is noted that most of the Company's procurement consists of Robusta green coffee.

Following are the rates of change in the average market prices of major inputs in the first quarter of 2024 compared to the corresponding period last year:

Inputs	Average rate of change
Arabica [(1)]	9%
Robusta [(1)]	59%
Sugar [(1)]	11%
Sesame [(1)]	(2%)
Plastic [(2)]	(3%)
Cocoa [(1)]	143%
Raw milk [(3)]	(4%)

[(1)] Figures are retrieved from Bloomberg. The exchanges on which the commodities are traded are: Arabica – New York, Robusta – London, sugar – London, Humera sesame and cocoa – London.
[(2)] Figures are retrieved from FRED Producer Price Index – Polystyrene Foam Product. The index is inductive only.
[(3)] Figures are retrieved from the Israel Dairy Board website.

* Market prices of all inputs are denominated in USD, except for the price of cocoa, which is denominated in GBP, and the price of milk, which is denominated in NIS.

The Group applies measures to mitigate the effects of raw material cost fluctuations, among other things through hedges, mitigation plans and operational efficiency enhancement. Additionally, in certain geographies and products, some of the Group companies revised their sell-in prices (see section 21 below).

The Company's green coffee procurement center in Switzerland provides for all companies in the Group (except for the operation in Brazil). To manage exposure to market risks, the Group uses transactions in derivatives traded on the financial markets in New York and London. The use of these instruments is the responsibility of the manager of the procurement office in Switzerland in the framework of guidelines defined from time to time by the corporate green coffee procurement committee, which is managed by Strauss Coffee's COO and convenes from time to time according to established procedures.

The procurement of green coffee in Brazil is carried out by the local management of Três Corações (JV)[2] according to internal procedures determined by Três Corações (JV)'s board of directors, and is the responsibility of the procurement, export and financial managers of Três Corações (JV).

The Group also has a committee for commodity exposure management. The committee is managed by the Group's Economics & Treasury Manager.

Gains or losses arising from commodity hedges are mainly included in the non-GAAP income statement on the date of sale of the inventory to outside parties.

6. Energy Prices

Average prices of Brent oil in the first quarter of 2024 were similar to average prices in the corresponding period last year.

7. Exchange Rate Fluctuations

The impact of the devaluation of the Shekel based on average exchange rates against most of the Group's functional currencies, with the exception of the Ruble, which was significantly devalued in the first quarter of 2024 compared to the same quarter last year, contributed to positive translation differences in the sales line item in the income statement. In terms of changes in exchange rates, in the first quarter of 2024 the Shekel strengthened against most functional currencies based on average exchange rates, with an immaterial net effect on equity. In the first quarter of the year the US Dollar strengthened, mainly against the Ruble and the Shekel, and weakened mainly against the Real and the Zloty.

[2] Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

The following table presents the average exchange rates **against the Shekel** in the first quarter of 2024 compared to the corresponding period last year:

Average Exchange Rates Against the Shekel				
Currency		Average Exchange Rate First Quarter		% change
		2024	2023	
United States Dollar	USD	3.661	3.538	3.5%
Euro	EUR	3.974	3.795	4.7%
Ukrainian Hryvnia	UAH	0.096	0.097	(0.9%)
Russian Ruble	RUB	0.040	0.049	(17.0%)
Serbian Dinar	RSD	0.034	0.032	4.8%
Romanian Leu	RON	0.799	0.771	3.7%
Polish Zloty	PLN	0.917	0.806	13.8%
Brazilian Real	BRL	0.739	0.680	8.7%
Chinese Renminbi	CNY	0.511	0.511	0.0%
Canadian Dollar	CAD	2.716	2.616	3.8%
Australian Dollar	AUD	2.408	2.420	(0.5%)
Mexican Peso	MXN	0.216	0.190	13.8%
Pound Sterling	GBP	4.642	4.296	8.1%

The following table presents the average exchange rates **against the Dollar** in the first quarter of 2024 compared to the corresponding period last year:

Average Exchange Rates Against the Dollar				
Currency		Average Exchange Rate First Quarter		% change
		2024	2023	
New Israeli Shekel	ILS	0.273	0.283	(3.4%)
Ukrainian Hryvnia	UAH	0.026	0.027	(4.2%)
Russian Ruble	RUB	0.011	0.014	(19.9%)
Serbian Dinar	RSD	0.009	0.009	1.3%
Romanian Leu	RON	0.218	0.218	0.2%
Polish Zloty	PLN	0.250	0.228	10.0%
Brazilian Real	BRL	0.202	0.192	5.0%
Chinese Renminbi	CNY	0.140	0.144	(3.3%)
Pound Sterling	GBP	1.268	1.214	4.4%

Since the beginning of the year through to proximate to the publication date of the report, the Shekel strengthened by 5% against the Real, and conversely, weakened 1% against the Dollar and Ruble.

8. Inflation

In the first quarter of 2024, the Consumer Price Index (CPI) in Israel rose in by 1% compared to 1.2% in the same quarter last year, and by 2.7% in the past twelve months. In the US, the CPI rose by 1.1% in the first quarter of 2024 compared to 1% last year, and by 3.4% in the past twelve months. In Brazil, the CPI rose by 3.8% in the twelve months ended proximate to the publication of the report. In Russia, the CPI rose by 7.7% in the same twelve-month period.

Most of the Group's long-term loan liabilities are at fixed interest rates, unlinked and Shekel denominated, and the rest are floating rate loans. Most of the Company's lease liabilities are CPI-linked.

The Company's policy is to match, to the greatest extent possible, assets and liabilities in the same currency, using financial derivatives when they are available and advantageous. In its international operations, the Company does not regularly hedge the measurement basis of its operating results or its statement of financial position against changes arising from the various currency exchange rates against the Shekel. The Group has committees that manage the risks related to interest rates, currency exposure, financial investments, etc., in which all the relevant professional people in the Company participate.

Hedging and investment activities are performed by the Finance Department in Group Headquarters and are the responsibility of Strauss Coffee's CFO in all aspects relating to the coffee business, of Strauss Water's CFO with respect to the water business, and of the Group EVP Finance with respect to the business of the Group as a whole.

9. Interest

The Bank of Israel interest rate declined from 4.75% at the end of 2023 to 4.5% proximate to the publication date of the report. In the US, the interest rate was maintained at 5.25%-5.5% proximate to the publication date of the report. In Brazil, the interest rate declined from 11.75% at the beginning of the year to 10.5% proximate to the publication date of the report. In Russia, the interest rate remained stable at 16% proximate to the publication date of the report. In the Group's other Eastern European countries of operations, there was no significant change in the interest rate.

Most of the Group's long-term liabilities are Shekel fixed-rate loans. The rest are floating-rate loans, most of them Dollar, Euro and Real denominated.

10. Regulatory Developments in Israel

The Group is affected by regulatory changes applying from time to time to inputs, mainly with respect to wages in Israel and raw milk prices in Israel, which account for a major part of its inputs.

<u>The milk sector</u>

In June 2022 an agreement was signed, the heads of which are a 4.9% increase in the prices of price-controlled dairy products, implementation of an automatic mechanism for updating the prices of price-controlled dairy products, a reduction in the target price, and a revised formula for calculating the costs of milk production.

In January 2023, a decree was issued, introducing a change in import tariffs applying to cheeses, which significantly lowered the customs duty charged on various cheeses.

In April 2023, a price update was announced, raising the prices of price-controlled dairy products by 16.0%. One week later, at the beginning of May, an amendment to the order was published, revising the prices of those price-controlled products upward by a lesser rate of 8.3%. At the end of May 2023, the prices of said products were again updated by a further 0.9%. In addition, according to the same outline, the prices of price-controlled dairy products were increased by another 4.48% in May 2024.

Wages in Israel

Commencing on April 1, 2024, the minimum wage in Israel was raised to NIS 5,880.02 per month (compared to NIS 5,571.75). The increase in the minimum wage is not expected to have a material effect on the Group's business results in 2024.

The Public Health Protection Law

In the framework of the Economic Plan, substantial amendments were made to the Public Health Protection (Food) Law, 2015. The purpose of these amendments is to facilitate the import of food to Israel and to eliminate significant import barriers, *inter alia*, through the adoption of three EU regulations governing chemical and biological contaminants and pesticide residue.

As part of the reform, the official status of approximately 100 food standards was cancelled, which will allow for the importation and manufacture of various food products without requirements that are unique to Israel. However, food standards are binding even when they are not official, subject to the Consumer Protection Order (Marking and Packaging of Food Products).

With the goal of reducing waiting times and clearance times at the ports, special arrangements were defined for importers registered under section 115 of the Public Health Protection (Food) Law, 2015 as "Valid Importers" for the release of foods from quarantine stations for products marketed in Europe, similar to the procedure for the release of regular foods.

In August, the Ministry of Health published a guideline for the expansion of the Food Reform, which places emphasis on the removal of import barriers. The current guideline perpetuates the trend of transferring responsibility for food safety and standards to the parties that deal in food, while protecting public health.

In the context of the guideline, several steps were proposed for implementation, which include broadening the adoption of EU legislation.

In December, the reduction regulations were published in the Gazette of Record, enabling the National Food Services to now impose financial sanctions for violations under the Public Health Protection Law (Food). The reduction regulations took effect on January 1, 2024.

The information contained in this section, including the estimates that the Milk Sector Planning bill, the increase in the minimum wage and the reforms in the Economic Arrangements Law are not expected to have a material effect on the Company's business results, is forward-looking information as this term is defined in the Securities Law, which is based on the information available to the Company on the date of this report and includes the Company's estimates on the reporting date and there can be no certainty as to their materialization.

11. Business Regulation and Changes in the Food Sector in Israel

To the best of the Company's knowledge, in 2024 a change is expected in the Israeli standard, which is slated to adopt the NSF[3] standards for drinking water systems – treatment of aesthetic contaminants, treatment of contaminants with health effects, systems for the reduction of microbiological contaminants. The standard is currently being discussed by the Ministry of Economy's Adoption Committee after having passed the "public comment" process. Strauss Water has reviewed the implications and estimates that the impact of the change in the standard will not be significant.

As part of the Economic Arrangements Law for 2023 and 2024, the Promotion of Competition in the Food Sector Law, 2014 was amended in a 3-year temporary order and the following provisions were defined, inter alia: Prohibition on a supplier whose determinative sales turnover exceeded NIS 307 million to merge with a supplier whose determinative sales turnover exceeded NIS 30 million, unless the Commissioner's approval has been granted under the terms and conditions set forth in the Law; prohibition on a large supplier to stipulate a discount to a large retailer on any of its products on the purchase of another of said large supplier's products; and exemption of a large retailer from obtaining the Commissioner's approval to open another large store in a high-demand area, if, in each of the six months that preceded the date on which the large store was opened, 55% of the sales volume of the products sold by the large retailer in Israel did not consist of products supplied to the large retailer by large suppliers. Additionally, the sum of the maximum financial sanction was raised to NIS 40 million. Furthermore, as part of said Economic Arrangements Law, provisions were also determined with the intention of facilitating the process of importing food products. The Company reviewed the impact of the Economic Arrangements Law and assessed that the effect on the Group's business is immaterial. This estimate is forward-looking information as this term is defined in the Securities Law, 1968, which is based on the information available to the Company on the date of the report and includes the Company estimates on the reporting date.

On May 21, 2023, the Israeli government approved a decision that the Minister of Finance would appoint a public advisory committee and an inter-ministerial team ("Public Committee"). Each of the two new committees will include representatives of the public, representatives of the government and a representative of the Bank of Israel, and they will be responsible for recommending steps to reduce centralization and increase competition in the food market, and for reviewing the need for additional regulation to mitigate the market power of large retailers. In light of the state of emergency, the Public Committee announced the suspension of its work. As of the date of this report, the Company is unable to assess the implications of the foregoing on the Company and its financial results.

On September 6, 2023, the Company and all large suppliers and large retailers received a demand for information from the Competition Authority. In the demand, the Company was requested to furnish, *inter alia*, sales data, COGS and operating costs from 2019 through to the present. In light of the security situation, the matter was postponed, and the Company submitted the reply to questions 1 and 4 in the

[3] NSF is an American organization that tests and certifies various products, including drinking water treatment products. The organization is engaged in the definition of standards, testing and product certification.

demand for information on January 30, 2024, and the reply to questions 2 and 3 in the demand for information on February 29, 2024.

On June 27, 2023, the Promotion of Competition in the Food Sector Bill (Promotion of Competition in the Food and Toiletries Sector) (Temporary Order), 2023 was published. The bill proposes that a large supplier that supplies the goods of a large manufacturer will not supply retailers with the goods of other large or medium manufacturers. The Company furnished its reference to the bill in the call for submissions that was issued. At the present stage, continuation of the legislative process with respect to the bill is uncertain, as is the version of the law that will be passed. Accordingly, as of the date of this report, the Company is unable to estimate the impacts of the law if and insofar as the legislative process is completed.

On February 19, 2023, the Competition Commissioner announced that she had decided to repeal the Rules for the Promotion of Competition in the Food Industry (Exemption for Actions and Arrangements Regarding Product Arrangement in Stores of a Large Retailer) (Temporary Order), 2017 (Arrangement Exemption). On November 24, 2023, the Competition Commissioner announced that the Arrangement Exemption would be extended for a further six months until May 31, 2024, and that she would announce new rules for exemption that will increase sales of products of small suppliers in the retail chains. On March 14, 2024, the Competition Authority published the draft Arrangement Exemption, which is to replace the current exemption beginning on January 1, 2025, for public comment. The draft Arrangement Exemption proposes the rule that the arrangement of goods by large suppliers will be permitted only at large retailers where the total sales of products of suppliers that are not large suppliers in all the stores of each such retailer (excluding sales of fresh fruit and vegetables) account for at least 55%, with this percentage being raised by one percentage point per year, up to 60%.

At the present stage, there is no certainty as to the form of the exemption and when it will take effect. Accordingly, as of the date of this report, the Company is unable to assess the impact of the form and content of the exemption insofar the process is completed.

On March 1, 2024, the Consumer Protection Law Bill (Amendment 69) (Prohibition on the Exertion of Undue Influence in a State of Emergency) was submitted. The bill seeks to add a special provision to the Consumer Protection Law that prohibits a dealer from exerting undue influence through a considerable, extraordinary increase in the prices of essential products during a state of emergency.

At the present stage, continuation of the legislative process with respect to the bill is uncertain, as well as regarding the version that will be passed. Accordingly, as of the date of this report, the Company is unable to assess the impact of the law, if and insofar as the legislative process is completed.

The information contained in this section regarding the effects of the above regulation on the Company is forward-looking information as this term is defined in the Securities Law, which is based on the information available to the Company on the date of this report and includes the Company's estimates on the reporting date. There can be no certainty as to their materialization, and they may not materialize or may materialize in a different manner, *inter alia*, due to changes in macroeconomic conditions, the final versions that are approved, etc.

12. Qualitative Disclosure Regarding Market Risk Exposure and Risk Management

The Group operates in business areas that are by nature basic and stable. However, there are several factors and trends that could influence both the scope and profitability of the Group's business. For a description of the market risks to which the Group is exposed, see section 25.1 in the chapter Description of the Company's Business as of December 31, 2023 (Discussion of Risk Factors).

RESULTS OF BUSINESS OPERATIONS

13. Overview of the Results of Business Operations

The Group has several businesses that are operated by jointly controlled entities in which the Company or subsidiaries hold a 50% stake: the coffee business in Brazil (Três Corações (JV)[4]), the dips and spreads business in North America (Sabra Dipping Company), the salty snacks business in Israel (Strauss Frito-Lay Ltd.) and the international dips and spreads business – PepsiCo Strauss Fresh Dips & Spreads International ("Obela"). To clarify, the above companies are included in the Management (Non-GAAP) Reports of the Company according to the stake held by the Company or the subsidiaries therein.

According to generally accepted accounting principles, in the financial statements of the Company, the income statements and statements pertaining to financial position, comprehensive income, changes in equity and cash flows of businesses which are jointly controlled by the companies in the Group and other partners are presented in one separate row ("Profit of equity-accounted investees", and in other reports in the relevant section).

Notwithstanding the foregoing, in light of the Group's non-GAAP reports and the method in which Group Management measures the results of the subsidiaries and jointly owned companies, the Group presents the activity segments by presenting the Group's relative share of the income and expenses of the jointly controlled entities (50%) as well as other adjustments described below. Presentation of the data in this manner is different to the manner of their presentation in the audited financial statements of the Company.

The next pages present the Management (Non-GAAP) Reports, the financial accounting (GAAP) reports and the various adjustments made by Company Management in making the transition from the financial accounting reports to the non-GAAP reports.

