STRAUSS GROUP LTD.
BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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

PRINCIPAL 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 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, sale and servicing of water filtration and purification products.

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 2014 the Group held an 11.7% 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 Group is also active mainly in Brazil (through Três Corações[2], a company jointly held by the Group (50%) and by the São Miguel Group (50%)), in the former USSR countries, in Central and Eastern European countries and in North America.

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 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 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 Group has five segments of activity and "Other Operations". For information on the activity segments, see Note 29 to the Annual Consolidated Financial Statements of the Company for the year 2013 (hereinafter: the **"Annual Financial Statements"**):

The Strauss Israel business, which includes a major part of the Group's activities in Israel and comprises two segments of activity:

Health & Wellness – these products include yogurts, dairy desserts, soft cheeses, fresh milk products, milk beverages, refrigerated Mediterranean salads (hummus, tahini, eggplant, etc.), cut vegetables, fresh pasta products, cereal and granola bars, honey products, olive oil and fruit preserves, as well as other products (mainly natural fruit juices and long-life milk) which are exclusively sold and distributed by the Company.

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

Strauss Israel is active in two main business segments that were established according to the product groups described above and are based on developing consumption trends worldwide and in Israel in particular, with the aim of developing leading products and solutions that provide a successful response to these trends.

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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 (3C) – Brazil – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

The coffee operation – Strauss Coffee: This business area comprises two segments of activity: Israel Coffee (which includes the Coffee Company's corporate center), and the International Coffee business. In this operation the Group develops, manufactures, sells, markets and distributes a variety of branded coffee products, chocolate drinking powders and other powdered drinks. Additionally, in the framework of its activity in Brazil Três Corações[1] develops, processes, sells, markets and distributes a variety of branded coffee products, corn products, paper filters for filter coffee, instant coffee, cappuccino, liquid cappuccino, chocolate drinks and powdered juice drinks. Três Corações also sells green coffee, mainly to customers outside of Brazil. As of November 2013 Três Corações has introduced and started to sell the TRES multi-beverage machines and capsules solution.

Coffee activities are conducted in Brazil, in the former USSR countries, in Eastern and Central European countries, and in Israel. The Company's products are sold through various channels including retail channels for home consumption and different channels catering to away-from-home consumption (cafés, restaurants, institutions, workplaces, etc.).

The International Dips and Spreads activity: The Group develops, manufactures, sells, markets and distributes dips and spreads through ventures which are jointly controlled by the Group and PepsiCo – Sabra throughout the USA and Canada, and Obela in Mexico and Australia.

In addition to the areas of activity described above, the Group has other activities that are included in the financial statements as the "Other Operations" segment. The main activities among these operations are:

Strauss Water: The Group is active in the development, manufacture, marketing, sale and servicing of water filtration and purification products. The operation is carried out in three major markets: Israel, China, and England.

Max Brenner: The Group develops, manufactures and sells premium chocolate products under the Max Brenner brand, and operates, itself or through franchisees, a chain of "Chocolate Bars", which, at the date of publication of this report, includes fifty-four locations in Israel and abroad.

The Group has approximately 10,500 employees, excluding half of the employees of the jointly controlled companies (approximately 13,500 employees are employed in all of the companies in the Group, about half of them in Israel).

The Group's business is conducted in four major geographical regions: **Israel**, where operations include the activity of Strauss Israel (the sale of a broad variety of fresh and dry food products), the coffee operation in Israel, Strauss Water's activity in Israel and Max Brenner in Israel; **Brazil**, where the activity is managed through the Três Corações[1] joint venture (as described above) and focuses mainly on roast and ground (R&G) coffee in the domestic market; **Europe**, where activity mainly includes the coffee business in Russia, Ukraine and Central and Eastern Europe; and **the USA and Canada**, where activity includes Sabra's operations and part of the Max Brenner business.

In 2012 the Group initiated activities in Australia and Mexico through Obela. The Group also operates in China and the UK through Strauss Water.

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

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

Sales of Fun & Indulgence and coffee products in Israel are characterized by seasonality and are generally higher in the first quarter of the year. Seasonality is affected mainly by the winter months, when greater consumption of chocolate products and hot beverages is typical, and by increased consumption of Fun & Indulgence products as Passover draws near.

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

International coffee sales are usually higher in the fourth quarter of the year, a period that is characterized by increased purchases of coffee products due to the timing of the Christian holidays and the end of the (Gregorian) year.

(1) Três Corações (3C) – Brazil – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Income in the water business is also influenced by seasonality, as the demand for cold water solutions increases in the summer. Accordingly, the third quarter each year is characterized by greater activity volumes than the other quarters.

CHANGES IN THE ECONOMIC ENVIRONMENT

Compared to the corresponding period last year, the first nine months of 2014 were characterized by continuing volatility in the prices of the Company's raw materials, coupled with increases in the prices of some production inputs such as municipal rates and taxes. Green Arabica coffee prices in the first nine months were higher than in the corresponding period last year, as were cocoa and sesame prices.

Additionally, in the period a mixed trend was noted in the impact of currencies in the countries where the Group is active in relation to the Shekel. In the first nine months of 2014 most of these currencies, led by the Russian Ruble and the Ukrainian Hryvnia, weakened versus the Shekel. Conversely, the Dollar strengthened significantly versus the Shekel. An analysis of the impact on the Group's sales is presented below.

The changes in the exchange rates of the various currencies compared to the corresponding period last year led to changes in the Shekel value arising from the translation into Shekels of the Company's business results in some markets and to a decrease in the Group's shareholders' equity.

The Group is unable to predict future developments in commodities or currency markets, but is taking the steps it considers necessary in order to be prepared for the different scenarios and to deal with them optimally.

The political crisis in Ukraine – in the shadow of the crisis and in light of the complexity of Russia's relations with the West, the Ukrainian and Russian currencies have devalued significantly since the beginning of the year in relation to the major currencies and the Shekel (approximately 53% and 13%, respectively, as at the date of the statement of financial condition). In an effort to stem the continued devaluation of the Ruble, the Central Bank of Russia raised the interest rate several times, from 5.5% to 9.5% on or about the date of publication of the report. The Group continuously monitors macroeconomic developments and the markets in which it is active.

In July-August this year Operation Protective Edge took place. Throughout the entire period, the Company made every effort so that production and sales operations in its plants and sites in southern Israel would not be adversely affected in spite of the situation in the region. Despite a certain slowdown in the Company's sales in this period and the many actions taken by the Company to alleviate the situation for its employees in the Gaza envelope communities and in southern Israel, the Group's business results in the third quarter were not materially impacted.

Business regulation in the food industry

In late December 2013 the Ministry of Finance and the Ministry of Agriculture announced the adoption of the recommendations of the Price Committee under Section 3 of the Supervision of Essential Goods and Services Law (1996) with respect to dairy products which are subject to control. At the recommendation of the Price Committee and according to the decision of the Ministers of Finance and Agriculture, since January 2014 white cheese (5% fat, 250 g) and sweet cream (38% fat, 250 ml) have been subjected to control under Chapter 5 of the Supervision of Essential Goods and Services Law, and their retail price was lowered by over 20%.

At the end of March 2014 the Promotion of Competition in the Food Industry Law, 2014 was published in the Official Gazette. The goal of the law, most of the provisions of which will take effect on January 15, 2015, is to increase competitiveness in the food and consumer goods market in order to lower the retail prices of products by imposing prohibitions and limitations on actions and arrangements between various parties operating in the market, by granting the Anti-Trust Commissioner enforcement powers and by imposing the obligation to publish prices. The law defines, *inter alia*, prohibitions and limitations on actions and arrangements between the food suppliers and retailers, including: large suppliers or parties acting on their behalf are prohibited from arranging the products in the stores of a large retailer; large suppliers are prohibited from intervening with retailers regarding retail prices changed by the retailer; prohibition against engagements between large suppliers and retailers regarding shelf space; prohibition against making purchases of one product conditional on purchases of another product; retailers are prohibited from cumulatively allocating very large vendors over 50% of the total shelf space in the store; the Anti-Trust Commissioner is granted the power to determine the shelf space a retailer will allocate to particular products of a particular supplier, and others. The law also defines arrangements aimed at promoting and ensuring competition in the retail market on the regional level, and the Anti-Trust Commissioner has been granted powers to approve or not to approve the opening of new stores by a retailer in a particular geographical region in certain circumstances. The law determines instructions for large retailers regarding the obligation to publish current information by electronic means on products sold in each of their stores (such as a list of the products, their prices, campaigns and their terms and conditions, etc.). In the months that have passed since the date of publication of the law the Anti-Trust Commissioner has published clarifications, directives and draft exemptions referring to some of the sections of the law. As at the date of the report, the Company is preparing for the implementation of the law as planned. The law is expected to have a material impact on the Company's commercial and operational conduct vis-à-vis retailers, particularly those retailers which are defined a "large retailer" under the law. At this stage, a provision for impairment in an amount of approximately NIS 25 million was recorded in the reporting period in respect of deferred expenses (NIS 15 million net of tax and the non-controlling interest), which was classified to "other expenses" in the interim consolidated statements of income.

In April, the Anti-Trust Authority published a manifesto on the subject "Prohibition against Excessive Pricing by Monopoly Owners". As at the date of publication of this report, the Company is reviewing the contents of the manifesto and its possible implications.

