STRAUSS GROUP LTD.
BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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

The Board of Directors of Strauss Group Ltd. (hereinafter: the **"Company"** or the **"Group"**) hereby respectfully presents the Board of Directors' Report for the first nine months and third quarter of 2015 in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (the **"Regulations"**).

The review presented below is limited in scope and refers to events and changes that occurred in the state of the Company's affairs in the reporting period, which have a material impact, and should be read together with the chapter Description of the Company's Business Affairs in the Periodic Report as at December 31, 2014, the Financial Statements and Board of Directors' Report on the State of Company's Affairs for the year then ended (the "2014 Periodic Report"), as well as the update of the chapter Description of the Company's Business Affairs, the Board of Directors' Report and the Financial Statements as at March 31, 2015 and June 30, 2015 and the update of the chapter Description of the Company's Business Affairs and the Financial Statements as at September 30, 2015.

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

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

The Group is a leading player in most of the markets in which it operates. The center of the Group's activity is in Israel, where it is the second-largest company in the food and beverage market. In the first nine months of 2015 the Group held an 11.2% share of the domestic food and beverage market (in value terms[1]), and it has the highest sales turnover among Israeli food companies (according to the Company's non-GAAP sales turnover).

The operation in Israel includes the activity of Strauss Israel (sale of a broad variety of refrigerated and dry food products), the coffee operation in Israel, Strauss Water's activity in Israel and Max Brenner in Israel. In addition to the operation in Israel, the Group is also active in three other major geographical regions: **the operation in Brazil**, which is conducted through the Três Corações joint venture[2] (a company jointly held by the Group (50%) and by the Brazilian São Miguel Group (50%)), mainly focuses on roast and ground (R&G) coffee in the domestic market; **the operation in Europe**, which mainly includes the coffee business in Russia, Ukraine and Central and Eastern Europe; and **the operation in the USA and Canada**, which includes Sabra's operations and part of the Max Brenner business (not including Israel). The Group is also active in Australia and in Mexico through the company Obela; and in China and the UK through Strauss Water.

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

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

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

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

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

CHANGES IN THE ECONOMIC ENVIRONMENT

In June 2015, one of the Company's major customers in Israel, Mega Retail Ltd., filed a motion with the Lod Central Region District Court for a debt settlement under section 350 of the Companies Law, 1999. In July 2015 the court approved the composition with creditors, which included the rescheduling of debts to banks and suppliers, and an undertaking by Mega's owners to the injection of funds and guarantees. As part of the settlement, the parties agreed to a deferment of 30% of the debt as at the date of filing of the motion for two years, with the balance being repaid in 36 equal installments, plus interest, commencing on July 15, 2017. Accordingly, the amount of the deferred debt was classified under non-current assets. The remainder of the debt (70%) was repaid in full. The debt in respect of current sales is being repaid regularly, according to the terms of engagement with the customer. In the second quarter of the year the Company included a provision for doubtful debts in respect of the customer's debt as well as in respect of other customers, in the amount of approximately NIS 13 million before tax, and NIS 9 million after the tax effect. The Group estimates that the debt settlement does not have a material impact on its liquidity.

Prices of raw materials and other production inputs – The commodities markets account for a substantive component of the materials used in the manufacture of the Group's products. In the first nine months of 2015 the average market prices of some of the Company's raw materials decreased, while the average market prices of other raw materials increased compared to the corresponding period last year. On the one hand, green coffee prices dropped (except in Brazil), as did the prices of sugar, seeds and sesame. The target price of raw milk was reduced in the beginning of the third quarter by approximately 6.5% compared to its price in the second quarter of 2015. Following this decrease the Company lowered its prices in a number of dairy product categories by 3% to 7%. By contrast, green coffee prices in Brazil rose (in Brazilian Reals), as did the prices of cocoa, hazelnuts and almonds, coupled with increases in the minimum wage and other production inputs such as municipal rates and taxes.

The Group is taking steps to reduce the impacts arising as a result of commodity price volatility, including hedges, changes in the materials mix in its products, and operational streamlining. The cost of raw materials to the Company (including green coffee) in the Group's non-GAAP reports includes profits and losses that were realized in respect of financial derivatives that served to economically hedge those commodities.

Energy prices – In prior years through to the first half of 2014 energy prices were relatively stable, reflecting a relatively high price level. In the second half of 2014 oil prices dropped dramatically. The decrease in energy prices has a favorable effect on the costs of production, transportation and raw materials, and also on packaging costs.

Exchange rate fluctuations – In the third quarter of 2015, the first nine months of the year and thereafter, most of the average currency rates (excluding the US Dollar and the Chinese Renminbi, which grew stronger) weakened versus the Shekel and compared to the average currency rates in the corresponding period last year. The significant revaluation of the Shekel in the first nine months of the year in relation to most of the exchange rates of the Group's various functional currencies led to negative translation differences in the Group's financial statements and to a decrease in the shareholders' equity. For an analysis of the foreign currency effect on the Group's sales, see the section on the analysis of financial results below.

The following table presents the average exchange rates **versus the Shekel** in the first nine months and third quarter of 2015 compared to the corresponding periods last year:

Currency		Average exchange rate in first nine months		% change	Average exchange rate in third quarter		% change
		2015	2014		2015	2014	
United States Dollar	USD	3.889	3.492	*11.4*	3.847	3.516	*9.4*
Ukrainian Hryvnia	UAH	0.180	0.326	*(44.8)*	0.177	0.285	*(37.8)*
Russian Ruble	RUB	0.066	0.099	*(33.3)*	0.061	0.097	*(37.0)*
Serbian Dinar	RSD	0.036	0.041	*(11.8)*	0.036	0.040	*(10.4)*
New Romanian Leu	RON	0.977	1.066	*(8.3)*	0.966	1.058	*(8.6)*
Polish Zloty	PLN	1.044	1.134	*(7.9)*	1.022	1.116	*(8.4)*
Brazilian Real	BRL	1.249	1.531	*(18.5)*	1.095	1.553	*(29.5)*
Renminbi (China)	CNY	0.630	0.567	*11.2*	0.614	0.571	*7.6*
Canadian Dollar	CAD	3.093	3.194	*(3.2)*	2.943	3.234	*(9.0)*
Australian Dollar	AUD	2.969	3.206	*(7.4)*	2.790	3.252	*(14.2)*
Mexican Peso	MXN	0.250	0.266	*(6.0)*	0.234	0.268	*(12.7)*

The following table presents the average exchange rates **versus the Dollar** in the first nine months and third quarter of 2015 compared to the corresponding periods last year:

Currency		Average exchange rate in first nine months		% change	Average exchange rate in third quarter		% change
		2015	2014		2015	2014	
New Israeli Shekel	ILS	0.257	0.286	*(10.2)*	0.260	0.285	*(8.6)*
Ukrainian Hryvnia	UAH	0.046	0.093	*(50.5)*	0.046	0.081	*(43.2)*
Russian Ruble	RUB	0.017	0.028	*(40.1)*	0.016	0.028	*(42.5)*
Serbian Dinar	RSD	0.009	0.012	*(20.8)*	0.009	0.011	*(18.1)*
New Romanian Leu	RON	0.251	0.305	*(17.7)*	0.251	0.301	*(16.5)*
Polish Zloty	PLN	0.268	0.325	*(17.3)*	0.266	0.318	*(16.4)*
Brazilian Real	BRL	0.321	0.439	*(26.8)*	0.285	0.442	*(35.5)*

ANALYSIS OF FINANCIAL RESULTS

Commencing in the first quarter of 2013 Strauss Group has retrospectively applied IFRS 11 – Joint Arrangements. The significance of the standard is that the statements of income and statements relating to financial position, comprehensive income, changes in shareholders' equity and the cash flows of businesses which are jointly controlled by Strauss and a partner are no longer stated according to Strauss's relative holding in the entity as was formerly the practice, but in a separate row ("Income of equity-accounted investees", and in other reports in the relevant section). The reporting method does not alter the Group's profit.

It is noted that this is a change in reporting method only and does not attest to any change in the scale of the businesses and in the ownership structure in the Group. There has been no managerial change in the jointly held businesses.

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

In view of the fact that the Group's non-GAAP reports and the manner in which Group Management measures the results of subsidiaries and the jointly owned companies have remained unchanged, the Group has continued to present the activity segments in the same manner in which they were presented before the standard was applied. The next pages present the non-GAAP reports, the GAAP reports and the various adjustments made by the Company in making the transition between the Company's GAAP reports and its non-GAAP reports.

Strauss Group has a number of jointly controlled companies: the Três Corações joint venture (in Brazil)[3], Sabra Dipping Company (an investee company in North America), Strauss Frito-Lay Ltd. (the salty snack operation in Israel) and PepsiCo Strauss Fresh Dips & Spreads International (the international dips and spreads company, Obela).

In the reporting period the subsidiary Strauss Water signed a series of share exchange and transfer agreements with companies of Haier Group, as well as a joint venture agreement, with the aim of restructuring the Haier Strauss Water joint venture in China. The restructuring process was completed in the reporting period and is reflected in the non-GAAP reports commencing in the third quarter of 2015. For further information, see Note 4.3 to the Consolidated Interim Financial Statements as at September 30, 2015.

The next pages present the non-GAAP reports, the GAAP reports and the various adjustments made by Company Management in making the transition between the two.