[4] Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by **São Miguel Group.** (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Following are the condensed results of business operations, based on the Management (Non-GAAP) Reports, for the quarters ended March 31, 2024 and 2023 (in NIS millions):

Condensed Results of Business Operations

	First Quarter			Explanation
	2024	2023	% change	
Sales	**2,589**	**2,554**	**1.4%**	Sales growth is largely due to the Fun & Indulgence (Snacks and Confectionery) segment following the continuing reintroduction of confectionery products to the shelves, higher sales prices, and growth in the International Coffee segment due to price increases and positive foreign currency effects on sales. For further information, see section 17 below.
Organic growth excluding foreign currency effects	(0.7%)	7.9%		
Cost of sales	1,715	1,717	(0.1%)	Growth in gross profit and the gross margin is primarily the result of an increase in sales by the Confectionery Division as it regained strength and narrowed market share gaps and also streamlined the plant's expenses, as well as due to price increases implemented in several categories and geographies, which were offset by higher raw material prices. For further information, see section 18 below.
Gross profit – non-GAAP	**874**	**837**	**4.3%**	
% of sales	33.7%	32.8%		
Selling and marketing expenses	515	483	6.7%	The increase is largely due to higher marketing effort expenses in Israel.
General and administrative expenses	165	149	10.2%	The increase is largely due to higher wage costs and consulting expenses.
Total expenses	**680**	**632**		
Share of profit of equity-accounted investees	12	11	6.9%	There was no material change quarter-on-quarter.
Operating profit before profit of incubator investees	206	216	(4.6%)	
Share of profit of equity-accounted incubator investees	(2)	(8)	(70.1%)	The loss declined mainly as a result of gains on the sale of Amai Proteins.
Operating profit – non-GAAP	**204**	**208**	**(2.4%)**	The decline in operating profit and the operating margin is largely due to the International Coffee segment following a decline in gross profit and the gross margin caused by an increase in raw material prices (mainly green coffee), which was not reflected in a corresponding increase in sales prices, as well as higher marketing and G&A expenses.
% of sales	7.8%	8.1%		
Finance expenses, net	(26)	(18)	45.4%	Growth in finance expenses is mainly the result of an increase in the cost of debt following higher interest rates, as well an increase in finance expenses related to leases following growth in lease payments compared to the corresponding period last year.
Income before taxes – non-GAAP	**178**	**190**	**(6.9%)**	
Taxes on income	1	(41)	(105.1%)	The lower income tax and effective tax rate are largely due to the revision of tax reserves following the receipt of final tax assessments for prior years.
Effective tax rate	(1.2%)	21.6%		
Income for the period – non-GAAP	**179**	**149**	**20.2%**	Most of the increase in net profit is due to the lower tax expenses.
Attributable to shareholders of the Company	**159**	**134**	**18.7%**	
% of sales	**6.2%**	**5.3%**		
Attributable to non-controlling interests	20	15	33.7%	
EPS (NIS)	1.37	1.15	18.6%	

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

Following are the condensed results of business operations (based on the Management (Non-GAAP) Reports) of the major business segments for the quarters ended March 31, 2024 and 2023 (in NIS millions)[5]:

Condensed Results of Business Operations by Operating Segment			
	First Quarter		
	2024	2023	% change
Israel			
Net sales	1,309	1,287	1.7%
Operating profit (loss)	151	148	2.3%
Coffee			
Net sales	954	951	0.3%
Operating profit	38	60	(36.4%)
Water			
Net sales	193	188	3.0%
Operating profit	24	21	10.2%
Other			
Net sales	133	128	3.0%
Operating profit	(9)	(21)	(51.9%)
Total			
Net sales	**2,589**	**2,554**	**1.4%**
Operating profit	**204**	**208**	**(2.4%)**

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

Commencing in 2024, several changes were made in the Group's operating segments as part of the optimization plan and revised strategy for 2024-2026. For further information, see section 2.1 above and also Notes 3 and 4.1 to the Consolidated Financial Statements as of March 31, 2024.

[5] It is noted that further to the contents of section 2.1 above regarding the change in the Company's operating segments, corrections were also made to the comparative information presented above and below.

Following are the condensed financial accounting (GAAP) statements of income for the quarters ended March 31, 2024 and 2023 (in NIS millions):

Condensed GAAP Statements of Income			
	First Quarter		
	2024	2023	% change
Sales	1,726	1,713	0.8%
Cost of sales excluding impact of commodity hedges	1,090	1,106	(1.4%)
Commodity hedging costs (1)	71	(53)	
Cost of sales	1,161	1,053	10.3%
Gross profit	**565**	**660**	**(14.5%)**
% of sales	32.7%	38.6%	
Selling and marketing expenses	353	330	7.0%
General and administrative expenses	129	121	6.8%
Total expenses	**482**	**451**	
Share of profit of equity-accounted investees	36	45	(19.6%)
Share of profit of equity-accounted incubator investees	(2)	(8)	(70.1%)
Operating profit before other expenses	**117**	**246**	**(52.7%)**
% of sales	6.8%	14.4%	
Other expenses, net	(50)	70	
Operating profit after other expenses	**67**	**316**	**(78.7%)**
Finance expenses, net	(17)	(11)	62.9%
Income before taxes	**50**	**305**	**(83.6%)**
Taxes on income	21	(59)	(134.7%)
Effective tax rate	(41.4%)	19.5%	
Income for the period	**71**	**246**	(71.3%)
Attributable to: Shareholders of the Company	**51**	**231**	**(77.9%)**
Non-controlling interests	20	15	34.1%

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

(1) Reflects mark-to-market as of end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices.

14. Condensed Statement of Financial Position

Following is the condensed financial accounting (GAAP) statement of financial position as of March 31, 2024 and December 31, 2023 (in NIS millions):

Condensed GAAP Statement of Financial Position				
	March 31 2024	**December 31 2023**	**% change**	**Explanation**
Total current assets	2,823	2,539	11.2%	The change is largely due to an increase in the trade receivables balance due to sales growth, and to inventory growth following build-up and an increase in raw material prices.
Of which: Cash and cash equivalents	527	517	2.1%	For information on the change in the cash and cash equivalents item, see section 22.2 below. According to Company policy, these assets are mainly held in liquid deposits.
Total non-current assets	5,831	5,631	3.6%	The change is largely due to an increase in investments in associates with the completion of an investment in an associate in a manufacturing plant in China as well as in the profits of investees; and also, investments in fixed assets and intangible assets.
Total assets	**8,654**	**8,170**		
Total current liabilities	3,119	2,497	24.9%	The change is largely due to a dividend declared and not yet paid to shareholders, to an increase in trade payables following inventory growth and an increase in raw material prices, and also to short-term credit taken.
Total non-current liabilities	2,339	2,358	(0.8%)	The change is largely the result of a decrease in deferred tax liabilities.
Total equity attributable to majority shareholders	2,898	3,037	(4.6%)	The change is largely due to a dividend declared to shareholders of the Company and was offset against positive translation differences and income attributable to majority shareholders.
Total equity attributable to minority shareholders	298	278	7.4%	The increase is due to income attributable to minority shareholders.

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

Following is the outstanding debt balance as of March 31, 2024 and December 31, 2023 (in NIS millions):

Outstanding Debt				
	March 31 2024	December 31 2023	Change	Explanation
Gross debt – management reports	3,545	3,326	219	Most of the increase in gross debt is due to an increase in short-term credit obtained by Group HQ and long-term credit in the coffee companies. Most of the increase in net debt is the result of the increase in gross debt, as well as a decline in cash balances due to a negative cash flow from operating activities.
Gross debt – financial statements	2,853	2,630	223	
Net debt – management reports	2,789	2,400	389	
Net debt – financial statements	2,326	2,113	213	

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

15. Adjustments to the Management (Non-GAAP) Reports

Adjustments for IFRS 11 – transition from the equity method in the financial accounting (GAAP) reports to the proportionate consolidation method (according to the segmental information based on the Group's internal management reports).

Following are the adjustments to the Company's Management (Non-GAAP) reports:

Adjustments to the Management (Non-GAAP) Reports – Yearly Comparison

	First Quarter 2024			First Quarter 2023		
	Financial statements	Change	Proportionate consolidation method	Financial statements	Change	Proportionate consolidation method
Sales	1,726	863	2,589	1,713	841	2,554
Cost of sales excluding impact of commodity hedges	1,090	625	1,715	1,106	611	1,717
Adjustments for commodity hedges (1)	71	–	71	(53)	–	(53)
Cost of sales	1,161	625	1,786	1,053	611	1,664
Gross profit	**565**	**238**	**803**	**660**	**230**	**890**
% of sales	32.7%		31.0%	38.6%		34.9%
Selling and marketing expenses	353	162	515	330	153	483
General and administrative expenses	129	42	171	121	36	157
Share of profit of equity-accounted investees	36	(24)	12	45	(34)	11
Operating profit before profit of incubator investees	**119**	**10**	**129**	**254**	**7**	**261**
Share of profit of equity-accounted incubator investees	(2)	–	(2)	(8)	–	(8)
Operating profit before other expenses	**117**	**10**	**127**	**246**	**7**	**253**
% of sales	6.8%		4.9%	14.4%		9.9%
Other income (expenses), net	(50)	(3)	(53)	70	(3)	67
Operating profit after other expenses	**67**	**7**	**74**	**316**	**4**	**320**
Finance expenses, net	(17)	(9)	(26)	(11)	(7)	(18)
Income before taxes	**50**	**(2)**	**48**	**305**	**(3)**	**302**
Taxes on income	21	2	23	(59)	3	(56)
Effective tax rate	(41.4%)		(48.9%)	19.5%		18.6%
Income for the period	71	–	71	246	–	246
Attributable to: Shareholders of the Company	**51**	**–**	**51**	**231**	**–**	**231**
Non-controlling interests	20	–	20	15	–	15

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

(1) Reflects mark-to-market at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices and all adjustments necessary to delay recognition of most of the gains or losses arising from commodity derivatives until the date when the inventory is sold to outside parties and/or the financial derivative is exercised. For further information regarding the effect of cocoa derivatives, see Note 8.2 to the Consolidated Financial Statements as of March 31, 2024.

Additional adjustments to the Management (Non-GAAP) Reports (share-based payment, valuation of hedging transactions, other expenses and taxes related to those adjustments):

Additional Adjustments to the Management (Non-GAAP) Reports			
	First Quarter		
	2024	2023	% change
Operating profit (according to the proportionate consolidation method) after other expenses	74	320	(77.1%)
Share-based payment	6	8	
Adjustments for commodity hedges (1)	71	(53)	
Other expenses, net	53	(67)	
Operating profit – non-GAAP*	**204**	**208**	**(2.4%)**
Finance expenses, net	(26)	(18)	
Taxes on income	23	(56)	
Taxes in respect of adjustments to the above non-GAAP operating profit	(22)	15	
Income for the period – non-GAAP	**179**	**149**	**20.2%**
Attributable to: Shareholders of the Company	159	134	18.7%
Non-controlling interests	**20**	**15**	**33.7%**

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

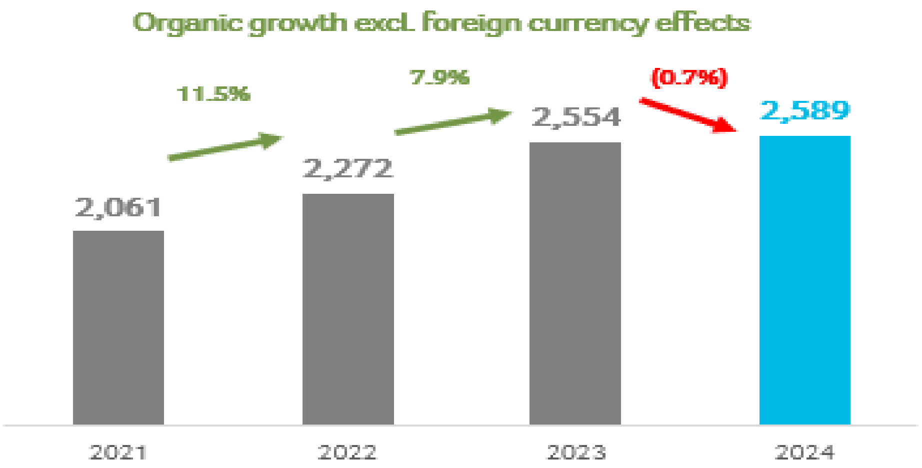
(1) Reflects mark-to-market at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices and all adjustments necessary to delay recognition of most of the gains or losses arising from commodity derivatives until the date when the inventory is sold to outside parties and/or the financial derivative is exercised.

* During the quarter, Strauss Israel recorded an unrealized loss of NIS 72 million following the valuation of commodity derivatives (cocoa). After the date of the statement of financial position and through to the publication date of this report, NIS 27 million of the above loss were realized and will be accounted for within the results in the Management (Non-GAAP) Reports in the second quarter of 2024.

16. Key Comparative Financial Data According to the Non-GAAP Reports

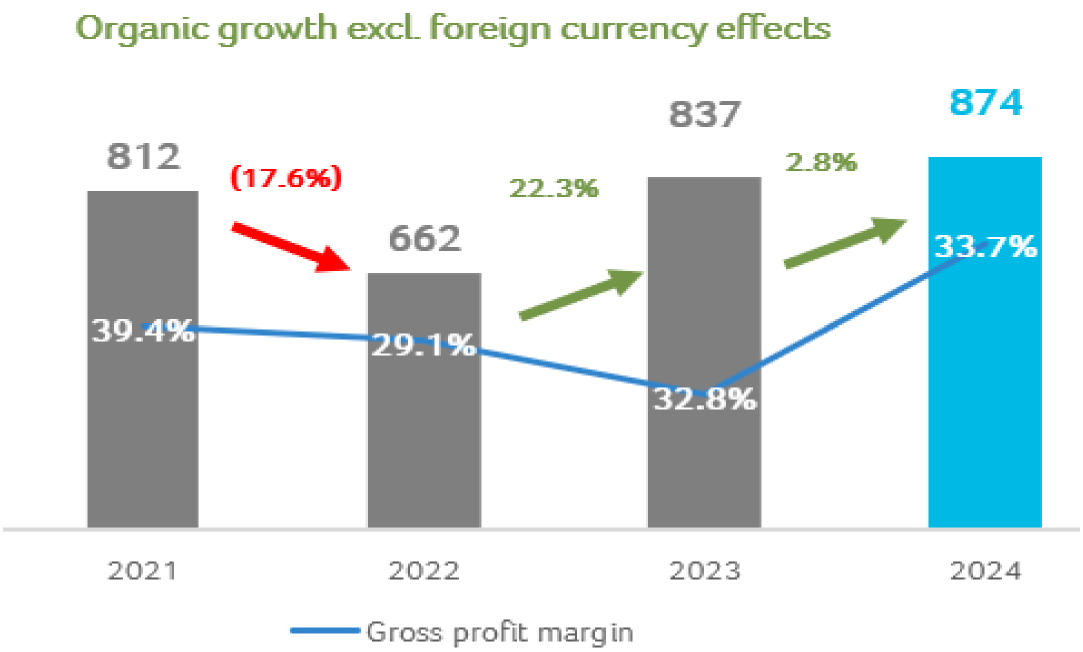
Following are key financial data presented in a quarterly comparison, according to the Management (Non-GAAP) Reports:

Net Sales



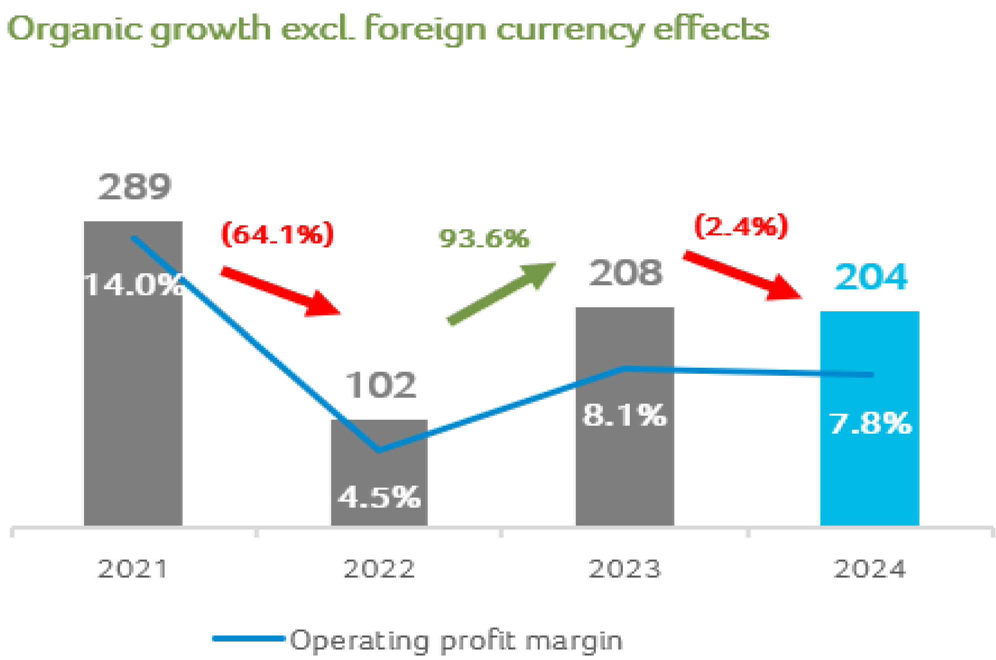
Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

Gross Profit and Gross Margin

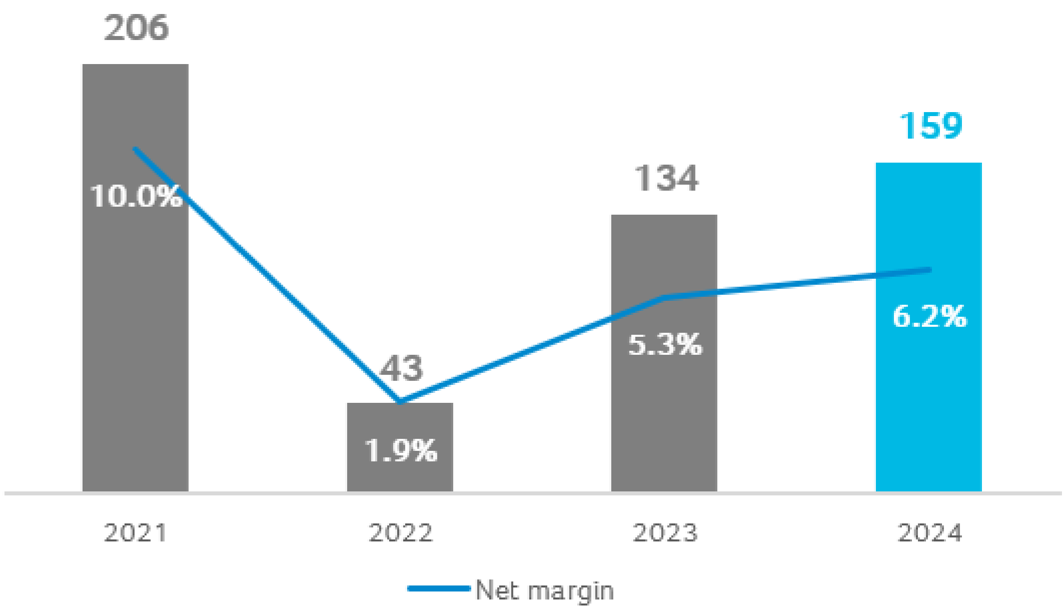


Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

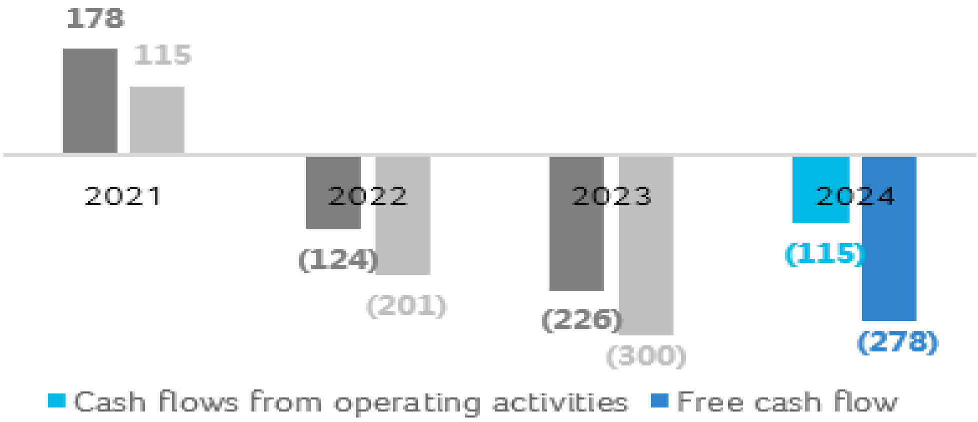
Operating Profit and Operating Margin



Net Profit and Net Margin



Cash Flows from Operating Activities and Free Cash Flow

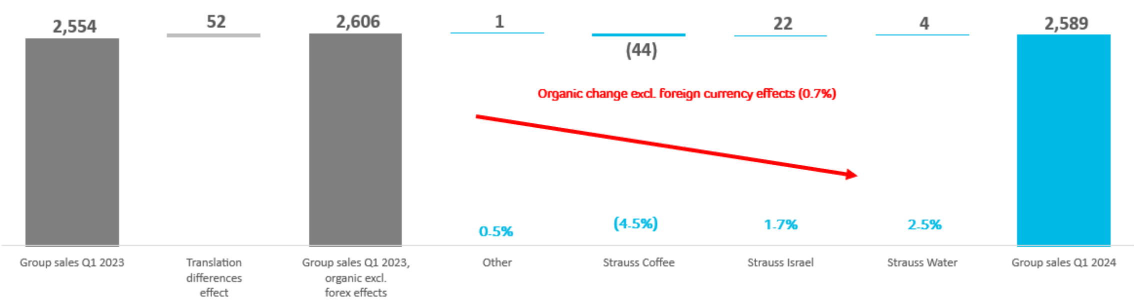


Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

17. Sales – Non-GAAP

Following are the components of the change in sales in the period in local currency and growth rates according to the Group's major business segments in local currency, together with the overall impact, mainly of translation differences (the "translation differences effect") and inorganic growth (M&A):

Components of the Change in Sales – First Quarter



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

The Group's sales in the first quarter of 2024 were affected by positive translation differences amounting to NIS 52 million, of which NIS 56 million were due to the strengthening of the Brazilian Real against the Shekel compared to the corresponding quarter last year.

