

STRAUSS-GROUP LTD.

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BOARD OF DIRECTORS' REPORT
TO THE SHAREHOLDERS
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STRAUSS GROUP LTD.
BOARD OF DIRECTORS' QUARTERLY REPORT TO
THE SHAREHOLDERS AS AT MARCH 31, 2009

PRINCIPLE INFORMATION FROM THE DESCRIPTION OF THE COMPANY'S BUSINESS

Strauss Group Ltd. and the companies it controls (hereinafter: the "**Company**" or the "**Group**") are a group of industrial and commercial companies that operate in Israel and abroad, in Central and Eastern Europe, Brazil and the United States of America, in the manufacture, sale and marketing of a variety of branded food and beverage products. The controlling shareholder of the Company is Strauss Holdings Ltd. (hereinafter: "**Strauss Holdings**").

The Group manages and develops its business with the aim of providing the public with a wide variety of top-quality branded products for different consumption opportunities. The Group is dominant in most of the markets in which it operates. The products of the Group are generally sold through a variety of sales channels including large retail chains, private stores and supermarkets, kiosks, workplaces, hotels, vending machines, etc.

The Group's Corporate Center is in Israel. The Company estimates that Strauss Israel is the second-largest company in the Israeli food industry and in the first quarter of 2009 held a 12.3% share of the domestic food and beverage market (on a quarterly average, in financial terms¹). The Group is also active in some ten major countries in Central and Eastern Europe, in Brazil (in most of these countries the Group is among the leading companies dealing in roasted and ground coffee), and in the USA.

The Group has two areas of activity that are reported separately as business sectors in the Annual Consolidated Financial Statements of the Company (hereinafter: the "**Annual Financial Statements**"):

The Business in Israel – Strauss Israel: This sector includes a major part of the Group's activities in Israel. In this sector the Group develops, manufactures, sells, markets and distributes, in Israel, a large variety of branded food and beverage products, which include "**Health & Wellness**" and "**Fun & Indulgence**" products.

Health & Wellness products include: yogurts, dairy desserts, soft cheeses, fresh milk products, milk beverages, refrigerated Mediterranean salads (hummus, tehina, eggplant, etc.), cut vegetables, fresh pasta products, cereal and granola bars, honey products, olive oil and jams, as well as other products that the Company distributes, such as natural fruit juices manufactured by Ganir, and long-life milk manufactured by Ramat Hagolan Dairies², both of which are sold and distributed by the Group, etc.

Fun & Indulgence products include: sweet snack bars, chocolate tablets, sweet spreads, confectionery, chewing gum, cakes and cookies, biscuits, wafers and salty snack foods.

Strauss Israel is active through two main business divisions that were established according to the product groups described above, and are based on consumption trends currently developing worldwide, and

¹ According to StoreNext figures. StoreNext engages in the measurement of the regular everyday consumer goods market in the barcoded retail market.

² The controlling party of the Company (indirectly) holds part of the shares of Ramat Hagolan Dairies Ltd.

Convenience Translation from Hebrew

particularly in Israel, with the aim of developing leading products and solutions that provide a suitable response to emerging consumer trends.

The Coffee Business – Strauss Coffee: In this sector the Group develops, manufactures, sells, markets and distributes a variety of branded coffee products in Israel, in Eastern and Central European countries and in Brazil; it deals similarly with chocolate and other drink powders (mainly in Israel). In several countries outside of Israel it sells and distributes espresso coffee products (“Lavazza”) that are not manufactured by the Group. It sells and distributes instant coffee products in Israel (“Jacobs”). In the framework of the business in Brazil, it buys, processes and sells green coffee to exporters in Brazil and to customers outside of Brazil (mainly in Europe and the USA), and also manufactures and sells corn products in Brazil. The Company's products are sold through various channels including retail channels for home consumption and other channels directed to away-from-home (AFH) consumption (cafés, restaurants, institutions, workplaces, etc.).

In addition to the areas of activity described above, the Group has other activities that are not included in these categories; these are included in the Annual Financial Statements as the “**Other Business**” sector. The main activities among these operations are:

Sabra Refrigerated Dips, USA: The Group develops, manufactures, sells, markets and distributes hummus and refrigerated Mediterranean salads throughout North America.

Max Brenner: The Group manufactures and sells chocolate products under the Max Brenner brand and operates a chain of “Chocolate Bars” in Israel and abroad. Wholly-owned by the Company or operated under franchise and through partners, they deliver a novel consumption experience in the chocolate and chocolate beverage category.

Additionally, in 2007 the Company entered a partnership in a new venture in the water business (hereinafter: “**H2Q**”). Since August 2008 the Company has held 51% of the shares of H2Q.

The Company has approximately 11,600 employees, about one-half of them in Israel.

The Group's business is conducted in four major geographical regions. Activity in Israel includes the activity of Strauss Israel (sales of a wide variety of fresh and dry food products), Max Brenner in Israel, and the H2Q business; Activity in Europe includes the coffee business in Central and Eastern Europe. The business in Brazil, which is managed by a 50% proportionately consolidated company (a joint venture), is active primarily in roasted and ground coffee in the domestic market, the manufacture of corn products and the export of green coffee (the business in Europe, the coffee business in Israel, and the business in Brazil are all ancillary to Strauss Coffee). Activity in the USA, which has included Sabra (the company is 50% proportionately consolidated [joint venture]) since the second quarter of 2008, and the Max Brenner business (except for Max Brenner in Israel), is managed by the CEO of Strauss North America. The various businesses are run by their own separate managements, while the Corporate Center in Israel is responsible for exploiting synergies between them.

The Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The Company applied IFRS for the first time in 2005, with the date of the change to reporting according to IFRS being January 1, 2003.

SEASONAL EFFECTS ON THE RESULTS OF THE COMPANY'S BUSINESS OPERATIONS

The Company's sales in some of its businesses are characterized by seasonality. Income from sales of coffee products abroad is generally (relatively) higher in the fourth quarter and (relatively) lower in the first quarter. Seasonality is affected mainly by the timing of the Christian holidays and the end of the (Gregorian) year in the fourth quarter, a period that is characterized by increased purchases of coffee products. By contrast, in the first quarter purchase volumes are relatively low, mainly because people are still consuming the coffee products purchased in the previous quarter.

As a rule, snack sales are higher in the first and third quarters of the year. The seasonality in the snack business is affected by two main factors: the first is the timing of the Jewish holidays with emphasis on Rosh Hashanah (the Jewish New Year) and Passover, when the Company's snack sales increase considerably. The second factor is the seasons of the year, with winter and fall being characterized by greater consumption of confectionery (mainly chocolate and snack bars) than the hot seasons. Conversely, sales of cold beverages (milk, juices) are higher in the summer, which falls in the second and third quarters of the year.

Changes in the Economic Environment

We are currently in the midst of a global financial crisis, directly expressed in the collapse of global financial institutions, the creation of a global credit crunch and the development of a recession in most countries. These developments are currently impacting, and may in the future directly or indirectly impact the Group's business operations.

Strauss Management believes that the Group has entered this period of crisis in a state of financial and business robustness thanks to the processes it executed in recent years and in the course of 2008.

As at the date of preparation of these Financial Statements we are witnessing, on the one hand, a drop in the prices of most raw materials and of energy, and on the other, changes in the exchange rates of the Shekel and the currencies in the various countries where the Group operates (part of these changes are offsetting each other).

The drop in the prices of raw materials and energy will lead to a drop in the costs of product manufacturing, while the changes in the exchange rates of the various currencies will lead to a rise in the cost of products that are imported in the various businesses and to changes in the Shekel value arising from the translation into Shekels of the Company's business results in some markets. The Group is taking the necessary steps to be prepared for the different scenarios and to deal with them in the best manner possible.

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

Other than the following, as at the end of the first quarter and compared to the end of 2008 there has been no material change in the market risks to which the Company is exposed, in the policy for managing these risks, in the persons responsible for their management, and in the means for monitoring and realizing policy, as published in the Board of Directors' Report as at December 31, 2008.

Convenience Translation from Hebrew

Sensitivity of the liability value in the books of Debentures (Series C) to changes in the interest rate

The Debentures (Series C) in an amount of NIS 500 million par value, which were issued after balance-sheet date, bear varying yearly interest (the principal and interest are not linked to any index). The interest rate is determined according to the interest rate borne by "Government Bonds 817", plus an interval of 0.7%. In the first interest period (May 7, 2009 until August 31, 2009) the total interest rate in respect of the Debentures (Series C) is 1.8%.