Following are the condensed results of business operations (based on the Company's non-GAAP management reports) for the quarter and nine months ended September 30, 2015 and 2014 (in NIS millions)*:

	First Nine Months			Third Quarter		
	2015	**2014**	**% Chg**	**2015**	**2014**	**% Chg**
Sales	**5,743**	**6,060**	***(5.2)***	**1,974**	**2,138**	***(7.6)***
Cost of sales	3,614	3,691	*(2.1)*	1,263	1,327	*(4.8)*
Gross profit – non-GAAP	**2,129**	**2,369**	***(10.1)***	**711**	**811**	***(12.2)***
% of sales	37.1%	39.1%		36.0%	37.9%	
Selling and marketing expenses	1,321	1,436	*(8.0)*	424	477	*(11.2)*
General and administrative expenses(1)	307	330	*(7.0)*	95	107	*(10.3)*
Operating profit – non-GAAP	**501**	**603**	***(17.0)***	**192**	**227**	***(15.4)***
% of sales	8.7%	10.0%		9.7%	10.6%	
Financing expenses, net	(99)	(70)	*41.2*	(35)	(14)	*146.3*
Income before taxes on income	**402**	**533**	***(24.6)***	**157**	**213**	***(26.2)***
Taxes on income	(115)	(154)	*(25.1)*	(46)	(55)	*(16.2)*
Effective tax rate	28.7%	28.9%		29.2%	25.7%	
Income for the period – non-GAAP	**287**	**379**	***(24.3)***	**111**	**158**	***(29.6)***
Attributable to: **The Company's shareholders**	**219**	**287**	***(23.7)***	**86**	**119**	***(28.0)***
Non-controlling interests	68	92	*(26.4)*	25	39	*(34.8)*

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

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

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

Following are the condensed results of business operations (based on the Company's non-GAAP management reports) of the major business sectors for the quarter and nine months ended September 30, 2015 and 2014 (in NIS millions)*:

	First Nine Months			Third Quarter		
	2015	**2014**	**% Chg**	**2015**	**2014**	**% Chg**
Israel						
Net sales	2,178	2,289	*(4.9)*	747	786	*(5.0)*
Operating profit	222	251	*(11.6)*	86	85	*0.1*
Coffee						
Net sales	2,557	2,793	*(8.4)*	876	1,019	*(14.0)*
Operating profit	199	292	*(31.6)*	63	113	*(43.6)*
International Dips & Spreads						
Net sales	565	491	*15.2*	201	171	*18.1*
Operating profit	52	57	*(9.0)*	29	25	*15.5*
Other Operations						
Net sales	443	487	*(9.2)*	150	162	*(7.9)*
Operating profit	28	3		14	4	
Total						
Net sales	**5,743**	**6,060**	***(5.2)***	**1,974**	**2,138**	***(7.6)***
Operating profit	**501**	**603**	***(17.0)***	**192**	**227**	***(15.4)***

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

Following are the condensed financial accounting statements of income (GAAP) for the quarter and nine months ended September 30, 2015 and 2014 (in NIS millions)*:

	First Nine Months			Third Quarter		
	2015	**2014**	**% Chg**	**2015**	**2014**	**% Chg**
Sales	3,881	4,051	*(4.2)*	1,365	1,415	*(3.6)*
Cost of sales excluding impact of valuation of balance of commodity hedging transactions as at end of period	2,434	2,427	*0.3*	880	867	*1.5*
Valuation of balance of commodity hedging transactions as at end of period**	3	(5)		8	4	
Cost of sales	2,437	2,422	*0.6*	888	871	*1.9*
Gross profit	**1,444**	**1,629**	***(11.4)***	**477**	**544**	***(12.3)***
% of sales	37.2%	40.2%		35.0%	38.5%	
Selling and marketing expenses	892	991	*(10.0)*	285	327	*(12.8)*
General and administrative expenses	237	256	*(7.5)*	75	83	*(9.1)*
Total expenses	**1,129**	**1,247**		**360**	**410**	
Share of profit of equity-accounted investees	134	170	*(21.6)*	51	66	*(23.9)*
Operating profit before other expenses	**449**	**552**	***(18.8)***	**168**	**200**	**(16.6)**
% of sales	11.6%	13.6%		12.2%	14.2%	
Other expenses, net	(20)	(59)		(14)	(41)	
Operating profit after other expenses	**429**	**493**	***(13.1)***	**154**	**159**	***(4.3)***
Financing expenses, net	(78)	(59)		(25)	(7)	
Income before taxes on income	**351**	**434**	***(19.2)***	**129**	**152**	***(16.0)***
Taxes on income	(94)	(133)	*(29.6)*	(39)	(45)	*(17.3)*
Effective tax rate	26.7%	30.7%		29.4%	29.9%	
Income for the period	**257**	**301**	***(14.6)***	**90**	**107**	***(15.4)***
Attributable to: **The Company's shareholders**	**192**	**215**	***(10.7)***	**68**	**75**	***(8.2)***
Non-controlling interests	65	86	*(24.4)*	22	32	*(32.1)*

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

***** Reflects mark-to-market as at the reporting date of open positions in the Group in respect of financial derivatives used to hedge commodity prices.***

Following are the adjustments to the Company's non-GAAP management reports (NIS millions)*:

- Adjustments for IFRS 11 – change from the equity method in the GAAP report to the proportionate consolidation method (according to segmental information that is based on management accounting (non-GAAP) and internal reports managed by the Group):

	First Nine Months 2015			First Nine Months 2014			Third Quarter 2015			Third Quarter 2014		
	Equity method	Change	Proportionate consolidation method (formerly applied)	Equity method	Change	Proportionate consolidation method (formerly applied)	Equity method	Change	Proportionate consolidation method (formerly applied)	Equity method	Change	Proportionate consolidation method (formerly applied)
Sales	**3,881**	**1,862**	**5,743**	**4,051**	**2,009**	**6,060**	**1,365**	**609**	**1,974**	**1,415**	**723**	**2,138**
Cost of sales excluding impact of valuation of balance of commodity hedging transactions as at end of period	2,434	1,180	3,614	2,427	1,264	3,691	880	383	1,263	867	460	1,327
Valuation of balance of commodity hedging transactions as at end of period	3	-	3	(5)	(1)	(6)	8	-	8	4	(1)	3
Cost of sales	2,437	1,180	3,617	2,422	1,263	3,685	888	383	1,271	871	459	1,330
Gross profit	**1,444**	**682**	**2,126**	**1,629**	**746**	**2,375**	**477**	**226**	**703**	**544**	**264**	**808**
% of sales	37.2%		37.0%	40.2%		39.2%	35.0%		35.6%	38.5%		37.8%
Selling and marketing expenses	892	429	1,321	991	445	1,436	285	139	424	327	150	477
General and administrative expenses and Company's share of profit of equity-accounted investees(1)	103	216	319	86	260	346	24	74	98	17	96	113
Operating profit before other expenses	**449**	**37**	**486**	**552**	**41**	**593**	**168**	**13**	**181**	**200**	**18**	**218**
% of sales	11.6%		8.5%	13.6%		9.8%	12.2%		9.2%	14.2%		10.2%
Other expenses, net	(20)	-	(20)	(59)	(4)	(63)	(14)	-	(14)	(41)	(3)	(44)
Operating profit after other expenses	**429**	**37**	**466**	**493**	**37**	**530**	**154**	**13**	**167**	**159**	**15**	**174**
Financing expenses, net	(78)	(21)	(99)	(59)	(11)	(70)	(25)	(10)	(35)	(7)	(7)	(14)
Income before taxes on income	**351**	**16**	**367**	**434**	**26**	**460**	**129**	**3**	**132**	**152**	**8**	**160**
Taxes on income	(94)	(16)	(110)	(133)	(26)	(159)	(39)	(3)	(42)	(45)	(8)	(53)
Effective tax rate	26.7%		30.1%	30.7%		34.7%	29.4%		31.4%	29.9%		33.3%
Income for the period	**257**	**-**	**257**	**301**	**-**	**301**	**90**	**-**	**90**	**107**	**-**	**107**
Attributable to: The Company's shareholders	**192**	**-**	**192**	**215**	**-**	**215**	**68**	**-**	**68**	**75**	**-**	**75**
Non-controlling interests	65	-	65	86	-	86	22	-	22	32	-	32

(1) For further information, see GAAP statements of income for the quarter and nine months ended September 30, 2015 and 2014 above.

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

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

	First Nine Months			Third Quarter		
	2015	**2014**	**% Chg**	**2015**	**2014**	**% Chg**
Operating profit – according to the proportionate consolidation method – after other expenses	**466**	**530**	***(12.1)***	**167**	**174**	***(4.3)***
Share-based payment and liability plan	12	16		3	6	
Valuation of balance of commodity hedging transactions as at end of period	3	(6)		8	3	
Other expenses, net	20	63		14	44	
Operating profit – non-GAAP	**501**	**603**	***(17.0)***	**192**	**227**	***(15.4)***
Financing expenses, net	(99)	(70)		(35)	(14)	
Taxes on income	(110)	(159)		(42)	(53)	
Taxes in respect of adjustments to the above non-GAAP operating profit	(5)	**5		(4)	**(2)	
Income for the period – non-GAAP	**287**	**379**	***(24.3)***	**111**	**158**	***(29.6)***
Attributable to: The Company's shareholders	**219**	**287**	***(23.7)***	**86**	**119**	***(28.0)***
Non-controlling interests	68	92	*(26.4)*	25	39	*(34.8)*

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

*** In 2014 includes tax expenses arising from the impact of a possible change in the capital structure of Strauss Coffee as a result of the review of TPG's exit options.*