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

- See section 21.1 below for further explanations on organic sales growth in the Strauss Israel segment.
- See section 21.2 below for further explanations on organic sales growth in the International Coffee segment.
- See section 21.3 below for further explanations on organic sales growth in the Strauss Water segment.
- See section 21.4 below for further explanations on organic sales growth in the Other Operations segment.

18. Gross Profit – Non-GAAP

Gross Profit – Non-GAAP				
	First Quarter			
	2024	2023	% change	% change less translation differences effect
Gross profit	874	837	4.3%	2.8%
Gross margin	33.7%	32.8%		

The Group's non-GAAP gross profit in the first quarter of 2024 was affected by positive translation differences amounting to NIS 12 million (see also the exchange rate table in section 7 in this report).

The Group's non-GAAP gross profit in the first quarter of 2024 rose by NIS 37 million compared to the corresponding period last year.

- See section 21.1 below for further explanations on the change in gross profit in the Strauss Israel segment.
- See section 21.2 below for further explanations on the change in gross profit in the International Coffee segment.
- See section 21.3 below for further explanations on the change in gross profit in the Strauss Water segment.

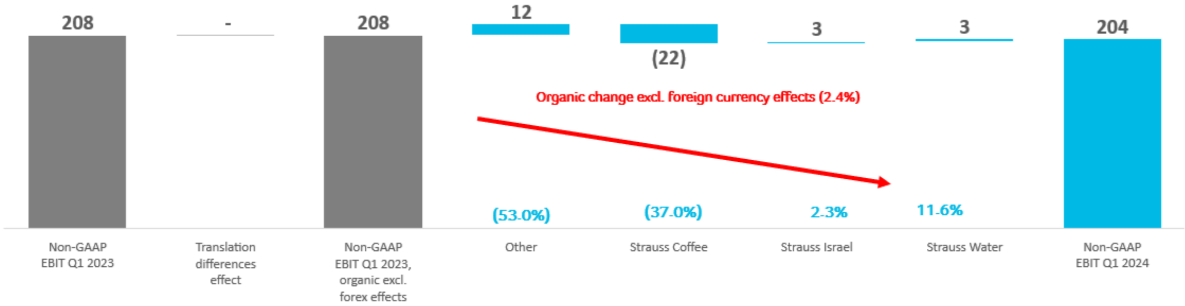
19. Operating Profit Before Other Expenses – Non-GAAP

Operating Profit Before Other Expenses – Non-GAAP				
	First Quarter			
	2024	2023	% change	% change less translation differences effect
Operating profit	204	208	(2.4%)	(2.4%)
Operating margin	7.8%	8.1%		

The Group's non-GAAP operating profit (EBIT) in the first quarter of 2024 declined by NIS 4 million. There was no translation differences effect.

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

Components of the Change in Operating Profit – First Quarter



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

The change in the Group's operating profit in the first quarter of 2024 was the result of the following factors:

- See section 21.1 below for further explanations on the change in operating profit in the Strauss Israel segment.
- See section 21.2 below for further explanations on the change in operating profit in the International Coffee segment.
- See section 21.3 below for further explanations on the change in operating profit in the Strauss Water segment.
- An increase of NIS 12 million in the profit of the Other Operations segment in the first quarter of 2024 compared to the corresponding period is mainly due to gains resulting from the disposal of equity-accounted investees in Strauss's incubator. For further information, see section 21.4.2 below.

20. Comprehensive Income for the Period (According to the Financial Accounting (GAAP) Report)

In the first quarter of 2024, GAAP comprehensive income amounted to NIS 145 million, compared to comprehensive income of NIS 316 million in the same quarter last year. In the reporting period, gains from translation differences, which are the main component of other comprehensive income, were NIS 74 million, compared to foreign currency translation gains of NIS 69 million in the corresponding period.

Foreign currency translation gains in the first quarter of 2024 are largely due to Strauss Coffee's business; of said gains, NIS 90 million are due to the realization of the foreign currency translation reserve attributable to the company in Serbia.

21. Analysis of the Business Results of the Major Business Units

21.1 The Group's activity in Israel

Strauss Group is the second-largest company in the Israeli food market, and as of the first quarter of 2024, its value market share, according to StoreNext[6], was 12.2% of the total domestic retail food and beverage market (compared to 11.9% in the corresponding period in 2023), an increase of 0.3% versus last year. The increase is due to the gradual reintroduction of the products of the confectionery plant in the corresponding period against the backdrop of the recall in April 2022.

Following are sales by the Group's overall operation in Israel, which includes the Health & Wellness, Fun & Indulgence (Snacks and Confectionery), Fun & Indulgence (Israel Coffee) Divisions and Strauss Water Israel (Tami 4):

Information on Strauss Group's Sales in Israel				
	First Quarter			Explanation
	2024	2023	% change	
The Group's sales in Israel	1,495	1,467	1.9%	Sales growth in Q1 2024 compared to the corresponding period last year is largely the result of growth in the Fun & Indulgence (Snacks and Confectionery) segment following an increase in sales prices as well as in Strauss Water thanks to growth in the customer base, and was partially offset by a decline in Fun & Indulgence (Israel Coffee) due to the timing of Passover and also the effects of the Swords of Iron War.

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

At the beginning of May 2023, the Group updated the sell-in prices of its dairy products by an average of 2.33% following the government decision to revise the prices of price-controlled dairy products. The products whose sell-in prices were updated include price-controlled dairy products and other related products, among them the various Yotvata dairy products, Ski cheese, yogurt, cottage cheese, sour cream, whipping cream, and Pro beverages. The products whose list prices were revised account for approximately 30% of the products of the dairies, and raw milk serves as a key raw material in their production.

In May 2023, the Company announced another update to the sell-in price list, applying to products whose prices had not been revised in the past twelve years and were not included in the December 2022 price increase or in the price increase of early May 2023, referring to the dairy and dips and spreads products. The increase was prompted by further increases in the prices of raw and packaging materials and industrial inputs, after the Company had implemented significant efficiency enhancements. These products include sweet snack bars, Splendid chocolate tablets, Cheetos and Tapuchips, and Yad Mordechai olive oil. The update is at an average rate of 1.4% and includes a maximum increase of up to 6% per individual product. The revised sell-in tariffs took effect on June 4, 2023, and the update covers a small portion of the ongoing price hikes that the Group has absorbed.

Organic sales growth in 2023 (excluding Israel Coffee), disregarding the effects of the price increase, was 11.5%.

[6] According to a report published on April 9, 2024. It is noted that Strauss Water's business is not included in StoreNext's market share measurements.

In the first quarter of 2024, disregarding the effects of the 1.7% price increase, the Company recorded an organic decline in sales (including Israel Coffee).

In the first quarter of 2024, the average market price of cocoa soared 143% compared to the same quarter last year. After the date of the statement of financial position through to the publication date of this report, the market price of cocoa declined by 18%. For further information, see Adjustments to the Management (Non-GAAP) Reports in section 15 above.

In January 2024, the Company revised the sell-in prices of its products in Israel by approximately 1.7% following the increase in the prices of raw materials, energy, inputs and packaging.

In May 2024, further to the government decision to raise the prices of price-controlled dairy products by 4.48%, the Company announced an update of its sell-in price list for dairy products. The sell-in price update applies to price-controlled dairy products as well non-price-controlled products in which raw milk is a significant raw material. The products include, *inter alia*, Yotvata milk, whipping cream, Ski cheese, cottage cheese and yogurts. The overall average rate of increase for Strauss Dairies products is approximately 1.6% of total sales by the Dairies. The price update is effective commencing May 19, 2024.

For information on a letter received on May 21, 2023 from the Supervisor of Prices and the merger agreement with Wyler Farms Ltd., see section 2.2 above and Note 22.1.5 to the Consolidated Financial Statements as of December 31, 2023.

At the end of April 2022, findings that tested positive for salmonella were detected on part of the production lines in the confectionery plant in Nof Hagalil (the "**Confectionery Plant**") and on a small number of the products located in the plant, following routine tests periodically performed by the Company. The Group consequently recalled all products that had been manufactured in the Nof Hagalil chocolate plant that were then in the market and barred the distribution of all products that had been marketed until that date. Additionally, the Group shut down the Confectionery Plant and the production lines until all manufacturing systems had been thoroughly cleaned. The Company also destroyed the entire inventory.

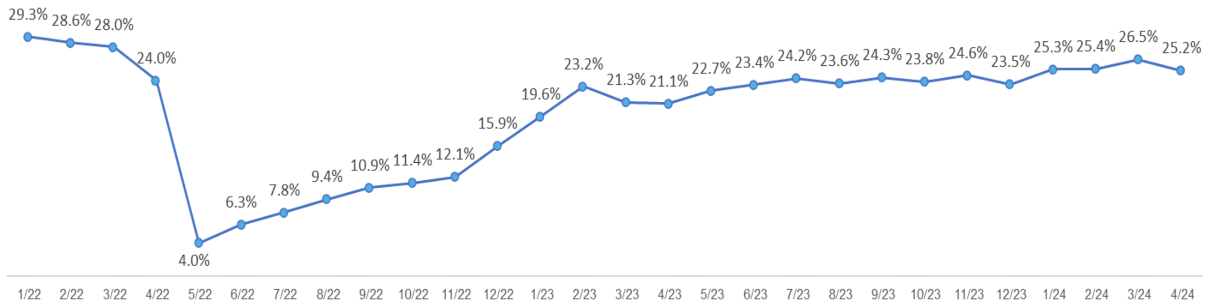
The Group began to gradually market the products of the Confectionery Plant in November 2022, with more products being introduced each month. It is noted that the throughout the entire period, the Group continued to market products that are outsourced on a regular basis.

Following is an analysis of the gradual increase in market share in the barcoded retail market[7] proximate to the publication date of the report.

[7] According to the StoreNext report published on May 6, 2024. StoreNext measures consumption in the barcoded FMCG market in Israel, Strauss categories.

Strauss Market Share in Confectionery

Confectionery market
Strauss growth data



Following are the condensed results of business operations, based on the Management (Non-GAAP) Reports, of the Israel Operation by activity segment for the quarters ended March 31, 2024 and 2023:

Condensed Results of Business Operations – the Israel Operation

	First Quarter			Explanation
	2024	2023	% change	
Net sales	1,309	1,287	1.7%	Sales growth in Q1 2024 is largely due to the Fun & Indulgence (Snacks and Confectionery) segment thanks to the continuing reintroduction of confectionery products to the shelves and price increases implemented in February 2024. Sales growth was partially offset by a decline in Fun & Indulgence (Israel Coffee) due to the later timing of Passover this year compared to last year, as well as the effects of the Swords of Iron War.
Gross profit	498	478	4.2%	Growth in gross profit and the gross margin is primarily the result of sales growth in the Confectionery Division as it regained strength and narrowed market share gaps, price increases, and improved efficiency in managing the plant's expenses.
Gross margin	38.0%	37.1%		
Operating profit (loss)	151	148	2.3%	Growth in operating profit and the operating margin is largely the result of growth in gross profit and the gross margin, reflecting sales growth and an improvement in OpEx in the Confectionery Division.
Operating margin	11.6%	11.5%		

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

Condensed Results of Business Operations by Segment – the Israel Operation				
	First Quarter			Explanation
	2024	2023	% change	
Health & Wellness				
Net sales	731	743	(1.6%)	The Health & Wellness segment grew in Q1 2024 compared to the corresponding period last year (excluding the reclassification of the Energy category [(1)]) mainly as a result of growth in the market shares of dairy and dairy alternative products, as well as prices increases. The decline in operating profit and the operating margin is mainly due to an increase in marketing effort.
Operating profit	74	85	(12.2%)	
Operating margin	10.2%	11.4%		
Fun & Indulgence (Snacks and Confectionery)				
Net sales	361	306	18.1%	Sales growth in the first quarter of 2024 is due to price increases and continued reintroduction of confectionery products to the shelves. This was countered by a negative effect on the salty snacks category due to the timing of Passover and the Swords of Iron War, as well as the reclassification of the Energy category. Operating profit growth reflects sales growth and an improvement in OpEx in the Confectionery Division
Operating profit (loss)	42	24	70.9%	
Operating margin	11.5%	7.9%		
Fun & Indulgence (Israel Coffee)				
Net sales	217	238	(8.7%)	The decline in sales is due to the timing of Passover in 2024 and the effects of the Swords of Iron War. The decline in operating profit is largely the result of the decline in sales.
Operating profit (loss)	35	39	(8.7%)	
Operating margin	16.3%	16.3%		

Financial data were rounded to NIS millions. Percentages changes were calculated based the exact figures in NIS thousands.

[(1)] Net sales in the Energy category in the first quarter of 2023 amounted to NIS 16 million.

Beginning in 2024, several changes were made in the Company's operating segments to align them with the manner in which segmental information regarding the Group's operating segments is presented, that are based on the Group's internal Management (Non-GAAP) Reports. For further information, see section 2.1 above. As part of these changes, the Energy category was reclassified from the Health & Wellness segment to the Fun & Indulgence (Snacks and Confectionery) segment.

21.2 The International Coffee Operation

In the past decade, Strauss Coffee has become one of the world's five biggest coffee companies in terms of market share (according to Euromonitor[8]). Strauss Coffee's brands hold a leading position in Brazil (where it is ranked as the Number 1 company) and have a strong market presence in Romania, Poland and Ukraine (where the Company is ranked in second or third place).

Strauss Coffee's flexible approach in providing a locally tailored response to consumer needs and agile supply chain management, combined with expertise in building partnerships and growth through acquisitions in emerging markets, were the key drivers of this growth.

[8] Excluding mixes, including 100% of Três Corações (JV)'s market share.

The Group's local business teams build strong local brands, supported by an efficient centralized management structure. This structure includes a green coffee procurement center in Switzerland, as well as activity in Vietnam and Brazil – major green coffee growing regions.

Strauss Coffee also has a global R&D and innovation center in Israel, which focuses on several aspects such as flavor, aroma, freshness, quality and improving production yield, as part of the Group's belief in ensuring sustainable coffee production. Strauss Coffee also has a program in place for supporting local farmers around the world and collaborates with 4C (the Common Code for the Coffee Community), whose aim is to anchor sustainability in green coffee supply chains.

In Brazil (through Três Corações (JV)[9]), Russia and Eastern European countries (Poland, Romania and Ukraine), Strauss Coffee International manufactures, markets and distributes a variety of coffee products – roast and ground (R&G) coffee (including filter coffee, roasted coffee beans and coffee capsules), instant coffee (including soluble coffee powder and freeze-dried soluble coffee), hot drink powders (such as chocolate and cappuccino powders) and others. The Group also markets and distributes coffee machines for home use in Brazil.

In addition, the Group markets and distributes coffee machines and coffee products for away-from-home (AFH) consumption at hotels, cafés, offices, etc. As part of its activity in Brazil (through Três Corações (JV)) the Group purchases, processes and sells green coffee, corn products, plant-based dairy alternatives and juice powders.

In the first quarter of 2024, the average market prices of Arabica and Robusta green coffee rose by 9% and 59%, respectively, compared to the corresponding period in 2023.

After the date of the statement of financial position through to the publication date of this report, the market prices of Arabica and Robusta rose by 16%. Following the substantial increase in green coffee prices, notably Robusta, in the first quarter of 2024 the Group raised the prices of various coffee products in Brazil, Russia, Poland and Ukraine.

In addition to revising sales prices, Strauss Coffee is taking steps to further mitigate the effects of rising coffee prices by applying the Group's formal hedging policy, mitigation plans and operational efficiency enhancement.

For information on the fighting between Russia and Ukraine, see section 4 above.

On May 23, 2023, the Company announced that Strauss Coffee had signed an agreement for the sale of 100% of its ownership interest in Strauss Adriatic d.o.o. (hereinafter: the "Company in Serbia") to Atlantic Grupa d.d.