In August, the Supervisor of Prices in the Ministry of Agriculture issued a clarification on the position of the Supervisor and that of the Price Committee with respect to "similar consumer goods" under the Supervision of Essential Goods and Services Law. The clarification determines that enriched products manufactured by the dairies are not included in the scope of "similar consumer goods", as they offer a substantial supplemental benefit to the consumer. The exclusion is conditional upon prominently emphasizing this fact on the product packaging.

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

Other than as described below, as at the end of the third quarter and compared to the end of 2013, there has been no material change in the market risk factors to which the Company is exposed, in the policy for managing these risks, in the persons responsible for their management and in the means for supervising and realizing the policy, as described in the Board of Directors' Report as at December 31, 2013.

ANALYSIS OF FINANCIAL RESULTS

Commencing in the first quarter of 2013 the Group has retroactively applied IFRS 11 – Joint Arrangements. The significance of the standard is that the statements of income and statements relating to financial condition, 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 the practice to date, 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. Neither does this signify any managerial change in the jointly held businesses.

In view of the fact that the Group's non-GAAP reports and the manner in which Group Management measures the results of the subsidiaries and jointly-held companies have remained unchanged, the Group has continued to present the activity segments in the same manner in which they were presented in prior periods. For the sake of convenience, the next pages present the GAAP reports – which are reported in accordance with IFRS 11, the required adjustments to the non-GAAP reports, and the non-GAAP reports that express the Group's relative share in the operations of the companies as reported in the past.

Strauss Group has a number of jointly controlled companies: Três Corações (coffee products in Brazil)[1], Sabra Dipping Company (a subsidiary in North America), Strauss Frito-Lay Ltd. (the salty snack operation in Israel), PepsiCo Strauss Fresh Dips & Spreads International (the international dips and spreads company, Obela) and Haier Strauss Water (a Strauss Water subsidiary in China).

The next pages present the non-GAAP reports, the GAAP reports and the various adjustments made by Company Management in making the transition from the Company's GAAP reports to its non-GAAP reports:

(1) Três Corações (3C) – Brazil – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Following are the condensed results of business operations (based on the Company's non-GAAP management reports) for the quarter and nine months ended September 30, 2014 and 2013 (in NIS millions)*:

	First Nine Months			Third Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Sales	**6,060**	**6,069**	***(0.1)***	**2,138**	**2,040**	***4.8***
Cost of sales	3,691	3,753	*(1.6)*	1,327	1,242	*7.0*
Gross profit – non-GAAP	**2,369**	**2,316**	***2.3***	**811**	**798**	***1.5***
% of sales	39.1%	38.2%		37.9%	39.1%	
Selling and marketing expenses	1,436	1,383	*3.8*	477	475	*0.3*
General and administrative expenses	330	322	*2.4*	107	111	*(3.6)*
Operating profit – non-GAAP	**603**	**611**	***(1.2)***	**227**	**212**	***6.8***
% of sales	10.0%	10.1%		10.6%	10.4%	
Financing expenses, net	(70)	(102)	*(31.5)*	(14)	(40)	*(65.0)*
Income before taxes on income	**533**	**509**	***4.8***	**213**	**172**	***23.8***
Taxes on income	(154)	(164)	*(5.5)*	(55)	(61)	*(8.5)*
Effective tax rate	28.9%	32.1%		25.7%	34.8%	
Income for the period – non-GAAP	**379**	**345**	***9.7***	**158**	**111**	***41.0***
Attributable to: **The Company's shareholders**	**287**	**259**	**11.0**	**119**	**81**	***47.2***
Non-controlling interests	92	86	*5.9*	39	30	*24.7*

Following are the condensed results of business operations (based on non-GAAP management reports) of the major business sectors for the quarter and nine months ended September 30, 2014 and 2013 (in NIS millions)*:

	First Nine Months			Third Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Israel						
Net sales	2,289	2,254	*1.6*	786	771	*1.9*
Operating profit	251	248	*1.1*	85	86	*(1.5)*
Coffee						
Net sales	2,793	2,935	*(4.9)*	1,019	954	*6.7*
Operating profit	292	318	*(8.1)*	113	108	*4.4*
International Dips and Spreads						
Net sales	491	452	*8.6*	171	159	*7.3*
Operating profit	57	46	*24.6*	25	22	*17.5*
Other						
Net sales	487	428	*14.1*	162	156	*5.3*
Operating profit (loss)	3	(1)		4	(4)	
Total						
Net sales	**6,060**	**6,069**	***(0.1)***	**2,138**	**2,040**	***4.8***
Operating profit	**603**	**611**	***(1.2)***	**227**	**212**	***6.8***

**** Financial data were rounded off to NIS millions. The percentages change 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, 2014 and 2013 (in NIS millions)*:

	First Nine Months			**Third Quarter**		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Sales	**4,051**	**4,154**	***(2.5)***	**1,415**	**1,402**	***0.9***
Cost of sales excluding impact of hedging transactions	2,427	2,514	*(3.5)*	867	839	*3.3*
Valuation of balance of commodity hedging transactions as at end of period	(5)	8		4	(9)	
Cost of sales	2,422	2,522	*(4.0)*	871	830	*4.9*
Gross profit	**1,629**	**1,632**	***(0.2)***	**544**	**572**	***(4.9)***
% of sales	40.2%	39.3%		38.5%	40.8%	
Selling and marketing expenses	991	986	*0.5*	327	336	*(2.7)*
General and administrative expenses	256	244	*4.8*	83	85	*(2.9)*
Total expenses	**1,247**	**1,230**		**410**	**421**	
Share in income of equity-accounted investees	170	136		66	49	
Operating profit before other expenses	**552**	**538**	***2.7***	**200**	**200**	***(0.2)***
% of sales	13.6%	12.9%		14.2%	14.3%	
Other expenses, net	(59)	(17)		(41)	(15)	
Operating profit after other expenses	**493**	**521**	***(5.2)***	**159**	**185**	***(13.9)***
Financing expenses, net	(59)	(87)	*(31.4)*	(7)	(37)	*(80.3)*
Income before taxes on income	**434**	**434**	***0.0***	**152**	**148**	***2.7***
Taxes on income	(133)	(149)	*(10.9)*	(45)	(63)	*(28.2)*
Effective tax rate	30.7%	34.5%		29.9%	42.7%	
Income for the period	**301**	**285**	***5.7***	**107**	**85**	***25.0***
Attributable to: **The Company's shareholders**	**215**	**209**	***2.4***	**75**	**58**	***25.0***
Non-controlling interests	86	76	*14.8*	32	27	*25.0*

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

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

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

	First Nine Months 2014			First Nine Months 2013			Third Quarter 2014			Third Quarter 2013		
	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	**4,051**	**2,009**	**6,060**	**4,154**	**1,915**	**6,069**	**1,415**	**723**	**2,138**	**1,402**	**638**	**2,040**
Cost of sales excluding impact of hedging transactions	2,427	1,264	3,691	2,514	1,239	3,753	867	460	1,327	839	403	1,242
Valuation of balance of commodity hedging transactions as at end of period	(5)	(1)	(6)	8	-	8	4	(1)	3	(9)	-	(9)
Cost of sales	2,422	1,263	3,685	2,522	1,239	3,761	871	459	1,330	830	403	1,233
Gross profit	**1,629**	**746**	**2,375**	**1,632**	**676**	**2,308**	**544**	**264**	**808**	**572**	**235**	**807**
% of sales	40.2%		39.2%	39.3%		38.0%	38.5%		37.8%	40.8%		39.6%
Selling and marketing expenses	991	445	1,436	986	397	1,383	327	150	477	336	139	475
General and administrative expenses	256	90	346	244	92	336	83	30	113	85	30	115
Share in income of equity-accounted investees	170	(170)	-	136	(136)	-	66	(66)	-	49	(49)	-
Operating profit before other expenses	**552**	**41**	**593**	**538**	**51**	**589**	**200**	**18**	**218**	**200**	**17**	**217**
% of sales	13.6%		9.8%	12.9%		9.7%	14.2%		10.2%	14.3%		10.6%
Other expenses, net	(59)	(4)	(63)	(17)	(2)	(19)	(41)	(3)	(44)	(15)	(1)	(16)
Operating profit after other expenses	**493**	**37**	**530**	**521**	**49**	**570**	**159**	**15**	**174**	**185**	**16**	**201**
Financing expenses, net	(59)	(11)	(70)	(87)	(15)	(102)	(7)	(7)	(14)	(37)	(3)	(40)
Income before taxes on income	**434**	**26**	**460**	**434**	**34**	**468**	**152**	**8**	**160**	**148**	**13**	**161**
Taxes on income	(133)	(26)	(159)	(149)	(34)	(183)	(45)	(8)	(53)	(63)	(13)	(76)
Effective tax rate	30.7%	3.7%	34.7%	34.5%	4.6%	39.1%	29.9%	3.0%	33.3%	42.7%	4.2%	46.9%
Income for the period	**301**	**-**	**301**	**285**	**-**	**285**	**107**	**-**	**107**	**85**	**-**	**85**
Attributable to: The Company's shareholders	**215**	**-**	**215**	**209**	**-**	**209**	**75**	**-**	**75**	**58**	**-**	**58**
Non-controlling interests	86	-	86	76	-	76	32	-	32	27	-	27
Income for the period	**301**	**-**	**301**	**285**	**-**	**285**	**107**	**-**	**107**	**85**	**-**	**85**