ANALYSIS OF THE BUSINESS RESULTS OF THE GROUP

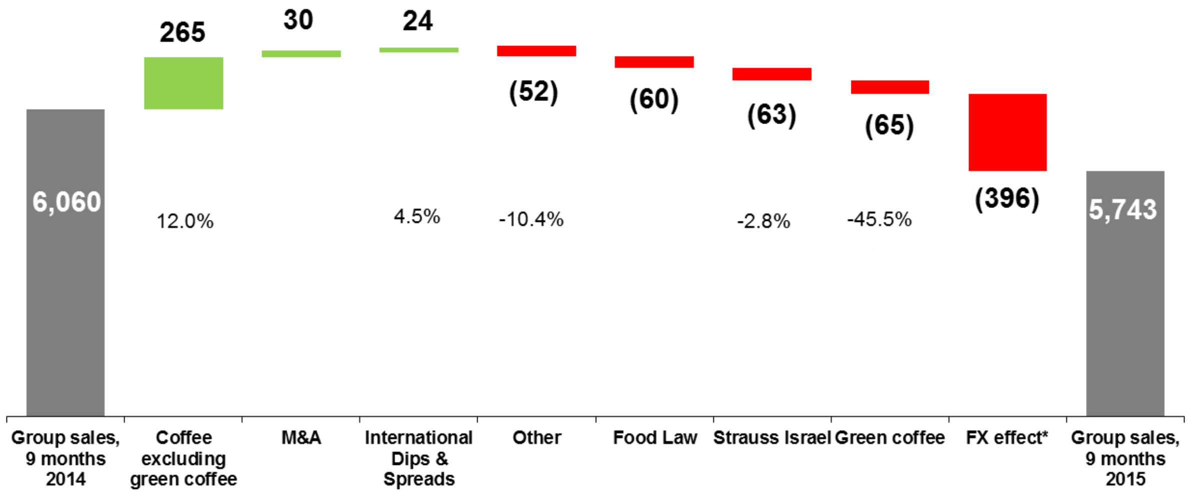
Sales – non-GAAP

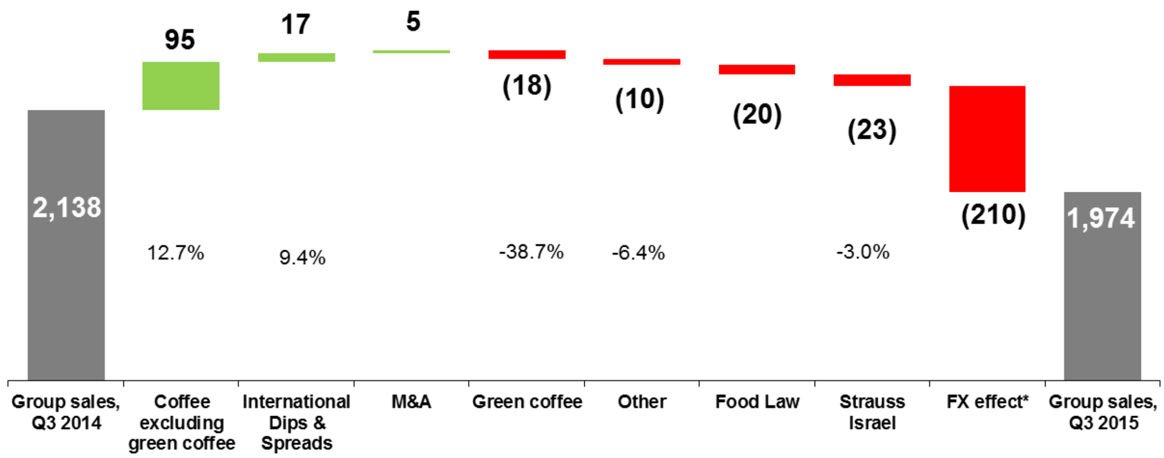
	First Nine Months		Third Quarter	
	2015	**2014**	**2015**	**2014**
Sales	5,743	6,060	1,974	2,138
Growth	(5.2%)	(0.1%)	(7.6%)	4.8%
Organic growth excluding currency effect and impact of classification of costs following the Food Law	1.9%	4.6%	3.2%	7.1%

Organic growth in the Group's sales in the first nine months and third quarter of 2015, excluding the foreign currency effect and the impact of the classification of costs following the introduction of the Food Law in Israel (as described in this report below), amounted to 1.9% and 3.2%, respectively, compared to the corresponding periods last year.

In the first nine months and third quarter the Group's sales decreased by approximately NIS 317 million and NIS 164 million (down 5.2% and 7.6%, respectively, compared to the corresponding periods last year).

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





* The foreign currency effect is calculated according to the average exchange rates in the relevant period

The Group's sales in the first nine months and third quarter of 2015, and particularly sales by Strauss Coffee, were impacted by translation differences into Shekels, which amounted to approximately NIS 396 million and NIS 210 million, respectively, for the Group, of which approximately NIS 254 million and NIS 145 million are due to the erosion of the average rate of the Brazilian Real versus the Shekel in the first nine months and third quarter of the year, respectively (see also the foreign exchange rate table in the section Changes in the Economic Environment).

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

- Organic growth in sales by the coffee business, excluding green coffee (amounting to approximately NIS 265 million and NIS 95 million in the first nine months and third quarter, respectively) mainly reflected price increases implemented in all countries of operations (excluding Israel, where prices were eroded) in light of the rising cost of green coffee to the Company and the erosion of the functional currencies versus the US Dollar compared to the corresponding periods last year (the US Dollar is the currency in which green coffee is purchased in all countries except for Brazil).

- Green coffee export sales by the Três Corações joint venture in Brazil[4, 5], reflecting Strauss Coffee's share (50%), decreased in the first nine months and third quarter by approximately NIS 65 million and NIS 18 million, respectively. The decrease reflects a substantial drop in volumes, which was partly offset by an increase in green coffee prices compared to the corresponding periods last year.

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

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

- Organic growth in sales by the International Dips & Spreads operation (in the first nine months up approximately NIS 24 million, and in the third quarter – up NIS 17 million, respectively), mainly reflecting volume growth in Sabra sales, despite the recall of a hummus product at the beginning of the second quarter.

- Inorganic growth of the Group's sales (approximately NIS 30 million and NIS 5 million in the first nine months and third quarter of the year, respectively), mainly reflecting the acquisition of the Amigo coffee brand in Romania and the acquisition of the Itamaraty coffee operation by the Três Corações joint venture in Brazil.

- Organic decrease in sales by the "Other Operations" segment (in the first nine months and third quarter, a decrease of approximately NIS 52 million and NIS 10 million, respectively) deriving from a drop in sales by Strauss Water, mainly as a result of a restructuring process implemented in the Haier Strauss Water joint venture in China as well as a decrease in sales by Max Brenner.

- Impact of the Food Law: After the Food Law took effect at the beginning of 2015 certain costs were classified as discounts deducted from sales (approximately NIS 60 million in the first nine months – NIS 48 million in Strauss Israel and NIS 12 million in Israel Coffee; and NIS 20 million in the third quarter – NIS 16 million in Strauss Israel and NIS 4 million in Israel Coffee), as opposed to prior years when similar costs were classified as part of selling and marketing expenses.

- A decrease in sales by Strauss Israel (in the first nine months and third quarter, a drop of approximately NIS 63 million and NIS 23 million, respectively) against the backdrop of an increasingly intense competitive environment and effective price erosion. In the third quarter of 2015 the drop in sales also reflects a negative impact of the holiday season, which fell earlier this year compared to 2014.

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

Gross Profit – Non-GAAP

	First Nine Months			**Third Quarter**		
	2015	**2014**	**% Chg**	**2015**	**2015**	**% Chg**
Gross profit	2,129	2,369	*(10.1)*	711	811	*(12.2)*
Gross profit margin	37.1%	39.1%		36.0%	37.9%	

The Group's non-GAAP gross profit in the first nine months and third quarter of 2015 decreased by approximately NIS 240 million and NIS 100 million, respectively, compared to the corresponding periods last year:

- In Strauss Coffee the decrease amounted to approximately NIS 179 million and NIS 88 million in the first nine months and third quarter of the year, respectively. The decrease is mainly explained by the negative effect of the cost of green coffee to the Company in local currency, which is primarily the result of the erosion of the Group's functional currencies versus the US Dollar (the currency in which green coffee is purchased in all countries of operations except for Brazil), compared to the corresponding periods last year. The cost of raw materials to the Company (including green coffee) in the Group's non-GAAP reports includes profits and losses that were realized in respect of financial derivatives used to economically hedge those commodities. Most of this decrease was offset by price increases implemented in the countries where the Company is active (except for Israel, where prices were eroded). The decrease in the gross profit of the coffee operation also reflects a drop in sales by the coffee segment, which was primarily impacted by negative translation differences as described above.

- In the Strauss Israel segment the gross profit dropped by approximately NIS 89 million and NIS 25 million in the first nine months and third quarter of 2015, respectively (approximately NIS 48 million and 16 million, respectively, were the result of the classification of Strauss Israel's costs following the implementation of the Food Law in the current period, as described in the explanation on sales presented above). In addition, the reduction in gross profit in the nine months and quarter reflects a drop in sales (over and above the effect of the Food Law), a certain increase in the cost of raw materials (cocoa, hazelnuts and almonds), and the strengthening of the US Dollar and Pound Sterling (the currencies in which some raw materials are bought) against the Shekel, compared to the corresponding periods in 2014. These effects were partly offset by a reduction in the price of raw milk in the third quarter compared to the corresponding period last year (at the beginning of the third quarter the Company lowered its prices in a number of dairy product categories by 3% to 7%); by streamlining measures applied in production and packaging processes in a number of plants;

and by the favorable impact of the drop in energy prices and in the prices of other raw materials serving the Company (potatoes and tahini).

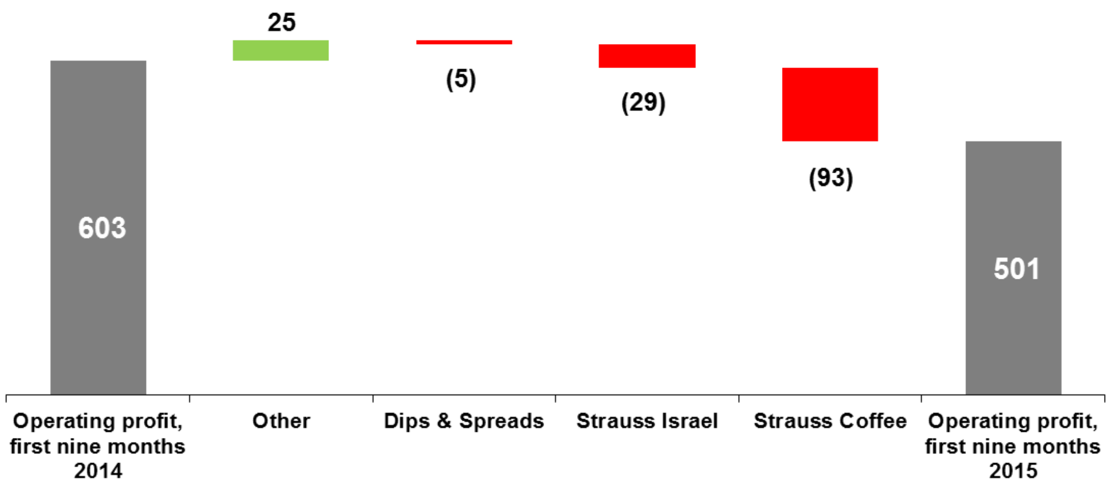
- By contrast, the aggregate gross profit of the International Dips & Spreads and Other Operations segments grew by approximately NIS 28 million and NIS 13 million in the first nine months and third quarter of the year, respectively. The growth in the gross profit mainly originated in the International Dips & Spreads operation as well as an improvement in Strauss Water's activities.