On February 29, 2024, approval of the transaction by the Serbian Commission for Protection of Competition was received, and subsequently, on March 1, 2024, the transaction was closed. In accordance with the adjustments determined in the agreement, the consideration for the sale at an amount of EUR 38.8 million, gross, was paid to Strauss Coffee on the closing date. The Company recorded a net loss in respect of the closing of the transaction in its consolidated financial statements as of March

[9] Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

31, 2024 at an amount of NIS 25 million, comprising a profit of NIS 65 million from the transaction less a loss of NIS 90 million arising from translation differences attributable to the Company in Serbia.

Following are the condensed results of business operations, based on the Management (Non-GAAP) Reports, of the International Coffee Operation by reportable segments for the quarters ended March 31, 2024 and 2023 (in NIS millions):

Condensed Results of Business Operations – The International Coffee Operation				
	First Quarter			Explanation
	2024	2023	% change	
International Coffee				
Net sales	954	951	0.3%	Growth in coffee sales in local currency in most regions largely reflects price increases following the rise in green coffee prices, and was offset by a decline in sales volumes following the higher sales prices. Coffee sales in Q1 2024 were favorably affected by the strengthening of the Shekel against most of the relevant currencies compared to the corresponding period last year, excluding the Russian Ruble. For further information, see "Strauss Coffee Sales by Major Geographical Regions" in section 21.2.1 below.
Gross profit	230	233	(1.4%)	The decline in gross profit in Q1 2024 is due to the increase in raw material prices and the decline in quantities sold, mainly in Brazil and Russia. By contrast, the change in the Shekel exchange rate against the average exchange rates of the relevant currencies, excluding the Ruble, compared to last year, had a favorable effect. The decline in the gross margin is mainly the result of the higher raw material prices.
Gross margin	24.1%	24.5%		
Operating profit	38	60	(36.3%)	The change in operating profit and the operating margin of the International Coffee segment in Q1 2024 is mainly due to the lower gross profit and gross margin as a result of the increase in raw material prices (mainly green coffee), which was not reflected in a corresponding increase in sales prices, and was partially offset by lower operating costs.
Operating margin	4.0%	6.3%		

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

21.2.1 Sales by the International Coffee Operation by Major Geographical Region

Following are sales by the Coffee Operation in the major geographical regions (not including intercompany transactions) and growth rates for the quarters ended March 31, 2024 and 2023 (in NIS millions):

Sales by the International Coffee Operation in Major Geographical Regions					
Geographical region	First Quarter				Explanation
	2024	2023	% change	% organic change in local currency (1)	
International Coffee					
Brazil (Três Corações (JV)) (2) (3) - 50%	645	621	3.8%	(4.7%)	The decline in Três Corações's sales in local currency is largely due to lower sales volumes, mainly following an increase in sales prices and higher customer discounts. The Company's sales in the first quarter of 2024 were favorably affected by the weakening of the Shekel against the Brazilian Real by NIS 56 million compared to the same quarter last year. For further information, see section 21.2.2 below.
Russia and Ukraine	129	165	(21.7%)	(9.6%)	Most of the decline in sales in local currency is due to lower sales volumes following an increase in sales prices. Sales in the first quarter of 2024 were adversely affected by the strengthening of the Shekel against the Ruble by NIS 22 million compared to the corresponding period last year.
Poland	103	79	29.8%	14.8%	Most of the increase in local currency sales compared to the corresponding period is due to growth in quantities sold as well as an increase in sales prices, which were partially offset by higher discounts. Sales in the first quarter of 2024 were favorably affected by the strengthening of the Polish Zloty against the Shekel by NIS 10 million compared to the same quarter last year.
Romania	45	51	(12.3%)	(15.4%)	Most of the decline in local currency sales is due to a decline in quantities sold. Sales in the first quarter of 2024 were favorably affected by the strengthening of the Romanian Leu against the Shekel by NIS 2 million compared to last year.
Serbia	21	35	(40.6%)	(43.1%)	Most of the decline in sales in local currency is due to the sale of the company in Serbia at the end of February 2024. Sales in the first quarter of 2024 were favorably affected by the strengthening of the Serbian Dinar against the Shekel by NIS 2 million compared to the corresponding period last year.
Other	11	-	-	-	Due to the sale of green coffee to the business in Serbia after its sale.
Total International Coffee	**954**	**951**	**0.3%**	**(4.5%)**	

Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.
(1) The growth rate in local currency neutralizes the effect of changes in exchange rates in the different countries against the Shekel on growth in the countries' sales.
(2) Três Corações – Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%)).
(3) Três Corações' sales – excluding intercompany transactions between Três Corações Alimentos S.A. and Strauss Coffee.

21.2.2 Três Corações (JV) (Brazil) – 3C – a joint venture between the Group (50%) and São Miguel Group (50%); (Data reflect Strauss Coffee's share (50%))

In the first quarter of 2024, Três Corações (JV)'s average value market share in roast and ground (R&G) coffee was 33.1%, compared to 33.7% last year. In the financial statements (GAAP) report, the Group's share of the joint venture is accounted for in the equity method.

Following are selected financial data on Três Corações (JV)'s business, in **BRL millions** (data reflect the Group's holding (50%)):

Selected Financial Data on Três Corações (JV)'s business				
	First Quarter			Explanation
	2024	2023	% organic change in local currency	
Sales	880	919	(4.3%)	The decline in sales is largely the result of lower sales volumes, mainly following an increase in sales prices and higher discounts.
Gross profit	196	214	(8.1%)	The decline in gross profit and the gross margin is mainly the result of lower sales volumes and an increase in raw material prices.
Gross margin	22.3%	23.2%		
Operating profit before other income/expenses	18	44	(58.6%)	The decline in operating profit and the operating margin is primarily the result of the decline in gross profit and the gross margin, which was partially offset by lower operating expenses.
Operating margin	2.1%	4.7%		

Financial data were rounded to BRL millions. Percentages changes were calculated based on the exact figures.

Following are selected data on Três Corações (JV)'s business, **in NIS millions** (data reflect the Group's holding (50%)):

Selected Financial Data on Três Corações (JV)'s business			
	First Quarter		
	2024	2023	% change
Sales	649	624	3.9%
Gross profit	144	145	(0.5%)
Operating profit before other income/expenses	13	29	(56.3%)

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

21.3 Strauss Water

Through Strauss Water, the Group is active in the drinking water market in the development, assembly, marketing, sale and servicing of POU (point-of-use) systems for the filtration, purification and carbonation of drinking water. Operations are carried out mainly in Israel, and on an immaterial scale in the UK. Strauss Water also has a material investment (49%) in an associate (HSW), which is a joint venture established by Strauss Water and Haier Group of China and is active in the filtration and purification of drinking water in China.

In Israel, filtration, purification and carbonation appliances for drinking water are sold to end customers in combination with a service agreement for consumable components. In the framework of these service agreements Strauss Water provides a warranty and service for the duration of the term of the agreement, and the customer may terminate the transaction at any time (subject to the terms and conditions of the service agreement). Payment for the service is made monthly throughout the term of the agreement. Strauss Water has factoring arrangements with third parties for part of these payments and non-recourse factoring arrangements for the sale and servicing of water bars.

In January 2023, Strauss Water announced the expansion of its business in Britain through a partnership with Culligan Water, which acquired a 49% stake in Strauss Water's business in the UK. The partnership will operate under the Virgin Pure brand with the goal of making safe water solutions available to more communities around the world, realizing growth potential and expanding the product offering to British households. For further information, see section 11.8 in the Description of the Company's Business for the year 2023.

The information contained in this section regarding the realization of growth potential is forward-looking information as this term is defined in the Securities Law, which is based on the information available to the Company on the date of this report and includes the Company's estimates on the reporting date, and there can be no certainty as to their materialization.

Following are the condensed results of business operations, based on the Management (Non-GAAP) Reports, of the Strauss Water segment for the quarters ended March 31, 2024 and 2023 (in NIS millions):

Condensed Results of Business Operations – Strauss Water

	First Quarter			Explanation
	2024	2023	% change	
Sales	193	188	3.0%	Sales growth in Q1 2024 compared to the corresponding period last year is largely due to growth in the customer base and in sales of new appliances.
Operating profit	24	21	10.2%	Growth in operating profit and the operating margin is largely due to sales growth as well as continuing improvement in operational efficiency in China following the transition to in-house production.
Operating margin	12.3%	11.5%		

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

21.3.1 Results of Haier Strauss Water (HSW)

Following are selected financial data on HSW's business **in RMB millions** (data reflect 100% ownership):

Condensed Results of Business Operations – HSW				
RMB millions	First Quarter			Explanation
	2024	2023	% change	
Sales	421	373	12.9%	Sales growth in Q1 2024 is the result of growth in sales volumes as well as an improvement in the product mix.
Net profit	52	47	10.8%	Growth in net profit Q1 2024 compared to the corresponding period last year is the result of continuing improvement in operational efficiency following the transition to in-house production.

Financial data were rounded to RMB millions. Percentages changes were calculated based on the exact figures.

Following are selected financial data on HSW's business, **in NIS millions** (data reflect 100% ownership):

Condensed Results of Business Operations – HSW			
NIS millions	First Quarter		
	2024	2023	% change
Sales	216	191	12.9%
Net profit	27	24	10.7%

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

In December 2022, the board of directors of HSW passed a resolution to establish another production site in China, near the first plant, which is expected to become operational during 2026. The investment, totaling NIS 200 million (the Company's share), is in alignment with HSW's growth and market leadership strategy, which is supported by the establishment of a second plant. In November 2023, the Company made an initial investment of NIS 77 million. In March 2024, the Company made another investment of approximately NIS 130 million. The difference in the amount actually invested is due to changes in the Renminbi to Shekel exchange rate, which amounted to approximately NIS 7 million.

21.4 Other Operations

21.4.1 The International Dips & Spreads activity

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

In light of the suspension of operations in Sabra's plant in 2022, in September 2023 a settlement agreement was signed between Sabra and its insurer, following which in the third quarter of 2023, the Company recognized income of NIS 48 million (the Company's share) from insurance compensation. For further information, see Note 11.6.2 to the Consolidated Financial Statements as of December 31, 2023.

According to Circana[10], Sabra's average value market share of the hummus market in the quarter ended March 31, 2024 was 37.3% (Number 1 in the market) compared to 36.4% in the corresponding period last year.

21.4.1.1 Sabra

Following are selected financial data on Sabra's business (**in USD millions**, reflecting 50% ownership):

Condensed Results of Business Operations – Sabra				
USD millions	First Quarter			Explanation
	2024	2023	% change	
Sales	30	30	1.2%	There was no material change compared to the corresponding period last year.
Operating profit before other expenses	2	–	534.5%	Growth in operating profit and the operating margin in Q1 2024 was the result of sales growth compared to the corresponding period as well as lower supply chain costs.
Operating margin	5.0%	(1.3%)		

Financial data were rounded to USD millions. Percentages changes were calculated based on the exact figures.

Following are selected financial data on Sabra's business (**in NIS millions**, reflecting 50% ownership):

Condensed Results of Business Operations – Sabra			
NIS millions	First Quarter		
	2024	2023	% change
Sales	110	106	4.8%
Operating profit before other expenses	6	(1)	506.1%
Operating margin	5.0%	(1.3%)	

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

21.4.1.2 Obela

Following are selected financial data on Obela's business (in NIS millions, reflecting 50% ownership):

Condensed Results of Business Operations – Obela			
	First Quarter		
	2024	2023	% change
Sales	20	21	(3.8%)
Organic growth excluding foreign currency effects	(25.1%)	(5.2%)	
Operating loss	1	–	59.1%

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

[10] Circana (IRI) is a data analytics and market research company headquartered in the US, which focuses on the consumer goods market.

21.4.2 The FoodTech incubator

Since its inception in January 2015 through to the date of this report, the FoodTech incubator project has invested in 28 companies, some of which have completed product development, commenced initial sales and raised further funds. The Company participated in some of these funding rounds, investing sums that are immaterial to the Company. For a list of the companies included in the incubator project and their areas of activity, see section 15 in the Description of the Company's Business for the year 2023. In October 2022, The Kitchen Hub 2.0 launched its activity. For further information, see section 15 in the Description of the Company's Business for the year 2023. In the first quarter of 2024, the incubator project invested in three of the startups.

On March 31, 2024, the total value of investments in incubator investees, which are presented in the financial statements according to the equity method, was NIS 93 million (March 31, 2023: NIS 120 million). The estimated value of these investments on the above date was NIS 545 million (March 31, 2023: NIS 582 million).

Since the beginning of 2023, a global downtrend has been observed in fundraising by tech companies, negatively impacting the incubator investees' ability to raise capital and their future value. Following the Swords of Iron War, the negative effect on fundraising and on the value of Israeli startups has further intensified in light of the economic slowdown in Israel, as reflected in falling prices on the Tel Aviv Stock Exchange, the devaluation of the Shekel against foreign currencies, a rise in corporate bond yields due to the increase in risk levels and uncertainty, foreign investors pulling out of Israel, as well as a cut in Israel's credit rating by S&P from AA- to A+ with an outlook downgrade from stable to negative, while Moody's lowered Israel's credit rating from A1 to A2.

The estimated value of the incubator's investments in most of the investees is based on the information from the last funding rounds executed in 2021-2024 and refers to the timing of the investees' last funding round, the market trend in the period since the date of the round and the ROI on the companies' R&D. Companies in which respect certainty as to their ability to raise funds in the future is low or whose activity was discontinued were zeroed out or valued at their most up to date estimated value proximate to the publication date of the report.

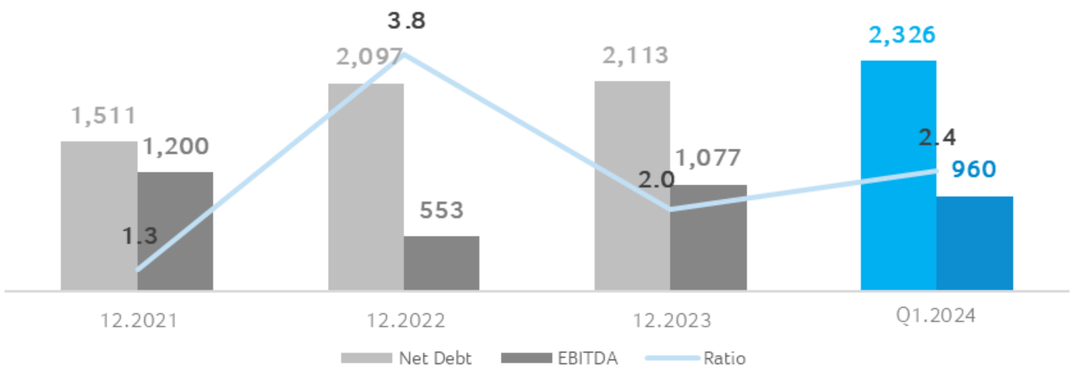
To the best of the Company's knowledge, the cash flows provided by the abovementioned funding rounds are earmarked to serve the incubator investees for the purpose of further investment activity, research and development, sales and marketing, and consequently, in the Company's estimate, in the foreseeable future the Company is expected to record losses on the incubator companies, which could reduce all or part of the gains recognized to date.

The information contained in this section with respect to the estimated value and expected losses is forward-looking information as this term is defined in the Securities Law, which is based on the Company's estimates regarding the realization of the incubator investees' business plans, which may not materialize or may materialize differently if the actual realization of those business plans differs from the Company's expectations, and also since they are contingent on the environment and market conditions in which the investees operate.

LIQUIDITY, SOURCES OF FINANCE AND FINANCIAL POSITION

4.36	Aa1il	ilAA+	2,853	2,326
Average life	Midroog rating	S&P Maalot rating	Gross debt	Net debt

Net Debt-to-EBITDA Ratio



Financial data are GAAP data in NIS millions. Percentages were calculated based on the exact figures in NIS thousands.

The increase in the financial accounting net debt-to-EBITDA ratio is mainly due to the decline in cumulative operating profit (operating profit in the current quarter is lower versus the corresponding period last year) as well as an increase in net debt due to investments in investees.

22. Liquidity

22.1 Credit rating

As of the reporting date and further to the Immediate Report of March 27, 2024, S&P Maalot affirmed the Company's ilAA+ rating and revised the rating outlook to stable from negative following a gradual recovery from the recall (for further information, see the Immediate Report of March 27, 2024, reference no. 2024-01-027466).

As of the reporting date and further to the Immediate Report of June 7, 2023, Midroog left the Aa1.il rating unchanged for the debenture series (E and F) issued by the Company, with a negative rating outlook (for further information, see the Immediate Report of June 7, 2023, reference no. 2023-01-053767).

For the rating of the Company's debentures (Series E and F) see Note 19.4 to the Consolidated Financial Statements as of December 31, 2023.

22.2 Cash flows

Following is information on cash flows provided by the Group's operating activities and used in investing and financing activities:

Cash Flows				
	First Quarter			Explanation
	2024	2023	Change	
Cash flows provided by (used in) operating activities	25	(55)	80	The increase is largely due to an improvement in net working capital and lower interest and tax payments compared to the corresponding period. These were partially offset by a decline in EBITDA.
Cash flows used in investing activities	(211)	(71)	(140)	The change is mainly due to larger investments in investees, an increase in deposits as well as greater investments in fixed assets compared to last year, contrasted with a positive cash flow from the disposal of a subsidiary.
Cash flows provided by financing activities	195	82	113	Most of the increase is the result of short-term credit obtained in the current period, as well as the repayment of short-term credit and the issue of debentures in the corresponding period.

22.3 Average credit

Following is information on average credit levels:

Average Credit				
	First Quarter			Explanation
	2024	2023	Change	
Long-term credit according to the non-GAAP reports	3,255	3,234	21	The increase in long-term credit in the non-GAAP reports is largely the result of an increase in long-term bank credit in subsidiaries. The decline in long-term credit in the financial accounting (GAAP) reports is mainly due to the repayment of long-term loans and redemption of debentures.
Average short-term credit according to the non-GAAP reports	159	142	17	
Long-term credit according to the financial accounting (GAAP) reports	2,629	2,675	(46)	
Average short-term credit according to the financial accounting (GAAP) reports	82	59	23	

Financial data were rounded to NIS millions.