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

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

	First Nine Months			Third Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Operating profit – according to the proportionate consolidation method – after other expenses	**530**	**570**	***(2.5)***	**174**	**201**	***(1.0)***
Share-based payment and phantom plan	16	14		6	4	
Valuation of balance of commodity hedging transactions as at end of period	(6)	8		3	(9)	
Other expenses	63	19		44	16	
Operating profit – non-GAAP management reports	**603**	**611**	***(1.2)***	**227**	**212**	***6.8***
Financing expenses, net	(70)	(102)		(14)	(40)	
Taxes on income	(159)	(183)		(53)	(76)	
Taxes in respect of adjustments to the above non-GAAP operating profit	**5	***19		**(2)	***15	
Income for the period – non-GAAP	**379**	**345**	***9.7***	**158**	**111**	***41.0***
Attributable to: The Company's shareholders	**287**	**259**	***11.0***	**119**	**81**	***47.2***
Non-controlling interests	92	86	*5.9*	39	30	*24.7*

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

*** In 2014, includes tax expenses in respect of the influence of possible capital restructuring in Strauss Coffee due to the TPG's exit alternatives from Strauss Coffee.*

**** In 2013, mainly includes tax expenses in respect of the release of "trapped profits".*

ANALYSIS OF THE BUSINESSS RESULTS OF THE GROUP

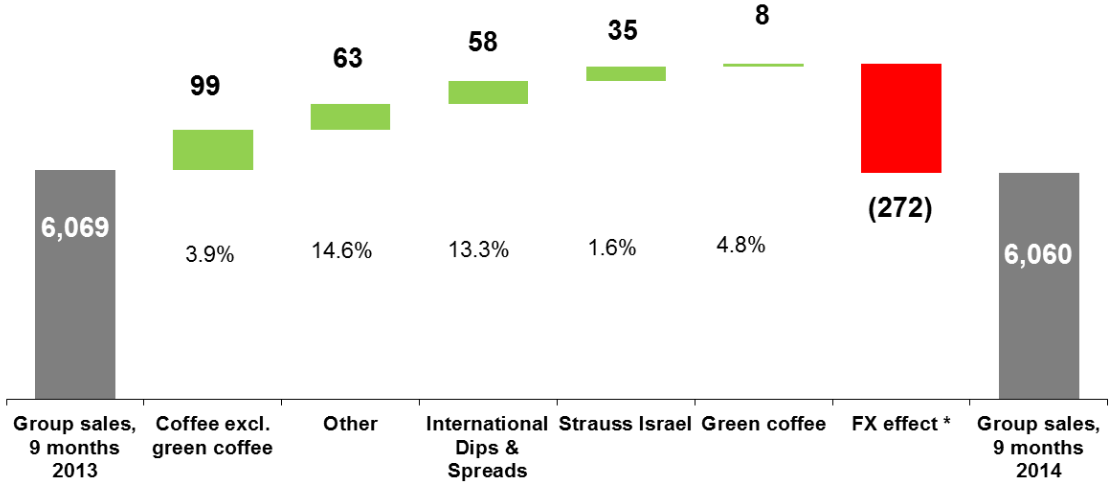
Sales – non-GAAP

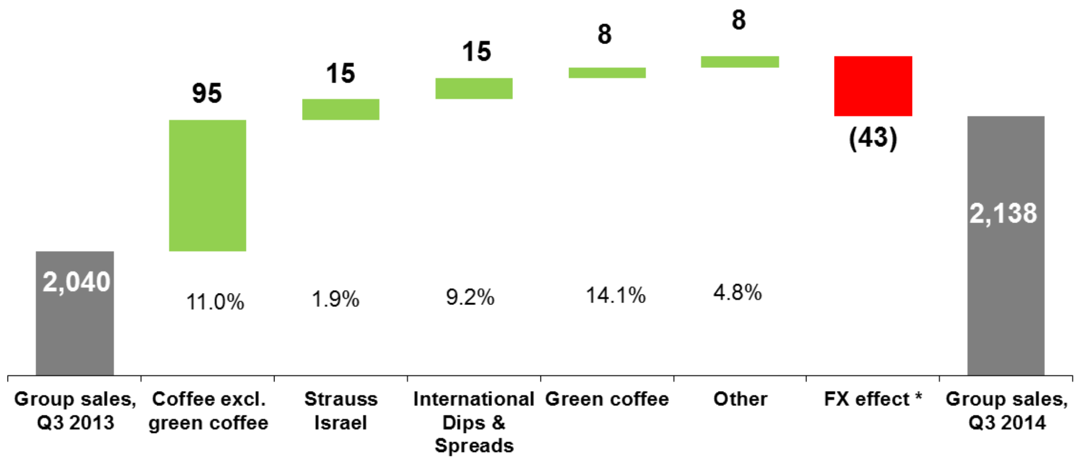
	First Nine Months		Third Quarter	
	2014	**2013**	**2014**	**2013**
Sales	6,060	6,069	2,138	2,040
Growth	(0.1%)	(0.2%)	4.8%	(1.9%)
Organic growth excluding currency impact	4.6%	4.7%	7.1%	5.7%

In the first nine months of 2014 organic growth of the Group's sales excluding the currency impact amounted to 4.6%. Growth was reflected in all of the Group's major business segments.

In the first nine months of the year the Group's Shekel sales decreased by approximately NIS 9 million, whereas in the third quarter Shekel sales grew by approximately NIS 98 million.

Following are the components of the change in sales in these periods in local currency and the growth rates according to the Company's major business segments in local currency, as well as the overall impact of translation differences (the currency impact) on the Group's sales:





(*) The currency impact is calculated according to the average exchange rates in the relevant period.

Similar to prior periods, the Group's sales in the first nine months and third quarter of 2014, and Strauss Coffee's sales in particular, were impacted by translation differences into Shekels, which amounted to approximately NIS 272 million and NIS 43 million, respectively, on the Group level; of them, in the first nine months approximately NIS 143 million are due to the erosion of the average rate of the Brazilian Real versus the Shekel (approximately 11.6% erosion compared to the average rate of the Real in the corresponding period last year). Excluding the currency impact, the Group's sales grew in the first nine months by approximately NIS 263 million compared to the corresponding period last year. In the third quarter, the Group's sales grew by NIS 141 million compared to the corresponding quarter last year.

Sales growth in local currency was reflected in all of the Company's major business segments and was the result of the following factors:

- Growth in sales by the "Other" segment (in the first nine months and third quarter, an increase of approximately NIS 63 million and NIS 8 million, respectively), which is mainly due to growth in Strauss Water following growth in the domestic market and in international operations while expanding the customer base, particularly in the private sector;

- Growth in sales by the International Dips and Spreads operation (in the first nine months and third quarter, approximately NIS 58 million and NIS 15 million, respectively), which is mainly the result of growth in sales by Sabra and reflects continuing significant volume growth in hummus sales as well as strong growth in guacamole sales;
- Growth in sales by Strauss Israel (in the first nine months and third quarter, approximately NIS 35 million and NIS 15 million, respectively), which is mainly due to an improvement in the Company's product mix;
- Growth in sales by the coffee business, not including green coffee, excluding the currency impact (in the first nine months and third quarter, approximately NIS 99 million and NIS 95 million, respectively). The increase in coffee sales in both periods is mainly due to the growth in sales by Três Corações[(1)] and reflects

(1)%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Strauss Coffee's share (50%). In local currency, these sales grew by approximately 16.4% and 9.3% in the first nine months and third quarter of the year, respectively, compared to the corresponding periods last year (Três Corações' sales in local currency, including green coffee, increased by 14.7% and 20.2% in the first nine months and third quarter, respectively).

- Green coffee export sales by Três Corações[1] in Brazil increased by approximately NIS 8 million in the first nine months of the year compared to the corresponding period last year, reflecting Strauss Coffee's share (50%). In the third quarter sales grew by approximately NIS 8 million compared to the corresponding quarter last year. Growth was influenced by an increase in green coffee prices compared to the corresponding period last year.

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

Gross Profit – Non-GAAP

	First Nine Months			Third Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Gross profit	2,369	2,316	*2.3*	811	798	*1.5*
Gross profit margin	39.1%	38.2%		37.9%	39.1%	

The Group's non-GAAP gross profit in the first nine months of 2014 grew by approximately NIS 53 million compared to the corresponding period last year. The gross profit of the International Dips & Spreads operation grew by approximately NIS 22 million, mainly as a result of sales growth. In the Israel sector the gross profit increased by approximately NIS 18 million, mainly thanks to an improvement in the Company's product mix as well as continued streamlining processes applied in production. In the "Other Operations" segment growth amounted to NIS 15 million, arising mainly from growth in Strauss Water following growth in the domestic market and in international operations as mentioned. By contrast, in the coffee operation the gross profit decreased by approximately NIS 2 million, mainly as a result of translation differentials into Shekels as described above.

The non-GAAP gross profit in the third quarter of 2014 grew by approximately NIS 13 million compared to the corresponding period last year. In the International Dips & Spreads operation growth amounted to NIS 8 million and is explained by growth in sales. In the coffee operation the gross profit grew by approximately NIS 6 million as a result of sales growth, which was partly offset by a decrease in the gross profit margin mainly as a result of the erosion of the exchange rate of the Russian Ruble and the Ukrainian Hryvnia versus the Dollar and an increase in the price of green coffee. In the "Other Operations" segment growth amounted to NIS 3 million, mainly due to growth in Strauss Water following growth in the domestic market and in international operations. Conversely, the gross profit of the Israel sector decreased by some NIS 4 million, mainly as a result of the increase in the target price of raw milk, cocoa and sesame.