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

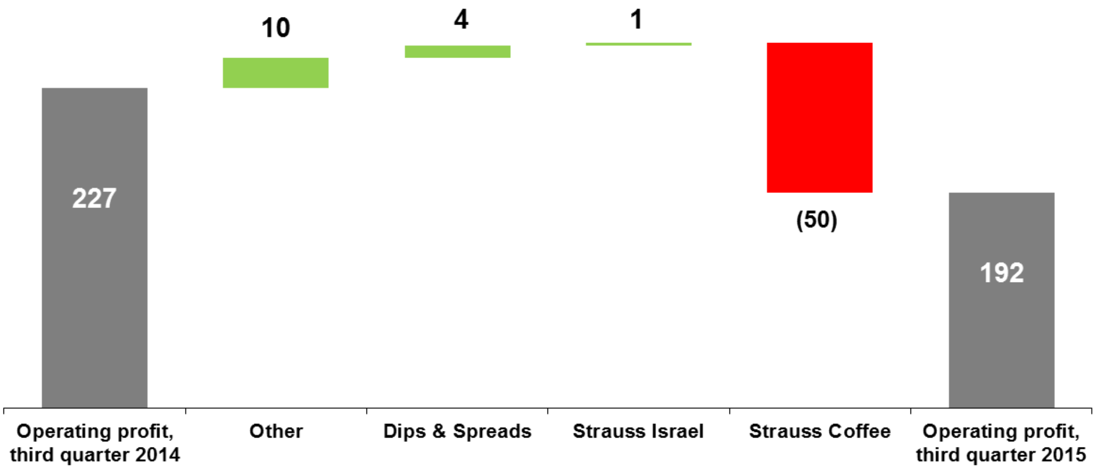
Operating Profit before Other Expenses – Non-GAAP

	First Nine Months			Third Quarter		
	2015	**2014**	**% Chg**	**2015**	**2015**	**% Chg**
Operating profit (EBIT)	501	603	*(17.0)*	192	227	*(15.4)*
Operating profit margin	8.7%	10.0%		9.7%	10.6%	

The non-GAAP operating profit in the first nine months of 2015 decreased by approximately NIS 102 million. Following are the components of the change in the operating profit compared to the corresponding period last year, according to the Company's major activity segments:



The non-GAAP EBIT in the third quarter of the year decreased by approximately NIS 35 million. Following are the components of the change in the operating profit compared to the corresponding period last year, according to the Company's major activity segments:



The decrease in the Group's EBIT in the first nine months and third quarter of 2015 was the result of the following:

- (a) A drop of approximately NIS 93 million and NIS 50 million in the operating profit of Strauss Coffee in the nine months and in the quarter, respectively, as a result of a decrease in the gross profit of the coffee operation, which was partly offset by a decrease in operating expenses. The decrease in EBIT reflects a decrease in the operating profit of the Três Corações joint venture in Brazil[6], arising from negative translation differences in respect of the Brazilian Real coupled with a decrease in Três Corações' EBIT in domestic currency, particularly as a result of an increase in green coffee prices in Brazil. The operating profit in local currency (before other expenses) dropped by approximately 9.9% and 29.6% in the nine months and the quarter, respectively (see the financial statements of Três Corações Alimentos S.A., which are attached to the financial statements of the Group). These factors were partly offset by an improvement in the TRES solution's results of operations. (b) A decrease in the operating profit of the coffee business in the CEE countries, primarily as a result of negative translation differences, the negative impact of the erosion of the functional currencies versus the US Dollar compared to the corresponding periods last year, the competitive environment, and impairment recorded in the second quarter in respect of intangible assets in Serbia in an amount of approximately NIS 8 million. (c) A decrease in the operating profit of Israel Coffee following the increase in the cost of green coffee to the Company and the strengthening of the US Dollar (the currency in which green coffee is bought) against the NIS compared to the corresponding periods last year. These factors were partly offset by an improvement in the instant coffee supply chain in Israel and a decrease in operating expenses.

- A decrease of NIS 29 million in the operating profit of Strauss Israel in the first nine months of 2015 and an increase of NIS 1 million in the third quarter compared to the corresponding periods last year. The decrease in the nine months is the result of the decrease in the gross profit, a provision for doubtful debts in the second quarter, particularly in respect of Mega, and the simultaneous operation of the new logistics center in Shoham and the old center in Tzrifin (for dry products) during the process of relocating to the new center. These expenses were partly offset by a decrease in operating expenses versus the corresponding period last year. The decrease in selling and marketing expenses included in the operating expenses also partly reflects the classification of costs due to the Food Law (approximately NIS 48 million in the first nine months of 2015), with no impact on the operating profit. EBIT in the third quarter rose thanks to streamlining processes applied in the plants, a drop in energy prices and savings in other operating costs. The decrease in selling and marketing expenses included in the operating expenses also partly reflects the classification of costs following the introduction of the Food Law (approximately NIS 16 million in the third quarter), with no impact on the operating profit.

- The EBIT of the International Dips & Spreads operation decreased by approximately NIS 5 million in the first nine months of the year and increased by NIS 4 million in the third quarter; this mainly reflects the negative impact of the product recall by Sabra in the second quarter as mentioned above, including direct costs involved in the recall, a further improvement in the strict quality controls in the hummus factory in Virginia, and increased marketing effort. By contrast, in the third quarter Sabra received insurance compensation in the amount of approximately NIS 20 million as a result of the recall (approximately NIS 10 million reflect the Group's share (50%)). This sum was included as a reduction in selling and marketing expenses in the third quarter. Sabra's results of operations reflect the favorable effect of positive translation differences following the strengthening of the US Dollar versus the Shekel in the nine months and third quarter, compared to the average exchange rates of these currencies in the corresponding periods last year.

- An increase in the operating profit of the Other Operations segment – approximately NIS 25 million in the nine months and NIS 10 million in the third quarter – particularly against the backdrop of the improvement in Strauss Water's results.

Explanations regarding the third quarter of 2015 are included in those applying to the first nine months of the year as set forth above. Further explanations on the Group's non-GAAP operating profit in the reporting period are included in the section Analysis of the Business Results of the Group's Major Business Units.

Financing Expenses, Net – Non-GAAP

Net financing expenses in the first nine months of 2015 totaled NIS 99 million compared to expenses of NIS 70 million in the corresponding period last year. Most of the increase in financing expenses is due to the

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

capitalization of financing costs relating to the Shoham logistics center project in the first nine months last year, substantive income from the valuation of foreign exchange derivatives as a result of the strengthening of the US Dollar in the corresponding period last year, particularly versus the Shekel and Ruble, and net expenses deriving from exchange differences in respect of financial assets and liabilities compared to net income in the corresponding period in 2014. However, the increase was offset by a decrease in the (known) CPI, to which a substantive part of the Company's debt is linked, by 0.2% in the period compared to an increase of 0.1% in the corresponding period, as well as the entry of lower expenses arising from the valuation of Index derivatives compared to the corresponding period.

Net financing expenses in the third quarter of 2015 totaled NIS 35 million compared to expenses of NIS 14 million in the corresponding quarter last year. Most of the increase in financing expenses is due to substantive income from the valuation of foreign exchange derivatives as a result of the strengthening of the US Dollar in the corresponding period last year, particularly versus the Shekel and Ruble, the capitalization of financing costs relating to the Shoham logistic center project in the corresponding quarter last year and net expenses deriving from exchange differences in respect of financial assets and liabilities compared to net income in the corresponding period last year.

Net credit (according to the proportionate consolidation method) as at September 30, 2015 totaled NIS 1,813 million compared to NIS 1,846 million on September 30, 2014 and NIS 1,688 million on December 31, 2014.

Net credit (according to the equity method) as at September 30, 2015 totaled NIS 1,634 million compared to NIS 1,632 million on September 30, 2014 and NIS 1,506 million on December 31, 2014.

Taxes on Income – Non-GAAP

In the first nine months taxes on income (non-GAAP) amounted to NIS 115 million, reflecting an effective tax rate of 28.7%, compared to taxes on income amounting to NIS 154 million and an effective tax rate of 28.9% in the corresponding period last year.

In the third quarter of the year taxes on income (non-GAAP) amounted to NIS 46 million, reflecting an effective tax rate of 29.2%, whereas in the corresponding quarter last year taxes on income amounted to NIS 55 million and the effective tax rate was 25.7%.

The increase in the effective tax rate in the third quarter of 2015 is the result of the profit mix for tax purposes between the companies in the different countries and of an increase in the volume of expenses that are not recognized for tax purposes.

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

	First Nine Months			**Third Quarter**		
	2015	**2014**	**% Chg**	**2015**	**2015**	**% Chg**
Income attributable to the Company's shareholders	219	287	*(23.7)*	86	119	*(28.0)*
% of sales	3.8%	4.7%		4.4%	5.6%	

<u>Non-GAAP income attributable to the Company's shareholders</u> in the first nine months of 2015 decreased by approximately NIS 68 million compared to the corresponding period last year. In the third quarter, income dropped by NIS 33 compared to the corresponding quarter in 2014. The decrease in non-GAAP income attributable to the Company's shareholders in the nine months and quarter was mainly due to the decrease in operating profit as well as an increase in financing expenses, as described above. These were partly offset by a decrease in tax expenses and in the income attributable to non-controlling interests.