Sensitivity of the liability value in the books of Debentures (Series A) and Debentures (Series B) to changes in the Consumer Price Index

The debentures are linked to the Consumer Price Index (CPI) known on balance-sheet date. In the first quarter the known CPI dropped by 0.7%. For information on the sensitivity analysis, see Note 30 to the Annual Financial Statements.

Information on new debentures in circulation

In May 2009 the Company issued Debentures (Series C) in consideration for an amount of NIS 500 million (gross). Information on the debentures issued is presented in the following table:

	Series C
Date issued	May 7, 2009
Listed for trading	May 10, 2009
Type of interest	Varying
Yearly interest rate	The interest rate borne by "Government Bonds 817", plus an interval of 0.7%*
Par value on issue date	NIS 500,000,000
Book value of debentures	NIS 493,500,000**
Book value of interest payable	-
Linkage conditions	Principal and interest are not linked to any index
Payment dates of principal	3 equal yearly payments on June 1 of each year from 2011 to 2013
Interest payment dates	Quarterly interest on June 1, September 1, December 1 and March 1, commencing on September 1, 2009
Securities or charges	None
Name of rating company	Midroog; Maalot
Rating at issue date and reporting date	Aa1 (with stable horizon); AA+/Stable***

* The total yearly interest rate for the first interest period (May 7, 2009 until August 31, 2009) is 1.8%.

** As at the date of issue.

*** The current rating of Debentures (Series A) and Debentures (Series B) was maintained also after the issue of Debentures (Series C).

Additional information

Debentures (Series C)

- The Debenture Trustee is Clal Finance Trusts 2007 Ltd.
- The Trustee's offices are located at 37 Derech Menachem Begin, Tel Aviv.
- The supervisor on behalf of Clal Finance Trusts is Adv. Yuval Likaver (tel. 03-6274848).

Convenience Translation from Hebrew

- As at the reporting date, the Company is in compliance with the terms and conditions of the trust deed.

ANALYSIS OF FINANCIAL RESULTS*

Following are the condensed financial accounting statements of income for the quarters ended March 31, 2009 and 2008 (in NIS millions):

	Three Months		
	2009	2008	% Chg
Sales	1,522	1,504	1.2
Cost of sales not including impact of hedging transactions	971	955	1.6
Revaluation of the balance of hedging transactions on commodities as at the end of the period	(5)	3	
Cost of sales	966	958	0.8
Gross Income	556	546	1.9
Selling and marketing expenses	334	332	0.8
General and administrative expenses	87	89	-2.5
Operating income before other income (expenses)	135	125	8.0
Other income (expenses), net	(5)	28	
Operating Income	130	153	-15.0
Financing income (expenses), net	4	(25)	
Income before taxes on income	134	128	5.0
Taxes on income	(44)	(35)	27.0
Effective tax rate	32.9%	27.2%	
Income for the period	90	93	-3.2
Income attributed to the shareholders of the Company	74	84	-11.5
Income attributed to the minority interest	16	9	73.9

Following are the adjustments to the Company's pro-forma statements (in NIS millions):

	Three Months		
	2009	2008	% Chg
Operating income – financial accounting	130	153	-15.0
Share-based payment	5	7	
Revaluation of the balance of hedging transactions on commodities as at the end of the period	(5)	3	
One-time amortization of assets	-	2	
Other expenses (income)	5	(28)	
Operating income – pro-forma	135	137	-1.5
Financing income (expenses), net	4	(25)	
Taxes on income	(44)	(35)	
Taxes in respect of adjustments to the above management operating income	(0)	(2)	
Income for the period – management	95	75	26.6
Income attributed to the shareholders of the Company	80	65	22.3
Income attributed to the minority interest	15	10	55.3

Convenience Translation from Hebrew

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

Following are the condensed results of business operations (based on the Company's pro-forma statements) for the quarters ended March 31, 2009 and 2008 (in NIS millions):

	Three Months		
	2009	2008	% Chg
Sales	1,522	1,504	1.2
Cost of sales	971	953	1.8
Gross Income	551	551	0.0
Selling and marketing expenses	334	332	0.8
General and administrative expenses	82	82	-0.5
Operating income – pro-forma	135	137	-1.5
Financing income (expenses) net	4	(25)	
Income before taxes on income	139	112	24.2
Taxes on income	(44)	(37)	19.4
Income for the period – pro-forma	95	75	26.6
Income attributed to the shareholders of the Company	80	65	22.3
Income attributed to the minority interest	15	10	55.3

Following are the condensed results of business operations (based on the Company's pro-forma statements) of the business sectors for the quarters ended March 31, 2009 and 2008 (in NIS millions):

	Three Months		
	2009	2008	% Chg
Israel			
Net sales	681	680	0.1
Gross income	281	272	3.2
Operating income	82	71	16.0
Coffee			
Net sales	770	730	5.5
Gross income	230	233	-1.4
Operating income	50	64	-22.1
Other*			
Net sales	71	94	-24.9
Gross income	40	46	-11.2
Operating income	3	2	49.0
Total			
Net sales	1,522	1,504	1.2
Gross income	551	551	0.0
Operating income	135	137	-1.5

* Sabra's sales are proportionately consolidated as at second quarter 2008.

For information on the adjustments to the Company's pro-forma statements, see Note 3 to the Financial Statements.

Following is the analysis of the business results of the Group:

General

Several factors in the Group's macroeconomic environment, including exchange rates, raw material prices and emerging inflation, simultaneous with the recession in the US and Europe in the wake of the financial crisis, influenced the Group's activity in the first quarter. The changes in exchange rates in all countries where the Group's coffee company is active, coupled with the difficulty in raising prices in the current macroeconomic conditions, mainly in Poland and Serbia, impacted the growth of the coffee business. Additionally, a slowdown in the growth rate of the food market in Israel was evident in the first quarter.

The Group contended with the changing environmental conditions by implementing streamlining processes, using substitutes, and raising the prices of its products from time to time.

After the reported period the Company completed the raising of NIS 500 million in a public issue of debentures. The debentures were issued according to a shelf offer report of May 5, 2009, published pursuant to a shelf prospectus published by the Company in May 10, 2007 (including amendments thereto made on April 7, 2009 and April 22, 2009).

The Debentures (Series C) were offered by way of a tender on the annual rate of interval above the base interest rate, which is the interest rate on "Government Bonds 817". The interest rate interval of the debentures determined in the public tender is 0.7%. The debentures were rated Aa1 with stable horizon by Midroog, and AA+/stable by Maalot.

Sales

The Group's sales in the first quarter totaled NIS 1,522 million compared to NIS 1,504 million in the corresponding period last year, an increase of 1.2%. After neutralizing the currency impact, growth amounted to 7.3%. Organic growth after neutralizing the impact of changes in exchange rates in the first quarter amounted to 6.3%.

The Group is contending with the changes in raw material prices and exchange rates by applying streamlining measures in all areas of its activity and by raising the prices of its products.

Gross Profit

The financial accounting gross profit in the first quarter increased by 1.9%, up from 36.3% last year to 36.5% this year. After neutralizing the impact of hedging transactions, the gross profit remained identical to last year.

The pro-forma gross profit in the first quarter in comparison to last year was eroded from 36.7% to 36.2%. Gross profit was positively impacted by the growth in sales, by the streamlining measures applied and by the increase in sales prices in some countries, and was adversely affected by currency exchange rates, the transfer to proportionate consolidation (50%) of Sabra's activity and the growth in the scale of the coffee business.

Operating Profit before Other Income (Expenses)

In the first quarter, the financial accounting operating profit (before other expenses) totaled NIS 135 million (a rate of 8.8% of sales), compared to NIS 125 million (8.3%) in the corresponding period last year, an increase of 8.0%.

Convenience Translation from Hebrew

The management accounting (pro-forma) operating profit totaled NIS 135 million (8.8% of sales) in the first quarter, compared to NIS 137 million (9.1%) last year, a decrease of 1.5%.

The decrease in the Group's pro-forma operating profit is due mainly to the decrease in the operating profit of the coffee sector. At the same time, in the Israeli sector there was a considerable improvement of 16.0% in the pro-forma operating profit, which is the result of streamlining the Company's cost structure and the decrease in the rate of selling expenses and administrative expenses. The erosion of the operating profit rate is due mainly to the erosion of the gross profit rate.

Other Income (Expenses), Net

Other expenses, net totaled NIS 5 million in the first quarter compared to NIS 28 million in income in the corresponding period last year. Most of the income in the corresponding quarter last year is due to the one-time occurrence of changing from full to proportionate consolidation of Sabra's activity.

Operating Profit after Other Income (Expenses)

The Company's consolidated operating profit totaled NIS 130 million in the first quarter, compared to NIS 153 million in the corresponding quarter last year.