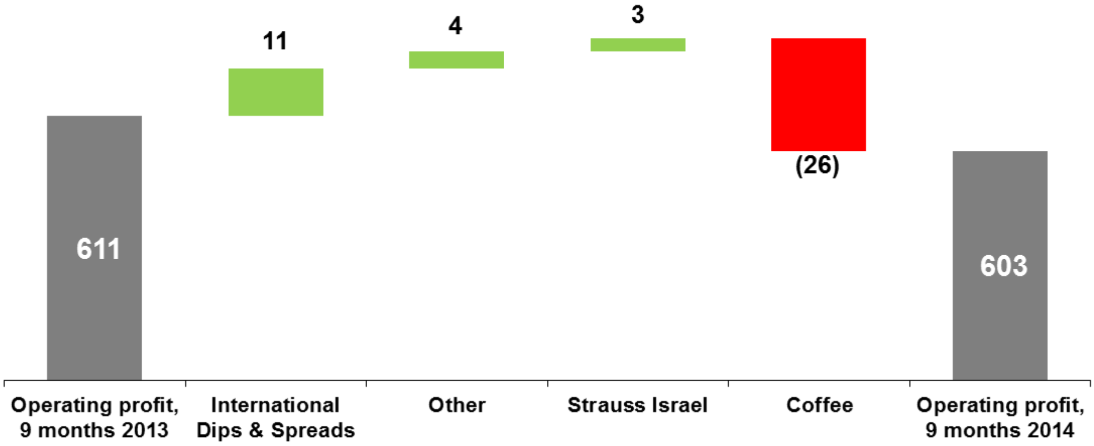
Further explanations on the Group's gross profit are included in the chapter "Analysis of the Business Results of the Group's Major Business Units".

Operating Profit before Other Expenses – Non-GAAP

	First Nine Months			Third Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Operating profit	603	611	*(1.2)*	227	212	*6.8*
Operating profit margin	10.0%	10.1%		10.6%	10.4%	

The non-GAAP operating profit in the first nine months of 2014 decreased by approximately NIS 8 million compared to last year. Following are the components of the change in the non-GAAP operating profit in the half compared to the corresponding period in 2013, according to the Company's major activity sectors:

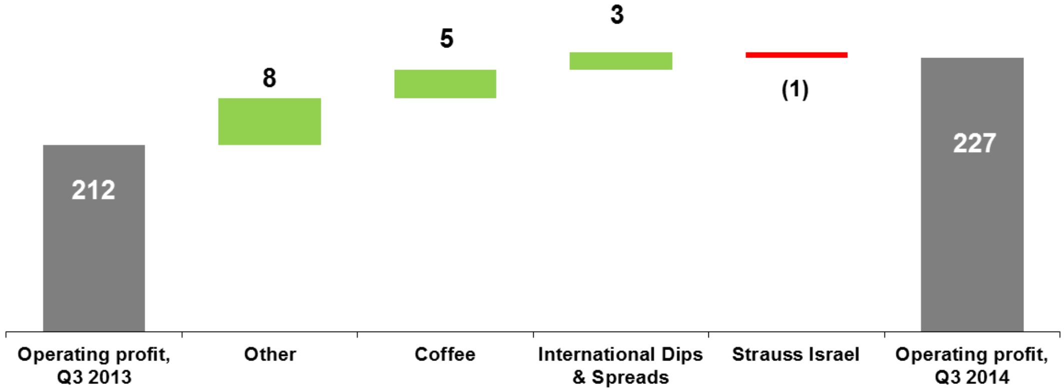
(1) Três Corações (3C) – Brazil – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).



The decrease in the Group's operating profit in the first nine months of 2014 is due to a decrease in the operating profit of the Coffee sector, which mainly reflects an overall impact of NIS 35 million on the operating profit of Três Corações[1] in respect of the activity of the TRES brand, which is currently in the initial phases of penetrating the premium segment of the single portion multi-beverage solution (machines and capsules) in Brazil. This business had a marginal impact in the corresponding period last year (data reflect Strauss Coffee's share (50%)). Despite the abovementioned investment, Três Corações' EBIT in local currency for the first nine months of 2014 increased by 11.8%, compared to the corresponding period last year. Additionally, the operating profit of the CEE and former USSR countries decreased. By contrast, the operating profit of the International Dips & Spreads activity improved, mainly as a result of growth in sales volumes coupled with continued streamlining in production; the operating profit of the "Other Operations" segment improved; and Strauss Israel's operating profit improved due to the growth of the gross profit in the period as described above, which was offset by an increase in marketing expenses, particularly in the Fun & Indulgence segment, compared to the corresponding period last year.

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

<u>The non-GAAP operating profit in the third quarter of 2014</u> increased by approximately NIS 15 million compared to last year. Following are the components of the change in the operating profit in the quarter compared to the corresponding period in 2013, according to the Company's major activity sectors:



The increase in the Group's operating profit in the third quarter is due to an increase in the operating profit of the "Other Operations" sector; improvement in the operating profit of the Coffee sector, which reflects growth in the operating profit of Israel Coffee and of Três Corações[1], despite an overall impact of NIS 12 million on Três Corações' operating profit in respect of the activity of the TRES brand, which is currently in the initial phases of penetrating the premium segment of the single portion multi-beverage solution (machines and capsules) in

1) Três Corações (3C) – Brazil – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Brazil. This business had a marginal impact in the corresponding period last year (data reflect Strauss Coffee's share (50%)). Despite the abovementioned investment, Três Corações[1] EBIT in local currency for the third quarter of 2014 increased by 27.5%, compared to the corresponding period last year; and an improvement in the operating profit of the International Dips & Spreads activity as a result of growth in sales volumes, continued streamlining in production and timing differences in marketing expenses; partly offset by an increase in the price of sesame. By contrast, the operating profit of Strauss Israel decreased by NIS 1 million as a result of the decrease in the gross profit as described above, most of which was offset by a decrease in marketing expenses. Further explanations on the Group's operating profit in the reported period are included in the chapter "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 2014 totaled NIS 70 million compared to expenses of NIS 102 million last year. Most of the decrease in financing expenses is the result of an increase in the Consumer Price Index ("CPI") and the revaluation of linked liabilities by 0.1% (on the basis of the known Index) as opposed to 2% in the corresponding period last year, and of income in respect of the revaluation of currency derivatives following the strengthening of the Dollar in relation to most of the Group's functional currencies, compared to a weakening or significantly lower increase in the corresponding period last year, as well as due to the scale of hedges, mainly in relation to the Shekel. In the first nine months of 2014 part of the decrease was offset by the recording of expenses from the revaluation of Index derivatives at a higher rate compared to the corresponding period last year.

Net financing expenses in the third quarter of 2014 totaled NIS 14 million compared to expenses of NIS 40 million in the corresponding quarter last year. Most of the decrease in financing expenses is the result of an increase in the Consumer Price Index ("CPI") and the revaluation of linked liabilities by 0.3% (on the basis of the known Index) as opposed to an increase of 1.3% in the corresponding quarter last year, and of income in respect of the revaluation of currency derivatives following the strengthening of the Dollar in relation to most of the Group's functional currencies, compared to a weakening or significantly lower increase in the corresponding period last year, as well as due to the scale of hedges, mainly in relation to the Shekel. In the third quarter of 2014 part of the decrease was offset by the recording of expenses from the revaluation of Index derivatives at a higher rate compared to the corresponding period last year.

Net credit (according to the proportionate consolidation method) as at September 30, 2014 totaled NIS 1,846 million compared to NIS 1,357 million on September 30, 2013 and NIS 1,475 million on December 31, 2013.

Net credit (according to the equity method) as at September 30, 2014 totaled NIS 1,632 million compared to NIS 1,197 million on September 30, 2013 and NIS 1,364 million on December 31, 2013.

Taxes on Income – Non-GAAP

In the first nine months taxes on income (non-GAAP) amounted to approximately NIS 154 million, reflecting an effective tax rate of 28.9%, whereas last year taxes on income amounted to NIS 164 million and the effective tax rate was 32.1%.

Taxes on income (non-GAAP) in the third quarter amounted to NIS 55 million, reflecting an effective tax rate of 25.7%, whereas last year taxes on income amounted to NIS 61 million and the effective tax rate was 34.8%.

The decrease in the effective tax rate in the first nine months and third quarter is the result of the profit mix for tax purposes between the companies in the various countries and of deferred tax expenses recorded in the corresponding period following the update of the corporate tax rate from 25% to 26.5%, which were offset against the increase in tax expenses entered in respect of the year's profits, which are taxable at a higher rate in Israel.

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

	First Nine Months			Third Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Income attributable to the Company's shareholders	287	259	*11.0*	119	81	*47.2*
% of sales	4.7%	4.3%		5.6%	4.0%	

Non-GAAP income attributable to the Company's shareholders in the first nine months of 2014 increased by approximately NIS 28 million compared to the corresponding period last year. In the third quarter income grew by approximately NIS 38 million compared to the corresponding quarter in 2013. The increase in non-GAAP

1) Três Corações (3C) – Brazil – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

income attributable to the Company's shareholders was the result of a decrease in the Company's non-GAAP net financing expenses and of the decrease in tax expenses as described above.