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

In the first nine months of 2015 the GAAP comprehensive loss amounted to approximately NIS 30 million, compared to comprehensive income of NIS 230 million in the corresponding period last year. In the reporting period losses in respect of translation differences, which are the main component of the other comprehensive income, amounted to NIS 292 million compared to losses of NIS 68 million arising from translation differences in the corresponding period last year. The losses from translation differences in the first nine months were mainly the result of Strauss Coffee's operations, and of them, approximately NIS 214 million derive from the erosion of the average rate of the Brazilian Real versus the Shekel.

In the third quarter the GAAP comprehensive loss amounted to approximately NIS 2 million, compared to comprehensive income of NIS 49 million in the corresponding quarter last year. In the reporting period losses in respect of translation differences, which are the main component of the other comprehensive income, totaled NIS 93 million compared to losses of NIS 52 million from translation differences in the corresponding period last year. The losses from translation differences in the third quarter were mainly the result of Strauss Coffee's operations, and of them, approximately NIS 106 million are due to the erosion of the average rate of the Brazilian Real versus the Shekel.

These translation differences are the result of the weakening of part of the Group's functional currencies abroad versus the Shekel, which was expressed in the quarterly movement in the foreign currency translation reserve.

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

In the first nine months of 2015

Cash flows from operating activities amounted to a positive cash flow of approximately NIS 14 million, compared to a positive cash flow of NIS 192 million in the corresponding period last year. The decrease in cash flows from operating activities is due to a decrease in supplier credit and payables and an increase in trade and other receivables balances in the reporting period compared to the corresponding period last year, mainly in light of changes in the supplier mix and the impact of the Food Law.

Cash flows used in investing activities amounted to a negative cash flow of approximately NIS 52 million compared to a negative cash flow of NIS 373 million last year. The change is mainly due to investments in fixed assets on a smaller scale compared to the corresponding period and to the sale of securities and deposits on a large scale in the period, compared to the purchase of securities and deposits in the corresponding period last year.

Cash flows used in financing activities amounted to a negative cash flow of approximately NIS 246 million compared to a negative cash flow from financing activities of NIS 97 million last year. The change is mainly due to the issue of Series D Debentures in the corresponding period last year.

In the third quarter of 2015

Cash flows from operating activities amounted to a positive cash flow of approximately NIS 23 million, compared to NIS 115 million in the corresponding quarter last year. The decrease in cash flows is the result of a decrease in supplier credit and payables and an increase in trade and other receivables balances in the reporting period compared to the corresponding period last year, mainly in light of changes in the supplier mix and the impact of the Food Law.

Cash flows used in investing activities amounted to a negative cash flow of approximately NIS 25 million compared to a negative cash flow of NIS 212 million in the corresponding quarter last year. The change is due to investments in fixed assets on a smaller scale compared to the corresponding period.

Cash flows used in financing activities amounted to a negative cash flow of approximately NIS 47 million compared to a negative cash flow from financing activities of NIS 3 million in the corresponding period last year. The change is mainly due to short-term credit, net, and to the repayment of long-term loans on a larger scale than in the corresponding period last year.

The Company’s cash and cash equivalents as at September 30, 2015 totaled NIS 469 million compared to NIS 767 million on December 31, 2014. In accordance with Company policy, these assets are invested mainly in deposits (most of them in Shekels and Dollars).

The Company’s liquidity ratio as at September 30, 2015 is 1.48 compared to 1.55 on December 31, 2014. On September 30, 2015 liabilities in respect of long-term loans and credit (including current maturities) amounted to NIS 2,153 million compared to NIS 2,391 million on December 31, 2014. On September 30, 2015 short-term credit (excluding current maturities) totaled NIS 10 million compared to NIS 3 million on December 31, 2014. On September 30, 2015 supplier credit totaled NIS 653 million, compared to NIS 846 million on December 31, 2014.

Total assets in the Company's Consolidated Statement of Financial Position on September 30, 2015 amounted to NIS 6,306 million, compared to NIS 6,742 million on December 31, 2014.

Reportable credit – further to Note 22.3 to the Periodic Report – Financial Criteria – the ratio of equity attributable to the Company's shareholders to total assets in the Company's Consolidated Statement of Financial Position as at September 30, 2105 is 28.8%, compared to 27.0% on December 31, 2014. The net financial debt-to-EBITDA ratio as at September 30, 2015 is 2.2, compared to 1.8 on December 31, 2014. The Company is in compliance with the required financial criteria.

In April 2015 Midroog downgraded the Debentures (Series B and D) issued by the Group from Aa1 to Aa2. The rating outlook is stable.

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

	First Nine Months		**Third Quarter**		**Year Ended December 31**
	2015	**2014**	**2015**	**2014**	**2014**
Cash flows from operating activities (proportionate consolidation method)	90	274	60	146	561
Acquisition of fixed assets and investment in intangibles and deferred expenses (proportionate consolidation method)(1)	211	455	54	198	564
Net debt balance (proportionate consolidation method) as at the reporting date	1,813	1,846	1,813	1,846	1,688
Depreciation and amortization (excluding impairment, which is included in the other expenses item):	170	162	54	53	218
Strauss Israel:					
Health & Wellness	38	37	14	14	49
Fun & Indulgence	22	20	8	6	27
Strauss Coffee:					
Israel Coffee	8	7	3	3	11
International Coffee	47	44	13	13	58
International Dips & Spreads	17	12	5	3	16
Other Operations	38	42	11	14	57

(1) In 2014 a total amount of NIS 69 million in respect of the acquisition of an intangible asset was reclassified to the acquisition of an operation (which is not included in the above item).

The Group's EBITDA (non-GAAP) totaled approximately NIS 671 million in first nine months of the year compared to NIS 765 million in the corresponding period in 2014, a decrease of 12.2%. In the third quarter the Group's EBITDA (non-GAAP) totaled approximately NIS 246 million compared to NIS 280 million in the corresponding quarter last year, a decrease of 12.0%.

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

Strauss Coffee

Following are the condensed results of business operations based on the non-GAAP management reports of Strauss Coffee by reported segments for the periods ended September 30, 2015 and 2014 (in NIS millions):

	First Nine Months			Third Quarter		
	2015	2014	% Chg	2015	2014	% Chg
Israel Coffee						
Net sales	494	521	*(5.1)*	161	165	*(2.2)*
Operating profit	64	81	*(20.5)*	18	27	*(35.5)*
% operating profit	13.0%	15.6%		11.1%	16.8%	
International Coffee						
Net sales	2,063	2,272	*(9.2)*	715	854	*(16.2)*
Operating profit	135	211	*(35.9)*	45	86	*(46.3)*
% operating profit	6.5%	9.3%		6.4%	9.9%	
Total Strauss Coffee						
Net sales	**2,557**	**2,793**	***(8.4)***	**876**	**1,019**	***(14.0)***
Organic growth excluding foreign exchange effect and classification of costs as a result of the Food Law	**8.4%**	**3.8%**		**9.7%**	**10.8%**	
Gross profit	**815**	**994**	***(18.0)***	**256**	**344**	***(25.7)***
% gross profit	**31.9%**	**35.6%**		**29.2%**	**33.8%**	
Operating profit	**(1)199**	**292**	***(31.6)***	**63**	**113**	***(43.6)***
% operating profit	**7.8%**	**10.4%**		**7.2%**	**11.0%**	

(1) The EBIT of the coffee operation in the first nine months and third quarter of 2015 includes a provision for impairment with respect to intangible assets attributed to the Serbian operation, amounting to NIS 8 million.

Sales

In the first nine months and third quarter of 2015 organic growth in the coffee business, excluding the foreign currency effect and the classification of costs in Israel Coffee following the introduction of the Food Law, amounted to 8.4% and 9.7%, respectively, compared to the corresponding periods last year. Organic growth of the coffee operation excluding the foreign currency effect and the classification of costs due to the Food Law, and excluding green coffee exports, amounted to 12.0% and 12.7%, respectively, compared to the corresponding periods in 2014.

Growth in coffee sales in local currency in the nine months and quarter mainly reflects price increases implemented in all countries (excluding Israel, where prices were eroded), in light of the rising cost of green coffee to the Company and the erosion of the functional currencies versus the US Dollar (the currency in which green coffee is purchased in all countries except for Brazil), compared to the corresponding periods last year. For further information, see the section on Strauss Coffee Sales by Major Geographical Regions.

In the first nine months of 2015 Strauss Coffee's sales decreased by approximately NIS 236 million. Translation differences into Shekels in the coffee operation amounted to NIS 462 million in the period, of which NIS 254 million were due to the erosion of the average exchange rate of the Brazilian Real against the Shekel, and NIS 162 million to the erosion of exchange rates in Russia and Ukraine. Additionally, following the introduction of the Food Law in the beginning of 2015 certain costs were classified in Israel Coffee as discounts deducted from sales (approximately NIS 12 million), as opposed to prior years in which similar costs were classified as part of selling and marketing expenses.

In the third quarter of 2015 Strauss Coffee's sales decreased by approximately NIS 143 million. Translation differences into Shekels in the coffee operation amounted to NIS 227 million in the period, of which NIS 145 million were due to the erosion of the average exchange rate of the Brazilian Real against the Shekel and NIS 65 million to the erosion of exchange rates in Russia and Ukraine. Additionally, following the introduction of the Food Law in the beginning of 2015 certain costs were classified in Israel Coffee as discounts deducted from sales (approximately NIS 4 million), as opposed to prior years in which similar costs were classified as part of selling and marketing expenses.

Further explanations on sales by Strauss Coffee in the reporting period are presented in the section Strauss Coffee Sales by Major Geographical Regions.

Gross profit

In the first nine months of 2015 the gross profit decreased by approximately NIS 179 million compared to the corresponding period last year. The gross profit margin dropped by 3.7% and amounted to 31.9% in the first nine months.

