STRAUSS GROUP LTD.
BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

PRINCIPAL INFORMATION FROM THE DESCRIPTION OF THE CORPORATION'S BUSINESS

For information on the corporation's operations and a description of the development of its business – see section 1 in the chapter "Description of the Corporation's Business".

For information on the corporation's areas of activity – see section 2 in the chapter "Description of the Corporation's Business".

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 approaches.

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 in local currency 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.

In International Dips and Spreads, as a rule, there are no significant seasonal effects, but in summer months consumption of these products is slightly higher compared to their consumption in winter. Additionally, on public holidays and special occasions such as end-of-the-year celebrations, Independence Day, National Memorial Day, Labor Day and the Super Bowl championship, consumption increases.

Income in the water business is also influenced by seasonality, as the demand for cold water solutions increases in the summer. Usually, the third quarter each year is characterized by greater activity volumes than the other quarters. In 2014 seasonal effects on water sales in Israel were influenced by Operation Protective Edge as well as by sales growth outside of Israel. In 2013 the seasonality of sales was impacted by sales growth outside of Israel and by the launch of the Bubble Bar in Israel.

CHANGES IN THE ECONOMIC ENVIRONMENT

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. As opposed to the corresponding period last year, 2014 was characterized by increases in the average yearly prices of some of the raw materials used by the Company such as green coffee, cocoa and sesame, along with increases in some of the other production inputs such as municipal rates and taxes. By contrast, the average yearly prices of sugar, oil, raw milk (target price) and grains (wheat and corn) decreased.

The Group is taking steps to reduce the impacts arising as a result of commodity price volatility, including hedging, changes in the materials mix and operational streamlining.

Regulatory developments in input prices – The Group is influenced by regulatory changes occurring from time to time with respect to wages, the price of raw milk and water quotas, which constitute a major part of its inputs.

In 2011 a general collective agreement was signed for the revision of the minimum wage in Israel. In accordance with the agreement, the Company raised the minimum wage twice (in October 2012 and July 2013). In January 2015 the Minimum Wage Law (Increase in the Minimum Wage – Temporary Order), 2015 (the "Temporary Order") received legislative approval in accordance with another agreement that was signed, pursuant whereto the minimum monthly wage will be increased in three installments between the years 2015 and 2017, from NIS 4,300 to NIS 5,000. According to this guideline, the minimum monthly wage will increase to NIS 4,650 on April 1, 2015; to NIS 4,825 on August 1, 2016; and on January 1, 2017 the monthly minimum wage will be NIS 5,000. The Temporary Order has no material impact on the Group.

Energy prices – In the past few years through to the first half of 2014, energy prices were relatively stable, with a rise as a result of an increase in world demand as well as geopolitical changes. In mid-2014 oil prices dropped dramatically, with the decrease gaining momentum toward the end of the year and continuing, at lesser intensity, in 2015. The drop in energy prices has a direct impact on the costs of production, transport and raw materials, as well as on packaging costs. This impact has not yet been significantly expressed in the financial statements of the Company as at December 31, 2014. Conversely, the drop in energy prices has indirect influences, such as a strong correlation between the decrease in oil prices and the weakening of the Russian Ruble against the Dollar (additional information on the subject is presented below).

Exchange rate fluctuations – In some countries where it is active the Group operates as an importer, mainly in the procurement of raw materials. Most of the currency exposure in these countries arises from the exchange rate between the US Dollar and the local currencies. Any strengthening of the Dollar raises the prices of raw materials and *vice versa*. Financial assets and liabilities are mainly held in the functional currencies, and consequently the impact of changes in exchange rates on profit or loss is lower. Any strengthening of the Shekel versus the Group's functional currencies reduces (increases) the reported profit, assets and liabilities in Shekels, and equity as a result of translation. For further information on foreign exchange risk, see also Note 30.4 to the financial statements as at December 31, 2014. In the course of 2014 most of the currencies in the countries where the Group is active weakened in relation to the Shekel, principally the Russian Ruble and the Ukrainian Hryvnia. Conversely, the Dollar strengthened versus the Shekel. For an analysis of the impact on the Group's sales, see further on in this report. The changes in the exchange rates of the various currencies, compared to the corresponding period last year, led to a decrease 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 shareholders' equity of the Group.

The political crisis in Ukraine – Due to the crisis and the complex relationship between Russia and the West, the Dollar appreciated significantly against the Ukrainian and Russian currencies since the beginning of 2014 and thereafter, compared to the end of 2013 (approximately 183% and 83%, respectively, on or about the date of publication of this report). In an effort to stem the continued devaluation of the Ruble, the Central Bank of Russia raised the interest rate a number of times in 2014, from 5.5% to 17%, and since the beginning of 2015 the interest rate has been lowered to 14% (the interest rate on or about the date of publication of this report).

The Group is unable to predict future developments in the currency markets, but is taking the necessary steps, according to the best of its judgment, to be prepared for the different scenarios and to deal with them in the optimal manner.

The Group continuously monitors macroeconomic developments in the markets in which it is active.

The following table presents the average exchange rates **versus the Shekel** in 2014 and in the fourth quarter, compared to the corresponding periods last year:

Currency		Average exchange rate in		% change	Avg. exchange rate in 4th quarter		% change
		2014	2013		2014	2013	
United States Dollar	USD	3.576	3.611	*-1.0*	3.829	3.526	*8.6*
Ukrainian Hryvnia	UAH	0.313	0.449	*-30.4*	0.274	0.435	*-37.2*
Russian Ruble	RUB	0.095	0.114	*-16.9*	0.082	0.109	*-24.7*
Serbian Dinar	RSD	0.040	0.043	*-4.9*	0.040	0.042	*-5.3*
New Romanian Leu	RON	1.070	1.088	*-1.6*	1.080	1.080	*0.0*
Polish Zloty	PLN	1.134	1.143	*-0.8*	1.134	1.147	*-1.1*
Brazilian Real	BRL	1.526	1.688	*-9.6*	1.510	1.555	*-2.9*
Renminbi (China)	CNY	0.581	0.587	*-1.1*	0.623	0.579	*7.6*
Canadian Dollar	CAD	3.238	3.508	*-7.7*	3.370	3.361	*0.3*
Australian Dollar	AUD	3.223	3.499	*-7.9*	3.275	2.369	*0.2*
Mexican Peso	MXN	0.269	0.283	*-5.1*	0.276	0.270	*2.1*

The following table presents the average exchange rates **versus the Dollar** in 2014 and in the fourth quarter, compared to the corresponding periods last year:

Currency		Average exchange rate in		% change	Avg. exchange rate in 4th quarter		% change
		2014	2013		2014	2013	
New Israeli Shekel	ILS	0.280	0.277	*1.0*	0.261	0.284	*-7.9*
Ukrainian Hryvnia	UAH	0.085	0.124	*-31.5*	0.071	0.123	*-42.4*
Russian Ruble	RUB	0.026	0.031	*-17.3*	0.021	0.031	*-31.7*
Serbian Dinar	RSD	0.011	0.012	*-4.1*	0.010	0.012	*-12.8*
New Romanian Leu	RON	0.299	0.301	*-0.7*	0.282	0.306	*-7.9*
Polish Zloty	PLN	0.317	0.316	*0.2*	0.296	0.325	*-8.9*
Brazilian Real	BRL	0.426	0.465	*-8.3*	0.394	0.441	*-10.5*

Inflation – In 2014 inflation in Israel was marginal at 0.1% (on the basis of the known Index), compared to 1.9% and 1.4% in 2013 and 2012, respectively. In all countries where the Group is active inflation in 2014 was single-digit, except for Russia where the CPI rose by 11.4%. The Company has Index-linked liabilities on a significant scale (Debentures Series B, bank loans and loans from institutional corporations), and consequently, changes in the inflation rate have a significant influence on the Company's financing expenses. The Company hedges against inflation at partial rates and for varying periods. For further information, see also Note 30.5 to the financial statements as at December 31, 2014.

Interest – The Bank of Israel rate of interest fell in recent years from 0.1% in December 2013 to 0.25% in September 2014. In March 2015 the interest rate dropped to 0.1%. The decrease in the rate of interest has a low impact on the Company's financing expenses, as they are mainly funded in the long term and at a fixed rate of interest. In Brazil, interest rose from 10% at the end of 2013 to 11.75% at the end of 2014, and to 12.25% on or about the date of publication of this report. In Russia, the rate of interest rose from 5.5% at the end of 2013 to 17% at the end of 2014 with the aim of stemming the significant devaluation of the Russian Ruble and as reflected by the rise in inflation. In 2015 and on or about the date of publication of the report, the interest rate in Russia dropped to a level of 14%. In the other major countries where the Group operates, interest was single-digit and on a declining trend. The Group has floating interest loans, particularly in the Real and Dollar. The Group has Shekel and other short-term bank deposits, and the decrease in Shekel interest has reduced financing income in their respect.

It is noted that the above factors are likely to continue to influence the Group's business operations and financial results in the future as well. The extent of this influence, if any, depends, among other things, on the intensity of events, their scale and duration, and on the Group's ability to contend with them. For further information, see also Note 30.2 to the financial statements as at December 31, 2014.

Operation Protective Edge – In July-August 2014 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 despite the situation in the region. In spite of 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 military operation did not significantly impact the Group's business results in 2014.

Regulation in the food industry

Following the public, political and economic debate in the past few years regarding the cost of living in Israel, various government bodies and committees appointed on their behalf began to examine the subject and to formulate legislative recommendations and arrangements relating, among other things, to 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 recommendations of the Price Committee and according to the decisions of the Ministers of Finance and Agriculture, commencing in 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%.

In March 2014 the Knesset approved the Promotion of Competition in the Food Sector Law, 2014 (hereinafter: the "Food Law"), its goal being 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 parties operating in the market, by granting the Antitrust Commissioner enforcement powers and by imposing the obligation to publish prices. The law determines, *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 (in this regard, the Antitrust Commissioner has exempted most of the large retailers from switching to their own arrangement operation in respect of 2015); large suppliers are prohibited from intervening with retailers regarding retail prices charged 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 total shelf space in the store that exceeds 50%; the Antitrust Commissioner is granted the power to determine the shelf space a retailer will allocate to a particular product 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 Antitrust 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 Food Law determines, *inter alia*, 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.). The provisions of the Food Law applying to the Company took effect on January 15, 2015.

In the reporting period a provision for impairment in respect of deferred expenses in an amount of NIS 32 million (NIS 20 million net of tax and non-controlling interests) was recorded, classified under other expenses in the consolidated statements of income.

To prepare for the changes arising as a result of the Food Law, the Group established a cross-divisional project for the management and assimilation of the Food Law, headed by a Strauss Group Management steering committee. In December 2014 the Company made all process and structural changes required, among other things by revising trade agreements with retailers, implementing an internal enforcement program and providing relevant training to all employees. As at the date of publication of this report, independent store arrangement by the retailers is being done in dry and refrigerated products in the Supersol, Mega, Co-Op Shop and Yenot Bitan chains, and at one Machsaney Hashuk outlet.

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

Other than as described below, as at the end of the fourth 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. For further information, see also Note 30 to the financial statements and section 30 in the chapter "Description of the Corporation's Business", in the discussion of risk factors.

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 the practice until then, 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 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 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 holding in the subsidiaries and the jointly owned companies as reported in the past.