22.4 Status of Liabilities Report according to repayment dates

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

22.5 Net working capital

Following is information on the change in net working capital:

Change in Net Working Capital		
	For the Years	
	2024	2023
Change in net working capital according to the financial accounting (GAAP) reports	(93)	(266)
Change in net working capital according to the Management (Non-GAAP) Reports	(282)	(489)

Financial data were rounded to NIS millions.

22.6 Customer and supplier financing arrangements

From time to time, the Group executes non-recourse factoring transactions in accounts receivable, as well as reverse factoring transactions in supplier credit. For further information, see Note 4.4 to the Condensed Consolidated Interim Financial Statements as of March 31, 2024 and also Notes 8.5 and 16.2 to the Consolidated Financial Statements as of December 31, 2023.

22.7 Additional information on liquidity and operating cash flow

Following is additional financial information regarding the Company's liquidity:

Additional Information		
	March 31, 2024	December 31, 2023
Liquidity ratio	0.91	1.02
Liabilities in respect of long-term loans and credit (including current maturities)	2,635	2,630
Short-term credit (excluding current maturities)	218	-
Supplier credit	1,285	1,238
Ratio of equity attributable to shareholders of the Company to total assets on the consolidated statement of financial position	33.5%	37.2%
Financial debt-to-EBITDA ratio	2.4	2.0
Equity attributable to shareholders of the Company	2,898	3,037

Financial data were rounded to NIS millions.

Following is the distribution of EBITDA between the Group's operating segments[11] (in NIS millions):

Distribution of EBITDA Between the Group's Operating Segments			
	First Quarter		
	2024	2023	% change
Strauss Israel	206	201	2.8%
Strauss Coffee International	61	82	(25.0%)
Strauss Water	44	33	29.4%
Other Operations	7	(6)	(200.0%)
Total	**318**	**310**	**2.6%**

Financial data were rounded to NIS millions.

23. Disclosure Regarding the Examination of Warning Signs in Respect of a Working Capital Deficiency Under Regulation 10(b)(14)(a)

In the Company's Separate Financial Information ("Solo Report") for the first quarter of 2024 there is a working capital deficiency of NIS 872 million. In the Company's Consolidated Financial Statements for the first quarter of the year, there is a working capital deficiency of NIS 296 million. Neither the Consolidated Financial Statements nor the Solo Report reflect an ongoing negative cash flow from operating activities. In view of the working capital deficiency in the Solo Report, on May 26, 2024, the Board of Directors of the Company examined the Company's liquidity as described below and determined that the said working capital deficiency is not indicative of a liquidity issue in the Company. This decision is based on a review, *inter alia*, of the Company's financial results as reported in the Financial Statements of the Company as of March 31, 2024, and is also based on information regarding the Company's projected cash flow for the next two years given the Company's existing and anticipated liabilities, including the Company's liabilities to the holders of its debentures (Series E and F) and to banking corporations and their maturity dates, and on an inspection of existing and anticipated sources for the repayment of those liabilities and the resources arising from the Company's ownership interest in its major investees, including receipt of dividends, repayment of loans by investees, raising capital from banking corporations and/or other sources if necessary; as well as on the financial strength of the major investees of the Company and their leading competitive position in the markets where they operate. The Board of Directors also reviewed sensitivity analyses of the Company's projected cash flows in the next two years, and asserted that the working capital deficiency is not indicative of a liquidity issue in the Company.

It is emphasized that the abovementioned assessment by the Board of Directors is forward-looking information, as this term is defined in the Securities Law, 1968, which is largely based on the Company's forecasts and on its analysis of its cash flows in the period since the end of the year and its future cash flows, its existing and anticipated liabilities, its existing assets, its expectations as to future profits and dividend distributions by investees, etc. There can be no assurance that these assessments, in whole or

[11] It is noted that further to the contents of section 2.1 above regarding the change in the Company's operating segments, corrections were also made to the comparative information presented above and below.

in part, will, in fact, materialize, or that they will not materialize in a different form, including materially, than estimated, among other things due to market behavior and the materialization of the risk factors set forth in section 25 in the Description of the Company's Business for the year 2023.

24. Information on Debenture Series

Following is financial information on the debenture series as of March 31, 2024.

Information on the Debenture Series		
	Series E Debentures	Series F Debentures
A. Nominal/par value	482	1075
B. Carrying value of debentures	481	1015
C. Carrying value of interest payable	3	5
D. Market value	472	892

As of March 31, 2024, equity attributable to shareholders of the Company is NIS 2,898 million, the financial debt-to-EBITDA ratio according to the financial accounting (GAAP) reports is 2.4, and the equity-to-assets ratio is 33.5%. As of March 31, 2024, the Company is compliant with the required covenants.

ASPECTS OF CORPORATE GOVERNANCE

25. Sustainability, CSR, Social Investment and Donations

The Group's purpose, **"Nourishing a Better Tomorrow"**, serves as a North Star for its work – to leave a positive mark on the world through food, beverages and in other ways, to nourish a better tomorrow where people live longer, live better, live in a society that is inclusive, equal and supportive, in a sustainable environment that will continue to flourish for generations to come. The Group's sustainability focus areas were derived from its values and commitments: to provide better food, better choices, and create a positive, better influence. **Better food:** The commitment to continue to make popular food products and constantly work to improve the Group's products through innovation and technology that will allow for the creation of a sustainable future for all. **Better choices:** The commitment to expand the variety of offerings for more people, so they can make choices based on better options in choosing their place of work, partners or brands, in making decisions that affect the environment, society and profits. **Better influence:** The commitment, through the Group's business, to create a positive and more meaningful influence on communities and the environment, and to integrate, across the organization, a more conscious, deeper and broader perception of business success that is purpose-driven and oriented to the expectations of all stakeholders.

2030 Sustainability Strategy

The Group continues to work to realize its sustainability strategy. The sustainability strategy is part of the of the Group's business strategy. All business units work in alignment on the basis of work plans derived from the Group's goals and focus areas.

Strauss Group publishes an annual sustainability report on a dedicated website, which provides greater detail on the aspects presented below and is available at https://sustainability.strauss-group.com. The report is written according to the GRI Standard – the global standards for sustainability reporting, and in the spirit of the SASB Standards, TCFD framework and UNGC principles. An external audit is performed by a third party according to ISAE 300 standards.

Noteworthy highlights in the first quarter of 2024

Nutrition and a healthy lifestyle

Better food and delivering a variety of options for a healthier diet are the foundation for our existence. The **sugar reduction target** is central to the Group's activities to promote a healthy diet, and at the beginning of 2024 the series of single-serve iced coffee – a sugar-free cold coffee beverage – was launched in Israel.

In early 2024, as part of the Pro product line for the physically active, a high-protein snack bar was launched, and the variety of flavors of protein drinks was expanded. The protein bar line increases the ability of people who engage in physical activity to consume the product anywhere, anytime.

Managing environmental impacts

The Group continues to pursue its business operations while managing environmental impacts in spheres such as energy consumption, water consumption, wastewater, waste, greenhouse gas emissions and addressing climate change. In the first quarter of 2024, the Group completed the intelligent capture of environmental data for a dedicated ESG data collection and reporting system.

<u>Managing social impact</u>

In 2023, the Group focused its social impact on three areas: (1) advancement of sustainable food systems, (2) promotion of equal opportunity on the path to employment, and (3) emergency response.

At the beginning of 2024, the Donations Committee was formed under the leadership of the Executive Vice President, General Counsel and Corporate Secretary. The committee has 8 members, who are senior executives from different disciplines in the Group's various divisions and companies.

In the context of the Swords of Iron War, the Group has continued its efforts in support of the evacuees and the families of the hostages. Among its other activities, together with the Or4Family association and the Bnei Akiva youth movement, the Group organized the packaging and distribution of Purim food parcels to bereaved families, and contributes food products to the Hostages and Missing Persons Command Center on a regular basis.

In parallel, the Group continued to support the advancement of food security in Israel by donating 2,400 food parcels for the spring holidays – Passover and Ramadan – in collaboration with Latet Israeli Humanitarian Aid and other organizations.

The Group has persevered in its work to **promote a healthy lifestyle and balanced diet**, and in the first quarter continued to work with Arab teens and Bedouin women from the Negev, since in these population groups diabetes is 3 times as prevalent as in the general population.

The Group continues to broaden its activities for the advancement of **equal opportunity on the path to employment**. In the spirit of the Group's mission and purpose, diversity, equity and inclusion are implemented in the Company both as organizational values and as a business concept. The Group's key community project in this arena was the third year of the Qudwati ("my role model" in Arabic) project, in collaboration with the Amanina organization, designed to further employment opportunities for Arab youth by exposing them to diverse role models.

Additionally, the Lapidot leadership program was launched in partnership with the Go-Up association, for senior women executives from the Haredi community. In addition, a second round of the Womentoring program began. Womentoring is an external mentoring program led by Strauss Water that places emphasis on HR professions for women managers from the Arab community, representing different sectors countrywide.

On International Women's Day, the Company hosted local get-togethers in Israel with the inclusion of senior female executives from the Company and their counterparts from the third sector, as well as a get-together for all global units at which the Company's perspective was presented and reinforced, accompanied by information and inspirational stories.

Information about other projects and local activities by the Group's units is available in the **Sustainability Report** in the chapter **"Social Impact"**.

26. Aspects of Corporate Governance

As of the publication date of this report, the Company has not adopted a provision in its Articles of Association regarding the percentage of independent directors, as defined in the Companies Law, 1999.

On April 8, 2024, the Company reported that Ms. Ravit Barniv and Mr. Shaul Kobrinsky had been appointed as directors of the Company commencing on May 5, 2024. For further information, see the Immediate Reports of April 8, 2024 (reference no. 2024-01-034786 and 2024-01-034789).

27. Effectiveness of Internal Control

See the attached report for information on the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 38C(a).

28. Events After the Reporting Period

For a review of events occurring after the date of the statement of financial position, see Note 10 to the Condensed Consolidated Interim Financial Statements as of March 31, 2024.

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	**Shai Babad** Chief Executive Officer

May 26, 2024

Strauss Group LTD.

Financial Statements

as at March 31 ,2024

Strauss Group Ltd.

Condensed Consolidated Interim Financial Statements as of March 31, 2024 (unaudited)

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Condensed Consolidated Interim Statements of Financial Position

	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	527	480	517
Trade receivables	1,125	1,143	1,003
Income tax receivables	15	11	14
Other receivables and debit balances	283	225	173
Inventory	872	911	830
Assets held for sale	1	11	2
Total current assets	2,823	2,781	2,539
Investments and non-current assets			
Investment in equity-accounted investees	1,901	1,620	1,753
Other investments and long-term debt balances	179	167	178
Fixed assets	2,200	1,995	2,159
Right-of-use assets	456	435	458
Intangible assets	1,049	971	1,034
Investment property	5	3	5
Deferred tax assets	41	25	44
Total investments and non-current assets	5,831	5,216	5,631
Total assets	8,654	7,997	8,170

Ofra Strauss	Shai Babad	Ariel Chetrit
Chairperson of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Date of approval of the interim financial statements: May 26, 2024

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

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

	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS millions		
Current liabilities			
Current maturities of debentures	174	30	174
Short-term credit and current maturities of long-term loans and other long-term liabilities	432	562	215
Current maturities of lease liabilities	103	92	103
Trade payables	1,285	1,262	1,238
Income tax payables	108	83	126
Other payables and credit balances	714	558	608
Dividend payable	270	-	-
Provisions	33	45	33
Total current liabilities	3,119	2,632	2,497
Non-current liabilities			
Debentures	1,322	1,489	1,320
Long-term loans and other long-term liabilities	456	312	451
Lease liabilities	366	353	367
Long-term payables and credit balances	29	25	37
Employee benefits, net	26	35	28
Deferred tax liabilities	140	134	155
Total non-current liabilities	2,339	2,348	2,358
Equity and reserves			
Share capital	253	253	253
Share premium	1,051	1,051	1,051
Reserves	(1,977)	(2,059)	(2,051)
Retained earnings	3,571	3,509	3,784
Total equity attributable to shareholders of the Company	2,898	2,754	3,037
Non-controlling interests	298	263	278
Total equity	3,196	3,017	3,315
Total liabilities and equity	8,654	7,997	8,170

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

Strauss Group Ltd.

Condensed Consolidated Interim Statements of Income

	For the three months ended March 31 2024	For the three months ended March 31 2023	For the year ended December 31 2023
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Sales	1,726	1,713	6,795
Cost of sales	1,161	1,053	4,352
Gross profit	565	660	2,443
Selling and marketing expenses	353	330	1,390
General and administrative expenses	129	121	471
	482	451	1,861
Share of profit of equity-accounted investees	36	45	197
Share of loss of equity-accounted incubator investees	(2)	(8)	(34)
Operating profit before other income (expenses)	117	246	745
Other income	3	77	103
Other expenses	(53)	(7)	(33)
Other income (expenses), net	(50)	70	70
Operating profit	67	316	815
Finance income	16	19	48
Finance expenses	(33)	(30)	(142)
Finance expenses, net	(17)	(11)	(94)
Income before taxes	50	305	721
Tax income (expense)	21	(59)	(167)
Income for the period	71	246	554
Attributable to:			
Shareholders of the Company	51	231	488
Non-controlling interests	20	15	66
Income for the period	71	246	554
Earnings per share			
Basic earnings per share (in NIS)	0.44	1.99	4.19
Diluted earnings per share (in NIS)	0.44	1.99	4.19

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended		For the year ended
	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS millions		
Income for the period	71	246	554
Other comprehensive income (loss) items that will be reclassified to profit or loss in subsequent periods:			
Exchange differences arising from the translation of foreign operations	(9)	3	(14)
Exchange differences arising from the translation of foreign operations that were recognized in profit or loss	90	-	-
Other comprehensive income (loss) from equity-accounted investees	(7)	66	91
Total other comprehensive income items for the period that will be reclassified to profit or loss in subsequent periods, net	74	69	77
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net:			
Changes in employee benefits, net	-	1	1
Total other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net	-	1	1
Comprehensive income for the period	145	316	632
Attributable to:			
Shareholders of the Company	125	300	565
Non-controlling interests	20	16	67
Comprehensive income for the period	145	316	632

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

	Attributable to Shareholders of the Company								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Three-month period ended March 31, 2024 – unaudited:									
Balance as of January 1, 2024	253	1,051	(20)	(430)	(1,601)	3,784	3,037	278	3,315
Total comprehensive income for the period									
Income for the period	-	-	-	-	-	51	51	20	71
Components of other comprehensive income (loss):									
Exchange differences arising from the translation of foreign operations	-	-	-	-	(9)	-	(9)	-	(9)
Exchange differences arising from the translation of foreign operations that were recognized in profit or loss	-	-	-	-	90	-	90	-	90
Other comprehensive loss from equity-accounted investees	-	-	-	-	(7)	-	(7)	-	(7)
Total other comprehensive income for the period, net	-	-	-	-	74	-	74	-	74
Total comprehensive income for the period	-	-	-	-	74	51	125	20	145
Share-based payment	-	-	-	-	-	6	6	-	6
Dividend to shareholders of the Company	-	-	-	-	-	(270)	(270)	-	(270)
Balance as of March 31, 2024	253	1,051	(20)	(430)	(1,527)	3,571	2,898	298	3,196

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

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

	Attributable to Shareholders of the Company								
	Share capital	**Share premium**	**Treasury shares**	**Reserve from transactions with non-controlling interests**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	NIS millions								
Three-month period ended March 31, 2023 – unaudited:									
Balance as of January 1, 2023	253	1,051	(20)	(393)	(1,677)	3,269	2,483	206	2,689
Total comprehensive income for the period									
Income for the period	-	-	-	-	-	231	231	15	246
Components of other comprehensive income:									
Foreign currency translation differences	-	-	-	-	2	-	2	1	3
Other comprehensive income from equity-accounted investees	-	-	-	-	66	-	66	-	66
Change in employee benefits, net	-	-	-	-	-	1	1	-	1
Total other comprehensive income for the period, net	-	-	-	-	68	1	69	1	70
Total comprehensive income for the period	-	-	-	-	68	232	300	16	316
Share-based payment	-	-	-	-	-	8	8	-	8
Transaction with non-controlling interests	-	-	-	(37)	-	-	(37)	41	4
Balance as of March 31, 2023	253	1,051	(20)	(430)	(1,609)	3,509	2,754	263	3,017

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

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

	Attributable to Shareholders of the Company								
	Share capital	**Share premium**	**Treasury shares**	**Reserve from transactions with non-controlling interests**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	NIS millions								
Year ended December 31, 2023 – audited:									
Balance as of January 1, 2023:	253	1,051	(20)	(393)	(1,677)	3,269	2,483	206	2,689
Total comprehensive income (loss) for the year									
Income for the year	-	-	-	-	-	488	488	66	554
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(15)	-	(15)	1	(14)
Other comprehensive income from equity-accounted investees	-	-	-	-	91	-	91	-	91
Change in employee benefits, net	-	-	-	-	-	1	1	-	1
Total other comprehensive income for the year, net	-	-	-	-	76	1	77	1	78
Total comprehensive income for the year	-	-	-	-	76	489	565	67	632
Share-based payment	-	-	-	-	-	26	26	-	26
Transactions with non-controlling interests	-	-	-	(37)	-	-	(37)	43	6
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(38)	(38)
Balance as of December 31, 2023	253	1,051	(20)	(430)	(1,601)	3,784	3,037	278	3,315

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

Condensed Consolidated Interim Statements of Cash Flows

	For the three months ended		For the year ended
	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS millions		
Cash flows from operating activities			
Income for the period	71	246	554
Adjustments:			
Depreciation	76	68	278
Amortization of intangible assets and deferred expenses	17	13	54
Impairment of assets held for sale	-	2	2
Net capital loss (gain) on disposal of fixed assets, investment property and a subsidiary	25	(77)	(92)
Expenses of share-based payment	6	8	26
Finance expenses, net	17	11	94
Tax expense (income)	(21)	59	167
Share of profit of equity-accounted investees	(34)	(37)	(163)
Change in inventory	(71)	(93)	(25)
Change in trade and other receivables	(212)	(237)	(50)
Change in long-term receivables	1	-	1
Change in trade payables, other payables and provisions	190	65	63
Change in employee benefits	(1)	(1)	(6)
Interest paid	(19)	(31)	(129)
Interest received	4	5	19
Income tax paid, net	(24)	(56)	(107)
Net cash provided by (used in) operating activities	25	(55)	686
Cash flows from investing activities			
Proceeds from disposal of fixed assets, intangible assets and investment property	4	50	87
Investment in fixed assets and investment property	(102)	(84)	(361)
Investment in intangible assets	(35)	(22)	(133)
Proceeds from disposal of a subsidiary, net of cash disposed of	137	-	-
Proceeds from disposal of an operation in a subsidiary	-	10	10
Repayment of deposits and loans granted	6	7	24
Grant of long-term loans and deposits	(91)	(29)	(56)
Dividends from investees	-	-	96
Investment in investees	(130)	(3)	(87)
Net cash used in investing activities	(211)	(71)	(420)

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

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

	For the three months ended		For the year ended
	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS millions		
Cash flows from financing activities			
Sale of shares in subsidiaries to non-controlling interests	-	7	7
Acquisition of shares in subsidiaries from non-controlling interests	-	(3)	(3)
Short-term bank credit, net	218	(208)	(212)
Proceeds from issue of debentures, net of issuance costs	-	314	314
Receipt of long-term loans	3	-	208
Redemption of debentures and repayment of long-term loans	-	-	(434)
Change in liabilities in respect of credit card factoring	2	(2)	(16)
Receipt of capital notes from non-controlling interests	3	-	6
Principal payments of lease liability	(31)	(26)	(103)
Dividend paid to non-controlling interests in a subsidiary	-	-	(38)
Net cash provided by (used in) financing activities	195	82	(271)
Increase (decrease) in cash and cash equivalents	9	(44)	(5)
Cash and cash equivalents at beginning of period	517	517	517
Effect of exchange rate volatility on cash balances	1	7	5
Cash and cash equivalents at end of period	527	480	517

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. (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 (the "**Group**") are a group of industrial and commercial companies operating in Israel and in other countries, engaged mainly in the development, manufacture, marketing and sale of a variety of branded food and beverage products. The Group is also active in the development, marketing, servicing and sale of water filtration, carbonation and purification products for the home and office.