In the third quarter of 2015 the gross profit decreased by NIS 88 million compared to the corresponding quarter last year. The gross profit margin dropped by 4.6% and amounted to 29.2% in the quarter.

The drop in the gross profit margin in the nine months and quarter mainly reflects a negative impact of the cost of green coffee to the Company in local currency, and erosion of the functional currencies against the US Dollar (the currency in which green coffee is purchased in all countries of operations except for Brazil), compared to the corresponding periods last year. The cost of raw materials to the Company (including green coffee) in the Group's non-GAAP reports includes profits and losses that were realized in respect of financial derivatives that served to economically hedge those commodities. Most of the decrease was offset by the price increases implemented in the countries where the coffee company is active (excluding Israel, where prices were eroded). The decrease in the coffee company's gross profit also reflects the drop in sales by the coffee business, which was mainly impacted by negative translation differences as described above.

Operating profit

In the first nine months of 2015 the operating profit of the coffee operation decreased by approximately NIS 93 million. The operating profit margin in the first nine months amounted to 7.8% (down 2.6%).

In the third quarter of the year the operating profit of the coffee company decreased by approximately NIS 50 million. The operating profit margin amounted to 7.2% in the quarter (a decrease of 3.8%).

The decrease in Strauss Coffee's EBIT in the nine months and the third quarter is the result of a decrease in the coffee company's gross profit, which was offset in part by a decrease in operating expenses.

The decrease reflects a drop in the operating profit of the Três Corações joint venture in Brazil[1] due to negative translation differences in respect of the Brazilian Real coupled with a decrease in Três Corações' EBIT in domestic currency, particularly as a result of an increase in green coffee prices in Brazil. The operating profit in local currency (before other expenses) dropped by approximately 9.9% and 29.6% in the nine months and the quarter, respectively (see the financial statements of Três Corações Alimentos S.A., which are attached to the financial statements of the Group). These factors were partially offset by an improvement in the TRES solution's operating results; a decrease in the EBIT of the coffee business in the CEE countries as a result of the erosion of the functional currencies versus the US Dollar compared to the corresponding periods, the competitive environment, and impairment recorded in respect of intangible assets in Serbia in the second quarter in an amount of NIS 8 million; as well as a decrease in Israel Coffee's operating profit following the rising cost of green coffee to the Company and the strengthening of the US Dollar (the currency in which green coffee is bought) versus the Shekel compared to the corresponding periods in 2014. These were partly offset by an improvement in the instant coffee supply chain in Israel and a decrease in operating expenses.

Strauss Coffee sales by major geographical regions

Following is the scope of sales of the coffee business in the major geographical regions (not including intercompany sales), and growth rates for the periods ended September 30, 2015 and 2014 (in NIS millions):

	First Nine Months				Third Quarter			
Geographical region	**2015**	**2014**	**% chg**	**% change in local currency***	**2015**	**2014**	**% chg**	**% change in local currency***
Israel Coffee	**494**	**521**	***(5.1)***	***(5.1)***	**161**	**165**	***(2.2)***	***(2.2)***
International Coffee								
Três Corações joint venture (Brazil) (1) (2) (3) - 50%	1,128	1,316	*(14.3)*	*6.1*	355	494	(28.3)	*1.6*
Former USSR countries	414	448	*(7.4)*	*45.1*	174	177	*(1.0)*	*57.8*
Poland	211	213	*(0.9)*	*7.5*	73	78	*(5.7)*	*2.9*
Romania	196	168	*16.5*	*27.3*	72	61	*17.0*	*28.0*
Serbia	114	127	*(10.4)*	*1.7*	41	44	*(7.3)*	*3.3*
Total International Coffee	**2,063**	**2,272**	***(9.2)***	***14.0***	**715**	**854**	***(16.2)***	***14.1***
Total Coffee	**2,557**	**2,793**	***(8.4)***	***9.8***	**876**	**1,019**	***(14.0)***	***10.7***

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

(1) Três Corações – " Três Corações Joint Venture" in Brazil– a company jointly held by the Group (50%) and by São Miguel Holding e Investimentos S.A. (50%). (Data reflect Strauss Coffee's share (50%).

(2) Sales by Três Corações Joint Venture in Brazil include:

	First Nine Months		Third Quarter	
	2015	**2014**	**2015**	**2014**
Green coffee sales	78	178	29	66
Corn sales	46	48	14	17

(3) Sales by Três Corações Joint Venture in Brazil exclude intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee.

<u>Três Corações– " Três Corações Joint Venture" in Brazil – a company jointly held by the Group (50%) and the São Miguel Group (50%); (Data reflect Strauss Coffee's share (50%)</u>

In December 2014 the Três Corações joint venture acquired the coffee business of the company Itamaraty, the fourth-largest player in south and southeast Brazil (value market share according to A.C. Nielsen figures), with the goal of continuing to bolster the company's competitive position in this region.

In the first nine months of 2015 the Três Corações joint venture's average market share in R&G amounted to approximately 23.9%, compared to 22.8% in the corresponding period last year (value market share, reflecting 100% of the Três Corações joint venture's sales according to A.C. Nielsen figures and including the market share of Itamaraty's coffee business in both periods). Excluding the Itamarty acquisition, the Três Corações joint venture's market share was 23.4% versus 22.3% in the corresponding period last year.

In the first nine months and third quarter of 2015 the Três Corações joint venture's sales in local currency grew by approximately 6.1% and 1.6%, respectively (approximately 5.4% and 0.7%, respectively, before the exclusion of intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee). Excluding green coffee sales, growth in local currency amounted to 14.1% and 7.7% in the nine months and third quarter, respectively. Most of the growth originates in R&G sales. The increase in the Três Corações joint venture's local currency sales reflects price increases introduced in 2014 and in the first half of 2015 in light of the rising cost of green coffee to Três Corações compared to the corresponding periods last year, as well as volume growth in R&G sales. The sales growth also reflects sales of machines and capsules under the TRES solution. Itamaraty sales under the Três Corações joint venture began toward the end of the first quarter this year, and their impact in the current period was immaterial.

Green coffee export sales from Brazil by the Três Corações joint venture, reflecting Strauss Coffee's share (50%), decreased in the first nine months of the year and in the third quarter by approximately NIS 100 million and NIS 37 million, respectively (excluding the foreign exchange effect – by NIS 65 million and NIS 18 million, respectively). This decrease reflects a significant drop in volumes, which was offset in part by an increase in green coffee prices compared to the corresponding periods in 2014.

Growth in the Três Corações joint venture's Shekel sales in the first nine months and third quarter of 2015 compared to the corresponding periods last year was adversely affected by the erosion of the average exchange rate of the Brazilian Real against the Shekel, which amounted to NIS 254 million and NIS 145 million, respectively.

The Três Corações joint venture's gross profit margin decreased by 1.2% in both the first nine months and the third quarter of the year, and in the nine months and quarter amounted to 29.6% and 28.6%, respectively, primarily reflecting the increase in the cost of green coffee to the Três Corações joint venture; this was offset in part by the price increases introduced in 2014 and in the first half this year. The operating profit before other expenses dropped in the nine months and quarter by 9.9% and 29.6%, respectively (see the financial statements of Três Corações Alimentos S.A., which are attached to the financial statements of the Group).

The overall impact of the TRES solution on Três Corações Joint Venture's EBIT in the first nine months and third quarter of 2015 amounted to an operating loss of approximately NIS 12 million (9 million BRL) and NIS 0.6 million (0.5 million BRL), respectively, compared to an operating loss of approximately NIS 36 million (23 million BRL) and NIS 13 million (8 million BRL) in the corresponding periods last year (figures reflect Strauss Coffee's share (50%)).

The former USSR countries

Following the political crisis in Russia and Ukraine and the complexity of Russia's relations with the West, the Ukrainian and Russian currencies devalued significantly against the major currencies, including the US Dollar (which adversely impacted the cost of sales in the region) and the Shekel (causing negative translation differences). These devaluations occurred in 2014 and were particularly sharp in the fourth quarter of the year. By contrast, in the first nine months and third quarter of 2015 the Ruble strengthened against the US Dollar and the Shekel (compared to exchange rates at the end of 2014); however, in the current quarter average exchange rates have remained approximately 42.5% and 37% lower than the average exchange rates against the US Dollar and the Shekel in the corresponding period last year, respectively. Moreover, the competitive environment in the region has remained challenging.

The Company's sales in the region in local currency grew in the first nine months and third quarter of 2015 by approximately 45.1% and 57.8%, respectively, compared to the corresponding periods last year. The Company's sales in local currency mainly reflected price increases introduced in light of the devaluation of the Russian and Ukrainian currencies against the US Dollar, as mentioned above, and volume growth in the third quarter thanks to campaigns held in the large chains.

The Company's Shekel sales in the region decreased by approximately NIS 34 million and NIS 3 million in the nine months and in the quarter compared to the corresponding periods last year, and were affected by negative translation differences against the Shekel as mentioned.

Poland

The Company's sales in Poland in local currency increased by approximately 7.5% and 2.9% in the first nine months and the third quarter of 2015, respectively, compared to the corresponding periods last year. Sales reflected price increases due to a rise in the cost of green coffee (particularly Arabica) to the Company, along with the strengthening of the US Dollar (the currency in which green coffee is purchased) against the Polish Zloty, compared to the corresponding periods last year.

The Company's Shekel sales in Poland decreased by approximately NIS 2 million and NIS 5 million in the nine months and the quarter compared to the corresponding periods in 2014. Shekel sales were affected by the erosion of the Polish Zloty against the Shekel.

Romania

The Company's sales in Romania in local currency grew by approximately 27.3% and 28.0% in the first nine months and the third quarter of 2015, compared to the corresponding periods last year. Among other things, the growth in sales reflects new sales in respect of the Amigo brand, the acquisition of which was completed in September 2014. Excluding Amigo, the Company's sales in domestic currency grew by approximately 9.5% in the first nine months and by 5.5% in the third quarter, compared to the corresponding periods last year.

