Strauss

Strauss Group LTD.

Quarterly Report

as at September 30, 2021

Board of Directors	Ofra Strauss, Chairperson Adi Strauss Ronit Haimovitch Gil Midyan Meir Shani David Mosevics Galia Maor Dalia Narkys Dorit Salinger Dalia Lev Joshua (Shuki) Shemer Tzipi Ozer-Armon
President & CEO	Giora Bardea
EVP, CLO & Company Secretary	Michael Avner
Auditor	Somekh Chaikin KPMG
Registered office	Hasivim St. 49 P.O.B 194 Petach Tikva 4959504, Israel

Strauss Group LTD.

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Strauss Group LTD.

Introduction

Company Profile

Strauss Group is an international food and beverage company whose home base is in Israel. Since 1933, Strauss has worked to improve people's lives, all over the world. Today, Strauss is among the largest public companies listed on the Tel Aviv Stock Exchange, with over 8.3 billion shekels in global annual revenue in 2020 according to non-GAAP financial measures. Strauss employs approximately 16,550 people worldwide, is active in more than 20 countries, and operates 25 manufacturing sites. Strauss is committed to its sustainability program in relation to consumers, the community, employees, suppliers and the environment.

The Group's areas of activity

Strauss Israel

The second-largest food and beverage group in Israel in terms of sales volumes (according to StoreNext). Strauss Israel encompasses 10 business segments; operates 12 sites, which include manufacturing sites and logistics centers; and has more than 4,500 employees

Strauss Coffee

One of the five largest coffee companies in the world in terms of market share (according to Euromonitor). Strauss Coffee is active in Israel, Brazil, Russia, Ukraine, Poland, Romania and Serbia.

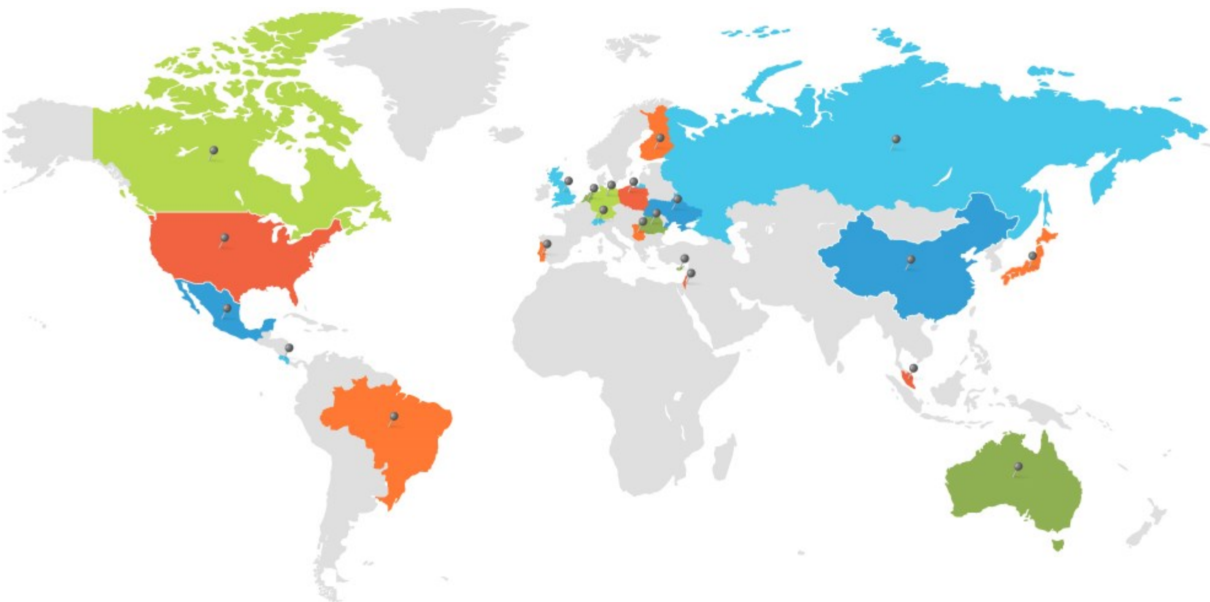
Strauss Water

A leading international company specializing in high-quality purified drinking water solutions. Strauss Water's primary markets are Israel, the UK and China.