Strauss Holdings Ltd. ("**Strauss Holdings**") is the direct controlling shareholder of the Company (approximately 52.98% of equity and voting rights in the Company). The controlling shareholder of Strauss Holdings is Michael Strauss Assets Ltd. (which holds 100% of equity and voting rights in Strauss Holdings) ("**Michael's Assets**").

The Company was informed that following the distribution of the shares of Michael's Assets that were part of the estate of the late Mr. Michael Strauss, Ms. Ofra Strauss, Ms. Irit Strauss and Mr. Adi Strauss hold the shares of Michael's Assets (jointly, approximately 94.6% of the right to dividends and 100% of voting rights in Michael's Assets), granting them control of Michael's Assets and, indirectly, control of the Company. The above three members of the Strauss family are in agreement concerning cooperation in Michael's Assets, by virtue of which they are deemed to jointly hold Michael's Assets.

In light of the foregoing, Ms. Ofra Strauss, Ms. Irit Strauss and Mr. Adi Strauss are the controlling shareholders of the Company.

1.1.2 The consolidated interim financial statements were prepared in accordance with IAS 34 with respect to interim financial reporting and in accordance with the provisions of Chapter 4 of the Securities Regulations (Periodic and Immediate Reports), 1970.

These financial statements should be read in conjunction with the audited consolidated financial statements of the Company and its consolidated subsidiaries as of December 31, 2023 and for the year then ended, together with their accompanying notes (the "**Annual Financial Statements**").

The Group's accounting policy in these interim financial statements was applied consistently with the Annual Financial Statements.

1.1.3 The consolidated interim 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 The consolidated interim financial statements were approved for publication by the Board of Directors of the Group on May 26, 2024.

Note 1 - Reporting Principles and Accounting Policy (cont'd)

1.2 First-time adoption of new standards, amendments to standards and interpretations

1.2.1 **Amendment to IAS 1, *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-Current, and subsequent amendment: Non-Current Liabilities with Covenants**

The amendment, together with the subsequent amendment to IAS 1 (see below), replaces certain classification requirements for liabilities as current or non-current. According to the amendment, a liability will be classified as non-current when the entity has a right to defer settlement by at least twelve months after the reporting period, which is "substantial" and exists at the end of the reporting period. The subsequent amendment, as published in October 2022, determines that financial covenants that the entity is required to comply with after the reporting date will not affect the classification of a liability as current or non-current. Furthermore, the subsequent amendment introduced additional disclosure requirements for liabilities with covenants that must be settled in the 12 months after the reporting date, such as disclosure regarding the nature of the covenants, when the entity is required to comply with them, and facts and circumstances that indicate that an entity may have difficulty complying with the covenants. In addition, the amendment clarifies that the right to convert a liability will affect its classification as current or non-current, unless the conversion feature is classified as equity.

The amendment and subsequent amendment were applied for reporting periods beginning on January 1, 2024. The amendment and subsequent amendment will be applied retrospectively, including a revision of comparative information. Application of the amendment did not have a material effect on the financial statements.

1.3 New standards, amendments to standards and interpretations not yet adopted

1.3.1 **IFRS 18, *Presentation and Disclosure in Financial Statements***

IFRS 18 replaces IAS 1, *Presentation of Financial Statements*. Its purpose is to provide improved structure and content for financial statements, notably statements of profit or loss. The standard includes new disclosure and presentation requirements as well as requirements transferred from IAS 1, with minor wording changes. As part of the new disclosure requirements, companies will present two defined subtotals in the statement of profit or loss – operating profit and profit before financing and income tax. Additionally, most companies will be required to classify income and expenses into operating, investing and financing categories in the statement of profit or loss. In addition to the changes in the structure of the statements of profit or loss, the standard also contains a requirement for separate disclosure of management-defined performance measures (non-GAAP measures). The standard also adds specific principles for grouping (aggregation and disaggregation) of information in the financial statements and the notes. The standard will encourage companies to refrain from grouping items together and labelling them "other" (e.g., other expenses), and such classification will lead to further disclosure requirements. IFRS 18 is effective from annual periods beginning on January 1, 2027, and early application is permitted. The Group is reviewing the implications of IFRS 18 on its financial statements and the application date.

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Note 2 - Seasonality

In Health & Wellness products there is no distinct seasonality trend, but revenues are generally relatively higher in the third quarter of the year during the hot summer months, which are characterized by greater consumption of dairy products.

Sales of Fun & Indulgence products in the confectionery category are characterized by seasonality and are usually relatively higher in the first quarter of the year, and relatively lower in the third quarter. Seasonality is mainly affected by the winter months, which fall in the first quarter and are marked by greater consumption of chocolate products as well as by increased consumption of Fun & Indulgence products with the approach of Purim and Passover. Sales of Fun & Indulgence products in the salty snack category are also characterized by seasonality and are generally relatively higher in the summer months and during holiday seasons.

In the Fun & Indulgence Israel Coffee segment, there is no distinct trend of seasonality. However, revenues are generally relatively higher in the first quarter of the year, due to increased consumption of coffee products prior to Passover.

In the International Coffee segment, seasonality is mainly affected by the timing of the Christian holidays and the end of the calendar year in the fourth quarter, a period characterized by increased purchases of coffee products. By contrast, the first quarter is mostly characterized by relatively low sales after consumers had stocked up on products for the holiday season in the fourth quarter.

Sales of the Group’s water bars are generally higher in the summer months (April-October) compared to the rest of the year, with a corresponding increase in revenue from service in the fourth quarter of the year.

Note 3 - Operating Segments

Further to the contents of Note 25.1 to the Annual Financial Statements and to Note 4.1 below regarding the Company's operating segments and the optimization plan, the Company's 2024-2026 strategy was revised and several changes were made in the operating segments to align them with the manner in which segmental information regarding the Group's operating segments is presented, based on the Group's internal management (non-GAAP) reports.

Accordingly, responsibility for the Israel Coffee segment was transferred from the Coffee Operation to the Israel Operation, Fun & Indulgence. A change in presentation was made, such that commencing from the financial statements as of March 31, 2024, the Israel Coffee segment is presented in the segmental information as part of the Israel Operation.

Furthermore, the International Dips & Spreads business does not meet the quantitative thresholds defined in IFRS 8 and is not expected to meet them going forward, and accordingly, does not qualify as a reportable segment. Therefore, this segment is presented in the segmental information within the Other Operations segment.

The above changes are reflected in the presentation of the results of the operating segments, including a revision of comparative information, as follows:

- The Israel Operation, which includes three operating segments –
  - Health & Wellness – includes the manufacture, marketing and sale of dairy products and milk beverages, fresh salads and fresh foods, honey products, olive oil, fruit preserves, cooking sauces, bottled lemon juice and natural maple syrup.
  - Fun & Indulgence (Snacks and Confectionery) – includes the manufacture, marketing and sale of confectionery and snacks.
  - Fun & Indulgence (Israel Coffee) – includes the manufacture, marketing and sale of coffee products in Israel and the Coffee Company's corporate expenses.

- The Coffee Operation, which includes one operating segment –
  - International Coffee – includes the manufacture, marketing and sale of coffee products outside Israel.

- The Strauss Water operating segment – includes the development, assembly, marketing, sale and servicing of point-of-use (POU) water filtration, purification and carbonation systems in Israel and other countries.

- Other Operations – includes the activity of the FoodTech incubator ("The Kitchen"), which is carried out as part of the Group's innovation arm, the activity of Group HQ, and the International Dips and Spreads business: the manufacture, marketing and sale of refrigerated dips and spreads outside Israel.

Note 3 - Operating Segments (cont'd)

Information according to operating segments and reconciliation of operating segment data to the consolidated financial statements:

	For the three months ended		For the year ended
	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS millions		
Income			
Sales to external customers:			
Health & Wellness	731	743	3,066
Fun & Indulgence (Snacks and Confectionery)	361	306	1,008
Fun & Indulgence (Israel Coffee)	217	238	793
Total Israel	1,309	1,287	4,867
International Coffee	954	951	4,361
Water	193	188	805
Other	133	128	516
Sales to other segments:			
Health & Wellness	3	2	8
Fun & Indulgence (Snacks and Confectionery)	2	2	6
Fun & Indulgence (Israel Coffee)	1	1	2
Total Israel	6	5	16
International Coffee	-	-	1
Total segment income	2,595	2,559	10,566
Elimination of intersegment sales	(6)	(5)	(17)
Total segment income excluding intersegment sales	2,589	2,554	10,549
Adjustment to the equity method	(863)	(841)	(3,754)
Total consolidated income	1,726	1,713	6,795

Note 3 - Operating Segments (cont'd)

	For the three months ended		For the year ended
	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS millions		
Profit (loss)			
Health & Wellness	74	85	355
Fun & Indulgence (Snacks and Confectionery)	42	24	27
Fun & Indulgence (Israel Coffee)	35	39	107
Total Israel	151	148	489
International Coffee	38	60	248
Water	24	21	90
Other	(9)	(21)	(55)
Total segment profit	204	208	772
Unallocated income (expenses):			
Adjustments for commodity hedges (1)	(71)	53	23
Other income (expenses), net	(53)	67	61
Share-based payment	(6)	(8)	(26)
Total segment operating profit	74	320	830
Adjustment to the equity method	(7)	(4)	(15)
Total operating profit in the consolidated financial statements	67	316	815
Finance expenses, net	(17)	(11)	(94)
Income before taxes	50	305	721

(1) Reflects mark-to-market at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices and all adjustments necessary to delay recognition of gains and losses arising from commodity derivatives until the date when the inventory is sold to outside parties.

Note 4 - Events in the Reporting Period

4.1 On January 14, 2024, the board of directors of the Company approved an organizational optimization plan (the "**Optimization Plan**"). The goal of the Optimization Plan is to achieve further efficiency enhancement and savings, while aligning the organizational structure of the business in Israel with the Group's strategy and the macroeconomic environment. Total costs incurred by the Company in the first quarter of 2024 as a result of implementing the plan were NIS 8 million and were recognized within Other Expenses in profit or loss.

4.2 On February 29, 2024, the Serbian Commission for Protection of Competition's approval of the transaction for the sale of the coffee company in Serbia was received, and subsequently, on March 1, 2024, the transaction was closed. In accordance with the adjustments to the consideration determined in the transaction, the consideration for the sale at an amount of EUR 38.8 million, gross (approximately NIS 150 million), was paid to Strauss Coffee on the closing date. For further information, see Note 9 below and Notes 6.2 and 36.5 to the Annual Financial Statements.

4.3 On March 25, 2024, the board of directors of the Company approved a dividend distribution to shareholders at an amount of NIS 270 million (NIS 2.32 per share), which was paid on April 11, 2024.

4.4 Further to the contents of Note 16.2 to the Annual Financial Statements regarding supplier finance arrangements, as of March 31, 2024, trade payables included in the reverse factoring arrangement amounted to NIS 400 million (March 31, 2023: NIS 279 million).

4.5 Further to the decision by the Group on an investment of NIS 200 million in an associate for the purpose of constructing an additional manufacturing site in China, which is expected to become operational in 2026, in March 2024 the Company made an additional investment of NIS 130 million. The difference between the amount of the investment as approved and the amount that was actually invested is due to exchange differences between the renminbi and shekel, which amounted to NIS 7 million. For further information, see Notes 11.6.3 and 22.4.7 to the Annual Financial Statements.

4.6 As of the date of approval of the financial statements, the ongoing fighting between Russia and Ukraine, including the economic sanctions imposed on Russia by the West, have not had a material effect on the Group's business results. Since the war broke out, the Company has taken steps to ensure that its business in Russia will be managed as a stand-alone business to the greatest extent possible. In Ukraine, the Group's business has operated continuously given the circumstances. The Group continues to be exposed to possible global consequences of the war, which could include, inter alia, rising commodity, raw material and energy costs. Given the fact that these are unfolding events that involve a high degree of uncertainty, there are several possible geopolitical scenarios that could lead to further negative economic and financial consequences. The Group continuously monitors events in Ukraine, Russia and the markets. The Group is unable to assess the future impacts of these events on its business results. For further information, see Note 1.1.2 to the Annual Financial Statements.

4.7 On October 7, 2023, the Hamas terrorist organization attacked the State of Israel. Following the attack, the government of Israel declared the Swords of Iron War (the "**War**"). The War led to a massive call-up of military reserves, the evacuation of communities, the temporary or partial closure of businesses, the imposition of various restrictions on civilian activities in extensive areas, a slowdown in economic activity, a slump in share prices on the Tel Aviv Stock Exchange, the devaluation of the shekel against foreign currencies and a rise in corporate bond yields due increased risk levels and uncertainty, and also to a cut by S&P Global Ratings in Israel's credit rating to from AA- to A+ with an outlook downgrade from stable to negative, while Moody's lowered Israel's credit rating from A1 to A2.

Note 4 - Events in the Reporting Period (cont'd)

4.7 (cont'd)

In April, Fitch Ratings removed Israel from Rating Watch Negative (RWN) as announced when the War broke out, but assigned Israel a negative credit outlook. All of the foregoing disrupted economic activity and consumer spending in the country.

Since then, through to proximate to the date of approval of the financial statements, the shekel rallied, as did the nominal effective exchange rate (published by the Bank of Israel), which is now lower than it was before the War, and Israel's risk premium has declined somewhat. Since the War broke out, in its business in Israel the Group has focused on three major goals: to maintain full business continuity to the greatest extent possible and ensure regular food supply to the entire customer public, subject to restrictions and the directives of the Home Front Guard; to keep its people safe and tend to the needs of employees and their families in circumstances of war; to support the community, provide help to soldiers and the families who were evacuated in southern and northern Israel, and to support the farmers who suffered damage in the Western Negev.

As of the date of approval of this report, the effects of the War, described below, have had no material impact on the Group's business and on its financial results.

Shipping of raw materials from Asia and Africa has been affected following tensions with the Houthis, but the Company took action to find solutions for importing raw materials to Israel. The Group continues to monitor developments and to prepare for various scenarios that could evolve, particularly in the context of supply chain risks, which include finding alternative sources for the procurement of raw materials, production outsourcing, making adjustments to the logistics array, and monitoring the increase in cybersecurity risks and food quality and safety risks. In early May 2024, the President of Turkey announced the full suspension of trade relations with Israel as part of Turkey's efforts to enforce a ceasefire on Israel. As of the date of approval of the financial statements, the effect of this decision on the Group is immaterial.

As of the date of approval of the financial statements, the development of the War, its scale, impacts and duration remain uncertain. Consequently, it is not possible at the present stage to assess the scope of future consequences of the War on the Group's business in Israel. For further information, see Note 1.1.1 to the Annual Financial Statements.

Note 5 - Share-Based Payment

5.1 Grants in the reporting period

Following is information on the fair value of new warrants granted in the reporting period:

Grant date	Number of warrants and entitled employees	Fair value	Share price	Exercise price	Expected life	Expected annual volatility	Discount rate
		NIS M	NIS	NIS	Years	%	%
March 18, 2024	2,225,000 to 34 managers	35	69.1	74.27	3.65-4.65	22.55-22.88	4.08-4.15

Entitlement to exercise the warrants will vest in two equal tranches in each of the years 2026 and 2027. The benefit arising from these grants will be classified as an expense in the financial statements over the abovementioned vesting periods.

The fair value of warrants granted to employees is measured using the Black-Scholes model. For further information on the Black-Scholes model assumptions, see Note 21.2 to the Annual Financial Statements.

5.2 Warrants exercised in the reporting period

In the reporting period, 148,666 warrants granted to managers were exercised for 26,657 shares in consideration for their par value.

Note 6 - Contingent Liabilities

6.1 For information on claims pending against the Company and its investees and contingent liabilities as of December 31, 2023, see Note 22.1 to the Annual Financial Statements.

6.2 Further to the contents of Note 22.1.1 to the Annual Financial Statements regarding a claim against the subsidiary Strauss Water Ltd. pertaining to abuse of monopoly power in the market for filtered water bars with a carbonation feature, at an amount of NIS 73 million, on April 4, 2024 a judgment was rendered, in which the court approved the agreed motion to withdraw and directed that the motion for class certification would be struck out, and also rejected the plaintiff's private claim. In the ruling, the court charged the subsidiary to pay compensation and reimbursement of costs to the plaintiff, as well as payment of attorney's fees to the plaintiff's legal counsel. The amounts involved are immaterial to the Company and/or the subsidiary.

