STRAUSS GROUP LTD.
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STRAUSS GROUP LTD.

DESCREPTION OF THE CORPORATION BUSINESS

UNOFFICIAL TRANSLATION

UPDATE OF THE CHAPTER "DESCRIPTION OF THE COMPANY'S BUSINESS AFFAIRS" IN THE PERIODIC REPORT OF STRAUSS GROUP LTD. (HEREINAFTER: THE "COMPANY") FOR THE YEAR 2014[1] (HEREINAFTER: THE "PERIODIC REPORT")

Following is a description of the material changes and/or developments that occurred in the Company's business in the nine months ended on September 30, 2015 and through to the date of publication of the report, which are required to be described in the Periodic Report in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970. This update refers to several sections in the chapter Description of the Company's Business Affairs and to a number of articles appearing in the chapter Additional Information on the Company in the Company's 2014 Periodic Report ("Description of the Company's Business Affairs" and "Additional Information on the Company", respectively).

1. Section 10 of the Description of the Company's Business Affairs report, the Health & Wellness Segment

Section 10.13, Restrictions and Control over the Segment of Operations – Further to the Antitrust Commissioner's notice to the Company of December 2014 with respect to a hearing prior to the Company's declaration as a monopoly, the Company submitted its response to the Commissioner on July 30, 2015. As at the date of this report, a date for the hearing has not yet been scheduled. For further information, see the Company's Immediate Report of December 31, 2014 (reference no. 2014-01-048496).

2. Section 13 of the Description of the Company's Business Affairs report, the International Coffee Segment

Section 13.7, Fixed Assets, Land and Facilities – A production site in Germany – Further to the Immediate Report of January 22, 2012 (reference no. 2012-01-020745) and the Immediate Report of March 21, 2012 (reference no. 2012-01-074157), on November 1, 2015 the Company reported (reference no. 2015-01-145428) that the subsidiary, Strauss Coffee B.V., had exercised its reserved option to operate the coffee production site in Germany for an additional three-year period ending on December 31, 2019.

3. Section 15 of the Description of the Company's Business Affairs report, Other Operations

Section 15.1(k) (1), Joint Venture – Haier – On June 7, 2015 the Company reported that the subsidiary Strauss Water Ltd. ("Strauss Water") had signed a series of share exchange and transfer agreements and a joint venture agreement with companies of the Haier Group, their goal being the restructuring of the joint venture, Haier Strauss Water, in China. In the framework of the restructuring process, the businesses of the joint venture will be transferred to a new company, Qingdao HSW Health Water Appliance Company Ltd. (the "Merged Company"), which will engage in research, development, installation, sale, maintenance, water treatment and purification, and will henceforth also include water purification products based on reverse osmosis (RO) water purification technology, which to date were owned by Haier.

According to the joint venture agreement with companies of the Haier Group – Haier Group Corporation, Health Water Equipment (HK) Co. Ltd. and Haier International Co. Ltd. – the Merged Company will be 66% owned by the above companies of the Haier Group and 34% owned by Strauss Water. According to the agreement, Strauss Water has been granted an option to acquire an additional 15% of the Merged Company in 2017 at a price which will be based, inter alia, on its financial results for the year 2016 and in any case will not exceed NIS 90 million . The businesses of the joint venture were transferred to the Merged Company in June 2015, and on October 15, 2015 the Company announced that the subsidiary Strauss Water had completed the restructuring process. For further information, see the Immediate Reports of June 7, 2015 (reference no. 2015-01-041289) and October 15, 2015 (reference no. 2015-01-135231), and Note 4.3 to the financial statements as at September 30, 2015 below.

4. Section 16 of the Description of the Company's Business Affairs report, Customers

On June 29, 2015, Mega Retail Ltd. filed a motion with the court for a debt settlement, which took effect in July 2015. For further information, see Note 4.4 to the financial statements of the Company as at September 30, 2015 below.

[1] As published on March 23, 2015 (reference no. 2015-01-057541) and the amending report of March 25, 2015 (reference no. 2015-01-061711).

5. Section 21 of the Description of the Company's Business Affairs report, Human Capital

Section 21.8(d), Benefits and Nature of Employment Agreements – On July 14, 2015 the meeting of shareholders of the Company approved, *inter alia*, the amendment of the Articles of Association of the Company in a manner enabling the grant of deeds of exemption from liability and an indemnity undertaking to directors and officers of the Company, including those who are among the controlling shareholders of the Company and their relatives ("Exemption"); amendment of the Company's Remuneration Policy in a manner enabling the grant of said Exemption and the grant of deeds of Exemption from liability and an indemnity undertaking to directors and officers of the Company, including those who are among the controlling shareholders of the Company and their relatives and including the Company CEO. For further information, see the Immediate Report of June 9, 2015 with regard to the convening of an annual and special meeting, and the Immediate Report of July 14, 2015 with regard to the results of the meeting (reference no. 2015-01-043824 and 2015-01-072546, respectively).

6. Section 22 of the Description of the Company's Business Affairs report, Financing

Section 22.8, Credit Rating – On April 30, 2015 Midroog Ltd. published a report on the downgrading of the Company's debentures (Series B and Series D) to Aa2/Stable. See the Company's Immediate Report of April 30, 2015 (reference no. 2015-01-009324).

7. Section 25 of the Description of the Company's Business Affairs report, Restrictions and Supervision of the Group's Activities

To the best of the Company's knowledge, the Protection of Public Health (Food) Law is expected to take effect in the second quarter of 2016. The law addresses the comprehensive regulation of the food industry in Israel and all parties engaged in it (manufacturers, importers, marketers, exporters, shippers and transporters, warehousers). The draft bill regulates, *inter alia*, the liability of a food manufacturer for its products, and among other things, the oversight of food production, the liability of an importer importing food products and oversight of these imports. The law also regulates the liability and obligations of a food marketer in each of the stages of the transportation of food products, from production through import to the point of sale where the products are directly sold to the consumer.

Notwithstanding the foregoing, the law has not yet been published in the gazette of record, and the Company is therefore unable at the present time to estimate its impacts on the Company, if any. Upon the publication of the final draft in the gazette of record the Company will review the law and its implications, if any, on the Company.

8. Section 27 of the Description of the Company's Business Affairs report, Legal Proceedings

For updates, see Note 6 to the consolidated interim financial statements of the Company as at September 30, 2015.

9. Article 22 of the Additional Information on the Company report, transactions which are not enumerated in section 270 (4) of the Companies Law and which are not "negligible transactions"

Purchase of advertising time – Purchases of advertising services from Reshet – Noga Ltd. in the nine-month period ended September 30, 2015 amounted to NIS 12.7 million.

Date: November 23, 2015

Names and titles of signatories:
Ofra Strauss, Chairperson of the Board of Directors
Gadi Lesin, CEO

Strauss Group Ltd.

STRAUSS GROUP LTD.

BOARD OF DIRECTORS' REPORT
TO THE SHAREHOLDERS
AS AT SEPTEMBER 30, 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

CHANGES IN THE ECONOMIC ENVIRONMENT

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

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

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

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

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

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

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

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

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

ANALYSIS OF FINANCIAL RESULTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<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 segmental information that is based on management accounting (non-GAAP) and internal reports managed by the Group):

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

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

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

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

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

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

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

ANALYSIS OF THE BUSINESS RESULTS OF THE GROUP

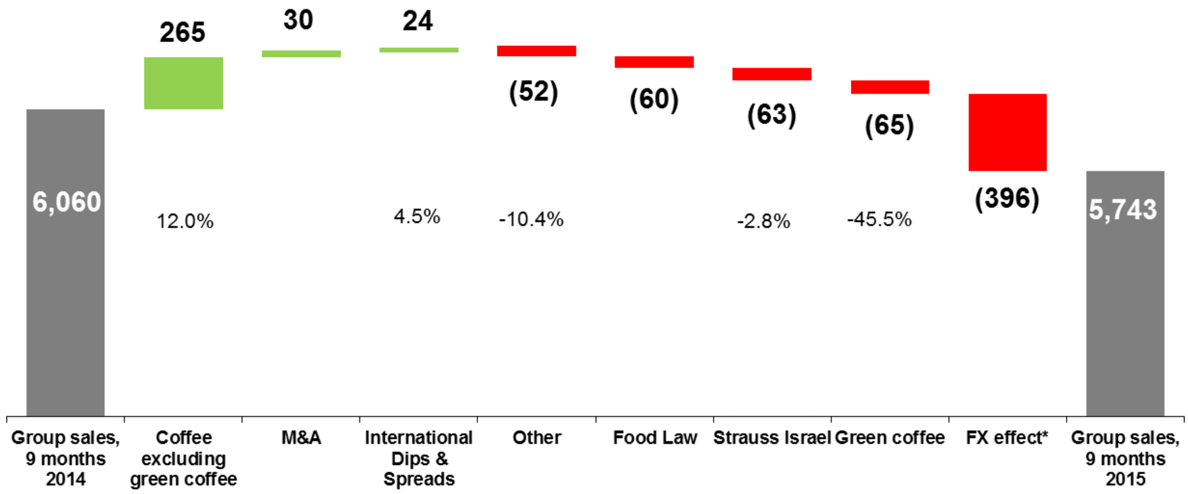
Sales – non-GAAP

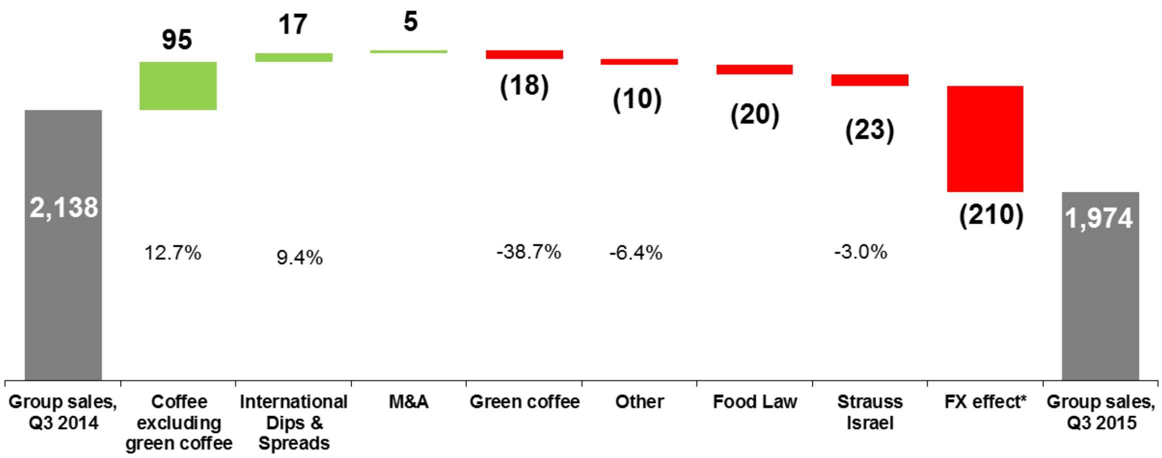
	First Nine Months		Third Quarter	
	2015	**2014**	**2015**	**2014**
Sales	5,743	6,060	1,974	2,138
Growth	(5.2%)	(0.1%)	(7.6%)	4.8%
Organic growth excluding currency effect and impact of classification of costs following the Food Law	1.9%	4.6%	3.2%	7.1%