In the reporting period Strauss Group has a number of jointly controlled companies: Três Corações Joint Venture (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:

Following are the condensed results of business operations (based on the Company's non-GAAP management reports) for the years and quarters ended December 31, 2014 and 2013 (in NIS millions)*:

	Year			Fourth Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Sales	**8,140**	**8,143**	***0.0***	**2,080**	**2,074**	***0.3***
Cost of sales	5,021	5,029	*(0.2)*	1,330	1,276	*4.2*
Gross profit	**3,119**	**3,114**	***0.1***	**750**	**798**	***(6.0)***
% of sales	38.3%	38.2%		36.1%	38.5%	
Selling and marketing expenses	1,939	1,896	*2.3*	503	513	*(1.9)*
General and administrative expenses	434	449	*(3.3)*	104	127	*(17.5)*
Operating profit	**746**	**769**	***(3.1)***	**143**	**158**	***(10.1)***
% of sales	9.2%	9.4%		6.8%	7.6%	
Financing expenses, net	(83)	(134)	*(38.3)*	(13)	(32)	*(59.9)*
Income before taxes on income	**663**	**635**	***4.4***	**130**	**126**	***2.7***
Taxes on income	(174)	(190)	*(8.2)*	(20)	(26)	*(24.8)*
Effective tax rate	26.2%	29.8%		15.1%	20.6%	
Income for the period	**489**	**445**	***9.8***	***110***	***100***	***9.9***
Attributable to: **The Company's shareholders**	**371**	**329**	***12.6***	**84**	**70**	***18.4***
Non-controlling interests	118	116	*1.7*	26	30	*(10.8)*

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

[1] Três Corações(3C) – 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%) unless stated otherwise).

Following are the condensed results of business operations (based on non-GAAP management reports) of the major business sectors for the years and quarters ended December 31, 2014 and 2013 (in NIS millions)*:

	Year			Fourth Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Israel						
Net sales	2,972	3,000	*(0.9)*	683	746	*(8.4)*
Operating profit	315	315	*0.0*	64	67	*(4.1)*
Coffee						
Net sales	3,825	3,944	*(3.0)*	1,032	1,009	*2.4*
Operating profit	348	403	*(13.8)*	56	85	*(34.9)*
International Dips and Spreads						
Net sales	683	600	*13.9*	192	148	*30.1*
Operating profit	75	57	*31.2*	18	11	*59.2*
Other						
Net sales	660	599	*10.0*	173	171	*0.1*
Operating profit (loss)	8	(6)		5	(5)	
Total						
Net sales	**8,140**	**8,143**	***0.0***	**2,080**	**2,074**	***0.3***
Operating profit	**746**	**769**	***(3.1)***	**143**	**158**	***(10.1)***

Following are the condensed financial accounting statements of income (GAAP) for the years and quarters ended December 31, 2014 and 2013 (in NIS millions)*:

	Year			Fourth Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Sales	**5,415**	**5,605**	***(3.4)***	**1,364**	**1,451**	***(6.0)***
Cost of sales excluding impact of hedging transactions	3,296	3,401	*(3.1)*	869	887	*(2.0)*
Valuation of balance of commodity hedging transactions as at end of period	22	(12)		27	(20)	
Cost of sales	3,318	3,389	*(2.1)*	896	867	*3.4*
Gross profit	**2,097**	**2,216**	***(5.4)***	**468**	**584**	***(20.0)***
% of sales	38.7%	39.5%		34.3%	40.3%	
Selling and marketing expenses	1,318	1,341	*(1.7)*	327	355	*(7.8)*
General and administrative expenses	339	346	*(2.2)*	83	102	*(18.8)*
Total expenses	**1,657**	**1,687**		**410**	**457**	
Share of profit of equity-accounted investees	219	175		49	39	
Operating profit before other expenses	**659**	**704**	***(6.5)***	**107**	**166**	***(36.3)***
% of sales	12.2%	12.6%		7.8%	11.5%	
Other expenses, net	(114)	(94)	*21.1*	(55)	(77)	*(28.5)*
Operating profit after other expenses, net	**545**	**610**	***(10.8)***	**52**	**89**	***(43.0)***
Financing expenses, net	(67)	(114)	*(41.3)*	(8)	(27)	*(72.9)*
Income before taxes on income	**478**	**496**	***(3.8)***	**44**	**62**	***(30.0)***
Taxes on income	(144)	(165)	*(13.0)*	(11)	(16)	*(33.2)*
Effective tax rate	30.1%	33.4%		24.5%	25.7%	
Income for the period	**334**	**331**	***0.9***	**33**	**46**	***(28.9)***
Attributable to: **The Company's shareholders**	**235**	**234**	***0.6***	**20**	**25**	***(15.2)***
Non-controlling interests	99	97	*1.5*	13	21	*(43.5)*

**** Financial data were rounded 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):

	2014			2013			Fourth Quarter 2014			Fourth Quarter 2013		
	Equity method	Change	Propor-tionate consoli-dation method (formerly applied)	Equity method	Change	Propor-tionate consoli-dation method (formerly applied)	Equity method	Change	Propor-tionate consoli-dation method (formerly applied)	Equity method	Change	Propor-tionate consoli-dation method (formerly applied)
Sales	**5,415**	**2,725**	**8,140**	**5,605**	**2,538**	**8,143**	**1,364**	**716**	**2,080**	**1,451**	**623**	**2,074**
Cost of sales excluding impact of hedging transactions	3,296	1,725	5,021	3,401	1,628	5,029	869	461	1,330	887	389	1,276
Valuation of balance of commodity hedging transactions as at end of period	22	-	22	(12)	-	(12)	27	1	28	(20)	-	(20)
Cost of sales	3,318	1,725	5,043	3,389	1,628	5,017	896	462	1,358	867	389	1,256
Gross profit	**2,097**	**1,000**	**3,097**	**2,216**	**910**	**3,126**	**468**	**254**	**722**	**584**	**234**	**818**
% of sales	38.7%		38.0%	39.5%		38.4%	34.3%		34.7%	40.3%		39.5%
Selling and marketing expenses	1,318	621	1,939	1,341	555	1,896	327	176	503	355	158	513
General and administrative expenses	339	116	455	346	121	467	83	26	109	102	29	131
Share of profit of equity-accounted investees	219	(219)	-	175	(175)	-	49	(49)	-	39	(39)	-
Operating profit before other expenses	**659**	**44**	**703**	**704**	**59**	**763**	**107**	**3**	**110**	**166**	**8**	**174**
% of sales	12.2%		8.6%	12.6%		9.4%	7.8%		5.3%	11.5%		8.4%
Other expenses, net	(114)	(7)	(121)	(94)	(6)	(100)	(55)	(3)	(58)	(77)	(4)	(81)
Operating profit after other expenses	**545**	**37**	**582**	**610**	**53**	**663**	**52**	**-**	**52**	**89**	**4**	**93**
Financing expenses, net	(67)	(16)	(83)	(114)	(20)	(134)	(8)	(5)	(13)	(27)	(5)	(32)
Income before taxes on income	**478**	**21**	**499**	**496**	**33**	**529**	**44**	**(5)**	**39**	**62**	**(1)**	**61**
Taxes on income	(144)	(21)	(165)	(165)	(33)	(198)	(11)	5	(6)	(16)	1	(15)
Effective tax rate	30.1%		33.1%	33.4%		37.5%	24.5%		14.2%	25.7%		24.6%
Income for the period	**334**	**-**	**334**	**331**	**-**	**331**	**33**	**-**	**33**	**46**	**-**	**46**
Attributable to: The Company's shareholders	**235**	**-**	**235**	**234**	**-**	**234**	**20**	**-**	**20**	**25**	**-**	**25**
Non-controlling interests	99	-	99	97	-	97	13	-	13	21	-	21

**** Financial data were rounded 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, valuation of hedging transactions, other expenses and taxes referring to these adjustments)*:***

	Year			Fourth Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Operating profit – according to proportionate consolidation method – after other expenses (income)	**582**	**663**	***(12.3)***	**52**	**93**	***(44.9)***
Share-based payment	21	18		5	4	
Valuation of balance of commodity hedging transactions as at end of period	22	(12)		28	(20)	
Other expenses, net	121	100		58	81	
Operating profit – non-GAAP	**746**	**769**	***(3.1)***	**143**	**158**	***(10.1)***
Financing expenses, net	(83)	(134)		(13)	(32)	
Taxes on income	(165)	(198)		(6)	(15)	
Taxes in respect of adjustments to the above non-GAAP operating profit	(9)	8		(14)	(11)	
Income for the period – non-GAAP	**489**	**445**	***9.8***	**110**	**100**	***9.9***
Attributable to: The Company's shareholders	**371**	**329**	***12.6***	**84**	**70**	***18.4***
Non-controlling interests	118	116	*1.7*	26	30	*(10.8)*

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

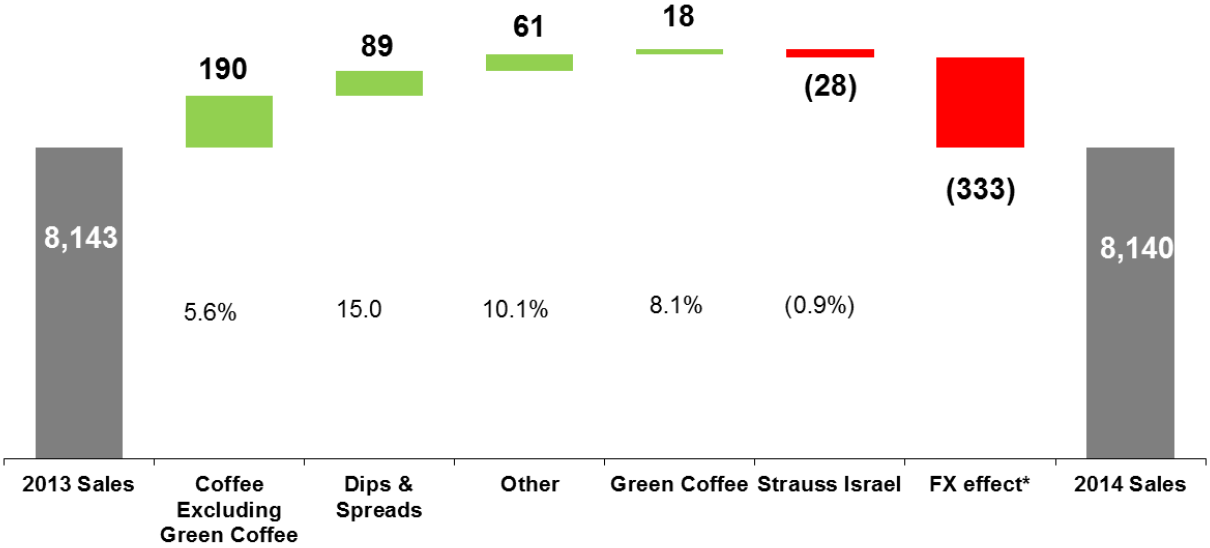
ANALYSIS OF THE BUSINESS RESULTS OF THE GROUP

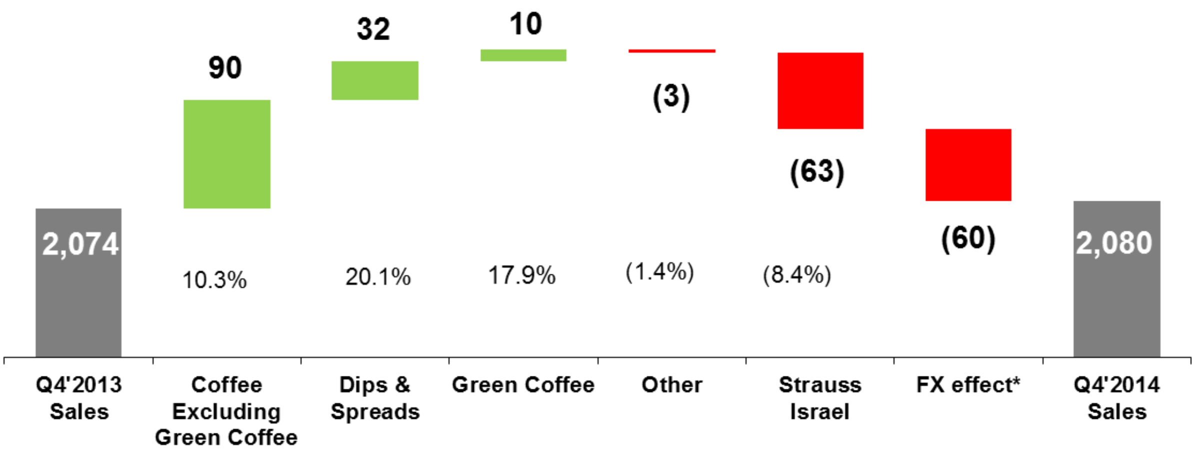
Sales – non-GAAP

	Year		Fourth Quarter	
	2014	**2013**	**2014**	**2013**
Sales	8,140	8,143	2,080	2,074
Growth	0.0%	(0.5%)	0.3%	(1.4%)
Organic growth excluding currency impact	4.2%	4.8%	2.8%	5.4%

Organic growth (excluding the currency impact) of the Group's sales in 2014 and in the fourth quarter of the year amounted to 4.2% and 2.8%, respectively.