Sales growth in local currency in the first nine months and third quarter of the year reflects volume growth and price increases following an increase in the cost of green coffee to the Company, along with the strengthening of the US Dollar (the currency in which green coffee is purchased) against the Romanian Leu, compared to the corresponding periods last year.

Shekel sales in Romania grew by approximately NIS 28 million and NIS 11 million in the first nine months and third quarter of 2015 compared to the corresponding periods last year, despite negative translation differences due to the erosion of the Romanian Leu against the Shekel.

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

<u>Serbia</u>

The Company's sales in Serbia in local currency increased by 1.7% and 3.3% in the first nine months and third quarter of 2015 compared to the corresponding periods last year. Sales were influenced by a consumer trend of preferring cheaper coffee brands and by price erosion due to the harshening competitive environment. As a result of the moderation in growth of the sales turnover in Serbia and the erosion of the operation's profitability in view of the erosion of the local currency against the US Dollar and a limited ability to raise prices, the Company revised its forecasts for the next few years, and in the second quarter recorded a provision for impairment in respect of intangible assets attributed to the operation in Serbia in an amount of NIS 8 million before the tax effect. For further information, see Note 4.5 to the Consolidated Interim Financial Statements as at September 30, 2015.

Shekel sales in Serbia dropped by approximately NIS 13 million and NIS 3 million in the nine months and in the quarter compared to the corresponding periods last year, and were affected by negative translation differences as a result of the erosion of the Serbian Dinar against the Shekel.

<u>Israel</u>

The Company's sales in Israel decreased by approximately NIS 27 million and NIS 4 million in the first nine months and third quarter of the year compared to the corresponding periods last year. The decrease is explained by a more intense competitive environment, effective price erosion and a negative effect of the sales mix. Additionally, after the Food Law was introduced in the beginning of 2015 certain costs were classified as discounts deducted from sales (approximately NIS 12 million and NIS 4 million, respectively), as opposed to prior years in which similar costs were classified as part of selling and marketing expenses. Pro forma for the classification of costs in respect of the Food Law, the drop in sales in the first nine months would have amounted to 2.6%, and in the third quarter sales would have increased by 0.3%.

The operating profit of Israel Coffee dropped by NIS 17 million and NIS 9 million in the nine months and quarter compared to the corresponding periods in 2014. The decrease in operating profit is the result of the drop in sales as mentioned, of the increase in the cost of green coffee to the Company, and of the strengthening of the US Dollar (in which green coffee is purchased) against the Shekel, compared to the corresponding periods last year. The foregoing was partly offset by an improvement in the instant coffee supply chain in Israel and a reduction in operating expenses.

<u>The Group's Activity in Israel</u>

Strauss Group is the second-largest company in the Israeli food industry, and in the first nine months of 2015 according to StoreNext figures held an 11.2% share of the total retail domestic food and beverage market in value terms (compared to 11.6% in the corresponding period last year). The Israeli market is the Group's home market, where it is active in various categories. According to StoreNext, in the first nine months of 2015 the Israeli food and beverage market grew by 1.3% in financial value.

Sales by Strauss Group's entire operation in Israel include sales by the Health & Wellness and Fun & Indulgence divisions, the coffee operation in Israel, Max Brenner in Israel and Strauss Water Israel (Tami 4).

In the first nine months Strauss Group's Israel sales totaled approximately NIS 3,021 million versus NIS 3,156 million last year, a decrease of 4.3%. In the third quarter Strauss Group's Israel sales totaled NIS 1,034 million compared to NIS 1,079 million in the corresponding quarter in 2014, a decrease of 4.2%. After the Food Law was introduced in the beginning of 2015 certain costs were classified as discounts deducted from sales, as opposed to prior years in which similar costs were classified as part of selling and marketing expenses. Excluding the classification of costs following the Food Law, the decrease in sales by the Group's entire operation in Israel in the first nine months and third quarter would have amounted to 2.4%.

Strauss Israel

Following are the condensed results of business operations based on the non-GAAP management reports of Strauss Israel by activity segments for the periods ended September 30, 2015 and 2014 (in NIS millions):

	First Nine Months			Third Quarter		
	2015	**2014**	**% Chg**	**2015**	**2014**	**% Chg**
Health & Wellness segment						
Net sales	1,435	1,509	*(4.9)*	507	530	*(4.5)*
Operating profit	141	159	*(11.3)*	63	59	*5.3*
% operating profit	9.8%	10.5%		12.4%	11.3%	
Fun & Indulgence segment						
Net sales	743	780	*(4.7)*	240	256	*(5.8)*
Operating profit	81	92	*(12.1)*	23	26	*(12.4)*
% operating profit	10.9%	11.8%		9.3%	10.0%	
Total Strauss Israel						
Net sales	**2,178**	**2,289**	***(4.9)***	**747**	**786**	***(5.0)***
Gross profit	**833**	**922**	***(9.7)***	**284**	**309**	***(8.2)***
% gross profit	**38.2%**	**40.3%**		**38.0%**	**39.3%**	
Operating profit	**222**	**251**	***(11.6)***	**86**	**85**	***0.1***
% operating profit	**10.2%**	**11.0%**		**11.4%**	**10.8%**	

Sales

In the first nine months of 2015 Strauss Israel's sales decreased by 4.9% (approximately NIS 111 million). In the Health & Wellness segment the decrease was approximately 4.9% (NIS 74 million), and in Fun & Indulgence, 4.7% (NIS 37 million). The decrease in sales was primarily the result of a more intense competitive environment and effective price erosion. Additionally, after the Food Law was introduced in the beginning of 2015 certain costs were classified as discounts deducted from sales (approximately NIS 48 million), contrary to prior years when similar costs were classified as part of selling and marketing expenses. Pro forma for the classification of costs the drop in sales in the first nine months would have amounted to 2.8%. The gross profit rate in the corresponding period last year pro forma for the classification of costs in respect of Food Law is 38.9%, and the pro forma operating profit rate in the corresponding period last year is 11.2% (with no impact on the operating profit).

In the third quarter of 2015 Strauss Israel's sales decreased by 5.0% (approximately NIS 39 million). In Health & Wellness the decrease was approximately 4.5% (NIS 23 million), and in Fun & Indulgence, 5.8% (NIS 16 million). The decrease in sales was mainly the result of a more intense competitive environment and effective price erosions, and also reflects a negative impact of the timing of holiday season, which fell earlier this year compared to last year.

The costs classified as discounts deducted from sales as described above amounted to approximately NIS 16 million in the quarter. Pro forma for the classification of costs as a result of the Food Law, the drop in sales in the third quarter would have amounted to 3.0%. The gross profit rate in the corresponding quarter last year pro forma for the classification of costs is 38.1%, and the pro forma operating profit rate in the corresponding period last year is 11.1% (with no impact on the operating profit).

Gross profit

In the first nine months of 2015 Strauss Israel's gross profit decreased by approximately NIS 89 million, with 2.1% erosion of the gross profit margin, compared to the corresponding period last year. Pro forma for the classification of costs due to the Food Law, the gross profit margin dropped by 0.8%.

In the third quarter of 2015 Strauss Israel's gross profit decreased by approximately NIS 25 million, with 1.3% reduction in the gross profit margin, compared to the corresponding quarter last year. Pro forma for the classification of costs in respect of the Food Law, the gross profit margin decreased by approximately 0.1%.

The decrease in gross profit in the nine months and quarter reflects a drop in sales, a certain increase in raw material prices (cocoa, hazelnuts and almonds), and the strengthening of the US Dollar and the Pound Sterling (the currencies in which some raw materials are bought) against the Shekel, compared to the corresponding periods in 2014. These effects were partly offset by the reduction of the price of raw milk in the third quarter compared to the corresponding period (at the beginning of the third quarter the Company lowered its prices in a number of dairy product categories by 3% to 7%); by streamlining measures applied in production and packaging processes in a number of plants; and by the favorable impact of the drop in energy prices and in the prices of other raw materials used by the Company (potatoes and tahini).

Operating profit

In the first nine months of 2015 Strauss Israel's operating profit decreased by approximately NIS 29 million and the operating profit margin dropped by 0.8%, and amounted to 10.2% of sales. Pro forma for the classification of costs in respect of the Food Law, the operating profit margin decreased by approximately 1.0%.

In the third quarter of 2015 Strauss Israel's operating profit increased by approximately NIS 1 million and the operating profit margin rose by 0.6%, and amounted to 11.4% of sales. Pro forma for the classification of costs in respect of the Food Law, the EBIT margin increased by 0.3%.

The decrease in operating profit in the first nine months and third quarter reflects the drop in gross profit, a provision for doubtful debts, particularly in respect of Mega Retail Ltd., and the simultaneous operation of the new logistics center in Shoham and the old logistics center in Tzrifin (for dry products) during the process of relocating to the new center. The move to Shoham for refrigerated products is expected to be completed by the beginning of 2016. The decrease in EBIT in the nine months and quarter was partly offset by a reduction in operating expenses compared to the corresponding periods last year. The decrease in selling and marketing expenses included in operating expenses also partly reflects the classification of costs as a result of the Food Law (approximately NIS 48 million in the first nine months of the year), with no impact on the amount of the operating profit.

The operating profit in the third quarter of the year rose compared to the corresponding period last year thanks to streamlining processes applied in the plants, a drop in energy prices and savings in other operating costs. The decrease in selling and marketing expenses included in operating expenses also partly reflects the classification of costs as a result of the Food Law (approximately NIS 16 million in the third quarter), with no impact on the amount of the operating profit.

The International Dips & Spreads Activity

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

Sabra is the largest refrigerated flavored spreads company in the US. According to IRI, Sabra's value market share of the total refrigerated dips and spreads category in the 36 weeks ended on October 4, 2015 was 28.0% (Number 1 in the market), compared to 28.7% in the corresponding period last year. Sabra's value market share of the hummus category in the same period was 60.3%, compared to 62.8% last year.