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

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

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





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

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

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

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

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

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

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

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

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

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

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

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

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

Gross Profit – Non-GAAP

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

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

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

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

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

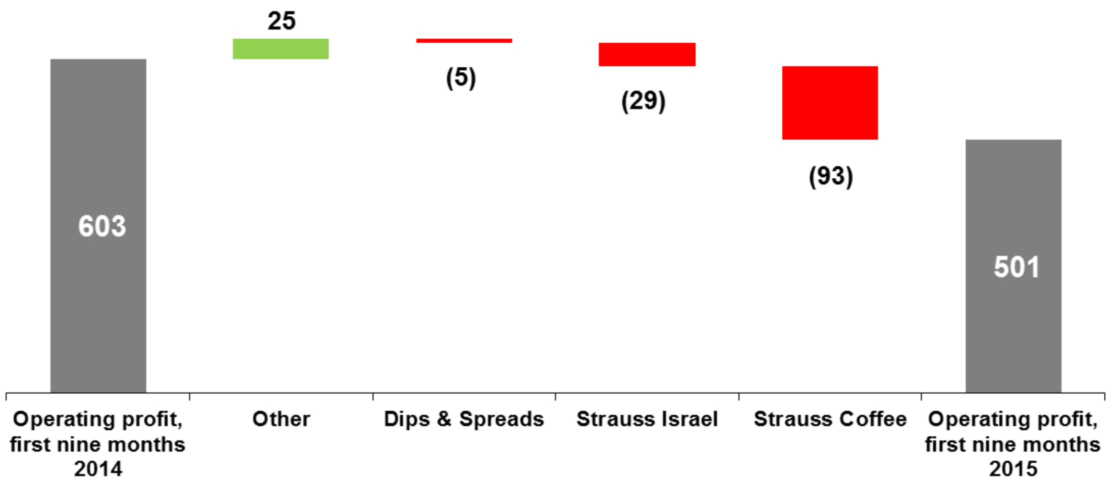
- By contrast, the aggregate gross profit of the International Dips & Spreads and Other Operations segments grew by approximately NIS 28 million and NIS 13 million in the first nine months and third quarter of the year, respectively. The growth in the gross profit mainly originated in the International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

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

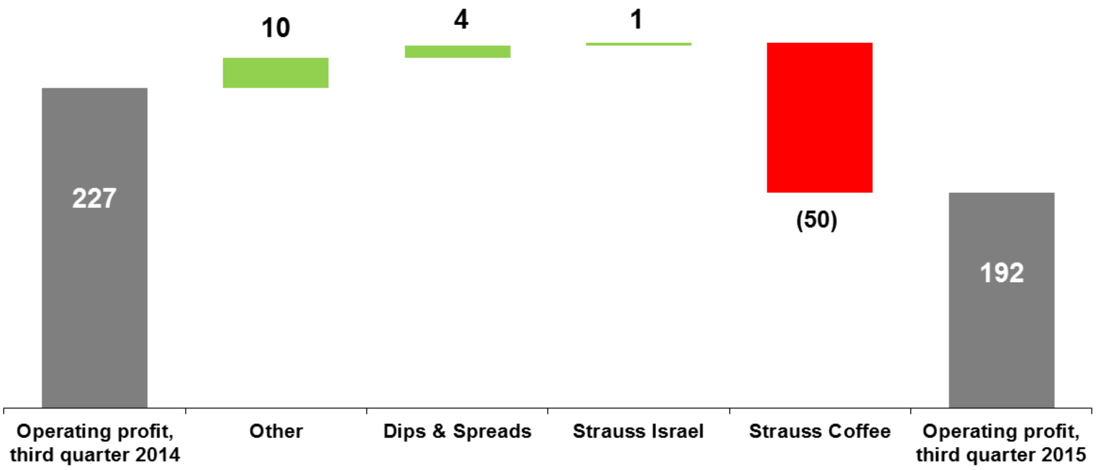
Operating Profit before Other Expenses – Non-GAAP

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

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



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



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

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

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

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

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

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

Financing Expenses, Net – Non-GAAP

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

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

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

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

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

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

Taxes on Income – Non-GAAP

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

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

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

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

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

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

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

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

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

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

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

In the first nine months of 2015

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

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

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

In the third quarter of 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

Strauss Coffee

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

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

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

Sales

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

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

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

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

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

Gross profit

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

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

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

Operating profit

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

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

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

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

Strauss Coffee sales by major geographical regions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The former USSR countries

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

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

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

Poland

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

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

Romania

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

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

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

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

Serbia

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

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

Israel

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

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

The Group's Activity in Israel

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

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

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

Strauss Israel

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

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

Sales

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

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

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

Gross profit

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

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

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

Operating profit

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

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

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

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

The International Dips & Spreads Activity

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

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

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

Sabra

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

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

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

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

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

Obela

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

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

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

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

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

Other Operations

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

Strauss Water

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

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

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

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

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

Max Brenner

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

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

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

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

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

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

ASPECTS OF CORPORATE GOVERNANCE

General

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

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

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

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

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

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

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

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

INFORMATION ON THE DEBENTURE SERIES

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

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

LIABILITY REPORT ACCORDING TO MATURITY DATES

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

MATERIAL EVENTS IN THE REPORTING PERIOD

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

POST-STATEMENT OF FINANCIAL POSITION DATE EVENTS

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

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

Ofra Strauss
Chairperson of the Board

Gadi Lesin
Chief Executive Officer

November 23, 2015

STRAUSS GROUP LTD.

FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2015

Convenience Translation from Hebrew

Strauss Group Ltd.

Financial Statements as at September 30, 2015

Contents

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Review Report to the Shareholders of Strauss Group Ltd.

Introduction

We have reviewed the accompanying financial information of Strauss Group Ltd. and its subsidiaries (hereinafter – "the Group") comprising of the condensed consolidated interim statement of financial position as of September 30, 2015 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-month and three-month period then ended. The board of directors and management are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting"*, in addition management is responsible for the financial information to be prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Somekh Chaikin
Certified Public Accountants (Isr.)

November 23, 2015

Strauss Group Ltd.

Consolidated Interim Statements of Financial Position

	September 30 2015 (Unaudited)	September 30 2014 (Unaudited)	December 31 2014 (Audited)
		NIS Millions	
Assets			
Cash and cash equivalents	469	489	767
Marketable securities and deposits	60	331	121
Trade receivables	1,020	982	907
Income tax receivables	49	41	53
Other receivables and debit balances	250	221	256
Inventory	610	660	681
Assets held for sale	36	73	36
Total current assets	2,494	2,797	2,821
Investment in equity-accounted investees	994	1,011	1,030
Other investments and long-term debit balances	234	239	245
Fixed assets	1,595	1,568	1,596
Intangible assets	912	1,105	979
Deferred expenses	11	22	20
Investment property	30	30	29
Deferred tax assets	36	24	22
Total non-current assets	3,812	3,999	3,921
Total assets	6,306	6,796	6,742

Ofra Strauss	Gadi Lesin	Shahar Florence
Chairperson of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Date of approval of the interim financial statements: November 23, 2015

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

Convenience Translation from Hebrew

Strauss Group Ltd.

Consolidated Interim Statements of Financial Position

	September 30 2015 (Unaudited)	September 30 2014 (Unaudited)	December 31 2014 (Audited)
		NIS Millions	
Liabilities			
Current maturities of debentures	179	180	179
Short terms credit and current maturities of long term credit and loans	156	180	150
Trade payables	653	725	846
Income tax payables	16	16	12
Other payables and credit balances	643	588	596
Provisions	35	35	37
Total current liabilities	1,682	1,724	1,820
Debentures	838	1,022	1,020
Long-term loans and credit	990	1,070	1,045
Long-term payables and credit balances	96	73	91
Employee benefits, net	57	59	61
Deferred taxes	186	167	165
Total non-current liabilities	2,167	2,391	2,382
Equity and reserves			
Share capital	244	243	244
Share premium	622	622	622
Reserves	(888)	(554)	(676)
Retained earnings	1,836	1,615	1,633
Total equity attributable to the Company's shareholders	1,814	1,926	1,823
Non-Controlling interests	643	755	717
Total equity	2,457	2,681	2,540
Total liabilities and equity	6,306	6,796	6,742

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

Strauss Group Ltd.

Consolidated Interim Statements of Income

	For the nine months ended		For the three months ended		For the year ended
	September 30 2015	September 30 2014	September 30 2015	September 30 2014	December 31 2014
		(Unaudited)			(Audited)
			NIS millions		
Sales	3,881	4,051	1,365	1,415	5,415
Cost of sales	2,437	2,422	888	871	3,318
Gross profit	1,444	1,629	477	544	2,097
Selling and marketing expenses	892	991	285	327	1,318
General and administrative expenses	237	256	75	83	339
	1,129	1,247	360	410	1,657
Share of profits of equity accounted investees	134	170	51	66	219
Operating profit before other income (expenses)	449	552	168	200	659
Other income	10	4	2	-	4
Other expenses	(30)	(63)	(16)	(41)	(118)
Other expenses, net	(20)	(59)	(14)	(41)	(114)
Operating profit	429	493	154	159	545
Financing income	14	36	5	28	40
Financing expenses	(92)	(95)	(30)	(35)	(107)
Financing expenses, net	(78)	(59)	(25)	(7)	(67)
Profit before income taxes	351	434	129	152	478
Income taxes	(94)	(133)	(39)	(45)	(144)
Profit for the period	257	301	90	107	334
Attributable to:					
The Company's shareholders	192	215	68	75	235
Non-Controlling interests	65	86	22	32	99
Profit for the period	257	301	90	107	334
Earnings per share for the Company's shareholders					
Basic earnings per share (in NIS)	1.79	2.01	0.64	0.70	2.20
Diluted earnings per share (in NIS)	1.78	1.99	0.63	0.69	2.18

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

Strauss Group Ltd.

Consolidated Interim Statements of Comprehensive Income

	For the nine months ended		For the three months ended		For the year ended
	September 30 2015	September 30 2014	September 30 2015	September 30 2014	December 31 2014
				(Unaudited)	(Audited)
					NIS millions
Profit for the period	257	301	90	107	334
Other comprehensive income (loss) components that will be transferred in the future to the statement of income:					
Foreign currency translation differences for foreign operations	(79)	(98)	(1)	(50)	(255)
Changes in fair value of available for sale financial assets, net of tax	5	(3)	1	(6)	(10)
Other comprehensive income (loss) from equity-accounted investees	(213)	30	(92)	(2)	22
Total other comprehensive loss components that will be transferred in the future to the statement of income	(287)	(71)	(92)	(58)	(243)
Other comprehensive loss components that will not be transferred in the future to the statement of income, net of tax:					
Change in employee benefits, net	-	-	-	-	(6)
Total other comprehensive loss components that will not be transferred in the future to the statement of income	-	-	-	-	(6)
Comprehensive income (loss) for the period	(30)	230	(2)	49	85
Attributable to:					
The Company's shareholders	(20)	168	8	40	61
Non-controlling interests	(10)	62	(10)	9	24
Comprehensive income (loss) for the period	(30)	230	(2)	49	85

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

Consolidated Interim Statements of Changes in Shareholders' Equity

	Attributable to the Company's shareholders								
	Share capital	Share premium	Translation reserve	Treasury stock	Reserve in respect of available for sale financial assets	Retained earnings	Total	Non-Controlling interests	Total equity
	NIS millions								
Changes during the nine-month period ended September 30, 2015 - Unaudited:									
Balance as at January 1, 2015 -Audited	244	622	(661)	(20)	5	1,633	1,823	717	2,540
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	192	192	65	257
Other comprehensive income (loss):									
Foreign currency translation differences	-	-	(55)	-	-	-	(55)	(24)	(79)
Other comprehensive income (loss) from equity-accounted investees	-	-	(159)	-	-	-	(159)	(54)	(213)
Changes in fair value of available for sale financial assets, net of tax	-	-	-	-	2	-	2	3	5
Other comprehensive income (loss) for the period, net of tax	-	-	(214)	-	2	-	(212)	(75)	(287)
Comprehensive income (loss) for the period	-	-	(214)	-	2	192	(20)	(10)	(30)
Share-based payment	-	-	-	-	-	11	11	-	11
Share-based payment to Non-Controlling interests in subsidiary	-	-	-	-	-	-	-	1	1
Dividend to Non-Controlling interests in a subsidiary	-	-	-	-	-	-	-	(65)	(65)
Balance as at September 30, 2015 – Unaudited	**244**	**622**	**(875)**	**(20)**	**7**	**1,836**	**1,814**	**643**	**2,457**

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

Strauss Group Ltd.