In 2014 the Group's sales decreased by approximately NIS 3 million, and in the fourth quarter increased by approximately NIS 6 million. 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 (exchange rate impact) on the Group's sales:





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

Similar to prior periods, the Group's sales in 2014 and in the fourth quarter of the year, and particularly sales by Strauss Coffee, were impacted by differences arising from translation into Shekels, which amounted to approximately NIS 333 million and NIS 60 million, respectively. Translation differences in 2014 included approximately NIS 156 million as a result of the erosion of exchange rates in Russia and Ukraine versus the Shekel, and NIS 154 million due to the erosion of average rate of the Brazilian Real versus the Shekel. In the fourth quarter the Group's sales were impacted by approximately NIS 61 million due to the currency erosion in Russia and Ukraine, and NIS 12 million due to the currency erosion in Brazil, versus the Shekel; with the offset of the beneficial influence of the strengthening of the Dollar against the Shekel by approximately NIS 12 million.

Excluding the currency impact, in 2014 the Group's sales grew by approximately NIS 330 million compared to the corresponding period last year. In the fourth quarter the Group's sales increased by approximately NIS 66 million compared to the corresponding period. Sales growth in local currency was the result of the following factors:

- Growth in sales by the International Dips and Spreads operation (in 2014 and in the fourth quarter, an increase of approximately NIS 89 million and NIS 32 million, respectively), which is mainly the result of growth in sales by Sabra, reflecting continuing significant volume growth in hummus sales as well as growth in guacamole sales;
- Growth in sales by the "Other" segment (in 2014 an increase of approximately NIS 61 million, whereas in the fourth quarter sales decreased by NIS 3 million). The growth in sales in 2014 is mainly due to growth in Strauss Water as a result of growth in the domestic market and international sales growth, while expanding the customer base, mainly in the private sector; Strauss Water's sales in the fourth quarter remained virtually unchanged compared to the corresponding quarter last year, mainly as a result of rationalization of the product mix in the international operation;
- Growth in sales by the coffee business, not including green coffee and excluding the currency impact (in 2014 and in the fourth quarter an increase of approximately NIS 190 million and NIS 90 million, respectively), which is mainly due to the growth in sales by Três Corações Joint Venture and reflects Strauss Coffee's share (50%). In local currency, these sales grew by approximately 16.7% and 17.3% in 2014 and in the fourth quarter, respectively, compared to the corresponding periods last year (Três Corações Joint Venture's sales in local currency, including green coffee, grew by 15.4% and 17.4% in the year and in the quarter, respectively);
- Green coffee export sales by Três Corações Joint Venture increased by NIS 18 million in 2014 compared to the corresponding period last year, reflecting Strauss Coffee's share (50%). In the fourth quarter, sales increased by NIS 10 million compared to the corresponding quarter in 2013. Growth was mainly influenced by a rise in green coffee prices compared to the corresponding period last year;
- Conversely, sales by Strauss Israel decreased (by approximately NIS 28 million and NIS 63 million in the year and in the quarter, respectively) as a result of a significant weakening of the entire food and beverage market during the year and particularly in the second half, as well as of stronger competitive dynamics. Additionally, the fourth quarter was adversely affected by the timing of Rosh Hashanah and the High Holidays compared to the corresponding quarter last year (loss of 4 selling days in dry products (especially Fun & Indulgence) or 6% of the total selling days in the quarter; and of 2 selling days in refrigerated products or 2.5% of total selling days).
- 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

	Year			Fourth Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Gross profit	3,119	3,114	*0.1*	750	798	*(6.0)*
Gross profit margin	38.3%	38.2%		36.1%	38.5%	

The Group's non-GAAP gross profit in 2014 grew by approximately NIS 5 million compared to last year. The aggregate gross profit of the International Dips and Spreads business and the Other Operations segment increased by NIS 59 million, mainly due to Sabra. On the other hand, the gross profit of the coffee business decreased by NIS 39 million, mainly as a result of translation differences into Shekels following the weakening of the Real, Ruble and Hryvnia against the Shekel as described above. In the Israel operation the gross profit decreased by approximately NIS 15 million, mainly following the drop in sales and an increase in the prices of some raw materials, which were partly offset by various streamlining processes in production.

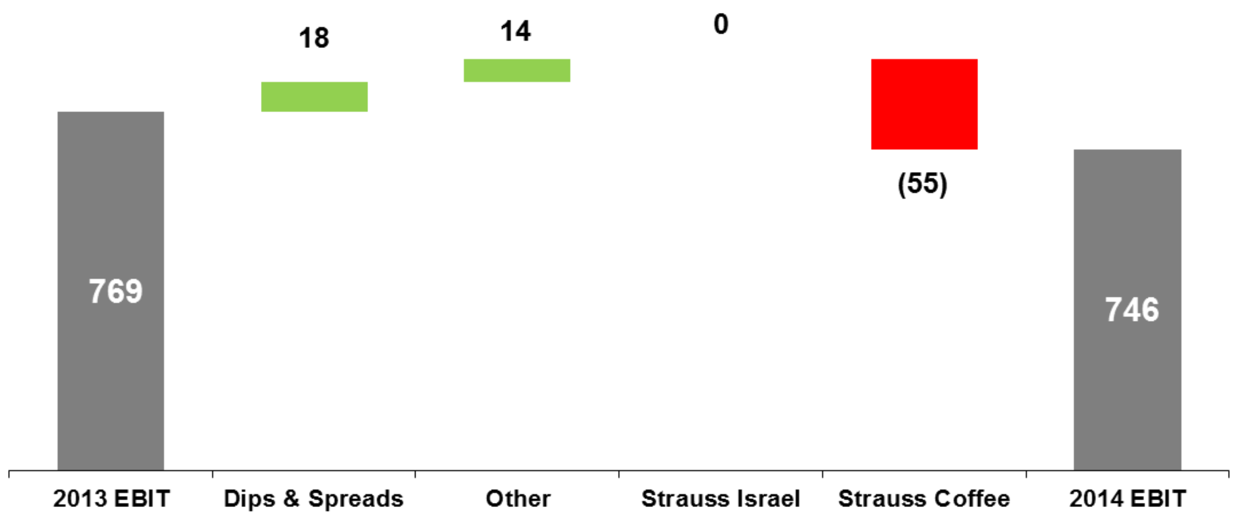
The Group's non-GAAP gross profit in the fourth quarter of 2014 decreased by approximately NIS 48 million compared to the corresponding quarter last year. In coffee, the gross profit decreased by NIS 37 million, mainly as a result of the sharp devaluation of the domestic currencies in Russia and Ukraine against the Dollar (the currency in which green coffee is bought in all countries where the Group is active except for Brazil), which led to an effective rise in the cost of sales in the former-USSR countries. The decrease is also explained by translation differences into Shekels, mainly as a result of the weakening of the Real, Ruble and Hryvnia against the Shekel, and also due to the increase in green coffee prices. In the Israel operation the gross profit decreased by approximately NIS 33 million, mainly following the drop in sales and an increase in the prices of some raw materials. Conversely, the aggregate gross profit of the International Dips and Spreads operation and the Other Operations segment increased by approximately NIS 22 million, mainly as a result of Sabra.

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 Income (Expenses) – Non-GAAP

	Year			Fourth Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Operating profit (EBIT)	746	769	*(3.1)*	143	158	*(10.1)*
Operating profit margin	9.2%	9.4%		6.8%	7.6%	

The non-GAAP operating profit (EBIT) in 2014 decreased by approximately NIS 23 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 sectors:

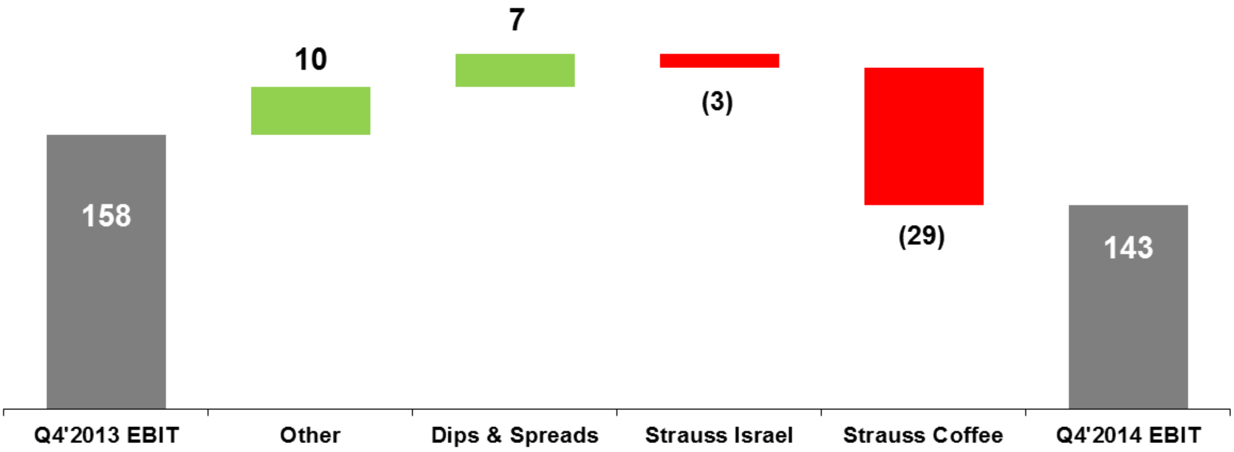


The decrease in the Group's EBIT in 2014 was the result of the drop in the operating profit of the coffee business. The decrease reflects the impact of translation differences as described above, as well as the erosion of the exchange rates of the Russian Ruble and the Ukrainian Hyrvnia versus the Dollar, which grew more extreme in the fourth quarter of the year. The decrease in EBIT also reflects an overall impact of approximately

NIS 51 million on the operating profit of Três Corações Joint Venture in respect of the activity of the TRES solution, 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%)). In local currency, despite the investment in the TRES solution, Três Corações Joint Venture's EBIT grew from BRL 103 million to BRL 108 million, reflecting growth in sales volumes as well as price increases. By contrast, the operating profit of the International Dips and 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 as a result of various streamlining processes introduced in Strauss Water's corporate center as well as following sales growth; and Strauss Israel's operating profit remained unchanged despite the decrease in gross profit thanks to the streamlining of operating expenses.

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

The non-GAAP operating profit (EBIT) in the fourth quarter of 2014 decreased by approximately NIS 15 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 sectors:



The decrease in the Group's EBIT in the fourth quarter of 2014 was mainly the result of the drop in the operating profit of the coffee business, which was primarily due to the erosion of the exchange rates of the Russian Ruble and the Ukrainian Hyrvnia versus the Dollar that led to an effective increase in the cost of sales in the former-USSR countries. The decrease in EBIT also reflects an overall impact of approximately NIS 16 million on the operating profit of Três Corações Joint Venture in respect of the activity of the TRES solution, as mentioned above. The TRES business had a marginal impact in the corresponding period last year (data reflect Strauss Coffee's share (50%)). The drop in the operating profit of the coffee business was offset by an increase in the operating profit of the Other Operations segment, which grew mainly following various streamlining processes introduced in Strauss Water's corporate center, and by an increase in the EBIT of the International Dips and Spreads operation, which was the result of growth in sales volumes as well as of the continuation of various streamlining processes in production, and was partly offset by an increase in sesame prices and in marketing expenses.

Strauss Israel's EBIT decreased by NIS 3 million due to the drop in gross profit as described above; this was mostly offset by a decrease in operating expenses.