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

The GAAP comprehensive income in the first nine months amounted to approximately NIS 230 million, compared to comprehensive income of NIS 80 million in the corresponding period last year. In the reported period losses in respect of translation differences, which are the main component of the other comprehensive income, amounted to NIS 68 million compared to losses of NIS 212 million from translation differences in the corresponding period last year.

The GAAP comprehensive income in the third quarter totaled approximately NIS 49 million, compared to a comprehensive loss of NIS 65 million in the corresponding quarter last year. In the reported period losses in respect of translation differences, which are the main component of the other comprehensive income, amounted to NIS 52 million compared to losses of NIS 24 million from translation differences in the corresponding quarter last year.

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

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

In the first nine months of 2014

Cash flows provided by operating activities amounted to a positive cash flow of approximately NIS 192 million, compared to NIS 271 million in the corresponding period last year. The decrease in cash flows provided by operating activities is due to an increase in outstanding accounts receivable and in taxes paid in the reported period versus the corresponding period.

Cash flows used in investing activities amounted to a negative cash flow of approximately NIS 373 million compared to a negative cash flow of NIS 197 million last year. The difference is mainly due to greater investment in fixed assets and to the purchase of securities and deposits on a higher scale in the reported 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 NIS 97 million compared to a negative cash flow of NIS 14 million provided by financing activities in the corresponding period last year. The change is primarily due to a dividend paid to the non-controlling interest holders in the period, and to a change in payables in jointly-held companies.

In the third quarter of 2014

Cash flows provided by operating activities amounted to a positive cash flow of approximately NIS 115 million, compared to NIS 137 million in the corresponding quarter last year. The decrease in cash flows provided by operating activities is mainly due to an increase in taxes paid in the reported period versus the corresponding quarter last year.

Cash flows used in (provided by) investing activities amounted to a negative cash flow of approximately NIS 212 million compared to a positive cash flow of NIS 8 million last year. The difference is mainly due to the purchase of fixed and other assets on a larger scale in the current period and purchases of securities and deposits on a large scale in the current period compared to the corresponding period last year.

Cash flows used in financing activities amounted to a negative cash flow of NIS 3 million compared to a negative cash flow of NIS 55 million from financing activities in the corresponding period last year. The change is due to the acquisition of a non-controlling interest in a subsidiary in the corresponding quarter last year.

The Company’s cash and cash equivalents as at September 30, 2014 totaled NIS 489 million, compared to NIS 772 million on December 31, 2013. In accordance with Company policy, these assets are invested mainly in deposits (most of them in Shekels and Dollars). Additionally, the Company has short-term investments in securities (financial funds, government bonds and highly rated corporate debentures).

The Company’s liquidity ratio as at September 30, 2014 is 1.62 compared to 1.63 on December 31, 2013. On September 30, 2014 liabilities in respect of long-term loans and credit (including current maturities) amounted to NIS 2,439 million compared to NIS 2,382 million on December 31, 2013. On September 30, 2014 short-term credit (excluding current maturities) amounted to NIS 13 million; on December 31, 2013 the Company had no short-term credit (excluding current maturities). On September 30, 2014 supplier credit totaled NIS 725 million, compared to NIS 769 million on December 31, 2013.

Total assets in the Company's consolidated statement of financial condition as at September 30, 2014 amounted to NIS 6,796 million, compared to NIS 6,643 million on December 31, 2013.

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 condition as at September 30, 2014 is 28.3%, compared to 26.3% on December 31, 2013. The net financial debt-to-EBITDA ratio as at September 30, 2014 is 1.8, compared to 1.5 on December 31, 2013. The Company is in compliance with the required financial criteria.

On June 11, 2014 the Company expanded the Debentures Series D and listed them for trading on the Tel Aviv Stock Exchange. For further information, see Note 4.3 to the consolidated interim financial statements as at September 30, 2014.

Following IFRS 11 becoming effective 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**
	2014	**2013**	**2014**	**2013**	**2013**
Cash flow provided by operating activities (in the proportionate consolidation method)	274	450	146	211	716
Acquisition of fixed assets and investment in intangibles and deferred expenses (in the proportionate consolidation method)	524	329	267	129	482
Net debt balance as at the report date (in the proportionate consolidation method)	1,846	1,357	1,846	1,357	1,475
Depreciation and amortization (excluding impairment):	162	167	53	57	223
Strauss Israel:					
Health and Wellness	37	37	14	12	50
Fun and Indulgence	20	20	6	7	28
Strauss Coffee:					
Israel Coffee	7	9	3	3	14
International Coffee	44	46	13	15	59
International Dips & Spreads	12	15	3	5	19
Other	42	40	14	15	53

The Group's EBIDTA (non-GAAP) totaled approximately NIS 765 million in the first nine months of the year compared to NIS 778 million in the corresponding period last year, a decrease of 1.7%. EBITDA (non-GAAP) in the third quarter totaled approximately NIS 280 million compared to NIS 269 last year, an increase of 4.4%

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

Strauss Coffee

On July 4, 2013 the Company announced that it was conducting a joint review with TPG Capital, the non-controlling interest holder in Strauss Coffee, to examine TPG's exit alternatives from Strauss Coffee. As at the date of the report, a non-binding document for the regulation of certain issues in the process has been signed.

Following are the condensed results of business operations based on non-GAAP management reports of the Coffee Company by reported segments for the periods ended September 30, 2014 and 2013 (in NIS millions):

	First Nine Months			Third Quarter		
	2014	2013	% Chg	2014	2013	% Chg
Israel Coffee						
Net sales	521	530	*(1.8)*	165	168	*(2.0)*
Operating profit	81	76	*6.8*	27	22	*27.0*
% operating profit	15.6%	14.3%		16.8%	12.9%	
International Coffee						
Net sales	2,272	2,405	*(5.5)*	854	786	*8.6*
Operating profit	211	242	*(12.8)*	86	86	*(1.4)*
% operating profit	9.3%	10.0%		9.9%	10.9%	
Total Strauss Coffee						
Net sales	**2,793**	**2,935**	***(4.9)***	**1,019**	**954**	***6.7***
Organic growth excluding currency impact	**3.8%**	**3.7%**		**10.8%**	**3.5%**	
Gross profit	**994**	**996**	***(0.2)***	**344**	**338**	***1.9***
% gross profit	**35.6%**	**33.9%**		**33.8%**	**35.4%**	
Operating profit	**292**	**318**	***(8.1)***	**113**	**108**	***4.4***
% operating profit	**10.4%**	**10.8%**		**11.0%**	**11.3%**	

Sales

In the first nine months of the year and the third quarter of 2014 Strauss Coffee's sales grew in local currency by 4.0% and 11.2%, respectively, compared to the corresponding periods last year. Further explanations on sales by the coffee business in the reported period can be found in the chapter "Coffee Sector Sales by Major Geographical Region".

In the first nine months of 2014 Shekel sales by the Coffee sector decreased by approximately NIS 142 million. Translation differences into Shekels in the coffee business amounted to NIS 249 million in the period, of which NIS 143 million were the result of the erosion of the average exchange rate of the Brazilian Real versus the Shekel and NIS 94 were the result of the currency erosion in Russia and Ukraine.

In the third quarter of 2014 Strauss Coffee's Shekel sales grew by approximately NIS 65 million. Translation differences into Shekels in the coffee business amounted to NIS 43 million in the period, of which NIS 31 million were the result of the currency erosion in Russia and Ukraine.

Gross profit

In the first nine months of 2014 the gross profit decreased by NIS 2 million compared to the corresponding period last year. Gross profit margins improved by approximately 1.7% and amounted to 35.6% in the first nine months. The drop in the Shekel gross profit was mainly the result of translation differences, as described above.

In the third quarter of the year the gross profit increased by NIS 6 million compared to the corresponding quarter last year. Gross profit margins decreased by 1.6%, amounting to 33.8% in the quarter. The decrease in gross profit margins is mainly explained by an increase in green coffee prices, coupled with erosion of the local currencies in Russia and Ukraine versus the Dollar.

Operating profit

In the first nine months of 2014 the operating profit of the Coffee sector decreased by NIS 26 million. The operating profit margin in the nine months amounted to 10.4% (a decrease of 0.4%). The decrease in the Shekel operating profit is the result of translation differences as described above and also of an overall impact of NIS 35 million on the operating profit of Três Corações[(1)] in respect of the activity of the TRES brand, which is currently in the initial phases of penetrating the premium segment of the single portion multi-beverage solution (machines and capsules) in Brazil. This business had a marginal impact in the corresponding period last year (data reflect Strauss Coffee's share (50%)). Despite the abovementioned investment, Três Corações' EBIT in local currency for the first nine months of 2014 increased by 11.8%, compared to the corresponding period last year. of single portion multi beverage solution

In the third quarter of the year the operating profit of the Coffee sector increased by NIS 5 million. The operating profit margin in the quarter amounted to 11.0% (a decrease of 0.2%). The overall impact of the Três

1) Três Corações (3C) – Brazil – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

operation on the operating profit in the quarter amounted to NIS 12 million, compared to a negligible impact in the corresponding period last year (data reflect Strauss Coffee's share (50%)). Despite the abovementioned investment, Três Corações[1] EBIT in local currency for the third quarter of 2014 increased by 27.5%, compared to the corresponding period last year.