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

	Attributable to the Company's shareholders								
	Share capital	Share premium	Translation reserve	Treasury stock	Reserve in respect of available for sale financial assets	Retained earnings	Total	Non-Controlling interests	Total equity
	NIS millions								
Changes during the nine-month period ended September 30, 2014 - Unaudited:									
Balance as at January 1, 2014 -Audited	243	622	(496)	(20)	9	1,387	1,745	806	2,551
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	215	215	86	301
Other comprehensive income (loss):									
Foreign currency translation differences	-	-	(74)	-	-	-	(74)	(24)	(98)
Other comprehensive income from equity-accounted investees	-	-	28	-	-	-	28	2	30
Changes in fair value of available for sale financial assets, net of tax	-	-	-	-	(1)	-	(1)	(2)	(3)
Other comprehensive loss for the period, net of tax	-	-	(46)	-	(1)	-	(47)	(24)	(71)
Comprehensive income (loss) for the period	-	-	(46)	-	(1)	215	168	62	230
Share-based payment	-	-	-	-	-	13	13	-	13
Share-based payment to Non-Controlling interests in subsidiary	-	-	-	-	-	-	-	2	2
Discount of a promissory note from non-controlling interest								(12)	(12)
Dividend to Non-Controlling interests in a subsidiary	-	-	-	-	-	-	-	(103)	(103)
Balance as at September 30, 2014 – Unaudited	**243**	**622**	**(542)**	**(20)**	**8**	**1,615**	**1,926**	**755**	**2,681**

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

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

	Attributable to the Company's shareholders								
	Share capital	Share premium	Translation reserve	Treasury stock	Reserve in respect of available for sale financial assets	Retained earnings	Total	Non-Controlling interests	Total equity
	NIS millions								
Changes during the three-month period ended September 30, 2015 - Unaudited:									
Balance as at July 1, 2015 – Unaudited	244	622	(814)	(20)	6	1,764	1,802	697	2,499
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	68	68	22	90
Other comprehensive income (loss):									
Foreign currency translation differences	-	-	4	-	-	-	4	(5)	(1)
Other comprehensive income from equity-accounted investees	-	-	(65)	-	-	-	(65)	(27)	(92)
Changes in fair value of available for sale financial assets, net of tax	-	-	-	-	1	-	1	-	1
Other comprehensive loss for the period, net of tax	-	-	(61)	-	1	-	(60)	(32)	(92)
Comprehensive income (loss) for the period	-	-	(61)	-	1	68	8	(10)	(2)
Share-based payment	-	-	-	-	-	4	4	-	4
Dividend to Non-Controlling interests in a subsidiary	-	-	-	-	-	-	-	(44)	(44)
Balance as at September 30, 2015 – Unaudited	**244**	**622**	**(875)**	**(20)**	**7**	**1,836**	**1,814**	**643**	**2,457**

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

Strauss Group Ltd.

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

	Attributable to the Company's shareholders								
	Share capital	Share premium	Translation reserve	Treasury stock	Reserve in respect of available for sale financial assets	Retained earnings	Total	Non-Controlling interests	Total equity
	NIS millions								
Changes during the three-month period ended September 30, 2014 - unaudited:									
Balance as at July 1, 2014 – Unaudited	243	622	(509)	(20)	10	1,535	1,881	766	2,647
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	75	75	32	107
Other comprehensive income (loss):									
Foreign currency translation differences	-	-	(38)	-	-	-	(38)	(12)	(50)
Other comprehensive income from equity-accounted investees	-	-	5	-	-	-	5	(7)	(2)
Changes in fair value of available for sale financial assets, net of tax	-	-	-	-	(2)	-	(2)	(4)	(6)
Other comprehensive loss for the period, net of tax	-	-	(33)	-	(2)	-	(35)	(23)	(58)
Comprehensive income (loss) for the period	-	-	(33)	-	(2)	75	40	9	49
Share-based payment	-	-	-	-	-	5	5	-	5
Discount of a promissory note from non-controlling interest	-	-	-	-	-	-	-	(12)	(12)
Dividend to Non-Controlling interests in a subsidiary	-	-	-	-	-	-	-	(8)	(8)
Balance as at September 30, 2014 – Unaudited	**243**	**622**	**(542)**	**(20)**	**8**	**1,615**	**1,926**	**755**	**2,681**

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

Strauss Group Ltd.

Consolidated Statements of Changes in Equity (Cont'd)

	Attributable to the Company's shareholders								
	Share capital	**Share premium**	**Translation reserve**	**Treasury shares**	**Reserve in respect of available for sale financial assets**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
					NIS millions				
Changes in 2014 :									
Balance as at January 1, 2014 -Audited	243	622	(496)	(20)	9	1,387	1,745	806	2,551
Total Comprehensive Income (loss) for the year									
Income for the year	-	-	-	-	-	235	235	99	334
Other comprehensive Income (loss):									
Foreign currency translation differences	-	-	(191)	-	-	-	(191)	(64)	(255)
Other comprehensive income from equity-accounted investees	-	-	26	-	-	-	26	(4)	22
Changes in fair value of available for sale assets, net of tax	-	-	-	-	(4)	-	(4)	(6)	(10)
Change in employee benefits, net	-	-	-	-	-	(5)	(5)	(1)	(6)
Other comprehensive loss for the year, net of tax	-	-	(165)	-	(4)	(5)	(174)	(75)	(249)
Total Comprehensive Income (loss) for the year	-	-	(165)	-	(4)	230	61	24	85
Exercise of options granted to employees	1	-	-	-	-	-	1	-	1
Share-based payment	-	-	-	-	-	16	16	-	16
Share-based payment to Non-Controlling interests in a subsidiary	-	-	-	-	-	-	-	2	2
Discount of a promissory note from non-controlling interest	-	-	-	-	-	-	-	(12)	(12)
Dividend to Non-Controlling interests in subsidiaries	-	-	-	-	-	-	-	(103)	(103)
Balance as at December 31, 2014 - Audited	**244**	**622**	**(661)**	**(20)**	**5**	**1,633**	**1,823**	**717**	**2,540**

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

Strauss Group Ltd.

Consolidated Interim Statements of Cash Flows

	For the nine months ended		For the three months ended		For the year ended
	September 30 2015	September 30 2014	September 30 2015	September 30 2014	December 31 2014
	(Unaudited)				(Audited)
	NIS millions				
Cash flows from operating activities					
Income for the period	**257**	**301**	**90**	**107**	**334**
Adjustments:					
Depreciation	97	96	35	32	129
Amortization of intangible assets and deferred expenses	36	38	11	13	53
Impairment of fixed assets and intangible assets	19	6	-	6	36
Other expenses (income), net	(12)	7	4	1	44
Expenses in respect of share based payment	12	16	3	6	21
Financing expenses, net	78	59	25	7	67
Income tax expenses	94	133	39	45	144
Share of profits of equity accounted investees	(134)	(170)	(51)	(66)	(219)
Change in inventory	54	(23)	94	34	(82)
Change in trade and other receivables	(147)	(109)	(182)	(84)	(129)
Change in long-term receivables	(11)	(4)	(13)	(2)	(9)
Change in trade and other payables	(199)	20	17	105	183
Change in employee benefits	(2)	3	(3)	(1)	4
Interest paid	(91)	(84)	(42)	(40)	(88)
Interest received	18	15	9	3	17
Income tax paid, net	(55)	(112)	(13)	(51)	(131)
Net cash flows provided by operating activities	**14**	**192**	**23**	**115**	**374**
Cash flows from investing activities					
Sale (purchase) of marketable securities and deposits, net	60	(78)	(2)	(15)	132
Proceeds from sale of fixed assets, investment property and intangible assets	23	5	-	1	40
Acquisition of fixed assets	(137)	(311)	(36)	(162)	(377)
Acquisition of an operation by subsidiary	(4)	*(69)	-	*(69)	(82)
Investments in intangible assets and deferred expenses	(22)	*(20)	(6)	*(6)	(35)
Repayment of deposits and long-term loans granted	31	46	11	8	57
Long-term loans granted	(18)	(23)	(5)	(3)	(42)
Dividends from affiliates	15	76	13	34	96
Gain of control in an equity-accounted investee	-	1	-	-	1
Net cash flows used in investing activities	**(52)**	**(373)**	**(25)**	**(212)**	**(210)**

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

* Reclassified, See note 1.2.

Convenience Translation from Hebrew

Strauss Group Ltd.

Consolidated Interim Statements of Cash Flows (cont'd)

	For the nine months ended		For the three months ended		For the year ended
	September 30 2015	September 30 2014	September 30 2015	September 30 2014	December 31 2014
	(Unaudited)				(Audited)
	NIS millions				
Cash flows from financing activities					
Short-term bank credit, net	11	13	(23)	1	3
Proceed from issue of debentures , net	-	237	-	-	237
Receipt of long-term loans	26	43	21	15	58
Repayment of long-term loans and debentures	(262)	(231)	(44)	(19)	(295)
Change in accounts payable – Equity accounted investee	-	(64)	-	-	(64)
Dividend paid to non-controlling interests in a subsidiary	(21)	(95)	(1)	-	(103)
Net cash flows used in financing activities	**(246)**	**(97)**	**(47)**	**(3)**	**(164)**
Decrease in cash and cash equivalents	**(284)**	**(278)**	**(49)**	**(100)**	-
Cash and cash equivalents as at beginning of period	767	772	512	588	772
Effect of exchange rate fluctuations on cash balances	(14)	(5)	6	1	(5)
Cash and cash equivalents as at end of period	**469**	**489**	**469**	**489**	**767**

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

Note 1 - Reporting Principles and Accounting Policy

1.1 General

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

The Company and its subsidiaries (hereinafter: "the Group") are a group of industrial and commercial companies, which operates in Israel and abroad, in developing, manufacturing, marketing and selling abroad variety of branded food products and beverages. The group is also active in the development, marketing, servicing and sale of water filtration and purification products. The consolidated interim financial statements as at September 30, 2015 and for the nine and three month periods then ended (hereinafter - the "Interim Statements") comprise the Company and its subsidiaries.