Sale volumes in Australia and Mexico are immaterial. Nevertheless, it is noted that the company leads the hummus market in terms of market share in Australia (with a value market share of 27.4% under the “Obela Hummus” brand in the third quarter of 2015) and in Mexico. In the first nine months of 2015, growth in the company's sales volumes was recorded in both countries.

Sabra

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

	First Nine Months		**Third Quarter**	
	2015	**2014**	**2015**	**2014**
Sales	1,078	931	384	323
Growth	15.7%	8.7%	19.0%	6.4%
Organic growth excluding foreign currency effect	4.0%	13.0%	8.9%	8.3%
Operating profit before other expenses	131	145	64	61
% operating profit	12.2%	15.6%	16.6%	18.8%

Sabra's sales in the first nine months and third quarter of 2015 grew by approximately NIS 147 million and NIS 61 million, respectively, compared to the corresponding periods last year. Sales were favorably influenced by positive translation differences in respect of the strengthening of the US Dollar against the Shekel (see also the foreign exchange rate table in the section Changes in the Economic Environment).

The operating profit in the first nine months of 2015 decreased by NIS 14 million, with a decrease of 3.4% in the operating profit margin compared to last year. The decrease in the operating profit in the first nine months is primarily the result of the negative impact caused by the recall of a hummus product manufactured by the Company in the second quarter, including direct costs in respect of collecting the product, an increase in quality control costs in the hummus factory in Virginia, and increased marketing effort.

The operating profit in the third quarter of the year increased by NIS 3 million, with a decrease of 2.2% in the operating profit margin compared to the corresponding quarter last year. The results for the quarter include insurance compensation of NIS 20 million in respect of the product recall (approximately NIS 10 million reflects the Group's share at 50%). This sum was included as a reduction in selling and marketing expenses in the third quarter.

Obela

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

Obela's sales in the first nine months of 2015 totaled approximately NIS 53 million, compared to NIS 50 million in the corresponding period last year (6.0% growth). Excluding the foreign currency effect, growth in the nine months amounted to 15.1% compared to the corresponding period in 2014. Sales growth is primarily the result of increased sales in Australia.

Obela's sales in the third quarter of 2015 totaled approximately NIS 19 million, compared to NIS 18 million in the corresponding period last year (3.3% growth). Excluding the foreign currency effect, sales growth in the quarter amounted to 20.5% compared to the corresponding quarter in 2014.

The operating loss in the first nine months totaled NIS 26 million, compared to NIS 30 million in the corresponding period last year.

The operating loss in the third quarter of 2015 totaled NIS 5 million, compared to NIS 10 million last year.

Other Operations

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

Strauss Water

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

In the reporting period the subsidiary Strauss Water signed a series of share exchange and transfer agreements with companies of Haier Group, as well as a joint venture agreement, with the aim of restructuring the Haier Strauss Water joint venture in China. The restructuring process was completed in the reporting period and is reflected in the non-GAAP reports commencing in the third quarter of 2015. For further information, see Note 4.3 to the Consolidated Interim Financial Statements as at September 30, 2015.

In the first nine months of 2015 Strauss Water's sales amounted to approximately NIS 362 million compared to NIS 408 million in the corresponding period in 2014, a decrease of 11.3%.

In the third quarter of the year Strauss Water's sales amounted to approximately NIS 122 million compared to NIS 135 million in the corresponding quarter last year, a decrease of 9.8%.

The decrease in sales in the nine months and quarter is mainly explained by the restructuring of the international operation in China.

Max Brenner

On the date of publication of the report, the Max Brenner chain comprises sixty-two "Chocolate Bars" in Israel and around the world, fifty-seven under franchise and five owned by the Company (in the US: New York, Philadelphia, New Jersey, Boston and Maryland). The Max Brenner branches are spread throughout Australia (41), Israel (8), the US (5), Japan (4), Singapore (2) and Russia (2).

In the first nine months of 2015 Max Brenner's sales totaled approximately NIS 80 million compared to NIS 79 million last year, an increase of 1.0%. Max Brenner's organic growth excluding the foreign currency effect amounted to a decrease of approximately 3.1% compared to the corresponding period last year.

In the third quarter of the year Max Brenner's sales totaled approximately NIS 27 million, similar to last year. Organic growth excluding the foreign currency effect amounted to a decrease of approximately 5.9% compared to the corresponding quarter in 2014.

EXAMINATION OF THE EXISTENCE OF A WARNING SIGN IN RESPECT OF A PERSISTENT NEGATIVE CASH FLOW FROM OPERATING ACTIVITIES IN THE "SOLO" REPORT UNDER REGULATION 10(B)(14)(a)(4)

The cash flow from operating activities in the Company's separate financial statements ("solo report") for the nine months ended September 30, 2015 and for the year ended December 31, 2014 is negative (NIS 65 million and NIS 77 million, respectively). Notwithstanding the foregoing, on November 23, 2015 the Board of Directors of the Company determined that the abovementioned negative cash flow is not indicative of a liquidity issue in the Company. This decision is based, *inter alia*, on a review of the Company's existing and anticipated liabilities in the two years commencing on the date of approval of the financial statements as at September 30, 2015, including the Company's liabilities to the holders of its debentures (Series B and Series D) and to banking corporations and their maturity dates, and on an inspection of existing and anticipated sources for the repayment of these liabilities, including the Company's ability to draw future dividends from the Company's major investees; receipt of regular dividends from the Company's major investees in the past; and the Company's ability to raise funds from banking corporations and/or other sources to the extent necessary; as well as on the financial strength of the major investees of the Company and their leading competitive position in the markets where these companies operate.

It is emphasized that the abovementioned information on the Company's sources of finance and income is forward-looking information, as this term is defined in the Securities Law, 1968, which is primarily based on the Company's forecasts. There can be no assurance that these assessments will, in fact, occur, or that they will not occur in a different form, including materially, than estimated, as a result of market behavior and occurrence of the risk factors set forth in section 30 in Part A of the Company's 2014 Periodic Report.

ASPECTS OF CORPORATE GOVERNANCE

General

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

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

The Company organ responsible for master control is the Financial Statements Review Committee established by the Board of Directors of the Company, which comprises five members. The members of the Financial Statements Review Committee (which does not serve as an audit committee) are Professor Dafna Schwartz (Chairperson) (external director), Dalya Lev, CPA (independent director), Prof. Arie Ovadia, Meir Shanie and Dr. Michael Anghel (external director). All Committee members possess accounting and financial qualifications and the ability to read and understand financial statements in view of their many years' experience and academic education in the financial field. For additional information on the qualifications, experience and education of the Committee members, see article 26 in the chapter Additional Information on the Company in the 2014 Annual Report.

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

- Before the financial statements are approved the draft quarterly financial statements are forwarded to the members of the Financial Statements Review Committee and the rest of the members of the Board of Directors for their review. The draft financial statements of the Company were forwarded to the members of the Board approximately six business days before the date of approval of the financial statements, and the recommendations of the Financial Statements Review Committee were forwarded to the members of the Board before the date of approval of the quarterly financial statements of the Company. The EVP Finance and the Company Controller hold meetings from time to time with the Chairperson of the Financial Statements Review Committee on subjects related to the financial statements of the Company. Before the financial statements as at September 30, 2015 were approved such a meeting was held with the Committee Chairperson to discuss material issues that arose during the preparation of the quarterly financial statements.

- The financial statements are presented for discussion by the Financial Statements Review Committee. In this discussion, the EVP Finance extensively reviews the business activity and business results of the Company for the reporting period. Additionally, the EVP Finance reviews the critical estimates applied, material issues that arose during the preparation of the financial statements, the internal controls relating to financial reporting, the completeness and fairness of the disclosure in the financial statements, holds a discussion on the effectiveness of internal control over financial reporting and disclosure in the Company, the accounting policy adopted and accounting treatment applied in the material affairs of the corporation. On November 19, 2015 the Financial Statements Review Committee held a discussion on the financial statements of the Company as described. The meeting was attended by all members of the Financial Statements Review Committee, Ofra Strauss, Ronit Haimovitch and Adi Strauss as observers, the Company CEO, EVP Finance, CLO, the Company Controller, the Company Auditor and the Internal Auditor.

- At the meeting of the Board of Directors on November 23, 2015 the Board discussed the recommendation of the Financial Statements Review Committee to approve the financial statements of the Company as at September 30, 2015. The Board of Directors received an update from Company Management that no event or matter had occurred, which are able to alter the assessment of the effectiveness of internal control as presented in the latest Annual Report. In the opinion of the Board of Directors, the Committee's recommendations and the necessary materials were forwarded to the members of the Board a reasonable time before the abovementioned meeting. All members of the Board of Directors were present at the meeting, as well as the Company CEO, the Company EVP Finance, the CLO, the Company Controller and the Company Auditor.

- After the Board of Directors was satisfied that the financial statements accurately reflect the Company's position and the results of its operations, the Board of Directors resolved to approve the financial statements of the Company for the third quarter of 2015.

INFORMATION ON THE DEBENTURE SERIES

Following is information on the series of material capital notes with respect to the Company's liabilities as at September 30, 2015:

		Debentures Series B	Debentures Series D
A.	Nominal/par value	446	465
B.	Par value linked to the Consumer Price Index	539	465
C.	Carrying amount of Debentures	539	478
D.	Carrying amount of interest payable	4	-
E.	Market value	567	526

LIABILITY REPORT ACCORDING TO MATURITY DATES

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

MATERIAL EVENTS IN THE REPORTING PERIOD

For a review of material events occurring in the reporting period, see the update of the chapter Description of the Company's Business Affairs as at September 30, 2015 and Notes 4, 5 and 6 to the Consolidated Interim Financial Statements as at September 30, 2015.

POST-STATEMENT OF FINANCIAL POSITION DATE EVENTS

For a review of events occurring after the statement of financial position date, see Note 9 to the Consolidated Interim Financial Statements as at September 30, 2015.

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

Ofra Strauss
Chairperson of the Board

Gadi Lesin
Chief Executive Officer

November 23, 2015