Further explanations on the Group's operating profit in the reporting 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 2014 amounted to NIS 83 million compared to expenses of NIS 134 last year. The decrease in financing expenses is the result of the revaluation of currency derivatives following the strengthening of the Dollar in relation to the Group's functional currencies (mainly in respect of hedges on the Dollar against the Ruble and on the Dollar against the Shekel), compared to a weakening or significantly lower increase in the corresponding period last year; as well as a decrease 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 1.9% in the corresponding period last year. The decrease in financing expenses was offset by the recording of expenses from the revaluation of Index derivatives, which reflected both the actual decrease in inflation and a sharp drop in inflation expectations.

Net financing expenses in the fourth quarter of 2014 totaled NIS 13 million compared to expenses of NIS 32 million in the corresponding quarter last year. Most of the decrease in financing expenses is due to the revaluation of currency derivatives following the strengthening of the Dollar in relation to the Group's functional currencies (mainly in respect of hedges on the Dollar against the Ruble and on the Dollar versus the Shekel) compared to a weakening or significantly lower increase in the corresponding period last year, as well as the scale of hedges, principally against the Shekel.

Net credit (according to the proportionate consolidation method) as at December 31, 2014 totaled NIS 1,688 million compared to NIS 1,475 million on December 31, 2013.

Net credit (according to the equity method) as at December 31, 2014 totaled NIS 1,506 million compared to NIS 1,364 million on December 31, 2013.

Taxes on Income – Non-GAAP

In 2014 taxes on income (non-GAAP) amounted to NIS 174 million, reflecting an effective tax rate of 26.2%, whereas last year taxes on income amounted to NIS 190 million and the effective tax rate was 29.8%.

In the fourth quarter taxes on income (non-GAAP) amounted to NIS 20 million, reflecting an effective tax rate of 15.1%, whereas in the corresponding period last year taxes on income amounted to NIS 26 million and the effective tax rate was 20.6%.

The decrease in the effective tax rate in 2014 and in the fourth quarter of the year compared to corresponding periods is the result of the profit mix for tax purposes between the companies in the different countries, and of income from deferred taxes in subsidiaries recorded for the first time.

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

	Year			**Fourth Quarter**		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Income attributable to the Company's shareholders	371	329	*12.6*	84	70	*18.4*
% of sales	4.6%	4.0%		4.0%	3.4%	

Non-GAAP income attributable to the Company's shareholders in 2014 increased by approximately NIS 42 million compared to last year. In the fourth quarter of the year the income attributable to the shareholders of the Company increased by approximately NIS 14 million compared to the corresponding quarter in 2013. The increase in non-GAAP income attributable to the Company's shareholders was mainly due to a decrease in the Company's non-GAAP net financing expenses, which primarily reflected income from Ruble-Dollar hedges, thus offsetting the impact of the devaluation of the Ruble versus the Dollar on the cost of sales. Additionally, the growth in income reflects the decrease in tax expenses, as described above.

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

In 2014 the GAAP comprehensive income amounted to approximately NIS 85 million, compared to comprehensive income of NIS 73 million 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 233 million compared to losses of NIS 270 million arising from translation differences in the corresponding period last year. The 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 movement in the foreign currency translation reserve.

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

Cash flows from operating activities in 2014 amounted to a positive cash flow of approximately NIS 374 million, compared to NIS 480 million last year. The decrease in cash flows from operating activities is due to the drop in operating profit before our share and to an increase in the profits of equity-accounted investees (which do not involve cash flows).

Cash flows used in investing activities in 2014 amounted to a negative cash flow of approximately NIS 210 million compared to a negative cash flow of NIS 315 million last year. Most of the change is due to the sale of securities and deposits in the period, compared to the purchase of securities and deposits in the corresponding period. By contrast, investment in intangibles increased in the current period compared to the corresponding period.

Cash flows used in financing activities in 2014 amounted to a negative cash flow of approximately NIS 164 million compared to a negative cash flow of NIS 120 million last year. The change is due to the receipt of long-term loans on a larger scale in the corresponding period, increased repayment of loans in the current period and conversely, to the distribution of a dividend last year.

The Company's cash and cash equivalents as at December 31, 2014 totaled approximately NIS 767 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 December 31, 2014 is 1.55, compared to 1.63 on December 31, 2013. On December 31, 2014 liabilities in respect of long-term loans and credit (including current maturities) amounted to NIS 2,394 million compared to NIS 2,382 million on December 31, 2013. On December 31, 2014 short-term credit (excluding current maturities) totaled NIS 3 million; on December 31, 2013 the Company had no short-term credit (excluding current maturities). On December 31, 2014 supplier credit totaled NIS 846 million, compared to NIS 769 million on December 31, 2013.

Total assets in the Company's Consolidated Statement of Financial Position on December 31, 2014 amounted to NIS 6,742 million, compared to NIS 6,634 million on December 31, 2013.

On December 31, 2014 the balance of equity attributable to the shareholders of the Company in the Company's Consolidated Statement of Financial Position totaled approximately NIS 1,823 million, compared to NIS 1,745 million on December 31, 2014.

Sources of finance – the Group finances its operations through its own sources of funding, bank credit granted by financial institutions and non-bank financial credit.

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 December 31, 2104 is 27.0%, compared to 26.3% on December 31, 2013. The net financial debt-to-EBITDA ratio as at December 31, 2014 is 1.8, compared to 1.5 on December 31, 2013 (according to the GAAP report as mentioned above). The Company is in compliance with the required financial criteria.

On June 11, 2014 the Company expanded its Series D Debentures and listed them for trading on the Tel Aviv Stock Exchange. For further information, see Note 20.2.2 to the consolidated financial statements as at December 31, 2014.

Following IFRS 11 taking 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.

In NIS millions	Year		Fourth Quarter	
	2014	2013	2014	2013
Cash flow from operating activities (proportionate consolidation method)	561	716	287	266
Acquisition of fixed assets and investment in intangibles and deferred expenses (proportionate consolidation method)(1)	564	482	109	153
Net debt balance (proportionate consolidation method) as at the report date	1,688	1,475	1,688	1,475
Depreciation and amortization (excluding impairment):	218	223	56	56
Strauss Israel:				
Health & Wellness	49	50	12	13
Fun & Indulgence	27	28	7	7
Strauss Coffee:				
Israel Coffee	11	14	4	5
International Coffee	58	59	14	12
International Dips and Spreads	16	19	4	4
Other	57	53	15	15

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

The Group's EBITDA (non-GAAP) totaled approximately NIS 964 million in 2014 compared to NIS 993 million in the corresponding period last year, a decrease of 2.9%. EBITDA (non-GAAP) in the fourth quarter totaled approximately NIS 199 million compared to NIS 215 last year, a decrease of 7.3%.

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

Strauss Coffee

The Group and TPG Capital, the shareholders in Strauss Coffee, are examining an IPO and listing of Strauss Coffee shares on a US stock exchange, and have submitted a draft confidential prospectus to the SEC. In preparation for a possible IPO, the Shareholders have reached an agreement regulating the IPO execution process, the allocation of shares to be issued at the IPO and the rights of the shareholders post IPO.

The Company notes that there is no certainty that the IPO will indeed be finalized, and if it is, on which date. It should also be noted that completion of the IPO is dependent on numerous factors which the Company and Strauss Coffee have no control over, including, among other things, receipt of regulatory approvals from the SEC and the stock exchange in the US in which the Strauss Coffee shares may be listed.

Following are the condensed results of business operations based on non-GAAP management reports of the Coffee Company by reported segments for the years and quarters ended December 31, 2014 and 2013 (in NIS millions):

	Year			Fourth Quarter		
	2014	2013*	% Chg	2014	2013*	% Chg
Israel Coffee						
Net sales	689	715	*(3.6)*	168	185	*(8.7)*
Operating profit	101	88	*14.8*	20	12	*65.1*
% operating profit	14.7%	12.3%		11.9%	6.6%	
International Coffee						
Net sales	3,136	3,229	*(2.9)*	864	824	*4.8*
Organic growth excluding exchange rate impact	7.5%	3.2%		13.8%	(1.3)%	
Operating profit	247	315	*(21.8)*	36	73	*(51.3)*
% operating profit	7.9%	9.8%		4.2%	8.9%	
Total Strauss Coffee						
Net sales	**3,825**	**3,944**	***(3.0)***	**1,032**	**1,009**	***2.4***
Organic growth excluding exchange rate impact	**5.3%**	**2.7%**		**9.4%**	**0.3%**	
Gross profit	**1,302**	**1,341**	***(2.9)***	**308**	**345**	***(10.6)***
% gross profit	**34.0%**	**34.0%**		**29.9%**	**34.2%**	
Operating profit	**348**	**403**	***(13.8)***	**56**	**85**	***(34.9)***
% operating profit	**9.1%**	**10.2%**		**5.4%**	**8.5%**	

* Reclassified to match presentation in current period

Sales

In 2014 and in the fourth quarter Strauss Coffee's sales in local currency grew by 5.7% and 10.7%, respectively, compared to the corresponding periods last year.

In 2014 Strauss Coffee's Shekel sales decreased by approximately NIS 119 million. Differences arising from translation into Shekels amounted to NIS 327 million in the period, of which approximately NIS 154 million were the result of the erosion of the average exchange rate of the Brazilian Real versus the Shekel, and NIS 156 million of the erosion of exchange rates in Russia and Ukraine versus the Shekel.

In the fourth quarter of 2014 Strauss Coffee's sales grew by approximately NIS 23 million. Differences arising from translation into Shekels in the reporting period amounted to NIS 76 million, of which NIS 61 million were due to the erosion of exchange rates in Russia and Ukraine.

Further explanations on Strauss Coffee's sales in the reporting period are included in the chapter "Strauss Coffee Sales by Major Geographical Regions".

Gross profit

In 2014 the gross profit of the coffee business decreased by NIS 39 million compared to last year. The gross profit margin remained unchanged and amounted to 34.0% in the period. The decrease in gross profit is mainly the result of translation differentials into Shekels due to the weakening of the Real, Ruble and Hryvnia against the Shekel, as described above.

In the fourth quarter of 2014 the gross profit decreased by approximately NIS 37 million compared to the corresponding quarter last year. The gross profit margin dropped by 4.3% and amounted to 29.9% in the quarter. The drop in the gross profit margin is mainly explained by the sharp devaluation in the local currencies in Russia and Ukraine versus the Dollar (the currency in which green coffee is purchased in all countries where the Company is active except for Brazil), which led to an effective rise in the cost of sales in the former-USSR countries. The decrease is also explained by translation differentials into Shekels mainly following the weakening of the Real, Ruble and Hryvnia against the Shekel, as well as the rise in green coffee prices.

Operating profit

In 2014 the operating profit of the coffee business decreased by NIS 55 million. The operating profit margin amounted to 9.1% (a decrease of 1.1%). The decrease in the Shekel operating profit is the result of translation differences as described above, of the impact of the devaluation of the Russian Ruble and the Ukrainian Hryvnia against the Dollar, and also of an overall impact of NIS 51 million on the operating profit of Três Corações Joint Venture in respect of the activity of the TRES solution, which is currently in the initial phases of penetrating the premium segment of the single portion multi-beverage solution (machines and capsules) in Brazil. The TRES business had a marginal impact in the corresponding period last year. In local currency, despite the investment in the TRES solution, Três Corações Joint Venture's operating profit grew from BRL 103 million to BRL 108 million, reflecting growth in sales volumes coupled with price increases (data reflect Strauss Coffee's share (50%)).

In the fourth quarter of 2014 the operating profit of the coffee operation decreased by approximately NIS 29 million. The operating profit margin amounted to 5.4% (a decrease of 3.1%) in the quarter. The drop in the gross profit margin is mainly explained by the sharp devaluation in the local currencies in Russia and Ukraine against the Dollar, as well as by the increase in green coffee prices as mentioned above. In addition, the overall impact of the TRES operation as described above on the operating profit in the quarter amounted to NIS 16 million, compared to a negligible impact in the corresponding period last year (data reflect Strauss Coffee's share (50%)). These factors were partly offset, mainly by an increase in Três Corações Joint Venture's EBIT excluding the TRES solution, as well as an increase of approximately NIS 8 million in the EBIT of the Israel Coffee segment (see further explanations on the Israel segment below).