The Company's controlling shareholders are Mr. Michael Strauss through his holdings in Strauss Holdings Ltd. (hereinafter – "the parent company" or "Strauss Holdings") and Ms. Ofra Strauss who is considered a joint-holder of the Company's shares together with him.

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

These Interim Statements should be read in conjunction with the audited consolidated financial statements of the Company and its subsidiaries as at December 31, 2014 and for the year then ended together with their accompanying notes (hereinafter – the "Annual Financial Statements"). The accounting principles applied in preparing these Interim Statements are consistent with the principles applied in preparing the Annual Financial Statements.

1.1.3 The consolidated financial statements are presented in NIS, which is the functional currency of the Company. The financial information is presented in NIS millions and has been rounded to the nearest million.

1.1.4 These Interim Statements have been approved by the Company's Board of Directors on November 23, 2015.

1.2 Reclassification

Reclassified in the statement of cash flows an amount of Nis 69 million in the period of nine and three months ended September 30, 2014 from Investments in intangible assets to Acquisition of an operation by subsidiary.

1.3 New standards not yet adopted

Further to Note 3.20.2 to the annual financial statements, on July 22, 2015 the International Accounting Standards Committee approved the postponement of the mandatory first-time application of IFRS 15, Revenue from Contracts with Customers. Accordingly, the standard will be applied for annual periods beginning on January 1, 2018, with early adoption being permitted.

Note 2 - Seasonality

The sales of Fun & Indulgence products and coffee in Israel are characterized by seasonality, and they are usually higher in the first quarter of the year. The seasonality is mainly affected by the winter, being characterized by a higher consumption of chocolate products and hot beverages, as well as by higher consumption of Fun & Indulgence and coffee before Passover.

There is no distinct trend of seasonality in Health & Wellness products; however, the volume of income is generally (relatively) higher in the third quarter of the year, when the hot summer months fall – these are characterized by increased consumption of dairy products.

The international coffee sales are usually higher in the fourth quarter of the year. The seasonality is mainly affected by the timing of the Christian holidays and the end of the calendar year in the fourth quarter of the year, a time characterized by higher purchases of coffee products.

The income from water products is also influenced by seasonality, with increased demand for cold water solutions occurring in summer. Accordingly, the third quarter of each year is characterized by a higher volume of operations compared to other quarters.

Note 3 - Segments

Details by operating segments and reconciliation to the consolidated report:

	For the nine months ended September 30 2015	For the nine months ended September 30 2014	For the three months ended September 30 2015	For the three months ended September 30 2014	For the year ended December 31 2014
	(Unaudited)				(Audited)
	NIS millions				
Revenues					
Sales to external customers:					
Health & Wellness	1,435	1,509	507	530	1,974
Fun & Indulgence	743	780	240	256	998
Total Israel	2,178	2,289	747	786	2,972
Coffee Israel	494	521	161	165	689
Coffee Abroad	2,063	2,272	715	854	3,136
Total Coffee	2,557	2,793	876	1,019	3,825
International dips and spreads	565	491	201	171	683
Other	443	487	150	162	660
Sales to other segments:					
Health & Wellness	6	5	3	2	7
Fun & Indulgence	5	15	1	2	16
Total Israel	11	20	4	4	23
Coffee Israel	1	2	-	1	2
Coffee Abroad	-	-	-	-	-
Total Coffee	1	2	-	1	2
International dips and spreads	-	-	-	-	-
Other	-	-	-	-	1
Total revenues of the segments	5,755	6,082	1,978	2,143	8,166
Cancellation of inter-segment sales	(12)	(22)	(4)	(5)	(26)
Total revenues of the segments excluding the inter-segment sales	5,743	6,060	1,974	2,138	8,140
Adjustments to the equity method	(1,862)	(2,009)	(609)	(723)	(2,725)
Total consolidated revenues	3,881	4,051	1,365	1,415	5,415

Note 3 - Segments (cont'd)

	For the nine months ended		For the three months ended		For the year ended
	September 30 2015	September 30 2014	September 30 2015	September 30 2014	December 31 2014
	(Unaudited)				(Audited)
	NIS millions				
Profit					
Health & Wellness	141	159	63	59	203
Fun & Indulgence	81	92	23	26	112
Total Israel	222	251	86	85	315
Coffee Israel	64	81	18	27	101
Coffee Abroad	135	211	45	86	247
Total Coffee	199	292	63	113	348
International dips and spreads	52	57	29	25	75
Other	28	3	14	4	8
Total profit of reportable segments	501	603	192	227	746
Unallocated income (expenses):					
Valuation of commodities hedging transactions as at the end of the year	(3)	6	(8)	(3)	(22)
Other expenses, net	(20)	(63)	(14)	(44)	(121)
Share based payment	(12)	(16)	(3)	(6)	(21)
Total operating profit of reportable segments	466	530	167	174	582
Adjustments to the equity method	(37)	(37)	(13)	(15)	(37)
Total consolidated operating profit	429	493	154	159	545
Financing expenses, net	(78)	(59)	(25)	(7)	(67)
Income before taxes On income	351	434	129	152	478

Note 4 - Material Events during the Reported Period

4.1 In the context of reviewing TPG's exit options from Strauss Coffee, the Company and TPG, the shareholders of Strauss Coffee, are examining an IPO and the listing of Strauss Coffee shares on a US stock exchange (in New York), 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 in the IPO and the rights of the shareholders post IPO.

The Company notes that there is no certainty that the IPO will indeed be completed, and if completed, on which date. It is further noted that completion of the IPO is dependent on numerous factors which are beyond the control of the Company and Strauss Coffee, including, among other things, suitable market conditions for launching an IPO, and the receipt of regulatory approvals from US authorities.

4.2 In March 2014 the "Food Law" was published in the Official Gazette. The Food Law determines, inter alia, prohibitions and limitations on actions and arrangements between food suppliers and retailers, including price fixing and the arrangement of shelf space. After the Food Law took effect at the beginning of 2015 certain costs were classified as discounts that are deducted from sales, as opposed to prior years in which similar costs were classified as part of selling and marketing expenses.

4.3 In the reporting period the subsidiary Strauss Water Ltd. (hereinafter: "Strauss Water") signed a series of share exchange and transfer agreements with companies of the Haier Group, as well as a joint venture agreement, their goal being the restructuring of the joint venture, Haier Strauss Water, in China (hereinafter: the "Restructuring"). In the framework of the Restructuring, the businesses of the existing joint venture will be transferred to a new company that is to be established (hereinafter: the "Merged Company"), which will engage in research, development, installation, sale, maintenance, water treatment and purification, and will henceforth also include water purification products based on reverse osmosis (RO) water purification technology, which to date were owned by Haier.

According to the joint venture agreement with companies of the Haier Group, the Merged Company will be owned by companies controlled by Haier (66%) and by Strauss Water (34%) (an associate company). To complete Strauss Water's holding in the shares of the company to 34%, Strauss Water has undertaken to pay Haier approximately NIS 30 million (a payment which effectively took place after the reporting period), and has also granted the Merged Company an exclusive license to use the Maze technology in the China territory. The Merged Company will receive distribution, marketing, sales and development services from Haier. According to the agreement, Strauss Water has been granted an option to acquire an additional 15% of the Merged Company in 2017 at a price which will be based, inter alia, on its financial results for the year 2016.

As a result of the Restructuring, the Company recognized income in respect of the realization of part of an equity-accounted investee and the grant of a license to use the Maze technology in the amount of NIS 30 million, and expenses in respect of a provision for an onerous contract, the derecognition and amortization of intangible assets and employee benefits in the amount of NIS 25 million, which were included in Other Income as Income in Respect of Restructuring, Net item. The impact of the transaction on the Company's net profit is a profit of NIS 1 million.

Note 4 - Material Events during the Reported Period (cont'd)

4.4 In the reporting period, one of the Company's major customers in Israel, Mega Retail Ltd., filed a motion with the Lod Central Region District Court for a debt settlement under section 350 of the Companies Law, 1999. In July 2015 the court approved the debt settlement, which included the rescheduling of debts to banks and suppliers, and an undertaking by Mega's owners to the injection of funds and guarantees. As part of the settlement, the parties agreed to a deferment of 30% of the debt as at the date of filing of the motion for two years, with the balance being repaid in 36 equal installments, plus interest, commencing on July 15, 2017. Accordingly, the amount of the deferred debt was classified under non-current assets. The remainder of the debt (70%) was repaid in full. The debt in respect of current sales is being repaid regularly, according to the terms of engagement with the customer. In the second quarter of the year the Company included a provision for doubtful debts in respect of the customer's debt as well as in respect of other customers, in the amount of approximately NIS 12 million.

4.5 Following the moderation of growth in sales turnover and erosion of the profit margins of the Strauss Coffee subsidiary, Strauss Adriatic d.o.o., the Company recognized an impairment loss in respect of intangible assets attributed to the operation in Serbia in an amount of NIS 8 million. The recoverable amount of the cash-generating unit, which is based on its value in use, was calculated by discounting future cash flows at a pretax capitalization rate of 15.9%, assuming 0% long-term growth rate. The impairment loss was included in the Selling and Marketing Expenses item in the statements of income.

Note 5 - Share-Based Payment

5.1 Grants during the reporting period

Details of the fair value of warrants granted during the reported period and the data used for this assessment at the grant date:

Grant date	Number of options and entitles employees	Fair value NIS m	Share price NIS	Exercise price NIS	Expected life Years	Expected annual volatility %	Discount rate %
March 19, 2015 (1)	500,000 to 8 managers	6.4	58.61	61.71	4.2-6.2	24.11%-25.12%	0.64%-1.17%
March 22, 2015 (2)	700,000 to 4 officers	9.0	58.60	61.68	4.2-6.2	24.10%-25.11%	0.59%-1.11%

(1) The entitlement to exercise the warrants will vest in three equal portions, on March 19 of each of the years 2017-2019.
(2) The entitlement to exercise the warrants will vest in three equal portions, on March 22 of each of the years 2017-2019

The benefit arising from the grant will be recorded as an expense on the financial statements over the vesting period above.

5.2 During the reported period, 515,863 share options that were granted to employees were exercised into 208,937 shares in consideration for their par value.

Note 6 - Contingent liabilities

6.1 For details regarding legal claims and contingencies against the Company and its subsidiaries, as at December 31, 2014, see Note 26.1.1 to the Annual Financial Statements.