Strauss Coffee sales by major geographical regions

Following is the scope of sales by the Coffee sector in the major geographical regions (excluding intercompany sales), and growth rates for the periods ended September 30, 2014 and 2013 (in NIS millions):

	First Nine Months				**Third Quarter**			
Geographical region	**2014**	**2013**	**% chg**	**% change in local currency***	**2014**	**2013**	**% chg**	**% change in local currency***
Israel Coffee	**521**	**530**	***(1.8)***	***(1.8)***	**165**	**168**	***(2.0)***	***(2.0)***
International Coffee								
Três Corações (Brazil)(1)(2)(3) - 50%	1,316	1,290	*2.0*	*14.7*	494	416	*18.9*	*20.2*
Former USSR countries	448	512	*(12.3)*	*7.3*	177	172	*2.3*	*25.0*
Poland	213	280	*(24.0)*	*(23.4)*	78	92	*(15.4)*	*(15.2)*
Romania	168	170	*(1.0)*	*1.1*	61	56	*9.0*	*10.4*
Serbia	127	153	*(16.6)*	*(12.5)*	44	50	*(10.5)*	*(5.8)*
Total International Coffee	**2,272**	**2,405**	***(5.5)***	***5.4***	**854**	**786**	***8.6***	***13.9***
Total Coffee	**2,793**	**2,935**	***(4.9)***	***4.0***	**1,019**	**954**	***6.7***	***11.2***

* The growth rate in 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.

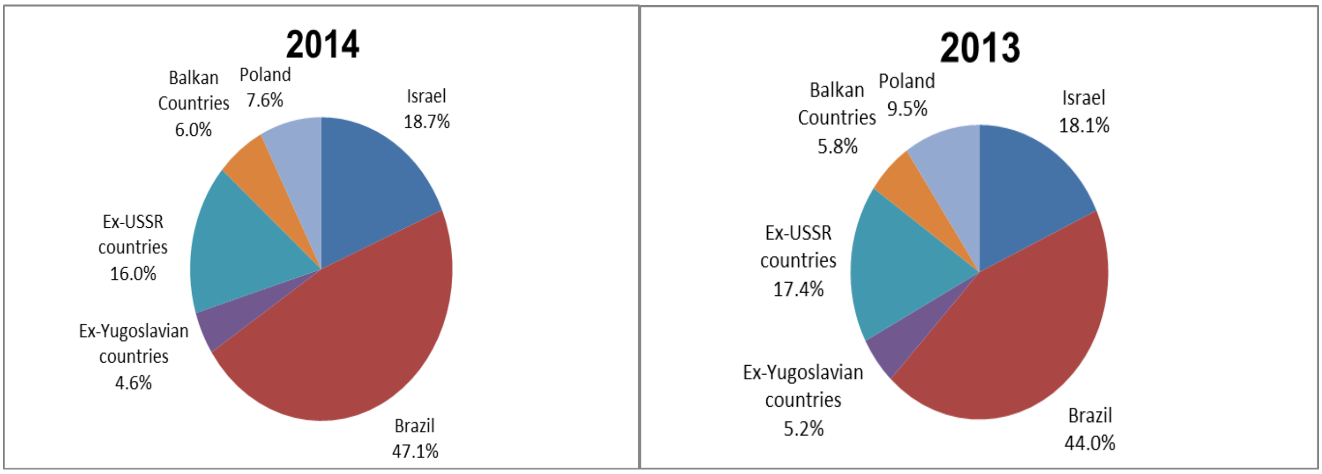
(1) Três Corações (Brazil) sales in the first nine months of 2014 include sales amounting to NIS 178 million of green coffee and NIS 48 million of corn. In the first nine months of 2013 sales of green coffee amounting to NIS 191 million and corn amounting to NIS 53 million were included.

(2) Três Corações (Brazil) sales in the third quarter of 2014 include sales amounting to NIS 66 million of green coffee and NIS 17 million of corn. In the third quarter of 2013 sales of green coffee amounting to NIS 58 million and corn amounting to NIS 17 million were included.

(3) Três Corações (Brazil) – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%)).

1) Três Corações (3C) – Brazil – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Distribution of coffee sales by geographical region in the first nine months of 2014 and 2013:



<u>Três Corações (Brazil) 3C – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%))</u>

Três Corações[(1)] average market share in roast and ground (R&G) coffee in the first nine months of 2014 reached approximately 22.3% (value market share according to A.C. Nielsen), compared to 21.4% in the corresponding period last year (market share reflects 100% of Três Corações' sales).

In February 2013 Três Corações signed agreements with Caffitaly SpA, following which Três Corações initiated operations in the single portion multi beverage machine and capsules segment. Sales of the machines and capsules began in November 2013 under the TRES brand.

In the first nine months and third quarter of 2014 Três Corações' sales in local currency increased by 14.7% and 20.2%, respectively. Most of the growth originates in R&G sales. The growth in Três Corações' local currency sales reflects volume growth as well as price increases introduced in March and April this year in light of the increase in green coffee prices in Brazil, and also in July and October last year. The sales growth also reflects the TRES solution (sales of machines and capsules), which was launched in November 2013 as mentioned above.

The growth in Três Corações' sales in the first nine months of the year compared to the corresponding period last year was adversely affected by the erosion of the average exchange rate of the Brazilian Real versus the Shekel, which amounted to NIS 143 million (11.6% erosion compared to the average exchange rate of the Brazilian Real in the corresponding period last year). The erosion of the Real versus the Shekel in the third quarter was far more moderate and amounted to NIS 5 million (1.2% erosion compared to the average exchange rate of the Real in the corresponding quarter in 2013).
As a result of the sales growth, the gross profit in the company's domestic currency continued to improve considerably in the first nine months and third quarter of 2014, compared to the corresponding periods last year. Accordingly, the operating profit in the domestic currency grew (see Três Corações' financial statements, which are attached to the financial statements of the Group this quarter). The improvement in the operating profit was achieved despite an increase in the company's marketing expenses, which included marketing effort in respect of the introduction of the TRES solution. The overall impact of the TRES brand on Três Corações' operating profit in the first nine months and third quarter of the year amounted to NIS 35 million (approximately 23 million Brazilian Reals) and NIS 12 million (8 million Brazilian Reals), respectively (data reflect Strauss Coffee's share (50%)).<u>The former USSR countries</u>

The Company's sales in the region in local currency grew by approximately NIS 30 million (7.3%) and NIS 39 million (25.0%) in the first nine months and third quarter of 2014, respectively, compared to the corresponding periods last year. The sales growth in local currency was the result of volume growth and of price increases made during the period, which were offset mainly by the erosion of the Russian Ruble and Ukrainian Hryvnia against the Dollar. Despite the growth in sales volumes and the price increases, the competitive and macroeconomic environment in the region has remained challenging.

In Shekels, the Company's sales in the region decreased by approximately NIS 64 million in the first nine months and increased by NIS 5 million in the third quarter of 2014 compared to the corresponding periods last

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year. The erosion of the Russian Ruble versus the Shekel was 14.5% and 11.2%, respectively, compared to its average exchange rate in the corresponding periods last year; the erosion of the Ukrainian Hryvnia versus the Shekel was 28.2% and 36.1%, respectively, compared to its average exchange rate in the corresponding periods last year.

Poland

The Company's sales in Poland in local currency dropped by approximately 23.4% and 15.2% in the first nine months and third quarter of 2014, respectively, compared to the corresponding periods in 2013. Sales were mainly impacted by a decrease in sales volumes and by price erosion due to the exacerbation of the competitive environment and the growth of parallel imports of a rival brand.

Shekel sales in Poland dropped by approximately NIS 67 million and NIS 14 million in the nine months and third quarter of the year, respectively, compared to the corresponding periods last year. The erosion of the average exchange rate of the Zloty versus the Shekel in the first nine months and third quarter of 2014 was moderate, amounting to 0.7% and 0.1%, compared to the average exchange rate of the Zloty in the corresponding periods last year.

Romania

In September 2014 Strauss Coffee completed the acquisition of the Amigo coffee brand, sold mainly in Romania, from Cia Iguacu De Café Soluvel for approximately $20 million. The transaction strengthens the Coffee Company's competitive position in Romania and is expected to turn the Company into the largest player in instant coffee in the country.

The Company's sales in Romania in local currency increased by approximately 1.1% and 10.4% in the first nine months and third quarter of the year, respectively, compared to the corresponding periods last year. The sales growth in the third quarter was the result of volume growth and price increases, and also partly reflected growth due to the acquisition of the new brand, Amigo.

Shekel sales in Romania decreased by approximately NIS 2 million in the first nine months of 2014 compared to the corresponding period last year. In the third quarter sales grew by NIS 5 million compared to the corresponding quarter. Sales were adversely influenced by 2.2% and 1.2% erosion of the average exchange rate of the Romanian Lei against the Shekel in the first nine months and third quarter of 2014 compared to the corresponding periods last year.

Serbia

The Company's sales in Serbia in local currency decreased by approximately 12.5% and 5.8% in the first nine months and third quarter of the year, respectively, compared to the corresponding periods last year. Sales were affected by a decrease in volumes, by a consumer trend of preferring cheaper coffee brands and by price erosion due to the harshening competitive environment.

Shekel sales in Serbia decreased by approximately NIS 26 million and NIS 6 million in the first nine months and third quarter of 2014, respectively, compared to the corresponding periods last year. Sales were adversely affected by the erosion of the Serbian Dinar versus the Shekel (4.8% and 4.9% erosion compared to the first nine months and third quarter last year).