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 years and quarters ended December 31, 2014 and 2013 (in NIS millions):

	Year				Fourth Quarter			
Geographical region	**2014**	**2013**	**% chg**	**% change in local currency***	**2014**	**2013**	**% chg**	**% change in local currency***
Israel Coffee	**689**	**715**	***(3.6)***	***(3.6)***	**168**	**185**	***(8.7)***	***(8.7)***
International Coffee								
Três Corações Joint Venture (Brazil) (1) (2) (3) - 50%	1,781	1,697	*4.9*	*15.4*	464	407	*14.0*	*17.4*
Former USSR countries	635	733	*(12.8)*	*11.0*	188	221	*(14.0)*	*19.1*
Poland	297	368	*(19.3)*	*(18.7)*	84	88	*(4.5)*	*(3.5)*
Romania	244	226	*8.1*	*9.8*	76	56	*35.9*	*36.0*
Serbia	179	205	*(12.5)*	*(8.0)*	52	52	*(0.6)*	*4.9*
Total International Coffee	**3,136**	**3,229**	***(2.9)***	***8.1***	**864**	**824**	***4.8***	***15.5***
Total Coffee	**3,825**	**3,944**	***(3.0)***	***5.7***	**1,032**	**1,009**	***2.4***	***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 Joint Venture (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 (Brazil) include:

	Year		Fourth Quarter	
	2014	**2013**	**2014**	**2013**
Green coffee sales	244	249	66	58
Corn sales	64	68	16	15

(3) Três Corações Joint Venture (Brazil) – Excluding intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee.

Três Corações Joint Venture (Brazil) – 3C – A company jointly held by the Group (50%) and theSão Miguel Group (50%) (data reflect Strauss Coffee's share (50%))

Três Corações Joint Venture's average market share in roast and ground (R&G) coffee in 2014 reached 22.6% (value market share according to A.C. Nielsen), compared to 21.5% in 2013 (market share reflects 100% of Três Corações Joint Venture's sales).

In February 2013 Três Corações Joint Venture signed agreements with Caffitaly S.p.A, following which Três Corações Joint Venture became active in the single portion multi-beverage machines and capsules segment in Brazil. Sales of the machines and capsules began in November 2013 under the TRES solution.

In 2014 and in the fourth quarter Três Corações Joint Venture's sales in local currency grew by 15.4% and 17.4%, respectively. Most of the growth originates in R&G sales. The growth in Três Corações Joint Venture's local currency sales reflects volume growth as well as price increases introduced during the 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 sales of machines and capsules under the TRES solution, which was launched in November 2013 as mentioned above.

Growth in Três Corações Joint Venture's Shekel sales in 2014 compared to the corresponding period last year was adversely affected by the erosion of the average exchange rate of the Brazilian Real against the Shekel, which amounted to NIS 154 million. The impact of the erosion of the Real versus the Shekel in the fourth quarter was far more moderate and amounted to NIS 12 million.

As a result of the sales growth, the gross profit in the company's domestic currency continued to improve in 2014 and in the fourth quarter compared to the corresponding periods last year, but in the fourth quarter of the year the gross profit margin was eroded as a result of the increase in green coffee prices in Brazil. The operating profit in domestic currency in the year grew compared with the same period last year by 5.1%, whereas in the fourth quarter the operating profit dropped by 15% (see Três Corações Joint Venture's financial statements, which are attached to the financial statements of the Group). The drop in the operating profit in the fourth quarter was the result of the overall impact of the TRES solution on Três Corações Joint Venture's EBIT. In 2014 and in the fourth quarter, the investment in the TRES solution amounted to approximately NIS 51 million (BRL 33 million) and NIS 16 million (BRL 11 million), respectively, compared to a negligible influence in the corresponding periods last year. Despite the investment in the TRES solution, Três Corações Joint Venture's EBIT in 2014 was up from BRL 103 million to BRL 108 million (data 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 were particularly sharp in the fourth quarter of the year. Additionally, the competitive environment in the region has remained challenging.

The Company's sales in the region in local currency grew by approximately NIS 63 million (11.0%) and NIS 30 million (19.1%) in the year and in the fourth quarter of 2014, respectively, compared to the corresponding periods last year. Sales growth in local currency was mainly due to volume growth.

The Company's Shekel sales in the region decreased by approximately NIS 98 million in 2014 and by NIS 33 million in the fourth quarter, compared to the corresponding periods last year.

Poland

The Company's sales in Poland in local currency decreased by approximately NIS 18.7% and 3.5% in 2014 and in the fourth quarter, respectively, compared to the corresponding periods last year. Sales were mainly influenced by a drop in volumes in certain brands, which was partly offset by growth in volumes of the MK Café brand, by price erosion (as a result of the increased challenging dynamics of the competitive environment) and by an increase in parallel imports of a rival brand.

The Company's Shekel sales in Poland decreased by approximately NIS 71 million and NIS 4 million in 2014 and in the fourth quarter, respectively, compared to the corresponding periods in 2013.

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 9.8% and 30.6% in 2014 and in the fourth quarter of the year, respectively, compared to the corresponding periods last year. The sales growth in the fourth quarter was the result of volume growth and price increases, and also partly reflected growth in respect of sales of the new brand, Amigo.

Shekel sales in Romania increased by approximately NIS 18 million in 2014 compared to last year, and in the fourth quarter sales grew by NIS 20 million compared to the corresponding quarter in 2013.

Serbia

The Company's sales in Serbia in local currency decreased by 8.0% in 2014 and grew by 4.9% in the fourth quarter compared to the corresponding periods last year. Annual sales were influenced by a drop in volumes, by a consumer trend of preferring cheaper coffee brands and by price erosion due to the harshening competitive environment. In the fourth quarter sales volumes increased following sales promotion and special editions launched for the holidays.

Shekel sales in Serbia decreased by approximately NIS 26 million in 2014 and remained unchanged in the fourth quarter compared to the corresponding periods last year. Sales were adversely affected by the erosion of the Serbian Dinar versus the Shekel.

Israel

The Company's sales in Israel decreased by approximately NIS 26 million and NIS 17 million in the year and in the fourth quarter, respectively, compared to the corresponding periods last year. The decrease is due to a drop in the coffee and cocoa market in Israel (approximately 5.5% in 2014 according to StoreNext). The decrease is also explained by 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 13 million and NIS 8 million in 2014 and in the fourth quarter, 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 effort and a beneficial effect of the sales mix. In addition, the operating profit in the fourth quarter of 2013 reflected a loss in respect of the closing of futures transactions on green coffee in Israel Coffee.

The Group's Activity in Israel

Strauss Group is the second-largest company in the Israeli food industry, and in 2014 according to StoreNext figures held an 11.6% share of the total retail domestic food and beverage market in value terms (compared to 11.8% in 2013). The Israeli market is the Group's home market, where it is active in various categories. According to StoreNext, in 2014 the Israeli food and beverage market dropped by 1.6% in financial value. The decrease reflects consumer trends which led to a certain decrease in volumes, coupled with price decreases as a result of white cheese and sweet cream being subjected to price control, as well as stronger competitive dynamics between retailers and vendors.

Sales by the entire activity of Strauss Group 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 2014 sales by Strauss Group's entire operation in Israel totaled approximately NIS 4,128 million compared to NIS 4,144 million last year, a decrease of 0.4%. In the fourth quarter of the year Israel sales totaled NIS 971 million versus NIS 1,042 million last year, a decrease of 6.8%.

As at the reporting date the new logistics center in Shoham is in the final stages of construction. The new center will serve all of the Group's business categories in Israel and includes warehouses for refrigerated products, warehouses for dry products and an office building. The estimated total cost of the center is approximately NIS 440 million, including the cost of purchasing the land; approximately NIS 400 million were spent on the project until the end of 2014. Construction is planned to be completed and operation of the center initiated in the second quarter of 2015, with relocation being executed in stages and expected to be completed by the end of 2015. The existing sites, including the logistics centers in Petach Tikva, Tzrifin and Bet Shemesh, are expected to be shut down by the end of 2015.

Strauss Israel

Following are the condensed results of business operations based on non-GAAP management reports of Strauss Israel by activity segments, for the years and quarters ended December 31, 2014 and 2013 (in NIS millions):

	Year			Fourth Quarter		
	2014	**2013**	**% Chg**	**2014**	**2013**	**% Chg**
Health & Wellness segment						
Net sales	1,974	1,987	*(0.7)*	465	499	*(6.8)*
Operating profit	203	200	*1.6*	44	51	*(13.1)*
% operating profit	10.3%	10.1%		9.5%	10.2%	
Fun & Indulgence segment						
Net sales	998	1,013	*(1.5)*	218	247	*(11.7)*
Operating profit	112	115	*(2.8)*	20	16	*23.9*
% operating profit	11.2%	11.4%		9.2%	6.6%	
Total Strauss Israel						
Net sales	**2,972**	**3,000**	***(0.9)***	**683**	**746**	***(8.4)***
Gross profit	**1,196**	**1,211**	***(1.3)***	**274**	**307**	***(10.8)***
% gross profit	**40.2%**	**40.4%**		**40.1%**	**41.2%**	
Operating profit	**315**	**315**	***0.0***	**64**	**67**	***(4.1)***
% operating profit	**10.6%**	**10.5%**		**9.4%**	**9.0%**	

Sales

In 2014 Strauss Israel's sales decreased by approximately 0.9% (NIS 28 million). The drop in sales was recorded in light of weakness in the Israeli food and beverage market, which, according to StoreNext, dropped by 1.6% in the period. Sales by the Fun & Indulgence segment decreased by approximately 1.5% (NIS 15 million) and in Health & Wellness the decrease amounted to 0.7% (NIS 13 million). Among other things, the drop occurred against the background of white cheese (5% fat, 250 g) and sweet cream (38% fat, 250 ml) being subjected to control commencing in January 2014, following which the Company lowered the retail price of these products by over 20%. The impact of subjecting these products to control on sales by the Health & Wellness division amounted to an annual drop of 1.5%.

In the fourth quarter of 2014 Strauss Israel's sales decreased by NIS 63 million. In the Health & Wellness segment the decrease amounted to approximately 6.8% (NIS 34 million), and in Fun & Indulgence, 11.7% (NIS 29 million). The decrease in Strauss Israel's sales in the quarter reflected a significant weakness of the entire food and beverage market in the period, in which an average decrease of 5.7% was recorded in the food categories in which the Company is active, as well as stronger competitive dynamics. The decrease was further adversely impacted by the timing of Rosh Hashanah and the High Holidays compared to the corresponding quarter last year (loss of 4 selling days in dry products (especially Fun & Indulgence) or 6% of the total selling days in the quarter; and of 2 selling days in refrigerated products or 2.5% of total selling days).

Gross profit

In 2014 Strauss Israel's gross profit decreased by approximately NIS 15 million, with a 0.2% erosion of the gross profit margin, compared to last year.

In the fourth quarter, Strauss Israel's gross profit decreased by approximately NIS 33 million, with a 1.1% erosion of the gross profit margin, compared to the corresponding quarter last year.

The decrease in the gross profit in the year and in the fourth quarter is mainly the result of the drop in sales as described above, as well as of the increase in the prices of some raw materials (notably cocoa and tahini).

Operating profit

In 2014 Strauss Israel's operating profit amounted to approximately NIS 315 million, similar to last year, a change of approximately 0.1% in the operating profit margin compared to the corresponding period. The decrease in the gross profit was fully offset by the streamlining of operating expenses.

In the fourth quarter Strauss Israel's operating profit decreased by approximately NIS 3 million compared to last year. The operating profit margin improved by 0.4% and amounted to 9.4% of sales. Most of the decrease in the gross profit was offset by the streamlining of operating expenses.

The International Dips and 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 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.