Below are details pertaining to claims filed with the court against the Company and its subsidiaries in the reported period to certify it as class actions. The Company's management, based on its legal advisors assessment, estimates at this stage, that it is not expected that the claim will be affirmed as class action:

The Date Claim Filed	Court In Which The Claim Is Being Litigated	The Defendant	Claim Issue	Claim Amount (Millions of NIS)
March 2015	Central District Court	The subsidiary Strauss Water Ltd.	Alleged misleading by the representation that its water treatment devices perform filtration on a level complying with certain standards.	1,832
June 2015	Haifa District Court	The subsidiary Strauss Coffee B.V.	Alleged misleading in the labeling of a product manufactured by the company	25
April 2015	Central District Court	The Company and the Parent Company, Tnuva Central Cooperative for the Marketing of Agricultural Produce in Israel Ltd. and Tnuva Food Industries Agricultural Co-Op in Israel Ltd.	Alleged unfair pricing by a monopoly holder, and of products under price control	57

Note 6 - Contingent liabilities (cont'd)

6.2 With regard to claims filed with the courts against the Company and its subsidiaries for class actions, in which respect legal proceedings ended in the reporting period by the date of approval of the report, see Note 26.1.1 to the annual financial statements and as set forth below:

Date claim filed	Court where claim was litigated	Defendant	Subject of claim and judgment	Claim amount (NIS millions)
November 2013	Tel Aviv – Jaffa District Court	The Company	Alleged misleading in a product recall process. On March 31, 2015, following negotiations with the claimant's attorney the claim was quashed and the proceedings concluded.	11
November 2014	Tel Aviv – Jaffa District Court	The Company	Alleged misleading in the labeling of a product manufactured by the company. On May 11, 2015 the court decided to approve the Company's motion to quash the monetary claim.	11
December 2014	Tel Aviv – Jaffa District Court	An equity-accounted investee company in Israel	Alleged misleading in the sale of products in large packs. On May 10, 2015 the Tel Aviv – Jaffa District Court decided to approve the claimant's notice of withdrawal without ruling costs.	12
December 2007	Haifa District Court	The Company and the subsidiary Strauss Health Ltd.	Alleged misleading in the labeling of a product manufactured by the company. On May 28, 2015 the Haifa District Court approved and granted force of judgment to the settlement between the parties. In the settlement arrangement it was agreed that the Company would donate various products during a period of 48 months, amounting to a total retail price of NIS 6 million.	34
October 2014	Tel Aviv – Jaffa District Court	The Company	Alleged misleading in the labeling of a product manufactured by the company. On July 1, 2015 the Tel Aviv – Jaffa District Court decided to approve the claimant's notice of withdrawal without ruling costs.	20
October 2011	Tel Aviv – Jaffa District Court	The Company	Alleged misleading of consumers in the labeling of the list of ingredients of chocolate bars. On July 12, 2015 a judgment was awarded in which the court approved the settlement agreement, pursuant to which the Company will grant its customers discounts and product donations worth NIS 900 thousand, as well as compensation and fees in the amount of NIS 200 thousand.	200
March 2014	Haifa District Court	Uri Horazo Yotvata Dairies Ltd. (50%)	Alleged misleading in the labeling of a product. On November 17, 2015 the Haifa District Court decided to approve the claimant's notice of withdrawal.	115

Note 7 - Equity-Accounted Investees

7.1 Concise information on material equity-accounted investees:

	Sabra Dipping Company			Três Corações Alimentos S.A		
	September 30		December 31	September 30		December 31
	2015	2014	2014	2015	2014	2014
	(Unaudited)		(Audited)	(Unaudited)		(Audited)
	NIS Millions					
Current assets	307	243	277	804	990	967
Of which:						
Cash and cash equivalents	94	30	64	132	76	129
Non-current assets	690	617	672	450	580	644
Total assets	997	680	949	1,254	1,570	1,611
Current liabilities	268	229	266	500	578	754*
Of which:						
Financial liabilities except Trade and other payables and provisions	164	102	92	263	347	412
Non-current liabilities	36	99	92	220	235	174
Of which:						
Financial liabilities except Trade and other payables and provisions	32	96	86	188	177	120
Total liabilities	304	328	358	720	813	928*

* Reclassified in order to conform to current period presentation. This classification had no effect on the investment's book value.

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

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

	Sabra Dipping Company					Três Corações Alimentos S.A				
	For the nine months ended		For the three months ended		For the year ended	For the nine months ended		For the three months ended		For the year ended
	September 30		September 30		December 31	September 30		September 30		December 31
	2015	2014	2015	2014	2014	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)	(Unaudited)		(Unaudited)		(Audited)
	NIS Millions									
Income	1,078	931	384	323	1,288	2,262	2,655	710	999	3,593
Profit for the period	71	75	35	30	92	141	208	30	80	278
Other comprehensive income (loss)	6	* 30	26	* 34	58	(285)	* 5	(144)	(39)	(33)
Total comprehensive income (loss)	77	* 105	61	* 64	150	(144)	* 213	(114)	41	245
Of which										
Depreciation and amortization	31	22	10	5	28	24	23	7	8	33
Interest income	-	-	-	-	-	7	9	2	3	11
Interest expenses	7	8	2	3	10	17	18	6	6	23
Income tax expenses (1)	53	56	26	23	69	21	39	4	12	27

(1) Taxable income of Sabra Dipping Company is assessed in the holding company. S.E USA, Inc.

* Reclassified in order to conform to current period presentation. This classification had no effect on the investment's book value.

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

7.2 The Group is enclosing to these interim consolidated financial statements the condensed interim consolidated financial statements of Tres Coracoes Alimentos S.A, a joint venture in Brazil (50% ownership), accounted for under the equity method.

The investee's presentation currency is the Brazilian real.

7.3 The real-shekel exchange rate was 0.98 as of September 30, 2015.

The following are the average exchange rates and rates of change in the real exchange rates during the reporting period:

	Real Exchange Rate	
	Average for the period	**Change in %**
For the nine-month period ending on:		
September 30, 2015	1.25	(33.0)
September 30, 2014	1.53	2.7
For the three month period ending on:		
September 30, 2015	1.10	(19.2)
September 30, 2014	1.55	(3.6)
For the year ending December 31, 2014	1.53	(0.1)

Note 8 - Financial Instruments

8.1 Fair value of financial instruments

The carrying amount of the cash and cash equivalents, short and long term investments, trade receivables, other receivables and debit balances, credit from banks and others, trade payables and other payables and credit balances is the same or proximate to their fair value, except as mentioned below.

Presented below are the carrying amounts and fair values of financial liabilities that are not presented in the financial statements at fair value or close to it:

	September 30, 2015		September 30, 2014		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	(Unaudited)				(Audited)	
	NIS millions					
Series B Debentures (1)	543	567	725	776	731	771
Series D Debentures (1)	478	526	481	522	485	535

(1) The fair value is based on the prices of the Tel Aviv Stock Exchange. The carrying amount includes interest accrued as at September 30, 2015 and 2014 on Series B debentures NIS 4 and 5 million, respectively; as at December 31, 2014 on Series B debentures NIS 12 million and on Series D debentures NIS 5 million.

8.2 Fair value hierarchy

The table below illustrates an analysis of financial instruments carried at fair value, using valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active market for similar instruments.
- Level 2: Inputs other than quoted prices within level 1.
- Level 3: inputs that are not based on observable market data.

	September 30, 2015			September 30, 2014			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(Unaudited)						(Audited)		
	NIS million								
Financial assets (liabilities)									
Marketable securities	46	-	-	99	-	-	98	-	-
Receivables- derivatives	4	11	-	16	10	-	10	17	-
Payables- derivatives	(29)	(32)	-	(13)	(23)	-	(33)	(27)	-
Available for sale financial asset	27	-	-	30	-	-	23	-	-
Option to purchase shares in an equity-accounted investee (1)	-	-	6	-	-	-	-	-	-
	48	(21)	6	132	(13)	-	98	(10)	-

(1) The fair value of the option is measured using the Monte Carlo simulation technique based, inter alia, on the investee's value and projected income as well as on peer companies volatility. The revaluation is included in the statement of income under financing income. (For further information, see Note 4.3).

Note 8 - Financial Instruments (cont'd)

8.2 Fair value hierarchy (cont'd)

See Note 5 to the Annual Financial Statements regarding determination of the fair value of financial instruments.

Note 9 - Subsequent Events

9.1 For details regarding legal procedures ended subsequent to the date of statement on financial position, see Note 6.2.

9.2 Further to Note 26.4.7 to the Annual Financial Statements on Material Commitments, the subsidiary Strauss Coffee has exercised its reserved option to extend a lease to operate a coffee plant in Germany for an additional period of 3 years ending 31 December 2019.

9.3 Further to Note 4.3 to these financial statements, Strauss Water has completed the restructuring process in China and has paid an amount of NIS 30 million to a company of Haier Group Corporation.

9.4 The liquidator of Esio Beverage Company ("Esio") filed an action against Strauss Water Ltd. ("Strauss-Water") in the State of Delaware, USA. The filing of the action was approved on November 5, 2015. In the statement of claim Esio alleges that Strauss-Water was expected to convert a $5.25 million loan to Esio (the "Loan") into equity and to invest an additional $25 million in Esio's equity, and after it failed to do so Esio was obliged to discontinue its business and was declared insolvent; consequently, Esio was caused loss of profits and a loss of business opportunities. Strauss-Water estimates that the chances of the action being accepted are below 50%. Strauss-Water has filed a claim with the liquidator for the refund of the loan, plus interest, against Esio's liquidated assets.

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To the Shareholders of Strauss Group Ltd.
49 Hasivim Street
Kiryat Matalon, Petach Tikva

Re: Special Auditors' Report on Separate Financial Information According to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) – 1970

We have reviewed the separate financial information presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Strauss Group Ltd. (hereinafter – the "Company") as at September 30, 2015 for the nine- month and three-month period then ended. The separate financial information is the responsibility of the Company's Board of Directors and its Management. Our responsibility is to express an opinion on the separate financial information based on our review.

The data contained in the separate financial information which refer to equity accounted investments and to the Company's share of the profits (losses) of equity accounted investees are based on financial statements, some of which were audited by other auditors.

Scope of Review

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

Conclusion

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

Somekh Chaikin
Certified Public Accountants (Isr.)

November 23, 2015

INFORMATION PERTAINING TO FINANCIAL POSITION

	September 30 2015	September 30 2014	December 31 2014
	Unaudited	Unaudited	Audited
		NIS Millions	
Assets			
Cash and cash equivalents	74	139	374
Securities and deposits	29	280	79
Trade receivables	211	169	149
Income tax receivables	27	12	18
Other receivables and debit balances	42	41	39
Investee receivables	187	117	119
Inventory	123	102	142
Dividend receivable	136	32	-
Assets held for sale	36	73	36
Total current assets	865	965	956
Investments in investees	1,721	2,140	2,012
Other investments and long-term debit balances	691	598	633
Fixed assets	941	825	851
Intangible assets	61	57	60
Investment property	23	23	23
Total non-current assets	3,437	3,643	3,579
Total assets	4,302	4,608	4,535

Ofra Strauss	Gadi Lesin	Shahar Florence
Chairperson of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Date of approval of the separate financial information: November 23, 2015

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

	September 30 2015	September 30 2014	December 31 2014
	Unaudited	Unaudited	Audited
		NIS Millions	
Liabilities			
Current maturities of debentures	179	223	179
Short-term loans and credit and current maturities of long-term loans	41	28	30
Trade payables	196	179	203
Other payables and credit balances	193	180	205
Investee payables	114	123	145
Provisions	8	2	5
Total current liabilities	731	735	767
Debentures	838	1,022	1,020
Long-term loans	812	854	847
Long-term payables and credit balances	35	17	22
Employee benefits, net	21	18	21
Deferred tax liabilities	51	36	35
Total non-current liabilities	1,757	1,947	1,945
Total equity attributable to the Company's shareholders	1,814	1,926	1,823
Total liabilities and equity	4,302	4,608	4,535