International Dips and Spreads

The segment includes three international brands (Sabra, Obela and Florentin) in a joint venture with PepsiCo, which lead the development and growth of the category. The companies are active in North America, Australia, Mexico, Germany, New Zealand and other countries.

Global presence



Strauss Israel	Strauss Coffee	Strauss Water	International Dips and Spreads
Israel	Israel	Israel	US
	Holland	China	Holland
	Brazil	UK	Australia
	Romania		Mexico
	Switzerland		Canada
	Poland		
	Serbia		
	Germany		
	Ukraine		
	Russia		

Collaborations and innovation

Strauss is a party to collaborations with several leading multinational corporations such as Danone, PepsiCo, Haier and Virgin.

In 2015 the Group launched the technology incubator, "The Kitchen", as part of the Israel Innovation Authority's Technological Incubator Program. The incubator's goal is to boost Israeli FoodTech by investing in early-stage technological ventures, which offer solutions to the global food industry.

Since its establishment, the incubator has invested in 22 companies, some of which have completed product development, commenced initial sales and raised further investments. The Company participated in several of the funding rounds at amounts that are immaterial to the Company.

Summary of Q3 2021 Financial Performance

All financial data in this section are based on the Company's non-GAAP financial reports:

NIS **2,297** million
Net sales

6.9%
Organic growth
(excluding foreign currency effects)

36%
Gross profit margin

NIS **300** million
Operating profit

21.5%
Organic change in operating profit (excluding foreign currency effects)

13.1%
Operating profit margin

NIS **389** million
EBITDA

16.3%
change in EBITDA (excluding foreign currency effects)

NIS **304** million
Operating cash flow

NIS **204** million
Net income attributable to shareholders

28.1%
Growth in net income attributable to shareholders

NIS **232** million
Free cash flow

NIS **1.75**
Earnings per share

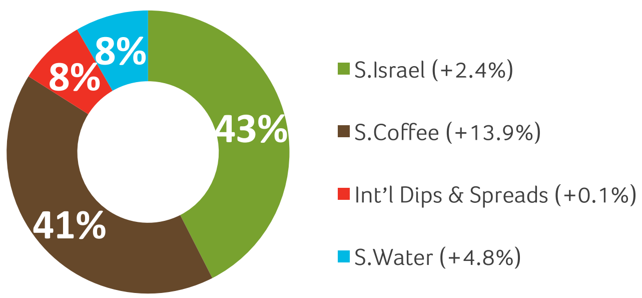
27.9%
EPS growth

Selected financial data for for the half-year and quarter ended September 30, 2021 and 2020

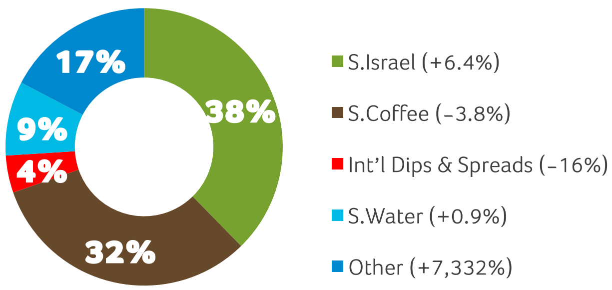
	1-9/2021	1-9/2020	% Change	Q3/2021	Q3/2020	% Change
Sales	6,490	6,280	3.3%	2,297	2,174	5.7%
Organic growth excluding foreign currency effects	5.6%	4.5%		6.9%	3.9%	
Gross profit – non-GAAP	2,435	2,445	(0.4%)	828	824	0.4%
% of sales	37.5%	38.9%		36.0%	37.9%	
Total operating expenses	1,732	1,734	(0.1%)	588	584	0.7%
Company's share of profit of equity-accounted investees	23	*37	(36.5%)	8	12*	(30.3%)
Operating profit before profit of incubator investees	726	748		248	252	
Share of profit (loss) of equity-accounted incubator investees	75	*(7)	1,208.4%	52	*(2)	2,127.2%
Operating profit – non-GAAP	801	741	8.0%	300	250	20.0%
% of sales	12.3%	11.8%		13.1%	11.5%	
Net financing expenses	(57)	(89)	(36.2%)	(29)	(26)	12.4%
Income before tax – non-GAAP	744	652	14.0%	271	224	20.9%
Income tax	(152)	(135)	12.8%	(47)	(48)	(2.1%)
Income for the period – non-GAAP	592	517	14.4%	224	176	26.2%
Income attributable to shareholders	536	464	15.4%	204	158	28.1%
% of sales	8.3%	7.4%		8.9%	7.3%	
Income attributable to non-controlling interests	56	53	5.7%	20	18	10.6%
EPS (NIS)	4.61	4.01	15.1%	1.75	1.37	27.9%