In 2014, the Group continued to lead the market in the hummus category and continues the transition from a hummus company to a company that specializes in dips. The launch of the Sabra Greek yogurt brand led to an increase in distribution and sales to key retailers. In 2014, the Group developed new products and expanded the refrigerated dips and spreads category, improved product packaging, including on-the-go packs, continued to expand geographically throughout the US and improved distribution to large marketing chains. Obela continued to invest in advertising, marketing and sales in order to a reach as many consumers as possible and to raise consumer awareness of the company’s products. Following the expansion of the Virginia plant as described below, Sabra continued to invest in building the brand in order to attract new consumers and increase purchases by existing consumers.

In October 2014 expansion of the Virginia plant, in which Sabra invested US$68 million (for 100%) following the steady increase in demand, was completed. The expansion included, among other things, a transition to automatic production lines, and increased the company’s production capacity and warehouse capacity in 2015 in order to meet future demand, if any. In addition, the expansion allows for the improvement of packaging lines and supports product innovation.

Sale volumes in Australia and Mexico are insignificant. Nevertheless, it is noted that the Company leads the hummus market in Australia (with a market share of 27.1% under the "Obela Hummus" brand) and in Mexico. In 2014, in both countries growth in the company's sales volumes was posted.

Sabra

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

	Year		Fourth Quarter	
	2014	**2013**	**2014**	**2013**
Sales	1,288	1,131	357	274
Growth	13.9%	12.3%	30.1%	7.2%
Organic growth excluding currency impact	14.6%	20.3%	19.5%	16.9%
Operating profit	181	147	36	28
% operating profit	14.0%	13.0%	10.1%	10.4%

According to IRI[2], Sabra's market share in the 52 weeks ended on December 29, 2014 was approximately 28.3% of the total refrigerated flavored spreads category (Number 1 in the market), compared to 27.5% in the corresponding period last year. Sabra's value market share of the hummus category in the same period was 63.6%, compared to 63.7% last year.

Sales

Sabra's sales grew by approximately NIS 157 million in 2014 compared to last year. Sales in Shekels were adversely impacted by the erosion of the average exchange rate of the US Dollar in 2014 versus the Shekel (1.0%). Excluding the exchange rate impact sales growth in 2014 amounted to 14.6% compared to 2013. In the fourth quarter sales grew by NIS 83 million compared to the corresponding quarter in 2013. Shekel sales were influenced by the strengthening of the average exchange rate of the Dollar versus the Shekel in the quarter (8.6%). Excluding the exchange rate impact sales growth in the fourth quarter of 2014 amounted to 19.5% compared to the corresponding quarter last year.

Operating profit

In 2014 EBIT increased by NIS 34 million, with a 1.0% improvement in the operating profit margin compared to last year.

In the fourth quarter the operating profit grew by NIS 8 million, reflecting a drop of 0.3% in the operating profit margin compared to the corresponding period last year. The increase in the operating profit is mainly the result of significant growth in sales volumes, with the offset of an increase in marketing expenses.

Obela

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

Sales

Obela's sales in 2014 amounted to approximately NIS 79 million compared to NIS 69 million last year. Excluding the exchange rate impact sales growth in the year amounted to 22.6% compared to last year.

In the fourth quarter of 2014 Obela's sales totaled approximately NIS 28 million, compared to NIS 22 million in the corresponding quarter last year. Excluding the exchange rate impact growth in the quarter amounted to 28.9% compared to the corresponding period in 2013.

The non-GAAP operating loss in 2014 totaled NIS 31 million, compared to NIS 33 million in 2013.
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The non-GAAP operating loss in the fourth quarter totaled less than NIS 1 million compared to a loss of approximately NIS 7 million in the corresponding quarter 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.

[2] According to Symphony IRI Group data; IRI engages in the measurement of retail market for consumer packaged goods worldwide.

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 addition, after the Statement of Financial Position date Strauss Water signed a non-binding memorandum of understanding with Haier Group ("Haier") for the restructuring and expansion of the joint venture's business in China (Haier Strauss Water), such that it will also include products based on reverse osmosis (RO) water purification technology.

In November 2013 Strauss Water launched another innovative appliance in the Israeli market, the Tami 4 Bubble Bar, which, besides hot and cold water, also dispenses carbonated water. The device 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 Tami 4 Primo and Tami 4 Family models, which complement the product line for the Israeli market.

In the second half of 2014 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.

<u>In 2014</u> Strauss Water's sales amounted to approximately NIS 548 million compared to NIS 483 million last year, an increase of 13.3%. Growth in 2014 Growth in 2014 originated in the domestic market and the international operation while expanding the customer base, particularly in the private sector.

<u>In the fourth quarter</u> Strauss Water's sales amounted to approximately NIS 140 million compared to NIS 139 million in the corresponding quarter in 2013, an increase of 0.1%. Strauss Water's sales in the quarter remained virtually unchanged compared to the corresponding quarter last year.

Further to the contents of the financial statements for the third quarter of 2014, in the fourth quarter the company changed its operating model in some of its product lines, leading to a reduction in reported sales turnovers compared to the corresponding quarter last year.

In January 2015 Strauss Water signed a non-binding memorandum of understanding with Haier Group for the restructuring and expansion of the joint venture's business in China (Haier Strauss Water), such that it will also include products based on reverse osmosis (RO) water purification technology, which until now were owned by Haier.

The joint venture, which is 50% owned by Strauss Water (through Strauss Water Hong Kong) and 50% by Haier, currently markets and sells Strauss Water purification devices based on the Maze technology developed by Strauss Water. The parties intend to merge and expand the joint venture's operations with those of Haier that deal in water purification devices based on the RO purification technology, as well as other products in the water industry.

The merged company's sales turnover (pro forma, 100%) in 2014 was approximately NIS 215 million, with an annual growth rate of approximately 67% compared to 2013.

According to the MOU, the merged company will be owned by companies controlled by Haier (66%), and by Strauss Water (34%). To complete Strauss Water's holding in the merged company to 34%, Strauss Water will pay Haier approximately NIS 32 million and will grant the merged company a license to use the Maze technology. The MOU grants Strauss Water an option to acquire an additional 15% of the merged of company. The merged company will buy the Maze technology products from Strauss Water and will receive distribution and sales services, as well as servicing, from companies in the Haier Group.

The transaction is conditional on a due diligence process, receipt of approvals from the authorities in China, and the signing of a series of binding agreements between the parties; the foregoing is scheduled to take place within 3 months from the signing date, during which the parties have undertaken not to execute other transactions in the field of water purification in China. It is understood that the transaction has not yet been finally formulated and is subject to continued negotiation between the parties. As at the date of this report, the closing of the transaction, as described above, including the final structure of the deal, is forward-looking information as defined in the Securities Law, and as such may not materialize, in whole or in part, *inter alia* due to factors that are beyond the Company's control, such as market factors, findings of the due diligence process, receipt of all approvals required, etc.

Max Brenner

On the date of publication of the report, the Max Brenner chain comprises fifty-eight "Chocolate Bars" in Israel and around the world (fifty-three 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 (40), Israel (6), the US (5), Japan (3), Singapore (2) and Russia (2).

In 2014 Max Brenner's sales totaled approximately NIS 111 million compared to NIS 116 million last year, a decrease of 3.7%. Shekel sales were adversely impacted by the erosion of the average exchange rate of the US Dollar against the Shekel in 2014 (1.0%). Excluding the exchange rate impact and the closing of the Las Vegas store in the reporting period, Max Brenner sales increased by approximately 7.6% compared to last year.

In the fourth quarter Max Brenner's sales totaled approximately NIS 32 million compared to NIS 30 million last year, an increase of 5.8%. Shekel sales were influenced by the strengthening of the average exchange rate of the US Dollar against the Shekel in the fourth quarter of 2014 compared to the corresponding period last year (8.6%). Excluding the exchange rate impact and the closing of the Las Vegas store, Max Brenner sales increased by approximately 11.8% compared to the corresponding quarter last year.

Reporting according to linkage bases

For information on reporting according to linkage bases, see Note 30 to the financial statements.

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 areas 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, 2014 (Discussion on Risk Factors), and the section "Changes in the Economic Environment" in this chapter.

The Company's policy for managing market risks, the persons 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 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 Joint Venture according to internal procedures determined by Três Corações Joint Venture's board of directors, and is the responsibility of the procurement, export and financial managers of Três Corações Joint Venture.

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, 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 are at floating 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 Position against changes arising from the various currency exchange rates against the Shekel.

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

The hedging and investment activities are conducted 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 Group Treasurer. 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 Group Treasurer, who sits on the credit committees of the coffee companies from time to time. In Brazil the risks are controlled by the management of Três Corações Joint Venture according to the policy approved by the company's board of directors.

Valuations

In the reporting period the Company performed valuations to determine the recoverable amount of cash-generating units to which residual goodwill and indefinite-life intangibles are attributed. Following are the required 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 reporting period:

						Assumptions applied in performing the valuation				
Identity of valuation subject	Timing of valuation	Value of valuation subject immediately preceding valuation	Value of valuation subject according to valuation	Identity of appraiser	Valuation model used by appraiser	Nominal discount rate	Nominal permanent growth rate	% terminal value	Prices serving as basis for comparison	Number of bases for comparison
Goodwill and indefinite-life intangibles attributed to the subsidiary in Russia	December 2014	373	344	External (1) (2)	DCF	18.4% - 27.6%	4.0%	76%	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

The Board of Directors and its Standing Committees

The Group's strategy and its business activity are subject to the supervision of the Board of Directors of the Group. As at the date of publication of the report the Board of Directors comprises 12 members who possess different backgrounds and areas of expertise, including four directors who fulfill the conditions for qualifying as independent directors, two of whom are outside directors. The directors do not fill other positions in the Company. The directors are not employed by the Company with the exception of Ms. Ofra Strauss, who actively serves as Chairperson of the Board. The Board has four standing committees which are active on a regular basis: the Audit Committee, the Financial Statements Review Committee, the Finance Committee and the Remuneration Committee. Additionally, there is a Strategy Committee which is not a standing committee and convenes as necessary, mainly for the purpose of reviewing and following up the execution of M&A transactions.

The Link between Remuneration Paid in Accordance with Regulation 21 and the Recipient's Contribution to the Corporation

On September 9, 2013 the Company adopted a remuneration policy for officers of the Company in accordance with Amendment 20 to the Companies Law (see the Company's Immediate Report of September 9, 2013 (reference no. 2013-01-140616)).

The Board of Directors of the Company reviewed the remuneration of the officers enumerated in Regulation 21 of the Securities Regulations (Periodic and Immediate Reports), 1970 (Ms. Ofra Strauss, Mr. Gadi Lesin, Mr. Zion Balas, and the remuneration of Giora Bar Dea in his position as Deputy CEO of the Company commencing in August 2014), and found that the remuneration of the senior officers is compatible with the Company's remuneration policy.

The Board of Directors also reviewed the remuneration of Mr. Giora Bar Dea in his office as CEO of Obela (he did not serve in this position as an officer of the Company). For the purpose of this review the Board of Directors was presented with the relevant data in regard to Mr. Bar Dea's employment conditions as CEO of Obela, in good time. Discussions emphasized that the remuneration was derived from the position and from Mr. Bar Dea's personal contribution to the management of Obela, to its operations and its advancement. The yearly bonus was determined on the basis of a mechanism that ties the bonus to Obela's financial performance and its strategic objectives, as well as to functional objectives set for the manager in his specific area of occupation and in line with his responsibilities, all of which are based on Obela's work plans and strategic objectives. The long-term bonus was determined in accordance with Obela's long-term strategic objectives. The Board of Directors determined that considering the customary remuneration for executives in North America, the fact that the terms and conditions of the remuneration were determined in conjunction with PepsiCo and with its approval (PepsiCo holds half of the rights in Obela), and considering Mr. Bar Dea's contribution, the conditions of his remuneration are fair and reasonable and reflect his contribution.