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

INFORMATION PERTAINING TO STATEMENTS OF INCOME

	For the nine months ended		For the three months ended		For the year ended
	September 30 2015	September 30 2014	September 30 2015	September 30 2014	December 31 2014
	Unaudited				Audited
	NIS millions				
Sales	673	646	256	217	828
Cost of sales	419	379	164	135	484
Gross profit	254	267	92	82	344
Selling and marketing expenses	154	162	50	52	207
General and administrative expenses	18	26	5	8	34
	172	188	55	60	241
Operating profit before other Income (expenses)	82	79	37	22	103
Other income	1	2	-	-	2
Other expenses	(17)	(24)	(9)	(15)	(40)
Other expenses, net	(16)	(22)	(9)	(15)	(38)
Operating profit	66	57	28	7	65
Financing income	24	25	19	31	45
Financing expenses	(72)	(70)	(29)	(35)	(92)
Financing expenses, net	(48)	(45)	(10)	(4)	(47)
Profit before taxes on income	18	12	18	3	18
Taxes on income	(23)	(37)	(10)	(10)	(37)
Profit (loss) after taxes on income	(5)	(25)	8	(7)	(19)
Share in profit of investees	197	240	60	82	254
Income for the period attributable to the shareholders of the Company	192	215	68	75	235

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

INFORMATION PERTAINING TO COMPREHENSIVE INCOME

	For the nine months ended		For the three months ended		For the year ended
	September 30 2015	September 30 2014	September 30 2015	September 30 2014	December 31 2014
	Unaudited				Audited
	NIS millions				
Income for the period attributable to the shareholders of the Company	192	215	68	75	235
Other comprehensive loss items that will be transferred to profit or loss in subsequent periods:					
Other comprehensive loss from investees	(212)	(47)	(60)	(35)	(169)
Total other comprehensive loss items that will be transferred to profit or loss, net of tax	(212)	(47)	(60)	(35)	(169)
Other comprehensive loss items that will not be transferred to profit or loss in subsequent periods:					
Changes in employee benefits ,net	-	-	-	-	(5)
Total other comprehensive loss items that will not be transferred to profit or loss, net of tax	-	-	-	-	(5)
Comprehensive income (loss) for the period attributable to the shareholders of the Company	(20)	168	8	40	61

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

INFORMATION PERTAINING TO CASH FLOWS

	For the nine months ended		For the three months ended		For the year ended
	September 30 2015	September 30 2014	September 30 2015	September 30 2014	December 31 2014
	Unaudited				Audited
	NIS millions				
Cash flows from operating activities					
Income for the year attributable to the shareholders of the Company	192	215	68	75	235
Adjustments:					
Depreciation	32	26	13	9	37
Amortization of intangible assets and deferred expenses	10	10	3	3	16
Other expenses, net	2	-	1	-	14
Expenses in respect of share-based payment	9	13	3	5	16
Share in gain of investees	(197)	(240)	(60)	(82)	(254)
Financing expenses, net	48	45	10	4	47
Income tax expense	23	37	10	10	37
Change in inventory	31	44	21	25	4
Change in trade and other receivables	(20)	(3)	(52)	(11)	20
Change in investee receivables	(36)	(36)	(5)	31	(38)
Change in long-term receivables	(15)	(20)	(20)	(17)	(37)
Change in trade and other payables	(21)	(20)	7	12	9
Change in investee payables	(31)	(90)	10	-	(80)
Change in employee benefits	(1)	1	-	-	(1)
Interest paid	(83)	(77)	(38)	(38)	(81)
Interest received	2	6	1	4	20
Income tax paid, net	(10)	(34)	(3)	(27)	(41)
Net cash flows from (used in) operating activities	(65)	(123)	(31)	3	(77)
Cash flows from investing activities					
Sale (purchase) of marketable securities and deposits, net	50	(75)	-	(16)	125
Proceeds from sale of fixed assets	4	2	-	-	38
Acquisition of fixed assets	(65)	(220)	(21)	(130)	(249)
Investment in intangible assets and deferred expenses	(11)	(5)	(3)	(1)	(13)
Repayment of deposits and long-term loans	3	3	1	-	4
Long-term loans granted	(3)	(2)	(1)	-	(3)
Dividends from investees	45	251	1	9	303
Cash received in respect of investing activities with investees	6	48	-	4	55
Cash paid in respect of investing activities with investees	(60)	(39)	(23)	(9)	(63)
Net cash flows from (used in) investing activities	(31)	(37)	(46)	(143)	197

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

	For the nine months ended		For the three months ended		For the year ended
	September 30 2015	September 30 2014	September 30 2015	September 30 2014	December 31 2014
	Unaudited				Audited
	NIS millions				
Cash flows from financing activities					
Repayment of debentures and long-term loans	(204)	(199)	(11)	(8)	(245)
Proceeds from the issue of debentures	-	237	-	-	237
Proceeds from the exercise of stock options	-	-	-	-	1
Change in jointly controlled entity payables	-	(64)	-	-	(64)
Net cash flows used in financing activities	(204)	(26)	(11)	(8)	(71)
Net increase (decrease) in cash and cash equivalents	(300)	(186)	(88)	(148)	49
Cash and cash equivalents as at beginning of period	374	325	162	287	325
Cash and cash equivalents as at end of period	74	139	74	139	374

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

Note 1 - Reporting Rules and Accounting Policies

1.1 The Company's business comprises the activity of the Group Corporate Center and the Group's confectionery operation in Israel, which includes the development, manufacture and marketing of branded candy products. In addition, since the third quarter of 2015, the company operations also include the operations of the Group's salads in Israel, see Note 3.1.

1.2 The Interim Separate Financial Information of Strauss Group Ltd. (hereinafter: the "Company") is presented in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970 and the Tenth Addendum to the said regulations with respect to the separate financial information of the corporation. This financial information should be read in conjunction with the Financial Information as at and for the year ended on December 31, 2014, and in conjunction with the interim consolidated financial statements as at September 30, 2015 (hereinafter: the "Interim Consolidated Financial Statements").

The accounting policy applied in this Condensed Interim Separate Financial Information is in accordance with the accounting policy rules described in the Separate Financial Information as at December 31, 2014.

1.3 In this Separate Financial Information – the Company and investee companies as defined in Note 1 to the Consolidated Financial Statements of the Company as at December 31, 2014.

1.4 The Interim Separate Financial Information is presented in Shekels, which is the Company's functional currency. The financial information is presented in NIS millions and rounded to the nearest million.

Note 2 - Seasonality

Confectionery sales in Israel are characterized by seasonality and are generally higher in the first quarter of the year. Seasonality is mainly affected by the winter months, when greater consumption of chocolate products is typical, as well as by increased consumption of confectionery products as Passover approaches.

Note 3 - Material Events during the Reported Period

3.1 On December 31, 2014 Fresh Foods Ltd. and the Company notified the Tax Authority about the merger of Fresh Foods Ltd with and in the Company, without charges in accordance with the provisions of Part E2 of the Income Tax Ordinance (New Version), 1961.

On June 30, 2015 Fresh Foods Ltd. was merged into the company.

Following the transaction, the Company recognized the following amounts:

	Fresh Foods Merger NIS millions Unaudited
Current assets	64
Noncurrent assets	90
Current liabilities	(52)
Non-current liabilities	(7)
Identified assets and liabilities, net	95
Investment in merged subsidiary	95

Note 3 - Material Events during the Reported Period (cont'd)

3.2 For information on material events during the reported period see Notes 4, 5 and 6 to the Consolidated Interim Financial Statements as at September 30, 2015.

Note 4 - Financial Instruments

4.1 Fair value of financial instruments

For information on the fair value of financial instruments, see Note 8.1 to the Consolidated Interim Financial Statements as at September 30, 2015.

4.2 Fair value hierarchy

The table below illustrates an analysis of financial instruments carried at fair value, using valuation method.

	September 30, 2015		September 30, 2014		December 31, 2014	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
	Unaudited				Audited	
	NIS million					
Financial assets (liabilities)						
Marketable securities	16	-	60	-	59	-
Trade receivables- derivatives	2	5	-	5	2	7
Trade payables- derivatives	(1)	(30)	(2)	(23)	(5)	(27)
	17	(25)	58	(18)	56	(20)

As at September 30, 2015 and 2014 and as at December 31, 2014, the Company does not have financial instruments measured at level 3.

Note 5 – Events after the Reporting Date

For information on events after the reporting date, see Note 9 to the Consolidated Interim Financial Statements as at September 30, 2015

STRAUSS GROUP LTD.

ISOX DECLARATION

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure Pursuant to Regulation 38c(a)

Management, under the supervision of the Board of Directors of Strauss Group Ltd. (the "Corporation"), is responsible for determining and maintaining proper internal control over financial reporting and disclosure within the Corporation.

For this purpose, the members of Management are:

1. Gadi Lesin, President & CEO;
2. Giyora Bar Dea, Deputy Chief Executive Officer;
3. Shahar Florence, EVP & CFO;
4. Mike Avner, EVP, CLO, Company Secretary;
5. Nurit Tal Shamir, SVP HR;

Internal control over financial reporting and disclosure includes controls and procedures existing within the Corporation, which were planned by or under the supervision of the CEO and the most senior financial officer, or by anyone actually performing such functions, under the supervision of the Board of Directors of the Corporation, which are designed to provide a reasonable level of assurance regarding the reliability of financial reporting and preparation of the reports according to the provisions of the law, and to ensure that information which the Corporation is required to disclose in reports released thereby according to the law is gathered, processed, summarized and reported within the time frames and in the format set forth in the law.

Internal control includes, *inter alia*, controls and procedures which were planned to ensure that information which the Corporation is required to disclose as aforesaid, is gathered and transferred to the Management of the Corporation, including the CEO and the most senior financial officer, or anyone actually performing such functions, in order to enable timely decision-making in reference to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide full assurance that misrepresentation or omission of information in the reports is prevented or discovered.

In the quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure, which was attached to the Periodic Report for the period ended June 30, 2015 (hereinafter: the "Latest Annual Report on Internal Control"), the Board of Directors and Management evaluated internal control in the Corporation.

Based on this evaluation, the Board of Directors and Management of the Corporation reached the conclusion that the above mentioned internal control as at June 30, 2015 is effective.

Until the reporting date the Board of Directors and Management were not informed of any event or matter that are able to alter the evaluation of the effectiveness of financial control, as presented in the Latest Annual Report on Internal Control.

As at the reporting date, based on the evaluation of the effectiveness of internal control in the Latest Annual Report on Internal Control, and based on information brought to the knowledge of Management and the Board of Directors as mentioned above, internal control is effective.

<u>**Statement of the Chief Executive Officer Pursuant to Regulation 38c(d)(1):**</u>

Managers' Statement

Statement of the Chief Executive Officer

I, Gadi Lesin, warrant that:

(1) I have reviewed the quarterly report of Strauss Group Ltd. (hereinafter: the "Corporation") for the third quarter of 2015 (hereinafter: the "Reports").

(2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, nor omit any representation of a material fact which is required for the representations included therein, in view of the circumstances in which such representations were included, not to be misleading in reference to the period of the Reports.

(3) To my knowledge, the Financial Statements and other financial information included in the Reports adequately reflect, from all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the Reports relate.

(4) I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit and Financial Statement Committees, based on my most current assessment of the internal control over financial reporting and disclosure:

a. Any and all significant flaws and material weaknesses in the determination or operation of internal control over financial reporting and disclosure, which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in accordance with the provisions of the law; and -

b. Any fraud, either material or immaterial, which involves the CEO or anyone directly subordinate to him or which involves other employees who play a significant role in the internal control over financial reporting and disclosure.