*Restated

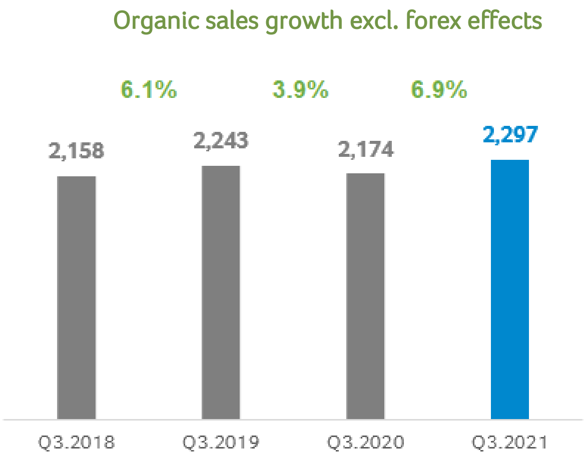
Net Sales – Third Quarter

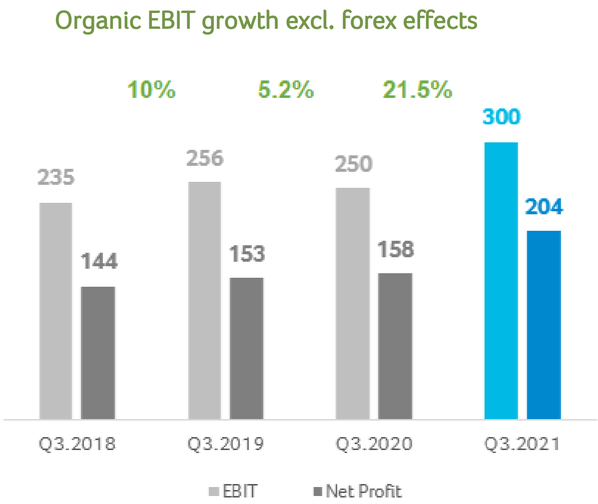


Operating Profit – Third Quarter



* Organic percentage change excluding effect of exchange differences on translation into shekels.





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

Definitions

In all of the following chapters, the following terms will have meanings indicated below:

“Strauss” / the “Company"	Strauss Group Ltd.
“Strauss Group” / the “Group”	Strauss Group Ltd. and companies controlled by it, including joint control.
“Strauss Holdings”	Strauss Holdings Ltd.
“Controlling shareholders”	For information, see section 1.1 in the Description of the Company’s Business Report for the Year 2020.
“Strauss Coffee”	Strauss Coffee B.V.
“São Miguel”	São Miguel Holding e Investimentos S.A.
“Três Corações (JV)”	A joint venture in Brazil, held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%).
“Sabra”	Sabra Dipping Company LLC.
“Obela”	PepsiCo-Strauss Fresh Dips & Spreads International GmbH.
“Florentin”	Florentin B.V., a wholly-owned subsidiary of Obela.
“Danone”	Compagnie Gervais Danone S.A. of France.
“PepsiCo” / “PepsiCo, Inc.”	The North American multinational food, snack and beverage corporation.
“PepsiCo Europe”	PepsiCo Investments (Europe) I B.V., a PepsiCo subsidiary.
“PRB”	PRB Luxembourg, a PepsiCo subsidiary.
“Haier”	Haier Group Corporation of China.
“VSW”	A joint venture, Virgin Strauss Water UK Ltd.
“VEL”	Virgin Enterprises Ltd.
“HSW”	Qingdao HSW Water Appliance Co. Ltd.