Additionally, the Board of Directors reviewed the remuneration of Mr. Ronen Zohar as CEO of USA Dips and Spreads ("Sabra"), who did not serve as an officer of the Company. For the purpose of this review the Board of Directors was presented with the relevant data in regard to Mr. Zohar's employment conditions as CEO of Sabra, in good time. Discussions emphasized that the remuneration was derived from the position and from Mr. Zohar's personal contribution to the management of Sabra, to its operations and its advancement. The yearly bonus was determined on the basis of a mechanism that ties the bonus to Sabra's financial performance and its strategic objectives, as well as to functional objectives set for the manager in his specific area of occupation and in line with his responsibilities, all of which are based on Sabra's work plans and strategic objectives. The long-term bonus was determined in accordance with Sabra's long-term strategic objectives. The Board of Directors determined that considering the customary remuneration for executives in North America, the fact that the terms and conditions of the remuneration were determined in conjunction with PepsiCo and with its approval (PepsiCo holds half of the rights in Sabra), and considering Mr. Zohar' contribution, the conditions of his remuneration are fair and reasonable and reflect his contribution.

Risk Management

Risk management in all areas of the Group's activity is addressed in a number of different frameworks, including the Internal Auditor, the Finance Committee and the Group EVP Finance, Shahar Florence. For further information, see Regulation 26A in this report. The Internal Auditor performs risk surveys relating to activities in the Group from time to time. Additionally, teams are in place in all relevant business units, which analyze and assess the risks and propose appropriate cautionary measures. These issues are handled by the managements of the business units and controlled by Group Corporate Center, which also manages master risks on the Group level. Every three years the Company performs an internal risk survey and revises the risk maps of the Group's areas of activity. In 2013 a risk survey was performed in the Group. Further to the up-to-date risk survey the Company is building a risk mitigation plan for the new risks identified and continues to address the risks identified in prior years according to multiyear work plans. The Audit Committee (which also serves as a Risk Management Committee) receives periodic reports for the purpose of supervising and assessing issues relating to risk management in the Group. For information on risk factors in the Group, see the section "Discussion on Risk Factors" in the chapter "Description of the Corporation's Business" in this report.

Sustainability, Corporate Responsibility, Social Investment and Donations

In 2014 the Group's sustainability and corporate social responsibility (CSR) activities focused on the following spheres:

A. **Strauss Group's sustainability strategy for 2020 – Improve people's lives by adopting sustainable business practices:** Assimilation of a group-wide sustainability strategy for 2020, including measurable targets while focusing on Strauss Group's substantive impacts in its business operations.

B. **Implementation of sustainability principles in various core areas in Strauss's value chain:** Product responsibility, supply chain, environmental quality, workplace safety, promotion of good nutrition and a healthy lifestyle.

C. **Work environment and investment in employees:** Continued assimilation of a supportive organizational work environment that advances employees coupled with implementation of an extended supportive welfare policy, placing emphasis on partnerships with social organizations for the benefit of our employees.

D. **Social investment and community relations:** Deepen Strauss's social investment, redefining the flagship issue – promotion of a healthy lifestyle, and continued activity focusing on the employment of diverse populations and women's empowerment in particular.

E. **Stakeholder dialogue:** Expand and deepen the dialogue with Strauss Group's various stakeholders in the different markets where we operate.

Description

A. Strauss Group's sustainability strategy for 2020 – Improve people's lives by adopting sustainable business practices

In 2014 we worked on assimilating our sustainability strategy for the year 2020. The group-wide strategy, which was formulated in alignment with Strauss's visionary goals is managed and measured as part of the Group's business strategy. In practical terms, time and resources were invested in building detailed work plans vis-à-vis all companies in the Group, aligning the various goals with the business activity of each company, engaging the relevant responsible teams, and ensuring that work processes are budgeted and reported on the level of the boards of directors of the companies. We recall that the goal of formulating a global sustainability strategy was, among other things, to place ourselves on a par with the world's leading food and beverage companies, which address the subject of sustainability guided by an orderly and measurable vision and goals, as well as to bring about a significant improvement in Strauss Group's sustainability performance. The six-year sustainability strategy for 2020 is in force and applies to all companies in the Group, and includes a series of measurable targets divided among three spheres: employees, products and the external environment (including suppliers, environmental quality and the community). Relevant targets were defined for each of these spheres. In total, 15 targets have been defined for realization by 2020, by all companies in the Group. These targets have been translated into operational work plans tailored to each of the companies in the Group. Every company has a degree of latitude, in which framework it may choose additional spheres of influence in the areas of sustainability that are relevant to it, while measuring and monitoring its performance. The sustainability strategy objectives are divided among three performance levels: Meet, Exceed and Lead. "Meet" represents the basic performance level, which ensures that the Group complies with all standards and the regulation in the countries in which it operates. "Exceed" represents a level where we aspire to display CSR performance on a par with leading global practices in a number of substantive spheres in which Strauss is already active on a significant scale. "Lead" represents a level where Strauss aspires to assimilate leading corporate responsibility practices, above and beyond those which are currently in place in the industry, in new spheres in which Strauss has not been active to date.

B. Implementation of sustainability principles in various core areas in Strauss's value chain

In 2014 Strauss Group continued to map and implement work plans aimed at improving the management of its impacts along the entire value chain. Among other things, we continued to review the product response we provide for unique populations with special dietary needs. As part of this process, Strauss's existing products that meet the needs of unique consumer groups such as diabetics, celiac sufferers, etc. were examined, and efforts to expand this product basket continued. Additionally, Strauss's consumer service channels were significantly expanded and improved in order to provide a comprehensive, quick and reliable response to all Strauss's consumers through the variety of existing communication channels in and outside the digital space.

In the environmental sphere improvements were made, reducing our environmental impact, which included sustainable water and energy utilization, reduction of emissions, effluents and waste. These improvements will continue in 2015.

Additionally, a comprehensive process was executed in the supply chain to expand the number of women-owned suppliers engaged by the Group in procurement agreements, as well as to increase purchases from these vendors in the interest of advancing women-owned small businesses, which account for a significant share of all small businesses, and for the benefit of the economy.

In the field of workplace safety in-depth processes were implemented, designed to ensure employee safety, in all divisions in the organization, including field trips aimed at locating and remedying problems, the improvement of ergonomics, and implementation of new safety procedures in Strauss Israel's sales division.

From the aspect of promoting good nutrition and a healthy lifestyle action was taken on the product level to improve our products by improving their nutritional ingredients, and also in our work vis-à-vis key opinion leaders in the health field, providing them with tools to make product solutions that promote a healthy lifestyle accessible to different population groups.

C. Work environment and investment in employees

In 2014 assimilation of a supportive organizational work environment that advances employees continued, focusing on the employees of Strauss Israel and including continuous improvement of the work environment, introduction of mechanization processes, expansion of employee training options, an enlarged welfare basket adapted to the needs of our employees, award of academic scholarships to children of employees and the continued induction of employees of employment agencies. In addition, processes designed to identify and map needs among employees in need of greater assistance in realizing their rights were executed, and a response provided by linking up with social organizations that provide a dedicated response for Strauss employees.

D. Social investment and community relations

In 2014 Strauss Group focused on deepening its social investment, redefining the flagship issue – promotion of a healthy lifestyle, and continued to work on promoting the employment of diverse populations, particularly women's empowerment. Additionally, as a leading food company in Israel, Strauss considers it its duty to donate quality food products and contribute to the enhancement of nutritional security among the needy in Israel on a regular basis all year round. Strauss donates food products through the two largest food banks in Israel that provide food to dozens of nonprofits and to the needy throughout the country, Leket Israel and Latet.

As mentioned, throughout the year Strauss continued to deepen its investment in the flagship social issue on which we chose to focus: the promotion of a healthy lifestyle. This was accomplished by mapping and creating collaborations with third-sector organizations that specialize and engage in promoting this social cause as their core activity. Our diverse activities in this sphere included donations in cash and in kind (food products) and employee volunteering. In addition to the Company's community relations and volunteering activities, which are led by social leaders in all units in Israel and globally, we continued to deepen our activities that focus on the promotion of employment among diverse populations, especially women. This was done by deepening social partnerships with organizations and replicating successful social models between production sites. The Group continued to further the "Window to the Future" social investment model, in which at-risk youth are employed in Strauss's various production sites as regular employees, while completing their studies in dedicated educational frameworks and receiving professional training at Strauss, thus providing them with tools for their adult lives.

Besides Strauss's primary social investment activity, the Group continues to support a variety of social causes in and outside Israel, in markets where Strauss operates.

In 2014 Strauss Group invested approximately NIS 12.2 million in community investment, donations in cash and in kind and volunteer hours, of which approximately NIS 3.1 million were in the form of financial support, NIS 6.5 million were donated in the form of food products (at cost prices to the Group), NIS 0.4 million were spent on the development of CSR, NIS 0.8 million on community activities and NIS 1.3 million on employees' volunteer hours.

E. Stakeholder dialogue

In 2014 Strauss Group continued to deepen the dialogue with our various stakeholders in the different markets on issues of sustainability, CSR and social investment, in our belief that as a business firm that must receive a social license to operate each day anew, it is our obligation to maintain close, deep ties with all parties affected by our business operations. We deepened the dialogue by mapping new stakeholders and examining our business, social or environmental impact on these stakeholders; and also by creating effective channels for the ongoing, consistent maintenance of our relationship and dialogue with them, performing surveys and holding roundtables to generate dialogue and receive feedback, and assimilating an internal system for the management of stakeholder relationships.

INFORMATION ON THE INTERNAL AUDITOR OF THE COMPANY

Internal Auditor of the Company: Shlomo Ben Shimol, CPA, CIA (Certified Internal Auditor) (hereinafter: the "Auditor"), has served as the Company's internal auditor since 1999. The Auditor does not hold securities of the Company. Furthermore, the Auditor or the entity on behalf of which the Auditor acts has no business relations with the Company that may create a conflict of interest. The Auditor provides internal auditing services as an outsourcer on behalf of Deloitte Brightman Almagor Zohar. The Auditor is a partner in the aforementioned firm.

Manner of appointment: The Board of Directors and its Audit Committee approved the Auditor's appointment, noting his professional qualifications, auditing experience, and his knowledge of the Strauss Group's business. Additionally, the Chairman of the Audit Committee and the Audit Committee receive reports on the members of the Auditor's team and their professional qualifications.

The Auditor's supervisor in the Company: The Chairperson of the Board of Directors.

The work plan: The internal audit's yearly and multiyear (generally, three years) work plans are based on the risk surveys and their revisions performed in the Group. Additionally, the framework of the work plan includes the activity of the Group Corporate Center and subsidiaries operating in Israel and abroad. The internal audit plans are based on these risk surveys in order to build a risk-based plan.

The internal audit in Strauss Group acts on a regular basis to revise the yearly and multiyear work plans. The internal audit's work plan is risk-focused and adapted to changes in the Group's business activity.

The goal of the process of revising the risk-focused work plan is to examine, on a continuous and dynamic basis, the structural changes in Strauss Group and to monitor the level of control and risk level in the various units under audit, and in this manner, to examine, on a continuous basis, the alignment of the internal audit's work plan with the Group's needs.

Considerations in determining the subjects in the audit plan:

- The results of risk surveys performed in Strauss Group;
- Interviews with different managers in the Group;
- Analysis and mapping of the Group's organizational structure, attribution of the residual risk relating to each activity and determining the frequency of the internal audit according to the risk;
- Regulatory requirements arising from the provisions of the Securities Law and Regulations;
- Current audit findings;
- Resolutions of the Audit Committee and requests by the Group CEO.

The subjects under examination are tested in sub-processes from operational and financial reporting aspects and from aspects of compliance with the provisions of the law and Company procedure.

The multiyear and yearly work plans are prepared by the Internal Auditor and forwarded to the CEO, and are also submitted for approval by the Audit Committee. After receiving the recommendations of the Audit Committee, the work plan is submitted to the Board of Directors of the Company for approval.

Audits abroad or audits of investee companies: The audit plan encompasses the corporations that constitute material holdings of the Company.

Scope of engagement: Following is an itemization of the hours spent on the internal audit of the Group:
- In the Company itself and in investee companies in Israel - 4,391 hours.
- In investee companies abroad - 2,521 hours.

Total: 6,912 hours (compared to 7,239 hours in 2013).