(5) I, either alone or jointly with others in the Corporation:

a. Have determined controls and procedures, or confirmed the determination and existence of controls and procedures under my supervision, which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 2010, is presented to me by others within the Corporation and the consolidated companies, particularly during the period of preparation of the Reports; and –

b. Have determined controls and procedures or confirmed the determination and existence of controls and procedures under my supervision, which are designed to provide reasonable assurance of the reliability of financial reporting and preparation of the Financial Statements according to the provisions of the law, including in accordance with GAAP.

c. Was not informed of any event or matter occurring in the period between the date of the latest report (the Periodic Report as at June 30, 2015) and the date of the

Reports, which could alter the conclusion of the Board of Directors and Management regarding the effectiveness of the Corporation's internal control over financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person pursuant to any law.

November 23, 2015

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Gadi Lesin, President & CEO

<u>Statement of the Most Senior Financial Officer Pursuant to Regulation 38c(d)(2):</u>

Managers' Statement

Statement of the Most Senior Financial Officer

I, Shahar Florence, warrant that:

(1) I have reviewed the Interim Financial Statements and the other financial information included in the interim reports of Strauss Group Ltd. (hereinafter: the "Corporation") for the third quarter of 2015 (hereinafter: the "Reports" or the "Interim Reports").

(2) To my knowledge, the Interim Financial Statements and other financial information contained in the Interim Reports do not contain any misrepresentation of a material fact, nor omit any representation of a material fact which is required for the representations included therein, in view of the circumstances in which such representations were included, not to be misleading in reference to the period of the Reports.

(3) To my knowledge, the Financial Statements and other financial information included in the Interim Reports adequately reflect, from all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the Reports relate.

(4) I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit and Financial Statement Committees, based on my most current assessment of the internal control over financial reporting and disclosure:

a. Any and all significant flaws and material weaknesses in the determination or operation of internal control over financial reporting and disclosure to the extent that it relates to the Interim Financial Statements and to the other financial information included in the Interim Reports, which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in accordance with the provisions of the law; and –

b. Any fraud, either material or immaterial, which involves the CEO or anyone directly subordinate to him or which involves other employees who play a significant role in the internal control over financial reporting and disclosure.

(5) I, either alone or jointly with others in the Corporation:

a. Have determined controls and procedures, or confirmed the determination and existence of controls and procedures under our supervision, which are designed to ensure that material information in reference to the Corporation, including companies thereof as defined in the Securities Regulations (Annual Financial Statements), 2010, is presented to me by others within the Corporation and the consolidated companies, particularly during the period of preparation of the Reports; and -

b. Have determined controls and procedures or confirmed the determination and existence of controls and procedures under my supervision, which are designed to provide reasonable assurance of the reliability of financial reporting and preparation of the Financial Statements according to the provisions of the law, including in accordance with GAAP.

c. Was not informed of any event or matter occurring in the period between the date of the latest report (the Periodic Report as at June 30, 2015) and the date of the Reports that refers to the Interim Financial Statements and to any other financial information included in the Interim Report, which I estimate could alter the conclusion of the Board of Directors and Management regarding the effectiveness of the Corporation's internal control over financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person pursuant to any law.

November 23, 2015

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Shahar Florence, EVP & CFO

STRAUSS GROUP LTD.

INCLUSION OF THE FINANCIAL STATEMENTS OF AN INVESTEE PURSUANT TO REGULATION 44 OF THE SECURITIES REGULATIONS, 1970

Três Corações Alimentos S.A.

Condensed consolidated interim financial statements as of and for the three and nine month periods ended on 30 September 2015 and 2014 and independent auditors' limited review report on condensed consolidated interim financial statements

HG

Content

Independent auditors' report on review of interim financial information

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

Introduction
We have reviewed the accompanying 30 September, 2015 condensed consolidated interim financial statements of Três Corações Alimentos S.A. ("the Company"), which comprise: the consolidated statement of financial position as at 30 September, 2015; the consolidated statement of income and other comprehensive income for the three and nine months period ended 30 September, 2015; the consolidated statement of changes in equity for the nine-month period ended 30 September, 2015; the consolidated statement of cash flows for the nine-month period ended 30 September, 2015; and condensed notes to the interim financial statements.

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September, 2015 condensed consolidated interim financial statements do not give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with IAS 34, 'Interim Financial Reporting'.

Fortaleza, 27 October, 2015

KPMG Auditores Independentes
CRC 2SP014428/O-6

João Alberto da Silva Neto
Accountant CRC RS-048980/O-0 T-CE

Três Corações Group

Consolidated Interim Statements of Financial Position as of 30 September 2015 and 31 December 2014

(In thousand of Brazilian reais)

Assets	30 September 2015	31 December 2014
Current		
Cash and cash equivalents	134.268	87.775
Deposits	4.318	4.529
Trade receivables	290.027	287.513
Inventories	343.680	236.803
Recoverable taxes	20.701	22.318
Income tax receivable	8.663	5.215
Other current assets	16.889	14.690
	818.546	658.843
Non-current		
Judicial deposits	14.815	14.390
Other non-current assets	8.157	4.215
Deferred tax assets	12.637	17.149
Fixed assets	227.672	211.218
Intangible assets	194.809	192.136
	458.090	439.108
	1.276.636	1.097.951

Liabilities	30 September 2015	31 December 2014
Current		
Short term loans	267.761	281.034
Trade payables	86.192	78.991
Income tax payables	188	1.081
Employees and other payroll related liabilities	51.462	39.886
Proposed dividends	69.096	69.096
Payable taxes	15.203	16.139
Other current liabilities	18.344	27.828
	508.246	514.055
Non-current		
Long term loans	191.336	81.820
Other non-current liabilities	3.312	3.023
Deferred tax liabilities	12.622	16.288
Provision for legal proceedings	16.906	17.308
	224.176	118.439
Equity		
Share capital	272.370	271.669
Translation reserve	(98.377)	(68.574)
Retained earnings	370.221	262.362
	544.214	465.457
	1.276.636	1.097.951

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

Três Corações Group

Consolidated Interim Statements of Income

Nine and three months period ended 30 September 2015 and 2014

(In thousand of Brazilian reais)

	Nine months period ended 30 September 2015	Nine months period ended 30 September 2014 (Reclassified)	Three months period ended 30 September 2015	Three months period ended 30 September 2014 (Reclassified)
Revenue	1.825.264	1.731.074	647.547	643.199
Cost of sales	(1.284.131)	(1.196.369)	(462.244)	(451.449)
Gross profit	541.133	534.705	185.303	191.750
Selling and marketing expenses	(327.795)	(311.986)	(117.656)	(107.248)
General and administrative expenses	(58.309)	(50.636)	(21.164)	(18.450)
Other income (expenses), net	(145)	(704)	(224)	(567)
Operating profit	154.884	171.379	46.259	65.485
Finance income	5.012	5.997	1.873	2.167
Finance expenses	(31.846)	(15.878)	(17.043)	(8.934)
Profit before income tax	128.050	161.498	31.089	58.718
Income tax expenses	(16.764)	(25.424)	(3.804)	(7.518)
Profit for the period	111.286	136.074	27.285	51.200

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

Três Corações Group

Consolidated Interim Statements of Comprehensive Income

Nine and three months period ended 30 September 2015 and 2014

(In thousand of Brazilian reais)

	Nine months period ended 30 September		Three months period ended 30 September	
	2015	2014	2015	2014
Profit for the period	111.286	136.074	27.285	51.200
Foreign currency translation differences	(29.803)	(4.851)	(16.501)	(7.194)
Comprehensive income for the period	81.483	131.223	10.784	44.006

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

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Três Corações Group

Consolidated Interim Statements of Changes in Equity

Three month periods ended 30 September 2015 and 2014

(In thousand of Brazilian reais)

	Share capital	Retained earnings: Legal reserve	Retained earnings: Tax incentives	Retained earnings: Profit to distribute	Translation adjustments	Accumulated profit	Total
Balance as of 30 June, 2014	271.669	19.106	93.779	121.334	(48.045)	-	457.843
Profit for the period	-	-	-	-	-	51.200	51.200
Other comprehensive gain:							
Foreign currency translation differences	-	-	-	-	(7.194)	-	(7.194)
Total other comprehensive gain:	-	-	-	-	(7.194)	51.200	44.006
Internal equity changes							
State VAT and Federal tax incentives	-	-	8.993	-	-	(8.993)	-
Profit destination:							
Legal reserve	-	2.560	-	-	-	(2.560)	-
Reserve for profit to be distributed	-	-	-	39.647	-	(39.647)	-
	-	2.560	8.993	39.647	-	(51.200)	-
Balance as of 30 September, 2014	271.669	21.666	102.772	160.981	(55.239)	-	501.849
Balance as of 30 June, 2015	272.370	28.226	138.984	175.726	(81.876)	-	533.430
Profit for the period	-	-	-	-	-	27.285	27.285
Other comprehensive gain:							
Foreign currency translation differences	-	-	-	-	(16.501)	-	(16.501)
Total other comprehensive gain:	-	-	-	-	(16.501)	27.285	10.784
Internal equity changes							
State VAT and Federal tax incentives	-	-	8.376	-	-	(8.376)	-
Profit destination:							
Legal reserve	-	1.364	-	-	-	(1.364)	-
Reserve for profit to be distributed	-	-	-	17.545	-	(17.545)	-
	-	1.364	8.376	17.545	-	(27.285)	-
Balance as of 30 September, 2015	272.370	29.590	147.360	193.271	(98.377)	-	544.214

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

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Três Corações Group

Consolidated Statements of Changes in Equity

Nine months periods ended 30 September 2015 and 2014

(In thousand of Brazilian reais)

	Share capital	Retained earnings: Legal reserve	Retained earnings: Tax incentives	Retained earnings: Profit to distribute	Translation adjustments	Accumulated profit	Total
Balance as of 31 December, 2013	271.669	14.862	75.346	61.928	(50.388)	-	373.417
Dividends distributed relative to 2013	-	-	-	(2.791)	-	-	(2.791)
Profit for the year	-	-	-	-	-	136.074	136.074
Other comprehensive gain:							
Foreign currency translation differences	-	-	-	-	(4.851)	-	(4.851)
Total other comprehensive gain:	-	-	-	-	(4.851)	136.074	131.223
Internal equity changes							
State VAT and Federal tax incentives	-	-	27.426	-	-	(27.426)	-
Profit destination:							
Legal reserve	-	6.804	-	-	-	(6.804)	-
Reserve for profit to be distributed	-	-	-	101.844	-	(101.844)	-
	-	6.804	27.426	101.844	-	(136.074)	-
Balance as of 30 September, 2014	271.669	21.666	102.772	160.981	(55.239)	-	501.849
Balance as of 31 December, 2014	271.669	24.026	115.667	122.669	(68.574)	-	465.457
Dividends distributed relative to 2014	-	-	-	(2.726)	-	-	(2.726)
Profit for the year	-	-	-	-	-	111.286	111.286
Other comprehensive loss:							
Foreign currency translation differences	-	-	-	-	(29.803)	-	(29.803)
Total other comprehensive loss:	-	-	-	-	(29.803)	111.286	81.483
Internal equity changes							
Capitalization of tax incentive	701	-	(701)	-	-	-	-
State VAT and Federal tax incentives	-	-	32.394	-	-	(32.394)	-
Profit destination:							
Legal reserve	-	5.564	-	-	-	(5.564)	-
Reserve for profit to be distributed	-	-	-	73.328	-	(73.328)	-
	701	5.564	31.693	73.328	-	(111.286)	-
Balance as of 30 September, 2015	272.370	29.590	147.360	193.271	(98.377)	-	544.214