Financing, Net

Net financing income in the first quarter totaled NIS 4 million compared to expenses of NIS 25 million in the corresponding quarter last year. The financing income in the reported period in relation to the corresponding period last year was impacted mainly by a decrease in the CPI (based on the known Index), on which basis the debentures are revalued, of 0.7%, compared to an increase of 0.4% in the corresponding period last year, as well as by the decrease in the net credit volume (mainly due to the consideration from the TPG Capital transaction) whose impact on financing results was minor due to low interest rates on cash balances.

The net credit as at March 31, 2009 totaled NIS 566 million compared to NIS 992 million on March 31, 2008.

Income before Taxes on Income

In the first quarter the Group's consolidated income before taxes on income amounted to NIS 134 million (8.8% of sales) compared to NIS 128 million (8.5% of sales) in the corresponding quarter last year, an increase of 5.0%.

Taxes on Income

In the first quarter taxes on income amounted to NIS 44 million, reflecting an effective tax rate of 32.9%, whereas last year taxes on income amounted to NIS 35 million and the effective tax rate was 27.2%. The increase in the effective tax rate in the reported period is due mainly to one-time expenses and losses in Strauss Coffee, which are not recognized for tax purposes. Additionally, in the corresponding quarter last year a financial accounting capital gain (which is tax-exempt) was entered following the change to joint ownership of Sabra, which led to a significant decrease in the effective tax rate in that quarter.

Convenience Translation from Hebrew

Income for the Period

In the first quarter income for the period amounted to NIS 90 million compared to NIS 93 million last year.

Income for the Period for the Shareholders of the Company

The income for the period for the shareholders of the Company in the first quarter totaled NIS 74 million compared to NIS 84 million last year, a decrease of 11.5%. The decrease is due mainly to the fact that in the corresponding quarter last year, other income included a capital gain of NIS 27.3 million in respect of the transfer from full to proportionate consolidation of Sabra's activity, as well as an increase in tax expenses in the quarter compared to last year, and an increase in the minority share of the income following the TPG transaction (the acquisition of 25.1% of the shares of Strauss Coffee by TPG Capital).

The pro-forma income for the period for the shareholders of the Company totaled NIS 80 million compared to NIS 65 million last year, an increase of 22.3%.

Income for the Period for Minority Shareholders

In the first quarter the minority share in the income of subsidiaries totaled NIS 16 million compared to NIS 9 million in the corresponding period last year, an increase of 73.9%. The increase in the minority share is due to the fact that in the current quarter the minority share of the income also includes TPG Capital's share of the profits of Strauss Coffee (at a rate of 25.1%).

LIQUIDITY, SOURCES OF FINANCING AND FINANCIAL POSITION

In the first quarter of 2009 cash flow provided by ordinary operations totaled NIS 36 million, compared to cash flow used in ordinary operations amounting to NIS 46 million in the corresponding quarter last year.

The increase in the cash flow from ordinary operations in the present quarter compared to the corresponding quarter last year is due mainly to a decrease in inventory balances and to funds received from the tax authorities in respect of previous years.

Cash flow used in investment activity in the first quarter totaled NIS 45 million, compared to NIS 100 million in cash used in the corresponding period last year. In the reported period total cash investments in fixed and other assets amounted to NIS 52 million, compared to NIS 88 million in the corresponding period last year.

Cash flow used in financing activity in the reported period totaled NIS 31 million, compared to NIS 45 million in cash provided by financing activity in the corresponding period last year. The cash flow in the first quarter of 2009 was affected mainly by the repayment of short-term credit and the repayment of long-term loans.

The Company's cash and cash equivalents as at March 31, 2009 totaled NIS 671 million, compared to NIS 385 million on March 31, 2008. In accordance with Company policy, these assets are invested mainly in Euro deposits, held by the subsidiary following the TPG transaction. The Company has short-term investments in securities and in deposits (mainly linked to the Shekel and Brazilian Real), which on March 31, 2009 amounted to NIS 30 million.

Convenience Translation from Hebrew

The Company's liquidity ratio as at March 31, 2009 is 1.70, compared to 1.74 on December 31, 2008. As at March 31, 2009 liabilities in respect of long-term loans and credit (including current maturities) amounted to NIS 1,092 million, compared to NIS 1,118 million on December 31, 2008. As at March 31, 2009 short-term credit (excluding current maturities) amounted to NIS 175 million compared to NIS 184 million on December 31, 2008. As at March 31, 2009 suppliers' credit amounted to NIS 657 million, compared to NIS 758 million on December 31, 2008.

As at March 31, 2009 the ratio of long-term liabilities to banks and others (including current maturities) to total equity attributed to the shareholders of the Company was 61.1%, compared to 60.2% at the end of 2008.

As at March 31, 2009 the Company's consolidated balance sheet totaled NIS 5,429 million compared to NIS 5,435 million at the end of 2008.

As at March 31, 2009 the ratio of equity attributed to the shareholders of the Company to total consolidated assets was 32.9%, compared to 34.2% at the end of 2008.

The Company's activities outside of Israel are conducted in various foreign currencies and through autonomous holding companies. Any weakening in relation to the Shekel of the currencies in the countries in which the Company operates reduces the shareholders' equity of the Company, and vice versa.

Following is the analysis of the business results of the Group's major business units:

The Israeli Sector – Strauss Israel

In this sector the Group develops, manufactures, sells, markets and distributes a broad variety of branded food and beverage products in Israel. In line with the Group's focus on the development of products and solutions preferred by the consumer, the Group's products in Israel center on providing a response to two leading consumption trends, "**Health & Wellness**" and "**Fun & Indulgence**". The new organizational structure supports streamlining and has prepared the Company for coping with the challenges in the external environment.

Following are the condensed results of business operations based on the pro-forma statements of Strauss Israel by unit, for the quarters ended March 31, 2009 and 2008 (in NIS millions):

	First Quarter		
	2009	2008	%
Health & Wellness			
Net sales	418	423	-1.1
Operating income	40	40	2.0
Fun & Indulgence			
Net sales	263	257	2.2
Operating income	42	31	34.1
Total Israel			
Net sales	681	680	0.1
Operating income	82	71	16.0

Convenience Translation from Hebrew

Sales

In the first quarter the sales for all of Strauss Israel's activity, including the coffee business in Israel, increased by 2.1% and totaled NIS 856 million. Sales by the Israeli sector (excluding coffee) totaled NIS 681 million, an increase of 0.1%.

In the first quarter the slowdown in the growth rate of the food industry in Israel continued. According to StoreNext figures, the Israeli food market grew by 3.7% in financial terms, and the categories that are relevant to Strauss in the food market grew by 2.8%.

The Company in Israel is investing greater resources in understanding consumer behavior in a period of recession in view of the change in purchasing power, and continues to focus on the fundamental elements – product quality, service level and pricing management.

During the quarter the Company continued to develop and adapt the brand and product portfolio by creating value proposals that are relevant to the consumer on the one hand, and through innovation in other categories on the other.

Sales for the Fun & Indulgence division increased by 2.2%, the growth in the division is due largely to the management of innovation processes which were realized during the quarter. Sales for the Health & Wellness division dropped by 1.1%. Growth in the dairy market centered mainly on the basic categories, in which the Company is not active.

The gross profit in the Israeli sector totaled NIS 281 million in the first quarter (41.2% of sales) compared to NIS 272 million (40.0% of sales) last year, an increase of 3.2%. The improvement in the gross profit is due mainly to the improvement in production expenses and in their rate, and to the price increases executed by the Company last year.

The pro-forma operating profit in Israel increased by 16.0% in the quarter following an improvement in the cost structure. Most of the improvement in the operating profit is evident in the Fun & Indulgence unit, from, among other things, the timing of Passover.

The operating profit rate in Israel improved in the first quarter and amounted to 12.1% compared to 10.4% in the corresponding period last year.

The Coffee Sector

In the global coffee business the Group develops, manufactures, markets and sells branded coffee products in Israel and in various emerging markets – Central and Eastern Europe and Brazil.

Following is the scope of sales by the coffee business in the major geographical regions, and growth rates for the quarters ended March 31, 2009 and 2008 (in NIS millions):

Geographical region	First Quarter			
	2009	2008	% chg	% change in local currency*
Brazil (1)	227	235	-3.4	16.9
Israel	175	159	10.4	10.1
Former Yugoslavia countries	49	68	-27.8	-14.9
CIS (Former USSR countries)	135	55	146.7	252.3
Balkan states	83	92	-10.2	7.3
Poland	101	121	-16.9	9.7
Total	770	730	5.5	21.5

* The growth rate in the local currency neutralizes the impact of changes in exchange rates in the different countries in relation to the Shekel on the growth in the countries' sales.