Performing the audit: The internal audit is performed according to the accepted professional standards in Israel for internal audits, and professional guidelines and briefings as approved and published by the international Institute of Internal Auditors (IIA). According to these guidelines, the Auditor performs quality control in order to review the audit work processes applied by the team of Internal Audit employees, and also executes a quality assurance plan by the Internal Audit unit in Strauss Group.

In the Board of Directors' view, based on the Auditor's report, the internal audit work was performed in accordance with accepted professional standards for internal audits.

Access to information: The Internal Auditor has free, continuous and direct access to the information systems of the Company, including financial and other data, in Israel and abroad. The internal auditing work applying to the business units abroad is performed by the Auditor and his team of employees overseas.

Auditor's report: The Auditor's reports are submitted in writing on a regular basis throughout the year. In 2014 thirty reports were submitted. The reports are submitted to the Chairperson of the Board of Directors, the Chairman of the Audit Committee, the Group CEO, the CEO of the Israeli or international business according to the circumstances, Management of Group Corporate Center, and to the units under audit. In 2014 eight meetings of the Audit Committee were held (including the Strauss Coffee Audit Committees). The meetings take place on a regular basis throughout the year. Furthermore, the Auditor holds regular and periodic meetings with the Chairperson of the Board of Directors, the Chairman of the Audit Committee, the Group CEO, and senior Group Management.

The Board of Directors' evaluation of the Internal Auditor's activity: In the opinion of the Board of Directors, the scope of the internal auditing work, its continuous performance and the Auditor's work plan are satisfactory and sufficient in order to accomplish the purposes of internal audits in the Group. The Audit Committee, in conjunction with Group Management and the Auditor, examines the proper scope of the Group's internal audit on an annual basis.

Compensation: The total financial compensation paid for the work of the Auditor and his staff is based on an agreed tariff per work hour. In 2014 the Auditor was paid an amount of approximately NIS 1,640 thousand. In the opinion of the Board of Directors, the compensation paid to the Auditor is reasonable and has no influence on the application of his professional judgment.

DIRECTORS WITH ACCOUNTING AND FINANCIAL SKILLS

In the opinion of Board of Directors, the directors Dr. Michael Anghel, Professor Dafna Schwartz, Dalya Lev, Akiva Moses, Professor Arie Ovadia, Ronit Haimovitch, Meir Shanie and Galia Maor possess the required skills.

In the Company's opinion, the minimum number of directors with accounting and financial skills required is three. This assertion was made taking into consideration, among other things, the size of the Company, the scale of its activity, the number of members on its Board of Directors, and the complexity of financial reporting in the Company. In the Company's opinion, the appropriate minimum number determined as aforesaid will enable the Board of Directors to perform its duties according to the law and the Company's incorporation documents, particularly with respect to its responsibility for examining the financial position of the Company, and for the preparation and approval of the financial statements. The names of the directors and the particulars for which they are considered directors possessing accounting and financial skills are set forth in the Periodic Report in the chapter "Additional Information on the Company" in the section pursuant to Regulation 26.

INDEPENDENT DIRECTORS

The Company has not adopted a provision regarding the percentage of independent directors in its Articles of Association.

In practice, two independent directors (who are also outside directors) serve on the Board of Directors as well as two other directors who fulfill the conditions for qualifying as independent directors, who together form about one-third of the members of the Board. For further information on the directors holding office in the corporation, see the chapter "Additional Information on the Company" in Part D below, and the Company's corporate governance report in Part E below.

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 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 Regulation 26 in the chapter "Additional Information on the Company" in Part D below.

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 Annual 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 approximately eight 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 some three business days before the date of approval of the Annual Financial Statements of the Company. The Periodic Report and the financial statements were revised, to the extent necessary, in accordance with the remarks of the members of the Committee and the Board of Directors.

- 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 December 31, 2014 were approved, a meeting was held with the Chairperson to discuss material issues that arose during the preparation of the Annual Financial Statements.

- On March 16, 2015 the Financial Statements Review Committee held a discussion on the financial statements of the Group, making reference to accounting issues that arose incidentally to the financial statements of the Company, and discussed the following matters: (a) the estimates and evaluations made in connection with the financial statements; (b) the internal controls relating to financial reporting; (c) the completeness and fairness of the disclosure in the financial statements; (d) the accounting policy adopted and accounting treatment applied in the Company's material affairs; (e) valuations, including their underlying assumptions and estimates, which support data in the financial statements; (f) the Group's tax status for the year 2014; (g) review of the audit processes applied by the auditors. At this meeting a discussion was also held on the effectiveness of internal control over financial reporting and disclosure in the Company. Discussions were attended by Prof. Dafna Schwartz (Committee Chairperson), CPA Dalya Lev, Meir Shanie, Dr. Michael AnghelProf. Arie Ovadia and Adi Strauss as observers, the Group CEO, the EVP Finance, the CLO & Company Secretary, the Group Controller, the Internal Auditor of the Company and the Company Auditor.

- The Committee's discussions were based on material presented to members by Company Management on subjects that were discussed by the Committee, and questions and answers that arose were discussed, including reference by the External Auditor to these issues. The Financial Statements Review Committee requested comprehensive reviews on matters of material influence as required.

- The Company Auditor also holds conversations with the Financial Statements Review Committee on subjects that arose during the audit of the financial statements. Before the financial statements were approved a conversation was held between the Company Auditor and the Financial Statements Review Committee to discuss material issues that arose during the audit of the financial statements as at December 31, 2014.

- After the discussion was concluded, the Committee forwarded its recommendation to the Board of Directors, to approve the financial statements for 2014.

- On March 22, 2015 the Board of Directors discussed the recommendation of the Financial Statements Review Committee to approve the financial statements of the Company as at December 31, 2014. In the opinion of the Board of Directors, in view of the scope and complexity of the company, the Committee's recommendations were forwarded to the members of the Board two business days before the abovementioned meeting, which is the reasonable time determined by the Board of Directors. The meeting of the Board of Directors was attended by all members of the Board. Also present were the CEO, the EVP Finance, the CLO & Company Secretary, the Company Controller and the Company Auditor.

- At the meeting the Board of Directors discussed the recommendations of the Financial Statements Review Committee and heard a detailed review and analysis of the financial statements by the CEO and EVP Finance, as well as of the Company's financial results and material financial reporting issues relating to the financial statements.

- 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 year 2014.

UPDATE ON ASSIMILATION OF AN INTERNAL ENFORCEMENT PROGRAM RELATING TO SECURITIES

Following the enactment of the new law for streamlining the Israeli Securities Authority enforcement procedures and further to the publication by the ISA of its Criteria for the Recognition of an Internal Enforcement Program in the Securities Field of August 2011, the Company has completed the assimilation of an enforcement program.

NEGLIGIBLE TRANSACTIONS

The Board of Directors of the Company has prescribed guidelines and rules for the classification of a transaction between the Company or a consolidated company or an included company and an interested party in the Company as a negligible transaction, as set forth in Regulation 41(A)(6)(a) of the Securities Regulations (Annual Financial Statements) – 2010. For further information, see Regulation 22 in the chapter "Additional Information on the Company".

REGULATIONS WITH RESPECT TO FINANCIAL REPORTING BY THE CORPORATION

Critical Accounting Estimates

For information on critical accounting policy and Management considerations, see Note 4 to the financial statements.

AUDITOR'S FEES

Following is information on the fees paid to the auditors of the material companies in the Group:

		For the year ended December 31, 2014					
		Audit services, audit-related services and tax services		Other services		Total	
Company	**Auditor**	**NIS '000**	**Hours**	**NIS '000**	**Hours**	**NIS '000**	**Hours**
Strauss Group and investee companies (1)	KPMG (Israel)	2,570	15,074	864	2,353	3,434	17,427
Max Brenner NY	Cohn Reznick LLP	111	480	17	20	128	500
SE USA Inc.	Eshel & Partners LLP	130	520	-	-	130	520
Sabra Dipping Company LLC (100%)	KPMG & Cohn Reznick LLP	1,436	2,191	81	72	1,517	2,263
PepsiCo Strauss Fresh Dips & Spreads	KPMG Switzerland, Mexico, Australia	1,301	1,602	610	145	1,911	1,746
Virgin Strauss Water UK Ltd.	KPMG LLP (UK)	275	615	-	-	275	615
Strauss Water companies in China	KPMG China	186	483	-	-	186	483
Strauss Romania SRL	KPMG Romania	472	1,629	-	-	472	1,629
Strauss Adriatic Group Cluster	KPMG Serbia	142	650	71	120	213	770
Strauss Ukraine LLC	KPMG Ukraine	123	195	52	83	175	278
Strauss Café Poland Sp.z.o.o	KPMG Poland	358	1,208	-	-	358	1,208
Três Corações Alimentos S.A (100%)	KPMG Brazil	1,057	4,100	-	-	1,057	4,100
Strauss Coffee B.V.	Mazars & KPMG (Israel)	6,768	21,006	650	1,591	7,418	22,597
Strauss Commodities AG	KPMG Switzerland	199	280	33	30	232	310
Strauss Russia LLC	KPMG Russia	522	4,643	-	-	522	4,643

		For the year ended December 31, 2013					
		Audit services, audit-related services and tax services		Other services		Total	
Company	**Auditor**	**NIS '000**	**Hours**	**NIS '000**	**Hours**	**NIS '000**	**Hours**
Strauss Group and investee companies (1)	KPMG (Israel)	3,369	14,625	-	-	3,369	14,625
Max Brenner NY	Eshel & Partners LLP	199	1,104	-	-	199	1,104
SE USA Inc.	Eshel & Partners LLP	131	473	-	-	131	473
Sabra Dipping Company LLC (100%)	KPMG & Cohn Reznick LLP	1,517	2,112	90	47	1,607	2,159
PepsiCo Strauss Fresh Dips & Spreads	KPMG Switzerland, Mexico, Australia	1,429	1,563	449	237	1,878	1,800
Virgin Strauss Water UK Ltd.	KPMG LLP (UK)	147	329	43	122	190	451
Strauss Water companies in China	KPMG China	344	970	-	-	344	970
Strauss Romania SRL	KPMG Romania	283	1,220	-	-	283	1,220
Strauss Adriatic Group Cluster	KPMG Serbia	158	600	29	100	187	700
Strauss Ukraine LLC	KPMG Ukraine	106	421	-	-	106	421
Strauss Café Poland Sp.z.o.o	KPMG Poland	268	968	-	-	268	968
Três Corações Alimentos S.A (100%)	KPMG Brazil	636	2,400	-	-	636	2,400
Strauss Coffee B.V.	Mazars & KPMG (Israel)	1,799	5,583	499	1,247	2,298	6,830
Strauss Commodities AG	KPMG Switzerland	234	260	-	-	234	260
Strauss Russia LLC	KPMG Russia	591	1,426	263	700	854	2,126

(1) The Company receives audit services together with other investee companies, the main ones being Yad Mordechai Strauss Apiary Ltd., Strauss Frito-Lay Ltd. (100%), Strauss Water Israel Ltd., also including the Strauss Health & Wellness group, including Yotvata Dairies.

The mechanism for determining the Company Auditor's fees is defined according to the nature of the services rendered: Fees for auditing and review services are determined as a global amount. Fees for services accompanying the audit (special approvals, prospectuses, discussions, etc.) are based on the number of hours invested.

The mechanism for determining the Company Auditor's fees was approved by Company Management. In regard to the investee companies, the mechanism for determining the Auditor's fees was approved by the local managements of these companies.

LIABILITY REPORT ACCORDING TO PAYMENT DATES

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

POST STATEMENT OF FINANCIAL POSITION DATE EVENTS

For a review of events occurring after the Statement of Financial Position date, see Note 40 to the consolidated financial statements as at December 31, 2014.

DEDICATED DISCLOSURE TO DEBENTURE HOLDERS

For information on the Company's debentures, see Notes 20.1 and 20.2 to the Annual Financial Statements.

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

Ofra Strauss	Gadi Lesin
Chairperson of the Board	Chief Executive Officer

March 22, 2015