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

Três Corações Group

Consolidated Interim Statements of Cash Flows

Nine and three months period ended 30 September 2015 and 2014

(In thousand of Brazilian reais)

	Nine months period ended 30 September 2015	2014	Three months period ended 30 September 2015	2014
Cash flows from operating activities				
Profit for the period	111.286	136.074	27.285	51.200
Adjustments for:				
Depreciation and amortization	18.992	14.863	6.603	5.123
Provision for legal proceedings	(402)	2.060	(488)	1.198
Other expenses, net	145	704	224	567
Financing expenses, net	26.834	9.881	15.170	6.767
Income tax expenses	16.764	25.424	3.804	7.518
Interest paid, net	(8.870)	(9.539)	(3.864)	(3.975)
Income tax paid	(20.259)	(22.116)	(7.319)	(9.128)
	144.490	157.351	41.415	59.270
Change in:				
Trade receivables	8.925	(27.535)	37.075	6.746
Inventories	(101.563)	(60.438)	(85.445)	(42.329)
Recoverable and payable taxes, net	681	6.338	4.390	2.398
Derivatives, net	-	(14.555)	-	(2.180)
Judicial deposits	(425)	1.268	(134)	3.819
Trade payables	14.443	18.130	(2.148)	13.332
Employees and other payroll related liabilities	11.576	15.975	1.070	4.944
Other current and non-current assets and liabilities	(13.323)	(5.047)	(3.554)	(3.596)
Net cash flows provided by (used in) operating activities	64.804	91.487	(7.331)	42.404
Cash flows from investing activities				
Change in deposits	991	20.292	(1.668)	3.592
Payment for acquisition of operations	(1.980)	-	-	-
Proceeds from sales of fixed assets	2.357	1.743	388	979
Acquisition of fixed assets	(34.267)	(42.081)	(8.491)	(11.126)
Investments in intangible assets	(4.341)	(3.852)	(2.537)	(930)
Long-term loans to related parties	(33)	379	-	1
Net cash flows used in investing activities	(37.273)	(23.519)	(12.308)	(7.484)
Cash flows from financing activities				
Proceeds from loans	267.074	392.767	214.858	108.124
Repayment of loans	(245.386)	(382.253)	(80.222)	(138.747)
Dividend paid	(2.726)	(64.714)	-	(44.714)
Net cash flows provided by (used in) financing activities	18.962	(54.200)	134.636	(75.337)
Net increase (decrease) in cash and cash equivalents	46.493	13.768	114.997	(40.417)
Net increase (decrease) in cash and cash equivalents				
Cash and cash equivalents as of beginning of period	87.775	36.952	19.271	91.137
Cash and cash equivalents as of end of period	134.268	50.720	134.268	50.720
	46.493	13.768	114.997	(40.417)

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

Notes to the condensed consolidated interim financial statements

(Amounts in thousands of Brazilian reais, unless otherwise stated)

1 Reporting entity

Três Corações Alimentos S.A. and its controlled entities are an industrial and commercial group of companies, which operates in Brazil, in producing and selling branded coffee products, multi beverage single portion capsules and machines, powdered juices, chocolate drinks and corn meal products. The Group is also active in green coffee exports.

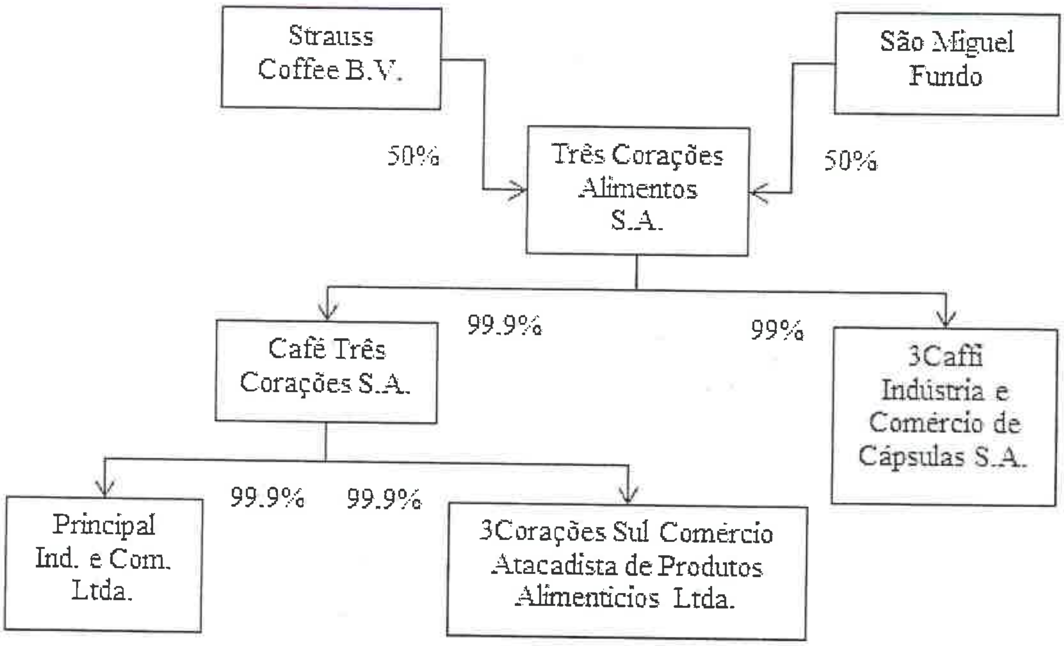
The Company controls the entities 3Caffi Indústria e Comércio de Cápsulas S.A. and Café Três Corações S.A., which controls the entities 3Corações Sul Comércio Atacadista de Produtos Alimentícios Ltda. and Principal Comércio e Indústria de Café Ltda., all together referred to as "the Group".

The Company is located at Santa Clara Street, 100, Parque Santa Clara, Eusébio, Ceará, Brazil.

The Group is one of two largest groups in roasted and ground coffee business in Brazil, and owns the brands Santa Clara, Kimimo, Três Corações, Pimpinela, Principal, Fino Grão, Café Doutor, Café Opção, Café Divinópolis, Café Geronymo, Estrada Real, Café Letícia, Itamaraty, Londrina, Claralate, Dona Clara, Claramil, Frisco, Tornado and Tres.

The Group's industrial facilities are located in the states of Ceará, Rio Grande do Norte, Minas Gerais and Rio de Janeiro, and its distribution centres are located in all states of Brazil. In addition to that, the Group owns green coffee processing plants in the states of Minas Gerais and Bahia. Part of the facilities used by the Group is leased from one of its related parties, Três Corações Imóveis Armazéns Gerais e Serviços Ltda., which is not consolidated in this report, since it is not part of the Group structure presented below. Três Corações Imóveis Armazéns Gerais e Serviços Ltda. is owned by São Miguel Holding e Investimentos S.A. (50%) and Strauss Coffee B.V. (50%).

As of 30 September 2015, the Group had the following structure:



2 Basis of preparation

a. Statement of compliance

These consolidated interim financial statements have been prepared in accordance with IAS 34 regarding interim financial reporting. These consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the IFRS audited financial statements of the Company as of 31 December 2014 and for the year then ended together with its accompanying notes (hereinafter – the "Annual Financial Statements").

These condensed consolidated interim financial statements were authorized for issue by the Company's Management on 27 October 2015.

3 Significant accounting policies

The accounting principles applied by the Company in preparing these consolidated interim financial statements are consistent with the principles applied by the Company in preparing its audited Annual Financial Statements as of 31 December 2014 and have been applied consistently to all entities of the Group.

4 Reclassification

Exchange rate variations gains and losses were presented separately in the statements of income according to its nature, as finance income and finance expenses, respectively.

When preparing these condensed consolidated interim financial statements, Management decided to present exchange rate variation in its net position, as finance income if positive or finance expense if negative. Management understands that the net presentation is more understandable and relevant for the users of financial information. The reclassification effect in the statements of income of 2014 is presented below:

	Originally presented September 30, 2014	Exchange rate variation reclassification	Reclassified September 30, 2014
Finance income	50,918	(44,921)	5,997
Finance expenses	(60,799)	44,921	(15,878)
Finance expenses, net	(9,881)	-	(9,881)

5 Material events during the reported period

5.1 Dividends

On May 4th, 2015, additional dividends declared from 2014 profit, in the amount of R$ 2,726, were approved in ordinary shareholders' meeting. These additional dividends were paid in May and June 2015.

5.2 Share capital

On June 29th, 2015, an increase in share capital with retained earnings was approved in extraordinary shareholders' meeting, in the amount of R$ 701.

5.3 Puchase price allocation

On September 4th, 2015, Management received the draft of the purchase price allocation of 3Corações Sul Comércio Atacadista de Produtos Alimentícios Ltda. ("3Corações Sul", former Polo Participações) performed by Ernst & Young Assessoria Empresarial Ltda. and submitted for review by the Company´s independent auditors. The Management understands that no further material changes will be required in the report, and therefore the impact of this independent valuation is presented below:

	Before independent valuation	Adjustment	After independent valuation
Acquisition cost			
Consideration transferred, paid or to be paid	31,631	-	31,631
Identifiable assets			
Machinery and equipment	751	-	751
Brands and trademarks	701	1,099	1,800
List of customers	-	5,600	5,600
Total identifiable assets	1,452	6,699	8,151
Goodwill	30,179	(6,699)	23,480

All adjustments above were recognized in these condensed consolidated interim financial statements.

6 Net debt

	30 September 2015	30 June 2015	31 December 2014
	(Unaudited)	(Unaudited)	(Audited)
Short term loans	267,761	184,716	281,034
Long term loans	191,336	91,589	81,820
Cash and cash equivalents	(134,268)	(19,271)	(87,775)
Net debt	324,829	257,034	275,079

The increase in net debt presented above, both in the nine and three month period ended Seotember 30th 2015, is mainly due to increase in inventories.

7 Contingent liabilities

There were no material events related to contingent liabilities during the reported period, except for the usual interest accrued on the contingent liabilities balances.

8 Financial instruments

a. Fair value of financial instruments

The carrying amounts of the cash and cash equivalents, short and long term financial investments, trade receivables, other receivables and debit balances, credit from banks and others, trade payables and other payables and credit balances are the same or close to their fair value, except as mentioned below.

Presented below are the carrying amounts and fair values of financial liabilities that are not presented in the financial statements at fair value or close to it:

	30 September 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	(Unaudited)		(Audited)	
Financial liabilities				
Short term loans	267,761	256,883	281,034	276,458
Long term loans	191,336	198,120	81,820	82,113

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

b. Fair value hierarchy

The table below illustrates an analysis of financial instruments carried at fair value, using valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active market.
- Level 2: inputs other than quoted prices within level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of 30 September 2015 and 31 December 2014, the Group did not have financial instruments balances carried at fair value using valuation methods.

Adenise de Melo

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