(1) Brazil sales in the first quarter of 2009 include sales amounting to NIS 48 million of green coffee and NIS 13 million of corn. In the corresponding period last year sales of green coffee amounting to NIS 62 million and corn amounting to NIS 16 million were included.

Sales – in the first quarter sales grew by 5.5% and totaled NIS 770 million. After neutralizing the impact of currency exchange rates, growth amounted to 21.5%. Organic growth (after neutralizing the acquisition and exchange rate differentials) amounted to 11.7%.

Growth in the coffee business was adversely impacted by the sharp changes in the exchange rates of the different operating currencies, combined with the difficulty in raising prices in the prevailing macroeconomic conditions in some of the countries.

Although the growth in local currency is evident in most clusters, growth was especially strong in Israel, Poland and Brazil and in the CIS countries following the acquisition of the coffee brands of Cosant Enterprises Ltd.

The growth in sales was positively influenced by the growth in volumes, organic growth in most countries, mergers and acquisitions and by increased sales prices. Growth was negatively influenced by the sharp changes in the exchange rates of the various currencies.

The AFH (Away-From-Home) business in the first quarter of 2009 remained on a similar level to last year.

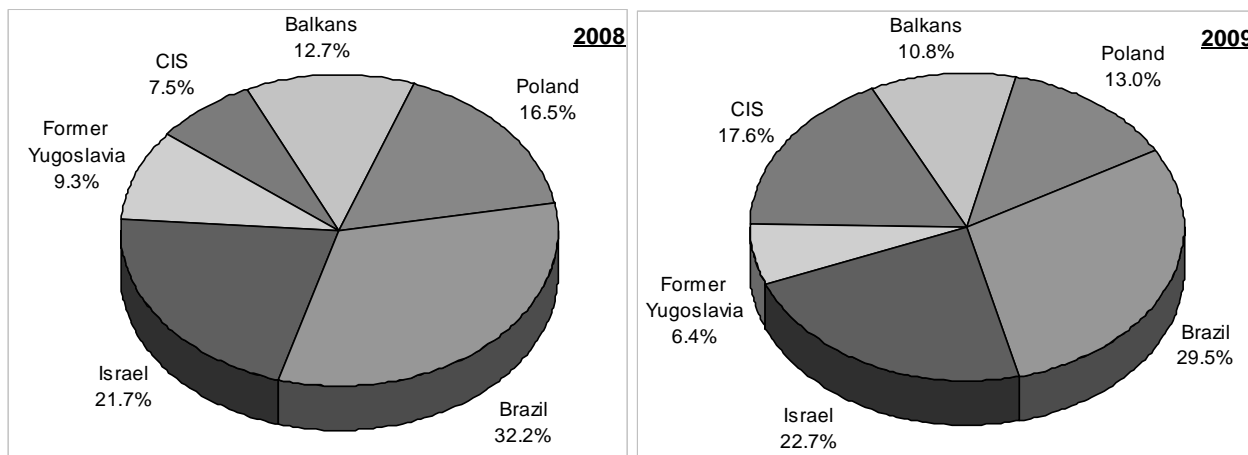
The gross profit in the coffee sector in the first quarter totaled NIS 230 million (29.9% of sales) compared to NIS 233 million (31.9%) last year, a decrease of 1.4%. The decrease in the gross profit was due mainly to the impact of currency exchange rates on the cost of raw materials in local currency (the purchase currency of raw materials is the US Dollar, which grew stronger versus the different currencies in the quarter), and also to

Convenience Translation from Hebrew

the impact of the erosion of the various currencies versus the Shekel, which led to a decrease in the gross profit, which is reported in Shekels.

The operating profit of the coffee business in the first quarter totaled NIS 50 million (6.5% of sales) compared to NIS 64 million (8.8% of sales) last year, a decrease of 22.1%. The decrease in the operating profit is mainly the result of the decrease in the gross profit, the increase in selling and marketing expenses compared to last year, and the impact of currency exchange rates.

Distribution of coffee sales by geographical region in the first quarter of 2009 and 2008:



The business in Brazil – the Company in Brazil continues to grow, increasing its market share and expanding into additional geographical regions in the country. According to A.C. Nielsen, average market share of the Brazilian operation in the first quarter was 15.4% compared to 13.8% last year.

Coffee sales in Brazil (after neutralizing the green coffee export business and the corn business) grew in the first quarter by 5.0% (26.9% in local currency). Growth is evident in most regions, especially in Sao Paolo, where the Company continues to increase its market share.

The former Yugoslavia countries – the Company's sales in the quarter decreased by 27.8% (14.9% in local currency) and were adversely affected by macroeconomic conditions in the region and the material erosion in local currency rates versus the Shekel.

The Balkan States – Sales in the first quarter decreased by 10.2% and were adversely affected by the material erosion in the exchange rate of the Romanian currency versus the Euro and the Shekel. After neutralizing the currency impact sales grew by 7.3%.

In the fourth quarter of 2008 the Elite Coffee brands in Romania were rebranded under the DonCafé brand as part of Company policy to expand the brand activity into other countries where the Company is presently active. In this framework, the local Elite Café sub-brands were merged into the DonCafé brand.

In the former USSR countries growth continued in the retail sector. The growth in this region is the result of merging the marketing and sales operations of the instant coffee and roasted and ground brands of Cosant Enterprises Ltd., acquired in April 2008, into the existing infrastructure in the CIS countries. In 2008 the Company initiated AFH activities in Russia with the Totti Café by Roberto Totti brand for the HoReCa channel (coffee services for hotels, restaurants and cafés).

Convenience Translation from Hebrew

The Company's sales in the region grew in the first quarter by 146.7%, and after neutralizing the currency impact, sales grew by 252.3%.

In Poland the Company's sales in the first quarter were affected by the material erosion in local currency rates versus the Shekel. Sales decreased by 16.9% in the first quarter. After neutralizing the currency impact sales grew by 9.7%.

In Israel, the Company's sales increased by 10.4%. The Company continues to maintain its competitive position as operational streamlining continues. The growth in sales in Israel was prominent in all coffee categories (Turkish, instant) and in all channels (retail, AFH).

Other Business

The Group has other businesses, which are included in the Financial Statements in the "Other Business" sector. The major businesses among them are:

The **Sabra** refrigerated dips business in the US: The Group develops, manufactures, sells, markets and distributes hummus and chilled Mediterranean salads throughout North America.

In 2008 these businesses included the sale of kosher products in the US. This activity was sold on December 31, 2008.

Max Brenner: The Group manufactures and sells chocolate products under the Max Brenner brand and operates a chain of "Chocolate Bars" in Israel and abroad. These are wholly-owned by the Company or operated under franchise and through partners, and deliver a novel consumption experience in the chocolate and chocolate beverage category.

In 2007, the Company entered a partnership in a new venture in the water business ("**H2Q**").

The Sabra Refrigerated Flavored Dips Business (hereinafter: "Sabra")

Commencing in the second quarter of 2008 the Company has proportionately consolidated the Sabra business (50%) according to the rate of its holding following the closing of the transaction with PepsiCo.

In the first quarter of 2009 Sabra's pro-forma sales (assuming the full consolidation of Sabra's business) totaled NIS 94.0 million compared to NIS 61.0 million last year, an increase of 55.1%. After neutralizing the impact of the strengthening of the Dollar in relation to the Shekel, pro-forma growth in the quarter totaled 38.5%.

Sabra's pro-forma operating profit (assuming the full consolidation of Sabra's business) totaled NIS 14.0 million (14.7% of sales) in the first quarter compared to NIS 5.0 million last year (8.6%), an increase of 166.9%.

Sabra has continued to grow its market share and to maintain a leading position in the refrigerated flavored spreads category. Sabra's average market share in the first quarter was 37.4% compared to an average market share of 27.4% in the corresponding quarter last year (according to IRI figures published on March 22, 2009), and 34.2% in the fourth quarter of 2008.

Convenience Translation from Hebrew

The Max Brenner Business

In the first quarter Max Brenner's sales totaled NIS 24.0 million compared to NIS 22.0 million last year, an increase of 8.6%. After neutralizing the impact of the strengthening of the Dollar in relation to the Shekel, sales in the first quarter grew by 3.6%.

In the first quarter of 2009, 24 Max Brenner Chocolate Bars were in operation around the world: 6 in Israel, 2 in the US, 2 in the Philippines, 1 in Singapore and 13 in Australia. Seven branches are owned by the Company, and all other branches are operated under franchise.

The H2Q Water Business

During the course of 2007 the Company became involved in a research and development project for an innovative venture in the field of water (for consumption). In August 2008, the Company decided to convert a convertible loan of \$2.75 million into shares of H2Q Water Industries Ltd. (hereinafter H2Q), and subsequently invested a further \$3.5 million in share capital. After the conversion of the loan and the additional investment, the Company now has a 51% holding in H2Q.