6.3 Further to the contents of Note 22.1.3 to the Annual Financial Statements regarding motions for class certification pertaining to the recall, on April 30, 2024, a new, amended and combined motion for class certification (the "**Combined Motion**") was filed against the Company (and against Strauss Ice Cream). In the Combined Motion, the claimant group's damages were estimated at more than NIS 2.5 million, with no specific estimate. The Company is required to submit its response to the Combined Motion by June 30, 2024. In the opinion of the Company's legal counsel, the chances of the motion being certified as a class action are greater than the chances of it being denied. However, in counsel's opinion, the chances of the action being accepted when examined on its own merits are lower than its chances of being dismissed.

6.4 Further to the contents of Note 22.1.4 to the Annual Financial Statements regarding motions filed with the Tel Aviv District Court – Economic Division by various petitioners for discovery and inspection of documents under section 198A of the Companies Law, 1999 (the "**Companies Law**"), for the purpose of reviewing the possibility of filing a motion for certification of a derivative action against officers and senior parties in the Company and the independent committee formed to investigate the recall in the reporting period, according to the latest update notice submitted, the independent committee is expected to complete its work by no later than June 30, 2024. On May 13, 2024, it was decided that the case would be referred to the Hon. Judge Ariel Zimmerman.

6.5 Further to the contents of Note 22.1.5 to the Annual Financial Statements regarding a summons to a hearing prior to a decision by the Competition Commissioner with respect to the violation of the provisions of section 19 of the Economic Competition Law, 1988 (the "**Economic Competition Law**"), and the intent to impose a financial sanction on the Company at a total amount of NIS 111 million and to impose financial sanctions on each of the three former officers, no changes occurred with respect to the matter in the reporting period.

6.6 Further to the contents of Note 22.1.6 to the Annual Financial Statements regarding suspicions of a violation of the Economic Competition Law, no changes occurred with respect to the matter in the reporting period.

6.7 The Company did not recognize provisions for claims and demands pending on March 31, 2024, which, in the opinion of its legal counsel, are not expected to be accepted or the chances of which cannot be estimated. The amount of claims whose chances cannot be estimated is not more than NIS 61 million.

Note 7 - Investment in Equity-Accounted Investees

7.1 Material equity-accounted investees

Further to the contents of Note 11.1 to the Annual Financial Statements and Note 4.1 above regarding the Company's operating segments and the optimization plan, the material equity-accounted investees are:

	Percentage of equity and control as of			Country of incorporation and main location of the company's operations
	March 31, 2024	March 31, 2023	December 31, 2023	
Três Corações Alimentos S.A. (1)	50%	50%	50%	Brazil
Qingdao HSW Health Water Appliance Co. Ltd. (2)	49%	49%	49%	China

(1) An equity-accounted investee held by the Group and the Brazilian holding company São Miguel, which develops, processes, sells, markets, and distributes a variety of branded coffee products, corn products and coffee machines, and also sells green coffee, mainly to customers outside Brazil.

(2) An equity-accounted investee held by the Group and Haier Group of China, which is mainly active in POU (point-of-use) systems for the filtration and purification of drinking water, as well as in POE (point-of-entry) systems, which are installed at the main water line and treat the water where it first enters the home.

7.2 Concise information on material equity-accounted investees

	Três Corações Alimentos S.A.			Qingdao HSW Health Water Appliance Co. Ltd.		
	March 31		December 31	March 31		December 31
	2024	2023	2023	2024	2023	2023
	Unaudited		Audited	Unaudited		Audited
	NIS millions					
Current assets	2,196	2,023	2,199	947	890	963
Of which:						
Cash and cash equivalents	353	237	652	601	609	543
Non-current assets	1,288	1,103	1,318	211	193	201
Total assets	3,484	3,126	3,517	1,158	1,083	1,164
Current liabilities	1,543	1,356	1,633	535	434	468
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	641	567	698	97	-	-
Non-current liabilities	542	511	487	-	96	96
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	448	416	390	-	96	96
Total liabilities	2,085	1,867	2,120	535	530	564
Total net assets (100%)	1,399	1,259	1,397	623	553	600
Company's share of net assets	699	630	699	306	271	294
Other adjustments	153	156	154	87	94	88
Carrying amount of investment	852	786	853	393	365	382

Note 7 - Investment in Equity-Accounted Investees (cont'd)

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

	Três Corações Alimentos S.A.			Qingdao HSW Health Water Appliance Co. Ltd.		
	For the three months ended March 31		For the year ended December 31	For the three months ended March 31		For the year ended December 31
	2024	2023	2023	2024	2023	2023
	Unaudited		Audited	Unaudited		Audited
	NIS millions					
Income	1,297	1,248	5,839	216	191	834
Profit for the period	24	60	237	27	24	87
Other comprehensive income (loss)	(22)	82	149	(3)	23	-
Total comprehensive income	2	142	386	24	47	87
Of which:						
Depreciation and amortization	24	22	92	4	3	14
Interest income	15	18	69	2	2	8
Interest expenses	29	31	131	1	1	5
Tax income (expense)	12	14	74	(5)	(5)	(7)
Company's share of comprehensive income	1	71	193	12	23	42
Other adjustments	(2)	10	19	(1)	(1)	(3)
Company's share of comprehensive income (loss) presented on the books	(1)	81	212	11	22	39

7.3 Attachment of financial statements

The Group has attached the condensed consolidated interim financial statements of Três Corações Alimentos S.A., an equity-accounted investee (50% owned by the Group) in Brazil, to these condensed consolidated interim financial statements.

The investee's presentation currency is the Brazilian real.

7.4 Following are the average exchange rates and changes in the Brazilian real to shekel exchange rates during the reporting period:

	Shekel-real exchange rate		
	Average exchange rate for the period	Closing rate for the period	% change based on closing rate
For the three-month period ended on:			
March 31, 2024	0.74	0.74	(1.6)
March 31, 2023	0.68	0.71	7.1
For the year ended December 31, 2023	0.74	0.75	12.4

From the beginning of the year through to the date of approval of the financial statements, the shekel strengthened against the Brazilian real by approximately 5%.

Note 8 - Financial Instruments

8.1 Fair value of financial instruments measured at fair value for disclosure purposes only

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

Presented below are the fair value, based on the prices of the Tel Aviv Stock Exchange, and carrying amounts (including accrued interest) as presented on the statement of financial position, of the Company’s debentures:

	March 31, 2024		March 31, 2023		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Unaudited				Audited	
	NIS millions					
Series E Debentures	484	472	514	490	481	470
Series F Debentures	1,020	892	1,013	867	1,013	898

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 an active market for similar instruments.
- Level 2: Inputs, directly or indirectly, other than quoted prices within Level 1.
- Level 3: Inputs that are not based on observable market data.

	March 31, 2024		March 31, 2023		December 31, 2023	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
	Unaudited				Audited	
	NIS millions					
Financial assets (liabilities)						
Derivative receivables	34	8	39	30	52	5
Derivative payables	*(104)	(5)	(6)	(5)	(39)	(7)
	(70)	3	33	25	13	(2)

For details on the method of determining the fair value of derivative financial instruments measured at Level 2, see Note 26.7.2.1 to the Annual Financial Statements.

* During the quarter, Strauss Israel recorded a mark-to-market loss of NIS 72 million as of period-end following the valuation of commodity (cocoa) derivatives.

Note 9 - Subsidiaries

9.1 Loss of control of a subsidiary

Further to the contents of Note 4.2 above, on March 1, 2024 the Company sold 100% of its ownership interest in the coffee company in Serbia. In respect of the closing of the transaction, the Company recorded a net loss of NIS 25 million in its consolidated financial statements as of March 31, 2024, under Other Expenses in profit or loss. The aforementioned amount comprises a profit of NIS 65 million less a loss of NIS 90 million arising from the realization of the foreign currency translation reserve attributable to the company in Serbia.

9.2 Identifiable assets and liabilities sold:

	NIS millions
Cash and cash equivalents	13
Trade receivables and other accounts receivable	38
Income tax receivables	*
Inventory	27
Right-of use assets	6
Intangible assets	3
Fixed assets	21
Deferred tax assets	1
Trade payables and other accounts payable	(17)
Lease liabilities	(6)
Employee benefits	(1)
Net identifiable assets	**85**

* Less than NIS 1 million

9.3 Aggregate cash flows arising from the disposal of the subsidiary

	NIS millions
Cash and cash equivalents received	150
Less cash and cash flows of the subsidiary	13
	137

Note 10 – Events After the Reporting Period

10.1 For information on developments in pending claims occurring after the date of the statement of financial position, see Note 6 above.

10.2 Further to Note 33.6 to the Annual Financial Statements regarding assessment proceedings, the Company received final tax assessments for the years 2018-2021 for part of the companies operating in Israel. In accordance with the assessments, the Company reduced the tax provision on its books by NIS 35 million.

10.3 In April 2024, the Company took out three short-term loans at a total of NIS 300 million at 5.0%-5.5% floating interest. In addition, the Company entered into an agreement with a bank for the renewal of a secured line of credit for purposes of its regular operations, at a total of NIS 100 million for a one-year period. For information on the Company's covenants, see Note 19.5 to the Annual Financial Statements.

Strauss Group LTD.

Separate Financial Information

as at March 31, 2024

Unofficial Translation from Hebrew

Strauss Group Ltd.

Separate Financial Information as of March 31, 2024

Table of Contents:

Strauss Group Ltd.

Condensed Interim Information on Financial Position

	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS Millions		
Current assets			
Cash and cash equivalents	34	120	90
Trade receivables	213	156	157
Other receivables and debit balances	177	117	61
Investee receivables	285	155	162
Inventory	128	122	126
Assets held for sale	1	9	2
Total current assets	838	679	598
Investments and non-current assets			
Investments in investees	3,269	2,956	3,101
Other investments and long-term debt balances	614	574	615
Right-of-use assets	216	187	218
Fixed assets	1,049	1,030	1,047
Investment property	3	2	3
Intangible assets	150	94	143
Total investments and non-current assets	5,301	4,843	5,127
Total assets	6,139	5,522	5,725

Ofra Strauss	Shai Babad	Ariel Chetrit
Chairperson of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Date of approval of the separate financial information: May 26, 2024

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

Strauss Group Ltd.

Condensed Interim Information on Financial Position (cont’d)

	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS Millions		
Current liabilities			
Current maturities of debentures	174	30	174
Short-term credit and current maturities of long-term loans and other long-term liabilities	218	206	-
Current maturities of lease liabilities	49	41	48
Trade payables	265	323	236
Income tax	67	44	89
Other payables and credit balances	348	238	235
Investee payables	313	162	344
Dividend payable	270	-	-
Provisions	6	20	2
Total current liabilities	1,710	1,064	1,128
Non-current liabilities			
Debentures	1,322	1,489	1,320
Lease liabilities	171	149	173
Long-term payables and credit balances	10	13	21
Employee benefits, net	13	15	15
Deferred tax liabilities	15	38	31
Total non-current liabilities	1,531	1,704	1,560
Total equity attributable to shareholders of the Company	2,898	2,754	3,037
Total liabilities and equity	6,139	5,522	5,725

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

Strauss Group Ltd.

Condensed Interim Information on Income

	For the three months ended		For the year ended
	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS Millions		
Sales	278	225	816
Cost of sales	249	159	594
Gross profit	29	66	222
Selling and marketing expenses	43	27	158
General and administrative expenses	41	39	128
	84	66	286
Operating loss before other expenses	(55)	-	(64)
Other income	-	70	91
Other expenses	(24)	(5)	(25)
Other income (expenses), net	(24)	65	66
Operating profit (loss)	(79)	65	2
Finance income	8	17	38
Finance expenses	(18)	(19)	(79)
Net finance expenses	(10)	(2)	(41)
Income (loss) before taxes	(89)	63	(39)
Tax income (expense)	48	(24)	(27)
Income (loss) after taxes	(41)	39	(66)
Income from investees	92	192	554
Income for the period attributable to shareholders of the Company	51	231	488

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

Condensed Interim Information on Comprehensive Income

	For the three months ended		For the year ended
	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS Millions		
Income for the period attributable to shareholders of the Company	51	231	488
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods:			
Other comprehensive income from investees	74	68	76
Total other comprehensive income items for the period that will be reclassified to profit or loss in subsequent periods, net	74	68	76
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods:			
Changes in employee benefits, net	-	1	1
Total other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net	-	1	1
Comprehensive income for the period attributable to shareholders of the Company	125	300	565

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

Condensed Interim Information on Cash Flows

	For the three months ended		For the year ended
	March 31 2024	March 31 2023	December 31 2023
	Unaudited		Audited
	NIS Millions		
Cash flows from operating activities			
Income for the period attributable to shareholders of the company	51	231	488
Adjustments:			
Depreciation	31	28	120
Amortization of intangible assets	7	4	20
Net capital gain on disposal of fixed assets and intangible assets	-	(70)	(89)
Expenses of share-based payment	4	6	18
Income from investees	(92)	(192)	(554)
Net finance expenses	10	2	41
Tax expense (income)	(48)	24	27
Change in inventory	-	(9)	(14)
Change in trade and other receivables	(80)	(161)	(127)
Change in investee receivables	(24)	(51)	(33)
Change in trade payables, other payables and provisions	143	89	(7)
Change in investee payables	(32)	10	195
Change in employee benefits	(1)	(1)	(3)
Interest paid	(3)	(16)	(61)
Interest received	-	2	13
Income tax paid, net	(2)	(1)	7
Net cash provided by (used in) operating activities	(36)	(105)	41
Cash flows from investing activities			
Proceeds from disposal of a fixed asset and an asset held for sale	3	49	82
Investment in fixed assets	(21)	(35)	(113)
Investment in intangible assets	(18)	(14)	(87)
Repayment of long-term loans granted	4	6	22
Long-term loans granted and deposits	(92)	(15)	(27)
Dividends from investees	-	20	291
Cash received from investing activities with investees	-	-	39
Cash paid in respect of investing activities with investees	(100)	(17)	(111)
Net cash provided by (used in) investing activities	(224)	(6)	96
Cash flows from financing activities			
Redemption of debentures and repayment of long-term loans	-	-	(239)
Short-term bank credit, net	218	(189)	(189)
Proceeds from the issue of debentures, net of issuance costs	-	314	314
Repayment of principal of lease liabilities	(14)	(13)	(52)
Net cash provided by (used in) financing activities	204	112	(166)
Net increase (decrease) in cash and cash equivalents	(56)	1	(29)
Cash and cash equivalents at beginning of period	90	119	119
Cash and cash equivalents at end of period	34	120	90

The attached additional 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 Corporate HQ, the Group's salads (dips and spreads) business in Israel and the Group's confectionery business in Israel, which includes the development, manufacture and marketing of branded candy products.

1.1.2 The Interim Separate Financial Information of Strauss Group Ltd. (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 together with the financial information as of and for the year ended on December 31, 2023, and together with the Condensed Consolidated Interim Financial Statements as of March 31, 2024 (the "**Condensed Consolidated Interim Financial Statements**").

The accounting policy in this Separate Interim Financial Information was applied consistently with the accounting policy and rules described in the Separate Financial Information as of December 31, 2023.

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 of December 31, 2023.

1.1.4 The Interim Separate Financial Information is presented in NIS, 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. There is no clear trend of seasonality in the salads (dips and spreads) category in Israel.

Note 3 - Events in the Reported Period

3.1 In March 2024, the Company granted a loan of NIS 100 million to a subsidiary. The loan bears annual interest at the prime rate minus 0.5 percent and will be repaid in a single installment by no later than September 30, 2024.

3.2 For further information on events in the reporting period, see Note 4 to the Condensed Consolidated Interim Financial Statements.

Note 4 - Share-Based Payment

For further information on share-based payment, see Note 5 to the Condensed Consolidated Interim Financial Statements.

Note 5 - Contingent liabilities

For information on contingent liabilities, see Note 6 to the Condensed Consolidated Interim Financial Statements.

Note 6 - Financial Instruments

6.1 Fair value of financial instruments

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

6.2 Fair value hierarchy of financial instruments measured at fair value

For information on the fair value hierarchy of financial instruments measured at fair value, see Note 8.2 to the Condensed Consolidated Interim Financial Statements.

Note 7 - Events After the Reporting Period

7.1 In April 2024, the subsidiary Strauss Coffee declared a dividend to shareholders at an amount of NIS 48 million.

7.2 For further information on events occurring after the date of the statement of financial position, see Note 10 to the Condensed Consolidated Interim Financial Statements.

Strauss Group Ltd.

Effectiveness of internal control

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. Shai Babad, Chief Executive Officer;
2. Ronen Zohar, Deputy Chief Executive Officer;
3. Ariel Chetrit, Chief Financial Officer;
4. Yael Nevo, EVP, CLO and Company Secretary;
5. Hila Mukevisius, SVP HR;
6. Raanan Kovalsky, CEO Strauss Israel
7. Elad Komissar, SVP BD and Strategy

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 performing such functions in practice, 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 Chief Executive Officer and the most senior financial officer or anyone performing such functions, in order to enable decisions in reference to the disclosure requirement to be made in a timely manner.

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 detected.

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, 2023 (hereinafter: the

"Latest Annual Report on Internal Control"), the Board of Directors and Management of the corporation reached the conclusion that internal control as at December 31, 2023 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 the internal control, as presented in the Latest Annual Report on the 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.

MANAGERS' DECLARATIONS:

A. Declaration by the Chief Executive Officer pursuant to Regulation 38c(d)(1):

I, Shai Babad, declare that:

(1) I have reviewed the Quarterly Report of Strauss Group Ltd. (the "Corporation") for the first quarter of 2024 (the "Reports" or the "Interim 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, in all material respects, the financial condition, 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 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 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 Chief Executive Officer or anyone reporting to him directly or which involves other employees who play a significant role in 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 Generally Accepted Accounting Principles.

c. I was not informed of any event or matter occurring in the period between the date of the latest report (the Annual Report as at December 31, 2023) 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 foregoing shall not derogate from my responsibility or from the responsibility of any other person, pursuant to applicable law.