Israel

The Company's sales in Israel decreased by approximately NIS 9 million and NIS 3 million in the first nine months and third quarter of 2014, respectively, compared to the corresponding periods last year. The decrease is mainly due to the sales mix; a certain drop in sales volumes, primarily as a result of the discontinuation of instant coffee exports following the change in the instant coffee supply chain in Israel; and effective price decreases.

The operating profit of Israel Coffee increased by approximately NIS 5 million in both the first nine months and the third quarter of 2014, respectively, compared to the corresponding periods last year. Growth was the result of an improvement in the supply chain, a drop in green coffee prices compared to last year, timing differences in marketing effect and a beneficial effect of the sales mix.

The Group's Activity in Israel

The Strauss Group is the second-largest company in the Israeli food industry, and in the third quarter of 2014 according to StoreNext figures held an 11.7% share of the total retail domestic food and beverage market in financial value terms. 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 2014 the Israeli food and beverage market dropped by 1.0% in financial value.

Sales by Strauss Group's entire operation in Israel include the Health & Wellness and Fun & Indulgence divisions, the coffee operation in Israel, Max Brenner in Israel and Strauss Water Israel (Tami4).

In the first nine months sales by Strauss Group's entire activity in Israel totaled approximately NIS 3,156 million compared to NIS 3,102 million last year, an increase of 1.7%. In the third quarter total Israel sales amounted to NIS 1,079 million compared to NIS 1,053 million last year, an increase of 2.4%.

Strauss Israel

Following are the condensed results of business operations based on non-GAAP management reports of Strauss Israel by activity segments, for the periods ended September 30, 2014 and 2013 (in NIS millions):

	First Nine Months			Third Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Health & Wellness segment						
Net sales	1,509	1,488	*1.4*	530	530	*0.0*
Operating profit	159	149	*6.6*	59	63	*(5.4)*
% operating profit	10.5%	10.0%		11.3%	11.9%	
Fun & Indulgence segment						
Net sales	780	766	*1.8*	256	241	*6.0*
Operating profit	92	99	*(7.2)*	26	23	*9.2*
% operating profit	11.8%	12.9%		10.0%	9.7%	
Total Strauss Israel						
Net sales	**2,289**	**2,254**	***1.6***	**786**	**771**	***1.9***
Gross profit	**922**	**904**	***2.0***	**309**	**313**	***(1.4)***
% gross profit	**40.3%**	**40.1%**		**39.3%**	**40.6%**	
Operating profit	**251**	**248**	***1.1***	**85**	**86**	***(1.5)***
% operating profit	**11.0%**	**11.0%**		**10.8%**	**11.2%**	

Sales

In the first nine months of 2014 Strauss Israel's sales grew by approximately 1.6% (NIS 35 million). Growth was achieved despite the weakness in the Israeli food and beverage market, which, according to StoreNext, dropped by 1.0% in the period, and despite the price decreases in the beginning of the year, after sour cream and white cheese were subjected to price control. In the Health & Wellness segment growth amounted to 1.4% (NIS 21 million), and in Fun & Indulgence growth was 1.8% (NIS 14 million). The growth in both segments mainly reflects an improvement in the Company's product mix.

In the third quarter Strauss Israel's sales grew by approximately NIS 15 million. In Health & Wellness sales amounted to approximately NIS 530 million, similar to the corresponding period last year, and in Fun & Indulgence growth was 6.0% (NIS 15 million). The growth in Fun & Indulgence sales is due to volume growth as a result of the beneficial effect of the timing of Rosh Hashanah and the Jewish festivals in 2014 compared to last year, and to product innovation. In July-August 2014 Operation Protective Edge took place. Despite a certain slowdown in the Company's sales in this period, the military operation did not materially impact Strauss Israel's business results in the quarter.

Gross profit

In the first nine months of 2014 Strauss Israel's gross profit increased by approximately NIS 18 million, with a 0.2% improvement in the gross profit margin, compared to the corresponding period last year. The growth in gross profit in the period mainly reflects an improvement in the Company's product mix and the continued assimilation of streamlining processes in production.

Strauss Israel's gross profit in the third quarter of this year dropped by approximately NIS 4 million, compared to the corresponding quarter last year. The drop in profit was mainly the result of the increase in the target price of raw milk compared to last year (an increase of 9 agorot per liter), and of the rise in cocoa and sesame prices.

Operating profit

In the first nine months of 2014 Strauss Israel's operating profit increased by approximately NIS 3 million and the operating profit margin rose amounted to 11.0% of sales, similar to the corresponding period last year. The operating profit grew following the growth in gross profit, but the operating profit margin remained unchanged in light of the increase in marketing expenses, particularly in the Fun & Indulgence segment, compared to the corresponding period last year.

Strauss Israel's operating profit in the third quarter of 2014 dropped by NIS 1 million compared to the corresponding quarter last year due to the decrease in the gross profit, which was mostly offset by a decrease in operating expenses. The operating profit margin decreased by 0.4% and amounted to 10.8% of sales.

The International Dips and Spreads Activity

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

Sabra

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

	First Nine Months		Third Quarter	
	2014	2013	2014	2013
Sales	931	857	323	303
Growth	8.7%	14.1%	6.4%	11.1%
Organic growth excluding currency impact	13.0%	21.5%	8.3%	23.8%
Operating profit before other expenses	145	119	61	51
% operating profit	15.6%	13.9%	18.8%	16.9%

According to IRI, Sabra's value market share of the total refrigerated flavored spreads category in the 12 weeks ended on October 5, 2014 was 29.1% (Number 1 in the market), compared to 28.8% in the corresponding period last year. Sabra's value market share of the hummus category in the same period was 62.1%, compared to 62.4% last year

In the same period, according to IRI, Sabra led approximately 39% of the growth of the refrigerated flavored spreads category and approximately 67% of the growth of the hummus category.

In October 2014 the expansion of the hummus production facility in Virginia was completed, following which production capacity increased considerably and new technological capabilities were acquired. As at the date of publication of the report, the addition to the plant is in the running-in phase.

Sales

Sabra's sales grew by approximately NIS 74 million in the first nine months of 2014 compared to the corresponding period last year. Shekel sales were adversely impacted by the erosion of the average exchange rate of the US Dollar versus the Shekel (4.0%) in the period. Sales growth in the nine months excluding the currency impact amounted to 13.0% compared to last year.

In the third quarter Sabra's sales increased by approximately NIS 20 million compared to the corresponding quarter last year. Shekel sales were adversely impacted by the erosion of the average exchange rate of the US Dollar versus the Shekel (1.9%) in the third quarter of 2014. Sales growth in the quarter excluding the currency impact amounted to 8.3% compared to last year.

Operating profit

In the first nine months the operating profit increased by NIS 26 million, with 1.7% improvement in the operating profit margin compared to the corresponding period last year.

In the third quarter of 2014 the operating profit grew by NIS 10 million, with 1.9% improvement in the operating profit margin compared to the corresponding quarter last year. The growth in the operating profit is mainly explained by the growth in sales volumes, various continuing streamlining processes in production and timing differences in marketing expenses, with a partial set-off against an increase in sesame prices.

Obela

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

Sales

Obela's sales in the first nine months of 2014 amounted to NIS 50 million, compared to NIS 47 million in the corresponding period last year. Sales growth in the period excluding the currency impact amounted to 19.3% compared to last year. The average exchange rate of the Australian Dollar and the Mexican Peso in the first nine months of 2014 was eroded versus the Shekel by 10.3% and 7.3%, respectively.

In the third quarter Obela's sales amounted to NIS 18 million, compared to NIS 15 million in the corresponding quarter last year. Sales growth in the quarter excluding the currency impact amounted to 26.9% compared to last year. The average exchange rate of the Australian Dollar and the Mexican Peso in the third quarter of 2014 was eroded versus the Shekel by 0.9% and 3.5%, respectively.

The non-GAAP operating loss totaled NIS 30 million in the first nine months, compared to NIS 27 million in the corresponding period last year.

The non-GAAP operating loss in the third quarter amounted to approximately NIS 10 million, compared to approximately NIS 8 million last year.

Other Operations

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

Strauss Water

Strauss Water China continues to implement its expansion strategy in the Chinese market. As at the date of publication of this report, the company sells a variety of Strauss Water products in over fifty cities in China.

In November 2013 Strauss Water launched another innovative appliance in the Israeli market, the Tami4 Bubble Bar, which, besides hot and cold water, also dispenses carbonated water. The appliance is a technological breakthrough in the water bar category and is the only one of its kind which dispenses a single-press serving of carbonated water. In January 2014 the full launch of the appliance in the domestic market was initiated, in addition to the Tami4 Primo and Tami4 Family models, which complement the product line for the Israeli market.

In the current quarter Strauss Water launched two new products in China, based on the Maze technology which is used to filter and purify water in appliances sold in the Chinese market. The products expand the existing product line and offer a solution in the category of under-sink water filtration systems and floor standing systems, as distinct from countertop appliances.

In the first nine months of 2014 Strauss Water's sales amounted to approximately NIS 408 million compared to NIS 344 million in the corresponding period last year, an increase of 18.7%.

In the third quarter of the year Strauss Water's sales totaled approximately NIS 135 million compared to NIS 126 million in the corresponding quarter last year, an increase of 7.3%.

Growth in the first nine months and third quarter of the year originated in the domestic market and the international operation while expanding the customer base, particularly in the private sector.