MASTER CONTROL OF THE PROCESS OF PREPARING AND APPROVING THE FINANCIAL STATEMENTS

The Company organ responsible for master control is the Finance Committee established by the Board of Directors of the Company. The members of the Finance Committee are Dalia Lev, CPA (Chairperson since September 2008), Ofra Strauss, Dr. Arieh Ovadia, Ronit Haimowitz, Meir Shani and Dr. Michael Angel.

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

- The VP Finance holds meetings with the Chairperson of the Finance Committee on matters relating to financial and accounting issues that are relevant to the Company. Before the Financial Statements were approved a number of meetings were held between the VP Finance and the Chairperson of the Finance Committee, CPA Dalia Lev, to discuss material issues that arose during the preparation of the Financial Statements for the first quarter of 2009.
- The Company auditor also holds conversations with the Chairperson of the Finance Committee on subjects that arose during the audit of the Financial Statements. Before the Financial Statements were approved a conversation was held between the Chairperson of the Finance Committee and the Company auditor to discuss material issues that arose during the process of auditing the Financial Statements for the first quarter of 2009.
- Before the Financial Statements are approved the draft Financial Statements are forwarded to the Committee members and the rest of the members of the Board for their inspection.
- The Financial Statements are presented for discussion by the Board's Finance Committee. In this discussion the VP Finance presents an extensive review of business activities and the Company's business results for the period. The VP Finance also reviews the critical estimates applied and material issues that arose in the process of preparing the Financial Statements. The Company auditor is also present at this meeting. The Financial Statements are presented for further discussion and approval by the Board of Directors.

EVENTS DURING THE REPORTED PERIOD

- 1. Accounting changes**
For information on the implementation of accounting standards for the first time, see Note 1.2 to the Financial Statements; for information on new standards and interpretations not yet adopted, see Note 1.3 to the Financial Statements.
- 2. Expiry of Warrants (Series 1)**
For information on the expiry of Warrants (Series 1) issued by the Company, see Note 4.1 to the Financial Statements.
- 3. Payment of a dividend**
For information on the payment of a dividend declared on March 25, 2009 and paid on April 27, 2009, see Note 4.2 to the Financial Statements.
- 4. Legal proceedings**
For information on the approval by the court on January 26, 2009 of the cancellation of a suit and the motion for its approval as a class action, see Note 5.2. Also see note 5.1 to the Financial Statements regarding two claims request to certify it as a class action class action.
- 5. Changes in the executive team in the Group**
For information on changes in the executive team in the Group, see clause 6 of the report updating the description of the Company's business.
- 6. Material transactions with related parties**
For information on the reduction of the salary of the CEO, Chairman of the Board, Board Directors and Members of Senior Management of the Company in Israel, see Note 6.1 to the Financial Statements.

POST BALANCE-SHEET DATE EVENTS

For a review of events occurring after balance-sheet date, see Note 8 to the Financial Statements.

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

Erez Vigodman
CEO

May 26, 2009

STRAUSS-GROUP LTD.
FINANCIAL STATEMENTS
AS AT MARCH 31, 2009

Strauss-Group Ltd.
Financial Statements
As at March 31, 2009

Financial Statements as at March 31, 2009

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Review Report to the Shareholders of Strauss Group Ltd.

Introduction

We have reviewed the accompanying financial information of Strauss Group Ltd. and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of March 31, 2009 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The board of directors and management are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 “*Interim Financial Reporting*”, in addition management is responsible for the financial information to be prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 10.68% of the total consolidated assets as at March 31, 2009, and whose revenues constitute 3.13% of the total consolidated revenues for the three month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

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

We call attention to that stated in Note 5.1 regarding claims that were filed against the Company for the purpose of being certified as class actions.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

May 26, 2009

Consolidated Statements of Financial Position

	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)	December 31 2008 (Audited)
	NIS thousands		
Current assets			
Cash and cash equivalents	671,055	384,651	680,237
Marketable securities and deposits	30,032	85,063	33,074
Trade receivables	1,074,107	940,410	948,600
Income tax receivables	48,815	44,383	94,934
Other receivables and debit balances	196,181	*257,018	*191,390
Inventory	739,269	630,735	813,966
Assets classified as held for sale	-	2,784	-
Total current assets	2,759,459	2,345,044	2,762,201
Investments and non-current assets			
Other investments and long-term debit balances	109,559	*103,257	*124,612
Assets designated for the payment of employee benefits, net	7,704	6,217	7,347
Fixed assets	1,234,046	1,207,775	1,229,977
Intangible assets	1,244,980	*1,080,526	1,226,275
Deferred expenses	50,632	*58,006	54,647
Investment property	21,181	18,346	20,869
Deferred tax assets	1,634	*6,290	9,230
Total investments and non-current assets	2,669,736	2,480,417	2,672,957
Total assets	5,429,195	4,825,461	5,435,158

Ofra Strauss
Chairperson of the Board of Directors

Erez Vigodman
Chief Executive Officer

Shahar Florence
Chief Financial Officer

Date of approval of the interim financial statements: May 26, 2009

	March 31 2009	March 31 2008	December 31 2008
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands		
Current liabilities			
Current maturities of debentures	90,908	83,321	90,802
Short terms loans and credit	197,644	272,168	223,097
Trade payables	656,788	635,219	757,504
Income tax payables	68,979	48,797	52,596
Other payables and credit balances	386,198	444,746	433,755
Provisions	26,402	33,425	26,715
Declared dividend	200,000	-	-
Total current liabilities	1,626,919	1,517,676	1,584,469
Non-current liabilities			
Debentures	959,612	1,041,572	966,112
Long-term loans and credit	18,526	64,179	21,914
Long-term payables and credit balances	41,591	*36,539	39,634
Employee benefits, net	27,109	21,055	22,668
Deferred taxes	95,526	*120,699	102,017
Total non-current liabilities	1,142,364	1,284,044	1,152,345
Equity			
Share capital	242,121	242,096	242,121
Share premium	622,279	622,279	622,279
Translation reserve	(106,758)	(3,627)	*(158,479)
Treasury stock	(19,845)	(19,845)	(19,845)
Reserve for available for sale financial assets	-	197	-
Retained earnings	1,049,323	972,822	1,170,508
Total equity attributable to the Company's shareholders	1,787,120	1,813,922	1,856,584
Minority interest	872,792	209,819	*841,760
Total equity	2,659,912	2,023,741	2,698,344
Total liabilities and equity	5,429,195	4,825,461	5,435,158

* Reclassified (see Note 1.4)

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Income

	For the three months ended		For the year ended
	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)	December 31 2008 (Audited)
	NIS thousands		
Sales	1,521,825	1,504,078	6,245,875
Cost of sales			
Valuation of balance of commodities hedging transactions as at end of period	(4,795)	3,209	9,621
Other costs	970,445	955,062	3,959,746
Total cost of sales	965,650	958,271	3,969,367
Gross profit	556,175	545,807	2,276,508
Selling and marketing expenses	334,600	331,967	1,426,775
General and administrative expenses	87,029	89,231	369,421
	421,629	421,198	1,796,196
Operating profit before other income (expenses)	134,546	124,609	480,312
Other income	-	30,246	294,593
Other expenses	(5,077)	(2,477)	(86,268)
Other income (expenses), net	(5,077)	27,769	208,325
Operating profit	129,469	152,378	688,637
Financing income	38,130	9,076	75,443
Financing expenses	(33,353)	(33,589)	(147,484)
Financing expenses, net	4,777	(24,513)	(72,041)
Profit before income taxes	134,246	127,865	616,596
Income taxes	(44,110)	(34,724)	(109,263)
Profit for the period	90,136	93,141	507,333
Attributable to:			
The Company's shareholders	74,472	84,131	461,493
Minority interest	15,664	9,010	45,840
Profit for the period	90,136	93,141	507,333
Earnings per share of the Company's shareholders			
Basic earnings per share (in NIS)	0.71	0.80	4.38
Diluted earnings per share (in NIS)	0.71	0.80	4.37

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Comprehensive Income

	For the three months ended		For the year ended
	March 31 2009	March 31 2008	December 31 2008
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands		
Profit for the period	90,136	93,141	507,333
Other comprehensive income:			
Foreign currency translation differences	66,663	(68,085)	(300,645)
Realization of translation reserve	-	4,550	42,057
Changes in fair value of available for sale financial assets, net of tax	-	(2,388)	(5,865)
Net change in fair value of available for sale financial assets transferred to the statement of income	-	-	2,985
Other comprehensive income, net of tax	66,663	(65,923)	(261,468)
Comprehensive income for the period	156,799	27,218	245,865
Attributable to:			
The Company's shareholders	126,193	19,641	241,954
Minority interest	30,606	7,577	3,911
Comprehensive income for the period	156,799	27,218	245,865