May 26, 2024

Shai Babad, Chief Executive Officer

MANAGERS' DECLARATIONS:

B. Declaration by the most senior financial officer pursuant to Regulation 38c(d)(2):

I, Ariel Chetrit, declare 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 2024 (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, in all material respects, the financial condition, 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 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 insofar as it relates to the Interim Financial Statements and 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 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 reporting to him directly or which involves other employees who play a significant role in 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, insofar that it is relevant to the Financial Statements and other financial information included in the Reports, 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 our 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 Generally Accepted Accounting Principles;

c. I was not informed of any event or matter occurring in the period between the date of the latest report (the Annual Report as at December 31, 2023) and the date of the Reports, 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.

d. The foregoing shall not derogate from my responsibility or from the responsibility of any other person, pursuant to applicable law.

May 26, 2024

Ariel Chetrit, Chief Financial Officer

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 months periods ended March 31, 2024

Contents

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Independent auditors' report on review of interim financial statements

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

Introduction
We have reviewed the accompanying condensed consolidated statement of financial position of Três Corações Alimentos S.A. as at March 31, 2024, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended, and notes to the interim financial statements. Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at March 31, 2024 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Fortaleza, May 16, 2024

KPMG Auditores Independentes Ltda.
CRC CE-003141/F-5

Pedro Barroso Silva Júnior
Contador CRC CE 021967/O 5

Três Corações Alimentos S.A.

Condensed Consolidated Interim Statements of Financial Position as of March 31, 2024 and December 31, 2023

(In thousand of Brazilian Reais)

Assets	March 31, 2024	December 31, 2023	Liabilities and equity	March 31, 2024	December 31, 2023
Current			**Current**		
Cash and cash equivalents	479,645	870,986	Short term loans	830,451	889,694
Deposits	13,868	10,788	Trade payables	905,320	956,301
Trade receivables	1,104,068	734,278	Short term lease liabilities	40,436	42,888
Inventories	1,228,248	1,199,532	Income tax payables	40	616
Recoverable taxes	105,011	75,169	Employees and other payroll related liabilities	96,737	88,970
Income tax receivables	18,426	19,582	Proposed dividends	138,190	138,190
Other current assets	32,221	28,260	Payable taxes	46,683	33,298
	2,981,487	**2,938,595**	Other current liabilities	37,662	33,024
				2,095,519	**2,182,981**
Non-current					
Trade receivables	1,642	7,464	**Non-current**		
Judicial deposits	9,052	9,260	Long term loans	555,742	461,864
Recoverable taxes	176,322	192,823	Long term lease liabilities	53,253	59,868
Other non-current assets	72,199	74,159	Other non-current liabilities	20,709	20,368
Deferred tax assets	87,766	75,091	Deferred tax liabilities	-	2,947
Investments	88,661	105,562	Provision for legal proceedings	72,575	71,374
Fixed assets	771,530	748,005	Interest on equity payable	33,855	33,855
Intangible assets	464,319	462,052		**736,134**	**650,276**
Right-of-use assets	77,719	87,322			
	1,749,210	**1,761,738**	**Equity**		
			Share capital	276,464	276,464
			Translation reserve	(197,184)	(195,776)
			Retained earnings	1,819,646	1,786,237
			Equity attributable to owners of the Company	1,898,926	1,866,925
			Non-controlling interests	118	151
			Total Equity	**1,899,044**	**1,867,076**
Total assets	**4,730,697**	**4,700,333**	**Total liabilities and equity**	**4,730,697**	**4,700,333**

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

(In thousand of Brazilian Reais)

	Note	Three months period ended March 31, 2024	2023
Revenue	26	1,759,328	1,837,948
Cost of sales	27	(1,367,140)	(1,411,244)
Gross profit		**392,188**	**426,704**
Selling and marketing expenses	28	(296,299)	(287,960)
General and administrative expenses	29	(60,428)	(51,736)
Allowance for expected credit losses	8	(3,227)	(3,960)
Equity method	13	3,836	4,104
Other income (expenses), net		353	21
Operating profit		**36,423**	**87,173**
Financial income		19,709	26,571
Financial expenses		(37,837)	(45,824)
Net financial expenses	30	**(18,128)**	**(19,253)**
Profit before income tax		**18,295**	**67,920**
Income tax	24.a	15,080	19,361
Profit for the period		**33,375**	**87,281**
Profit attributable to:			
Owners of the Company		33,409	87,260
Non-controlling interests		(34)	21
Total profit for the period		**33,375**	**87,281**

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

(In thousand of Brazilian Reais)

	Three months period ended March 31,	
	2024	**2023**
Profit attributable to:	33,375	87,281
Other comprehensive income (loss) items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences	(1,408)	(147)
Comprehensive income for the period	**31,967**	**87,134**
Comprehensive income attributable to:		
Owners of the Company	32,001	87,113
Non-controlling interests	(34)	21
Total comprehensive income for the period	**31,967**	**87,134**

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

(In thousand of Brazilian Reais)

	Share capital	Retained earnings: Legal reserve	Retained earnings: Tax incentives	Retained earnings: Profit to distribute	Translation reserve	Accumulated profit	Total	Non- controlling interests	Total Equity
Balance as of December 31, 2022	**275,531**	**55,106**	**659,887**	**888,926**	**(200,891)**	**-**	**1,678,559**	**236**	**1,678,795**
Profit for the period	-	-	-	-	-	87,260	87,260	21	87,281
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(147)	-	(147)	-	(147)
Total other comprehensive gain (loss):	-	-	-	-	(147)	87,260	87,113	21	87,134
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	13	13
State VAT and Federal tax incentives	-	-	32,914	-	-	(32,914)	-	-	-
Profit destination									
Reserve for profit to be distributed	-	-	-	54,346	-	(54,346)	-	-	-
	-	-	32,914	54,346	-	(87,260)	-	13	13
Balance as of March 31, 2023	**275,531**	**55,106**	**692,801**	**943,272**	**(201,038)**	**-**	**1,765,672**	**270**	**1,765,942**
Balance as of December 31, 2023	**276,464**	**55,293**	**794,214**	**936,730**	**(195,776)**	**-**	**1,866,925**	**151**	**1,867,076**
Profit for the period	-	-	-	-	-	33,409	33,409	(34)	33,375
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(1,408)	-	(1,408)	-	(1,408)
Total other comprehensive gain (loss):	-	-	-	-	(1,408)	33,409	32,001	(34)	31,967
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	1	1
State VAT and Federal tax incentives	-	-	30,661	-	-	(30,661)	-	-	-
Profit destination									
Reserve for profit to be distributed	-	-	-	2,748	-	(2,748)	-	-	-
	-	-	30,661	2,748	-	(33,409)	-	1	1
Balance as of March 31, 2024	**276,464**	**55,293**	**824,875**	**939,478**	**(197,184)**	**-**	**1,898,926**	**118**	**1,899,044**

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

(In thousand of Brazilian Reais)

	Three months period ended March 31,	
Cash flows from operating activities	**2024**	**2023**
Profit for the period	33,375	87,281
Adjustments for:		
Depreciation and amortization	32,537	32,559
Termination of lease contracts	(45)	(329)
Provision for legal proceedings	1,201	1,816
Allowance for expected credit losses	(3,227)	3,960
Other income, net	(353)	(21)
Equity method	(3,836)	(4,104)
Finance expenses, net	18,128	19,253
Income tax	(15,080)	(19,361)
Change in:		
Trade receivables	(358,878)	(307,010)
Inventories	(27,083)	(161,950)
Recoverable and payable taxes, net	6,121	(3,176)
Judicial deposits	208	43
Trade payables	(51,010)	(98,995)
Employees and other payroll related liabilities	7,767	(3,418)
Other current and non-current assets and liabilities	6,573	(6,627)
Change in operating activities	**(353,602)**	**(460,079)**
Interest paid	(17,160)	(10,781)
Interest received	15,725	25,034
Income tax paid	(531)	(1,037)
Net cash flows used by operating activities	**(355,568)**	**(446,863)**
Cash flows from investing activities		
Change in deposits	(2,771)	1,843
Proceeds from sales of fixed assets	1,458	1,479
Acquisition of fixed assets	(50,961)	(32,462)
Investments in intangible assets	(5,110)	(7,776)
Dividend received	20,737	-
Net cash flows used in investing activities	**(36,647)**	**(36,916)**
Cash flows from financing activities		
Proceeds from loans	233,523	116,868
Repayment of loans	(223,627)	(332,359)
Payment of lease liabilities	(9,022)	(6,417)
Net cash flows provided by (used in) financing activities	**874**	**(221,908)**
Net decrease in cash and cash equivalents	**(391,341)**	**(705,687)**
Net descrease in cash and cash equivalents		
Cash and cash equivalents as at beginning of period	870,986	1,037,736
Cash and cash equivalents as at end of period	479,645	332,049
	(391,341)	**(705,687)**

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

1 General information

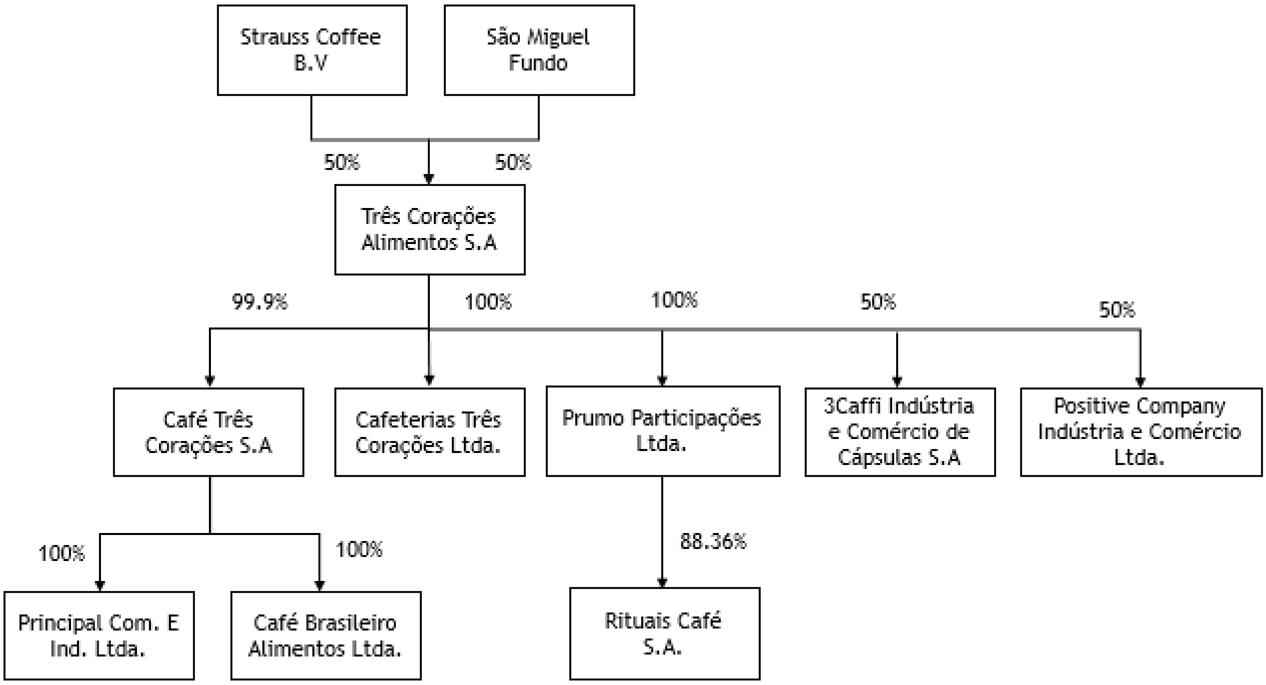
Três Corações Alimentos S.A. (the "Company") together with its subsidiaries (the "Group") are an industrial and commercial Group, which operates in Brazil, in producing and selling branded coffee products, multi-beverage single portion capsules and machines, powdered juices, chocolate drinks and corn meal products. The Group is also active in green coffee exports, lending Away-From-Home machines, operation of coffee shops, roasting and selling specialty coffees in e-commerce and to third party businesses and investing in other companies. The Group also operates in the industrialization and sales of plant-based beverages, especially nuts milk and isotonic ones and cashew butter.

The Company is located at Rua Santa Clara, 100, Parque Santa Clara, Eusébio, Ceará, Brazil. The Company controls the entities Cafeterias Três Corações Ltda., Prumo Participações Ltda., which in turn controls the entity Rituais Café S.A. and also controls Café Três Corações S.A., which controls the entity Principal Comércio e Indústria Ltda and the entity Café Brasileiro Alimentos Ltda. The Company also participates in joint-venture agreements, sharing the control with third parties of the companies 3Caffi Indústria e Comércio de Cápsulas S.A. ("3Caffi") and Positive Company Indústria e Comércio Ltda ("Positive Company"), with 50% of shares in each company, which are not consolidated in this report, but evaluated by equity method.

The Group is currently the largest group in roasted and ground coffee business in Brazil according to Nielsen Flash Report, 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, Café do Cuca, Ouribom, Bangu, Fort, Chocolatto, Claralate, Dona Clara, Claramil, Frisco, Tornado, Tres, Iguaçu, Cruzeiro, Amigo, Cirol, Cirol Real, Realmil, Toko, Apollo, Astoria, Manaus, Tapajós, Betânia, Tribo do Café, Bar Barista, Rituais, Café Brasileiro, Café 3 Fazendas, Café Bandeira, Café Premiado, .br, .br Gold and Coolate. In addition, the Group sells products with the brands A Tal da Castanha, Plant Power and Possible, owned by the Positive Company joint venture.

The Group's industrial facilities are located in the states of Ceará, Rio Grande do Norte, Minas Gerais, Rio de Janeiro, Amazonas, São Paulo and Mato Grosso. Distribution centers are located in almost all states of Brazil. In addition, the Group owns green coffee processing plants in the state of Minas Gerais. The Group also owns coffee shops that are located in the cities of Fortaleza, Natal and Curitiba. Positive Company's physical structure is located in the state of Espírito Santo and Ceará. 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 these financial statements, 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%).

On March 31, 2024, the Group has the following structure:



2 Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the IFRS audited consolidated financial statements as at and for the year ended December 31, 2023 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, explanatory notes are included to explain events and transactions that are significant for understanding of the changes in the financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements were authorized for issuance by Company's Management on May 16, 2024.

2.2 Significant accounting policies, judgments and estimates

The accounting policies, judgments and estimates applied in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2023. The Group has not adopted early any other standards, interpretations or amendments that have been issued but are not yet effective.

(In thousands of Brazilian Reals)

3 Material events during the reported period

3.1 Dividend received

On February 20, 2024, the distribution of the 3Caffi Indústria e Comércio de Cápsulas S.A dividends related for the fiscal years 2016 to 2022 was approved in the amount of R$ 41,472, of which R$ 20,737 (50%) was allocated to the Group and the remaining R$ 20,736, to the shareholder Caffitaly System S.p.A. The amounts were fully received on February 28, 2024.

4 Cash and cash equivalents, short and long term loans

	March 31, 2024	December 31, 2023
Short term loans	830,451	889,694
Long term loans	555,742	461,864
Cash and cash equivalents	479,645	870,986

Cash and cash equivalents decrease is mainly due usage in operating activities such as trade receivables, payables and inventories movements and the investing activity of acquisition of fixed assets. Below is presented the cash flow use for the period:

- Cash flows used in operating activities, in the amount of R$ (355,568);
- Cash flows used in investing activities, in the amount of R$ (36,647);
- Cash flows provided by financing activities, in the amount of R$ 874.

There are no debt covenants in the Group's loans contracts with the banks.

5 Provision for legal proceedings

There were no new material events, except for the usual interest accrued on the provisioned contingent liability balances.

6 Financial instruments

6.1 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, deposits, trade receivables, other current and non-current assets and liabilities, trade payables and loans to related parties, are equal or close to their fair values, 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:

(In thousands of Brazilian Reals)

	Level of hierarchy of fair value	March 31, 2024		December 31, 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities					
Short term loans	2	830,451	869,483	889,694	956,461
Long term loans	2	555,742	741,611	461,864	524,859

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

6.2 Fair value hierarchy

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

- **Level 1**: quoted prices in an active market for identical assets and liabilities;

- **Level 2**: values determined by other techniques, for which all of the data, having a significant effect on the recorded fair value, are observable, directly or indirectly;

  The fair value of assets and liabilities that are not quoted in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

  These valuation techniques maximize the use of observable market data when it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs are not based on observable market data, the asset or liability is considered as valued from Level 3 source of information.

  Specific valuation techniques that might be used to value financial instruments in general include:

(i) Quoted market prices or dealer quotes for similar instruments;

(ii) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

(iii) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

- **Level 3**: inputs for valuing a financial instrument that is not based on observable market data (that is, unobservable inputs).

  On March 31, 2024 and December 31, 2023, the Group had no financial instruments classified at Level 3.

(In thousands of Brazilian Reals)

7 Revenue

7.1 Disaggregated revenue information

	Products	Services	March 31, 2024
Geographical markets			
Domestic	1,706,464	676	1,707,140
Foreign	52,188	-	52,188
	1,758,652	**676**	**1,759,328**

	Products	Services	March 31, 2023
Geographical markets			
Domestic	1,787,365	391	1,787,756
Foreign	50,192	-	50,192
	1,837,557	**391**	**1,837,948**

7.2 Composition of Revenue

	Three month periods ended March 31,	
	2024	**2023**
Revenue:		
Products - domestic	2,188,981	2,196,508
Products - foreign	52,180	50,192
Services	692	396
Other	113	430
Revenue deductions:		
Taxes on sales	(236,011)	(223,152)
State VAT incentives	50,693	53,205
Discounts	(228,051)	(166,925)
Other deductions	(69,269)	(72,706)
Revenue	**1,759,328**	**1,837,948**

8 Subsequent events

Rio Grande do Sul State was severely affected by floods in the beginning of May 2024, an event classified by the government as "the largest climate catastrophe" in the state and country's history. The torrential rains, which began in late April, caused flooding in 388 of the 497 cities in Rio Grande do Sul, affecting over 1,4 million people and displacing over 200,000 from their homes.

Although the distribution center in the State was not impacted in its physical structure, the logistic in the state is compromised due to difficult access, impacting sales in the region. However, since it is a recent and ongoing situation, we do not yet have the complete information to fully evaluate the impact on the financial statements.

The Group does not expect material impacts resulting from losses, only delays in sales.

* * *

Pedro Alcântara Rego de Lima
Chief Executive Officer

Danisio Costa Lima Barbosa
Chief Financial Officer

Adenise Evangelista de Melo
Accountant CRC/CE 8.126/O-3