The Company is presently reviewing a change in the structure of the operation in China. Had the change been implemented in the first nine months and third quarter of 2014, the Group's sales in its non-GAAP reports would have been approximately NIS 44.5 million and NIS 6 million lower, respectively, coupled with a negligible impact on its profit and GAAP reports.

Max Brenner

At the date of this report, fifty-four Max Brenner Chocolate Bars are in operation in Israel and around the world (forty-nine under franchise and five owned by the Company (in the USA: New York, Philadelphia, New Jersey, Boston and Maryland). The Max Brenner locations are spread throughout Australia (38), Israel (6), the USA (5), Singapore (2), Japan (2) and Russia (1).

In the first nine months of 2014 Max Brenner's sales totaled approximately NIS 79 million compared to NIS 86 million last year, a decrease of 7.1%. Shekel sales were adversely impacted by the erosion of the average exchange rate of the US Dollar versus the Shekel in the first nine months (4.0%). Excluding the currency impact and the closing of the Las Vegas location in the reported period, Max Brenner's sales grew by 5.8% compared to the corresponding period in 2013.

In the third quarter Max Brenner's sales totaled approximately NIS 27 million compared to NIS 30 million in the corresponding period last year, a decrease of 9.2%. Shekel sales were adversely impacted by the erosion of the average exchange rate of the US Dollar versus the Shekel in the quarter (1.9%) compared to last year. Excluding the currency impact and the closing of the Las Vegas location, Max Brenner's sales grew by 6.7% compared to the corresponding quarter last year.

EXPOSURE TO MARKET RISKS AND THE MEANS FOR THEIR MANAGEMENT

Description of the market risks to which the Company is exposed

The Company operates in categories that are by nature basic and stable; however, there are several factors and trends that are liable to influence both the scope and profitability of the Company’s business. For a description of the market risks to which the Group is exposed, see section 30 in the Description of the Corporation's Business as at December 31, 2013 (Discussion on Risk Factors), and the section "Changes in the Economic Environment" in this chapter.

The Company's policy for managing market risks, those responsible for their management, supervision and realization of policy

Commodities procurement

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

The procurement of green coffee in Brazil is carried out by the local management of Três Corações[1] according to internal procedures determined by Três Corações' board of directors, and is the responsibility of the procurement, export and financial managers of Três Corações.

The Group also has a committee for the management of commodities exposure for its operation in Israel. The committee is managed by the EVP Finance, Israel.

Financial liabilities, financial investments, currency exposure, Index and interest exposure

As mentioned, the Company has long-term liabilities, primarily in Shekels, partly Index-linked and partly at fixed interest rates, loans denominated in foreign currency – part of which at varying interest rates, and is exposed to future cash flows in currencies that differ from the functional currencies of the subsidiaries. To protect the Company from exposure to fluctuations in foreign currency exchange rates, Index and interest rates, the Company occasionally executes hedging transactions for partial coverage using forward contracts, futures contracts on Index rates, and futures contracts and option contracts on interest rates and the various currency exchange rates.

The Company's policy is to match, to the greatest extent possible, assets and liabilities in the same currency, using financial derivatives when they are available and advantageous.

In its international activity the Company does not regularly hedge the measurement basis of the results of its operations or its statement of financial condition against changes arising from the various currency exchange rates in relation to the Shekel.

The Company has committees that manage the risks relating to interest rates, currency exposure, financial investments etc., in which all the relevant professional people in the Company participate.

The hedging and investment activities are executed by the Group's Financial Department in Group Corporate Center and are the responsibility of Strauss Coffee's CFO in all aspects relating to the coffee business, and of the Group EVP Finance in regard to the business of the Group as a whole.

Customer credit

With respect to its activity in Israel, the Company has credit committees that convene periodically to determine the amount of credit recommended for its various customers and the required level of their collateral, including the necessity of purchasing external credit insurance. The Company also monitors the implementation of these recommendations. The credit committees are managed by the CFO and VP Sales of Strauss Israel and include the participation of the Group CFO and the Manager of its Financing and Risk Management Department. In the coffee business credit committees convene periodically, and credit control is carried out by the CFOs and CEOs in the various countries and is their responsibility, under the master control of Strauss Coffee's CFO and the Manager of the Group's Financing and Risk Management Department, who sits on the credit committees of the coffee companies from time to time. In Brazil the risks are controlled by the management of 3C according to the policy approved by the company's board of directors.

VALUATIONS

In the reported period the Company performed valuations to determine the recoverable amount of cash yielding units to which the balance of goodwill and intangibles with indefinite lifetime are attributed. Following are the necessary data relating to these valuations according to section 8B(i) of the Securities Regulations (Periodic and Immediate Reports), 1970 (financial data are in NIS millions as at the valuation date) for the reported period:

							Assumptions applied in performing the valuation

1) Três Corações (3C) – Brazil – a company jointly held by the Group (50%) and by the São Miguel Group (50%) (data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Identity of valuation subject	Timing of valuation	Value of valuation subject immediately preceding valuation	Value of valuation subject according to valuation	Identity of appraiser (2)	Valuation model used by appraiser	Capitalization rate pre-tax	Permanent growth rate	% terminal value	Prices serving as basis for comparison	Number of bases for comparison
Goodwill and intangibles with indefinite lifetime attributed to a subsidiary in Russia	Sept. 2014	544	597	External	DCF	13.35%	0%	55%	N/A	N/A

1) Assumptions regarding standard deviation are irrelevant to these valuations.

2) The valuation was performed by Einat Shperling, CPA, a partner in EY Israel's Valuations Department, BA in Economics & Management from the Technion, Haifa, and MBA from Tel Aviv University, 13 years' experience in valuations. The Company undertook to indemnify the appraiser with respect to any compensation imposed on her with respect to a third party in connection with the opinion, including losses and expenses relating to legal representation, save and except if she had acted fraudulently. The appraiser's total liability is limited to the amount of the fees she was paid.

ASPECTS OF CORPORATE GOVERNANCE

General

The Board of Directors of the Company has adopted the recommendations in the Goshen Committee Report and acts in accordance with these recommendations. For further information, see the Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure pursuant to Regulation 38 C (a).

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 (Chair) (external director), Dalya Lev, CPA (independent director), Meir Shanie, Prof. Arie Ovadia and Dr. Michael Anghel (external director). All possess accounting and financial qualifications and the ability to read and understand financial statements in view of their many years' experience and academic education in the financial field. For additional information on the qualifications, experience and education of the Committee members, see Article 26 in the chapter "Additional Information on the Company" in the 2013 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:

- 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 reported 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 20, 2014 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 with the exception of Meir Shanie, Ofra Strauss and Adi Strauss as observers, Shachar Florence - Company EVP Finance, Michael Avner - CLO, the Company's financial team, the Company Auditor and the Internal Auditor. After the discussion was completed, the Committee recommended to the Board of Directors that the financial statements for the third quarter of 2014 be approved.

- At the meeting of the Board of Directors on November 25, 2014 the Board discussed the recommendation of the Financial Statements Review Committee to approve the financial statements of the Company as at September 30, 2014. The Board of Directors received an update from Company Management that no event or matter had occurred, which were 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. In this respect, the Board of Directors has determined that a reasonable time for forwarding materials prior to a Board meeting in which quarterly or annual financial statements are to be approved is at least four business days. 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's financial team and the Company Auditor.

- The EVP Finance and the Corporate Center CFO hold meetings from time to time with the Chair of the Financial Statements Review Committee on subjects related to financial and accounting issues that are relevant to the Company. Before the financial statements as at September 30, 2014 were approved a meeting was held by the EVP Finance and Corporate Center CFO with the Chair of the Financial Statements Review Committee to discuss material issues that arose during the preparation of the quarterly financial statements.

- Before the financial statements are approved the draft quarterly financial statements are forwarded to the Committee members and the rest of the members of the Board of Directors for their review. The draft financial statements of the Company were forwarded to the members of the Board for their review seven 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 about two business days prior to the date of approval of the quarterly financial statements of the Company.

- After the Board of Directors was satisfied that the financial statements accurately reflect the Company's condition and the results of its operations, the Board of Directors resolved to approve the financial statements of the Company for the third quarter of 2014.

INTERESTED PARTY TRANSACTIONS

Further to the contents of the Board of Directors' Report as at December 31, 2013, purchases from Ramat Hagolan Dairies in the reported period amounted to approximately NIS 14.8 million (for the nine months in 2013: NIS 13.7 million), and purchases of advertising services from Reshet Noga Communications amounted to NIS 7.2 million (for the nine months in 2013: NIS 15.6 million).

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, 2014

		Debentures Series B	**Debentures Series D***
A.	Nominal/par value	595	465
B.	Par value linked to the Consumer Price Index	721	465
C.	Book value of Debentures	720	481
D.	Book value of interest payable	5	-
E.	Market value	776	522

* Including the expansion of Debentures Series D. For further information, see Note 4.3 to the consolidated interim financial statements as at September 30, 2014.

LIABILITY REPORT ACCORDING TO PAYMENT DATES

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

MATERIAL EVENTS IN THE REPORTED PERIOD

For a review of material events occurring in the reported period, see Note 4 to the consolidated interim financial statements as at September 30, 2014.

POST STATEMENT OF FINANCIAL CONDITION DATE EVENTS

For a review of events occurring after the date of the statement of financial condition, see Note 9 to the consolidated interim financial statements as at September 30, 2014.

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

Ofra Strauss	Gadi Lesin
Chairperson of the Board	Chief Executive Officer

November 25, 2014