Presentation of Consolidated Statements of Comprehensive Income has changed due to the implementation of IAS 1 Revised in these interim financial statements. See also Note 1.2.3 regarding initial implementation of accounting standards

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Changes in Shareholders' Equity

	Attributable to the Company's shareholders					Total	Minority interest	Total equity
	Share capital	Share premium	Translation reserve	Treasury stock	Retained earnings			
	NIS thousands							
Balance as at January 1, 2009 – audited	242,121	622,279	*(158,479)	(19,845)	1,170,508	1,856,584	*841,760	2,698,344
Changes during the three-month period ended March 31, 2009 - unaudited:								
Comprehensive income the period	-	-	51,721	-	74,472	126,193	30,606	156,799
Share-based payment	-	-	-	-	4,343	4,343	-	4,343
Share-based payment in subsidiary	-	-	-	-	-	-	426	426
Dividend declared	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as at March 31, 2009 – unaudited	<u>242,121</u>	<u>622,279</u>	<u>(106,758)</u>	<u>(19,845)</u>	<u>1,049,323</u>	<u>1,787,120</u>	<u>872,792</u>	<u>2,659,912</u>

* Reclassified (see Note 1.4.1)

Presentation of Consolidated Statements of Changes in Equity has changed due to the implementation of IAS 1 Revised in these interim financial statements. See also Note 1.2.3 regarding initial implementation of accounting standards

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Changes in Shareholders' Equity

	Attributable to the Company's shareholders							Minority interest	Total equity
	Share capital	Share premium	Translation reserve	Treasury stock	Reserve in respect of available for sale financial assets	Retained earnings	Total		
	NIS thousands								
Balance as at January 1, 2008 – audited	241,660	600,468	59,908	(19,845)	1,152	882,966	1,766,309	201,484	1,967,793
Changes during the three-month period ended March 31, 2008 - unaudited:									
Comprehensive income the period	-	-	(63,535)	-	(955)	84,131	19,641	7,577	27,218
Exercise of share options	436	21,811	-	-	-	-	22,247	-	22,247
Share-based payment	-	-	-	-	-	5,725	5,725	-	5,725
Share-based payment in subsidiary	-	-	-	-	-	-	-	758	758
Balance as at March 31, 2008 – unaudited	<u>242,096</u>	<u>622,279</u>	<u>(3,627)</u>	<u>(19,845)</u>	<u>197</u>	<u>972,822</u>	<u>1,813,922</u>	<u>209,819</u>	<u>2,023,741</u>

Presentation of Consolidated Statements of Changes in Equity has changed due to the implementation of IAS 1 Revised in these interim financial statements. See also Note 1.2.3 regarding initial implementation of accounting standards

The accompanying notes are an integral part of the financial statements.

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

	Attributable to the Company's shareholders						Minority interest	Total equity	
	Share capital	Share premium	Translation reserve	Treasury stock	Reserve in respect of available for sale financial assets	Retained earnings			Total
	NIS thousands								
Balance as at January 1, 2008 – audited	241,660	600,468	59,908	(19,845)	1,152	882,966	1,766,309	201,484	1,967,793
Changes in 2008 – audited:									
Comprehensive income for the period	-	-	*(218,387)	-	(1,152)	461,493	241,954	*3,911	245,865
Exercise of share options granted to employees	44	-	-	-	-	-	44	-	44
Exercise of option warrants (Series 1)	417	21,811	-	-	-	-	22,228	-	22,228
Share-based payment	-	-	-	-	-	26,000	26,000	-	26,000
Share-based payment in subsidiary	-	-	-	-	-	-	-	351	351
Dividend paid	-	-	-	-	-	(199,951)	(199,951)	-	(199,951)
Dividend paid to minority in subsidiary	-	-	-	-	-	-	-	(31,979)	(31,979)
Investment in a subsidiary	-	-	-	-	-	-	-	6,520	6,520
Benefit in respect of capital notes to minority in subsidiary	-	-	-	-	-	-	-	(434)	(434)
Issuance of share option to minority	-	-	-	-	-	-	-	36,448	36,448
Issuance of shares to minority in subsidiary	-	-	-	-	-	-	-	625,459	625,459
Balance as at December 31, 2008 – audited	<u>242,121</u>	<u>622,279</u>	<u>*(158,479)</u>	<u>(19,845)</u>	<u>-</u>	<u>1,170,508</u>	<u>1,856,584</u>	<u>*841,760</u>	<u>2,698,344</u>

* Reclassified (see Note 1.4.1)

Presentation of Consolidated Statements of Changes in Equity has changed due to the implementation of IAS 1 Revised in these financial statements. See also Note 1.2.3 regarding Initial implementation of accounting standards

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

	For the three months ended		For the year ended
	March 31	March 31	December 31
	2009	2008	2008
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands		
Cash flows from operating activities			
Income for the period	90,136	93,141	507,333
Adjustments:			
Depreciation	38,208	41,829	159,811
Amortization of intangible assets and deferred expenses	6,316	7,922	36,316
Impairment provision of fixed assets and intangible assets	-	-	56,706
Other expenses (income), net	1,317	(28,669)	6,093
Expenses in respect of share based payment	4,843	6,633	26,226
Gain from disposal and partial disposal of subsidiaries	-	-	(276,844)
Financing expenses (income), net	(4,777)	24,513	72,041
Income tax expenses	44,110	34,724	109,263
Change in inventory	84,594	(31,773)	(250,984)
Change in trade and other receivables	(111,089)	*(112,866)	(169,211)
Change in long-term trade receivables	(5,782)	(3,173)	4,286
Change in trade and other payables	(111,764)	(30,039)	157,216
Change in provisions and employee benefits	3,527	(541)	452
Interest paid	(26,236)	*(28,470)	(74,407)
Interest received	2,259	*1,687	19,621
Income tax paid, net	20,738	(21,139)	(155,123)
Net cash flows provided by (used in) operating activities	36,400	(46,221)	228,795
Cash flows from investing activities			
Sale (purchase) of marketable securities, net	4,278	(10,948)	23,036
Proceeds from sale of fixed assets and intangible assets	2,112	4,032	12,887
Sale of subsidiary and transition to jointly controlled entity	-	1,698	(1,571)
Disposal of subsidiary	-	-	(2,485)
Acquisition of subsidiaries and operations, net of cash acquired	-	-	(403,802)
Purchase of minority interests	-	-	(3,326)
Acquisition of fixed assets	(45,975)	(75,654)	(268,443)
Investment in long-term deposits	-	(241)	-
Investment grants received	1,161	-	348
Investments in intangible assets and deferred expenses	(6,285)	(11,892)	(31,632)
Repayment of deposits and long-term loans granted	5,356	2,655	33,631
Long-term loans granted	(5,440)	(9,269)	(23,276)
Net cash flows used in investing activities	(44,793)	(99,619)	(664,633)

* Reclassified

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows (cont'd)

	For the three months ended		For the year ended
	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)	December 31 2008 (Audited)
	NIS thousands		
Cash flows from financing activities			
Short-term bank credit, net	(20,536)	53,813	26,822
Receipt of long-term loans	7,067	-	46,653
Repayment of long-term loans and debentures	(17,637)	(2,337)	(137,202)
Early repayment of debentures	-	-	(28,313)
Issuance of shares in subsidiary	-	-	966,235
Proceeds from exercise of share options	-	22,247	22,272
Repayment of capital note	-	-	(24,012)
Repayment of liability to purchase minority interests	-	(28,796)	(28,796)
Dividends paid	-	-	(199,951)
Dividend paid to minority in subsidiary	-	-	(31,450)
Net cash flows provided by (used in) financing activities	(31,106)	44,927	612,258
Increase (decrease) in cash and cash equivalents	(39,499)	(100,913)	176,420
Cash and cash equivalents as at beginning of period	680,237	489,737	489,737
Effect of exchange rate fluctuations on cash balances	30,317	(4,173)	14,080
Cash and cash equivalents as at end of period	671,055	384,651	680,237

For investing and financing activities not involving cash flows see Note 7.

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Interim Financial Statements

Unaudited

Note 1 - Reporting Principles and Accounting Policy**1.1 General**

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

The Company and its subsidiaries are a group of industrial and commercial companies, which operates in Israel and abroad, in developing, manufacturing, marketing and selling a broad variety of branded food products and beverages. The consolidated interim financial statements as at March 31, 2009 and for the three month period then ended (hereinafter - the "Interim Statements") comprise the Company and its subsidiaries and the Group's interest in jointly controlled companies.

The controlling shareholder of the Company is Strauss Holdings Ltd. (hereinafter: "the Parent Company" or "Strauss Holdings").

- 1.1.2 The consolidated Interim Statements have been prepared in accordance with IAS 34 regarding interim financial reporting and Section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

These Interim Statements should be read in conjunction with the audited consolidated financial statements of the Company and its subsidiaries as at December 31, 2008 and for the year then ended together with their accompanying notes (hereinafter – the "Annual Statements"). The accounting principles applied in preparing these Interim Statements are consistent with the principles applied in preparing the Annual Statements, except for that mentioned in Item 1.2 hereunder. Certain comparative figures have been reclassified so that they may correspond with presentation in the current period (see Note 1.4).

- 1.1.3 These Interim Statements have been approved by the Company's Board of Directors on May 26, 2009.

1.2 Initial implementation of accounting standards

- 1.2.1 IFRIC 13, *Customer Loyalty Programs* –

In accordance with the Interpretation, when products and services are sold together with sale incentives (such as award credits or free products) the arrangement is considered a multiple-element arrangement and the proceeds received in its respect are to be allocated to the various components according to their fair value. Implementation of the interpretation did not have a material effect on the Group's financial position and results of operations.

- 1.2.2 IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* –

The Interpretation refers to an investment in a foreign operation and provides guidance regarding the hedging of such an investment. Inter alia, the Interpretation refers to the nature of the hedged risk and the amount of the hedged item for which a hedging relationship may be designated, where the hedging instrument is held in a group of companies and the accounting treatment of the capital reserve upon disposal of a foreign operation. The hedge transactions of the Company do not meet hedge accounting criteria. Hence, implementation of the interpretation had no effect on the Company's financial position and results of operations. The Company will examine the possible application of hedge accounting in the future.

- 1.2.3 Revised IAS 1, *Presentation of Financial Statement* –

The revised standard requires presenting all the changes in equity that derive from transactions that are not transactions with the owners in one of the following two formats:

- (a) A single statement of comprehensive income (a combined statement of income and other comprehensive income) or,
- (b) Two statements: a statement of income and a statement of comprehensive income.

The revised standard was applied retrospectively.

The Company chose the second alternative. Therefore it presents for the first time a separate Statement of Comprehensive income.

Notes to the Consolidated Interim Financial Statements

Unaudited

Note 1 - Reporting Principles and Accounting Policy (cont'd)**1.2 Initial implementation of accounting standards (cont'd)**1.2.4 Revised IAS 23, *Borrowing Costs* –

Revised IAS 23 requires capitalizing borrowing costs that are directly attributable to the purchase, construction or manufacturing of qualifying assets, to the cost of such assets. The standard does not permit recognizing these borrowing costs as an immediate expense. The effects of the revised standard depend on future projects for the construction of fixed assets that require a considerable period of time to prepare for their intended use. As at balance sheet date, a jointly controlled company, Sabra Dipping Company LLC, began acting towards the construction of a new plant for the manufacture of Sabra products in Virginia, USA, at a total maximum cost of \$ 68 million. The new plant is planned to start operating during 2010. The cost of construction will be financed by long-term shareholders' loans. Capitalization of borrowing costs did not have a material effect on the Company's financial statements.

1.2.5 *Revised IFRS 2, Share-Based Payment* –

The amendment clarifies the terms “vesting conditions” and “cancellations”, as follows:

- a. Vesting conditions are service conditions that require the other party to complete a defined period of services, and also performance conditions that require meeting certain performance objectives. Other features are not vesting conditions and shall be taken into consideration when assessing the fair value of the grant.
- b. All cancellations, whether by the Company or by other parties, are to be treated as an acceleration of the vesting period. Therefore, an expense not yet recognized in respect of a share-based payment shall be recognized immediately. For example, if the Company cancels a share-based payment granted to an employee, even though the employee meets the vesting conditions, it should immediately recognize the expense not yet recognized with respect to the same grant.

Implementation of the revised standard did not have an effect on the Company's financial position and results of operations.

1.2.6 In the framework of the *Improvements to IFRSs* project, in May 2008 the IASB published and approved 35 amendments to various IFRS on a wide range of accounting issues. The aforementioned project includes changes in accounting standards that are relevant to the Company as follows:- Amendment to IAS 38, *Intangible Assets* –

The amendment provides that expenses in respect of advertising and sales promotion activities are to be recognized as an expense. The standard clarifies that the expense should be recognized on the date the company has access to the products or services used for advertising and sales promotion. The effect of the standard on these Interim Statements and on previous periods is immaterial.

- Amendment to IAS 19, *Employee Benefits* –

The amendment provides that classification of employee benefits as short-term or other long-term benefits will be done based on the date on which the liability is to be settled. According to the aforesaid, certain benefits were classified as short-term benefits. The effect of the standard on these Interim Statements and on previous periods is immaterial.

Notes to the Consolidated Interim Financial Statements

Unaudited

Note 1 - Reporting Principles and Accounting Policy (cont'd)**1.3 New standards and interpretations not yet adopted**

- 1.3.1 In the framework of the *Improvements to IFRSs* project, in April 2009 the IASB published and approved 15 amendments to various IFRS on a wide range of accounting issues. The amendments shall apply to periods beginning on or after January 1, 2010. Earlier application is permitted subject to the specific conditions of each amendment.

The aforementioned project includes changes in accounting standards that may be relevant to the Company in the future, as follows:

- Amendment to IAS 17, *Leases*, with respect to classification of land and building leases –

According to the Amendment there is no longer a requirement to classify land leases as operational leases whenever ownership is not expected to pass to the lessee at the end of the lease period. Rather, the requirement is to evaluate the land lease based on the ordinary criteria for classification as a financing or operating lease.

Likewise, it was provided that the elements of land and building in a land and building lease are examined separately for the purpose of classifying the leases, based on the Standard's criteria, with considerable weight in classifying the land element given to the fact that the land generally has an indefinite useful life.

The Amendment applies to financial statements for annual periods commencing on or after January 1, 2010. Early application of the Amendment is possible, upon giving disclosure. The amendment is to be applied retrospectively. The amendment is expected to have an effect on balance sheet classification (reclassification of deferred expenses, fixed assets and investment property), but not on income statements.

- Amendment to IAS 36, *Impairment of Assets*, with respect to allocation of goodwill to cash-generating units

According to the Amendment, for the purpose of examining for impairment, the cash-producing unit to which goodwill will be allocated will not be larger than the operating segment as defined in IFRS 8, before application of the grouping criteria in Section 12 of IFRS 8. The Amendment will apply to annual periods commencing on or after January 1, 2010. Early application is permitted, upon providing disclosure.

- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement*, with respect to scope exemption for business combination contracts –

The Amendment clarifies that only forward contracts between a buyer and seller regarding the sale or purchase of a controlled entity, within the scope of a business combination on a future purchase date, is not covered by IAS 39, when the forward contract's period does not exceed the normal period required to obtain the requisite approvals for the transaction.

The Amendment will be applied prospectively to all contracts that have not yet lapsed, for annual periods commencing January 1, 2010. Early application is permitted, upon providing disclosure. The implementation of the amendment depends on future events, and therefore at this stage, the Company is unable to assess their effect on the financial statements, if at all.

Notes to the Consolidated Interim Financial Statements

Unaudited

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

1.3 New standards and interpretations not yet adopted (cont'd)

- Amendment to IFRS 8, *Financial Instruments: Operating Segments*, with respect to disclosure of information about segment assets –

According to the Amendment, disclosure of a measure of segment assets is required only if that measure is regularly reported to the chief operating decision maker.

The Company's management is evaluating segments performance based on measures of profit and loss, not based on segment assets; thus, the Company is expected to cease reporting segment assets.

- 1.3.2 For additional information regarding new standards and interpretations not yet adopted, see Note 3.24 of the Annual statements.

1.4 Reclassification

- 1.4.1 The amount of NIS 16,015 thousands was reclassified as at December 31, 2008 following which the minority interest decreased and the translation reserve increased, without any change in the Company's equity.
- 1.4.2 Reclassification of current assets and non-current assets. As a result of the reclassification, as at December 31, 2008 there was a decrease in other receivables and debit balances and a corresponding increase in other investments and long-term debit balances by the amount of NIS 18,986 thousand.
- 1.4.3 In the year 2007 the Company adjusted the purchase price allocation of the Serbian subsidiary Strauss Adriatic Doo (formerly: Doncafe Group Doo) as a result of which it restated the comparative data as at March 31, 2008 in order to retroactively reflect the fair value adjustments of the assets that were acquired and the liabilities that were assumed. As a result of amending the purchase price allocation, the intangible assets increased by the amount of NIS 4,046 thousand with a corresponding increase in long-term other payables and credit balances. The intangible assets reflect a brand with an indefinite useful life and goodwill.
- 1.4.4 Reclassification of deferred expenses. As a result of the reclassification as at March 31, 2008, the deferred expenses increased by the amount of NIS 3,837 thousand with a corresponding decrease in other receivables and debit balances.
- 1.4.5 Reclassification of loans granted. As a result of the reclassification as at March 31, 2008 other receivables decreased by the amount of NIS 3,014 thousand with a corresponding increase in other investments and long-term debit balances.
- 1.4.6 Reclassification of deferred tax assets and deferred tax liabilities. As a result of the reclassification as at March 31, 2008, the deferred tax assets decreased by the amount of NIS 40,927 thousand with a corresponding decrease in deferred tax liabilities.

The reclassification did not have an effect on the reported profit.

Note 2 - Seasonality

The Company's snacks sales in Israel are characterized by seasonality. The snacks sales are usually higher in the first and third quarters of the year. The seasonality in the snacks activity is affected by two main factors: The first is the timing of the Jewish holidays with an emphasis on Rosh Hashanah (the Jewish New Year) and Passover, when the Company's sales increase considerably. The second factor is the seasons of the year, with winter and fall being characterized by a higher consumption of confectionery (mainly chocolate and snacks) than in the hot seasons. Conversely, sales of cold beverages (milk, juices) are higher in the summer meaning the second and third quarters of the year.

Notes to the Consolidated Interim Financial Statements

Unaudited

Note 2 – Seasonality (cont'd)

The foreign coffee sales are characterized by seasonality. Coffee sales are usually higher in the fourth quarter of the year and low in the first quarter of the year. The seasonality is mainly affected by the timing of the Christian holidays and the end of the calendar year in the fourth quarter of the year, a time characterized by higher purchases of coffee products. Conversely, in the first quarter of the year purchases are relatively low, mainly due to the continued consumption of the coffee products that were purchased in the previous quarter.

Note 3 - Segments

Details according to operating segments –

	For the three months ended		For the year ended
	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)	December 31 2008 (Audited)
	NIS thousands		
Revenues			
Sales to external customers:			
Israel	681,096	679,838	2,671,118
Coffee	769,653	729,637	3,243,246
Other	71,076	94,603	331,511
Inter-Segment sales:			
Israel	4,248	16,738	27,254
Coffee	1,770	2,219	7,548
Other	235	131	-
Total revenues of segments	1,528,078	1,523,166	6,280,677
Elimination of inter-segment sales	(6,253)	(19,088)	(34,802)
Total consolidated revenues	1,521,825	1,504,078	6,245,875
Profit			
Israel	82,042	70,789	273,927
Coffee	50,078	64,325	255,187
Other	2,378	1,595	(7,205)
Total profit of the segments	134,498	136,709	521,909
Unallocated income (expenses):			
Valuation of commodities hedging transactions as at the end of the period	(4,795)	(3,209)	(9,621)
Non-recurring impairment of assets	-	(2,258)	(5,750)
Other income (expenses) (1)	(5,077)	27,769	208,325
Share based payment	4,843	(6,633)	(26,226)
Total operating profit	129,469	152,378	688,637
Financing income (expenses), net	4,777	(24,513)	(72,041)
Profit before taxes on income	134,246	127,865	616,596

- (1) In 2008 includes a loss of NIS 40 million in respect of impairment of goodwill attributed to the coffee segment and of NIS 12 million in respect of impairment of goodwill attributed to other segment.

Notes to the Consolidated Interim Financial Statements

Unaudited

Note 4 - Material Events during the Reported Period

- 4.1 On March 17, 2009 the Company's Series 1 options have expired. For additional information see Note 28.2 of the Annual Statements.
- 4.2 On March 25, 2009 the Company declared the distribution of a cash dividend to the shareholders of the Company on record as at April 12, 2009 in the amount of NIS 200,000 thousand, which reflects an amount of NIS 1.897 per each NIS 1 par value of shares outstanding on the date of declaring the dividend. The dividend was distributed on April 27, 2009.

As a result of the dividend distribution, the exercise price of the share options granted to employees, as described in Note 25.1 of the Annual Statements, was adjusted.

Note 5 - Contingent Liabilities

- 5.1 See Note 26.1 of the Annual Statements regarding claims pending against the Company as at the date of approval of these financial statements. In their review report to these financial statements, the auditors call attention to two of those claims: a claim and request to certify it as a class action in the amount of NIS 12.3 billion ("Gelatin"), which is described in Note 26.1.1.4 of the Annual Statements, and a claim and request to certify it as a class action in the amount of NIS 1.43 billion ("Pro-biotic beverages"), which is described in Note 26.1.1.5 of the Annual Statements.
- 5.2 Further to that mentioned in Note 26.1.1.10 of the Annual Statements, on January 26, 2009, the Court ordered to cancel the claim and the request to certify it as a class action with respect to the alleged existence of a restrictive trade arrangement between the defendants with respect to Ramat Hagolan Dairies, without incurring any expenses.
- 5.3 On April 19, 2009 a claim and request to certify the claims as a class action were filed with the District Court of Jerusalem against the Company and other defendants regarding the labeling of the packaging of one of its products. The plaintiff claims that the marking "Kosher for Passover" was stamped on the product and not "Kosher for Passover only for legume eaters".

In addition to the personal claim of NIS 10 thousand the plaintiff filed a request for approval of the claim as a class action for the amount of NIS 50 million, relating to all of the respondents.

The Company rejects the claims appearing in the suit and is acting to remove them. At this stage, management of the Company believes, on the basis of the opinion of its legal counsel, that it is unlikely that the claim will be certified as a class action.

Note 6 – Material related parties' transactions

- 6.1 On February 25, 2009 a reduction of 15% in the salary (not including social benefits) of the Company's CEO and Chairperson of the Board was approved, as well as a reduction of 10% in the salaries (not including social benefits) of the Company's members of senior management in Israel, effective as from January 1, 2009 until December 31, 2009. In addition, a reduction of 10% in the remuneration of the Company's members of Board of Directors was approved for the same period.

The other service and employment terms of the Chairperson of the Board, the CEO, the members of Board of Directors and the members of senior management remained the same.

Notes to the Consolidated Interim Financial Statements

Unaudited

Note 7 - Investing and Financing Activities not Involving Cash Flows

- 7.1 The Company did not engage in any material non-cash investing and financing activities in the three month period ended March 31, 2009, other than a dividend declaration in the amount of NIS 200,000 thousand (see Note 4.2) and purchasing fixed assets on credit in the amount of NIS 19,945 thousands.

In the corresponding period of prior year and in the year ended December 31, 2008, the Company purchased fixed assets on credit in the amount of NIS 14,772 thousand and NIS 30,230 thousand, respectively.

Note 8 - Subsequent Events

- 8.1 On May 5, 2009 the Company published a shelf prospectus report to the issuance and registration of Debentures (Series C). On May 7 the issuance was completed and the Company listed the debentures for trading on the Tel Aviv Stock Exchange. The gross issuance consideration amounted to NIS 500 Million. Total issuance costs amounted to NIS 6.5 million.

The terms of the debentures are as follows:

- Debentures of a par value of NIS 500 million.
- The principal of the debentures is repayable in three equal annual payments on June 1 of each of the years 2011 through 2013 (inclusive).
- The debentures bear a variable annual interest rate, based on the interest rate of "Government Bonds 817" plus a margin of 0.7%.
- The principal and the interest of the debentures are not linked to any index.

The total yearly interest rate for the first interest period (May 7, 2009 until August 31, 2009) is 1.8%.

The debentures were rated AA+/stable by Maalot and Aa1 with stable horizon by Midroog. The current rating of Debentures (Series A) and Debentures (Series B) was maintained also after the issuance.

- 8.2 During May 2009, a subsidiary distributed of a cash dividend to its shareholders. The minority's share in the dividend distributed is NIS 12 million.

In addition, during May 2009, a subsidiary declared the distribution of a cash dividend to its shareholders. The minority's share in the dividend declared is NIS 18.4 million. The dividend will be paid on May 31, 2009.

- 8.3 On May 4, 2009, 19,460 share options that were granted to employees were exercised into 5,821 shares in consideration for their par value.

- 8.4 On May 14, 2009 Strauss Group Elite Confectionery Ltd., a wholly owned subsidiary, was merged within the Company. See also Note 37.5 of the Annual Statements regarding the approval of the Israeli Tax Authority to the merger in accordance with Section 103 of the Income Tax Ordinance.