The "Stock Exchange" / "TASE"	The Tel Aviv Stock Exchange Ltd.
The "Financial Statements"	The financial statements of the Company, as defined in section 5 of the Description of the Company's Business Report for the Year 2020.
The "Non-GAAP Reports" / "Non-GAAP Management Reports"	The Company's non-GAAP reports, as defined in section 5 of the Description of the Company's Business Report for the Year 2020.
The "Milk Law"	The Milk Sector Planning Law, 2011.
The "Packaging Law"	The Packaging Treatment Regulation Law, 2011.
The "Food Law"	The Promotion of Competition in the Food Sector Law, 2014.
"StoreNext"	StoreNext is engaged in the measurement of the fast-moving consumer goods (FMCG) segment in the barcoded retail market (which includes the large food chains, private barcoded minimarkets and independent retail chains).
"Nielsen"	Nielsen Holdings plc is a leading global data and analytics company, which, to the best of the Company's knowledge, is active in 110 countries, including Israel.
"Euromonitor"	Euromonitor International is a provider of strategic market research, creating data and analysis on products and services around the world.
"ICE"	Intercontinental Exchange, Inc. (ICE) is a provider of commodity data, which generates and provides analyses of commodities. https://www.theice.com/index

Strauss Group LTD.

Description of the Corporation's Business

UPDATE OF THE CHAPTER DESCRIPTION OF THE COMPANY'S BUSINESS IN THE PERIODIC REPORT OF STRAUSS GROUP LTD. (HEREINAFTER: THE "COMPANY") FOR THE YEAR 2020[1] (HEREINAFTER: THE "PERIODIC REPORT")

In accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, following is a description of material developments that occurred in the Company's business in the nine months ended September 30, 2021 through to the publication date of the report, which have not yet been disclosed in the Periodic Report. This update refers to a number of sections in the chapter Description of the Company's Business as well as a number of regulations in the chapter Additional Information on the Company in the Company's 2020 Periodic Report ("**Description of the Company's Business Report**" and "**Additional Information Report**", respectively), and is presented according to the order of the sections in said reports. It is noted that the terms used in this chapter shall have the meaning ascribed to them in the Periodic Report, unless expressly stated otherwise.

1. Section 4 in the Description of the Company's Business Report, Dividend Distribution

On March 21, 2021 the Board of Directors of the Company approved the distribution of a cash dividend to shareholders of the Company. For information on said dividend distribution, see the Immediate Report of March 22, 2021, as supplemented on March 25, 2021 (reference no. 2021-01-040467 and 2021-01-047142, respectively), and also Note 4.1 to the Condensed Consolidated Interim Financial Statements of the Company as at September 30, 2021.

2. Section 15 in the Description of the Company's Business Report, Research and Development

On July 6, 2021, Aleph Farms Ltd. ("**Aleph Farms**"), whose shareholders are the Company and The Kitchen Hub Limited Partnership ("**The Kitchen**"), which is controlled by the Company, entered into investment agreements against the allotment of its shares. On July 26, 2021, the transaction was closed. As a result, the Company recognized a gain on the decrease in the holding of the Company and The Kitchen in Aleph Farms, an equity-accounted investee, and the Company recognized a gain of approximately NIS 58 million on its financial statements for the third quarter of 2021. For further information, see the Immediate Reports of July 7, 2021 and July 27, 2021 (reference no. 2021-01-113565 and 2021-01-058243, respectively).

1 As published on March 22, 2021 (reference no. 2021-01-040482).

3. Section 17 in the Description of the Company's Business Report, Financing

Section 17.4, Credit rating

On April 7, 2021 the Company announced the reaffirmation of Standard & Poor's Maalot's ilAA+ rating with stable outlook. For further information, see the Immediate Report of April 7, 2021 (reference no. 2021-01-059160).

On May 20, 2021 the Company announced the reaffirmation of Midroog's Aa1.il rating with stable outlook for the Company's Series E and Series F debentures. For further information, see the Immediate Report of May 20, 2021 (reference no. 2021-01-028198).

4. Section 20 in the Description of the Company's Business Report, Restrictions and Oversight of the Group's Activity

Section 20.4, Competition Laws

On November 9, 2021, the Company announced that on that morning, representatives of the Competition Authority had conducted a search and confiscated materials at the Company's offices on suspicion of offenses under the Economic Competition Law, and that Company employees had been questioned, including senior officers. For further information, see the Immediate Report of November 9, 2021 (reference no. 2021-01-095674).

5. Section 22 in the Description of the Company's Business Report, Legal Proceedings

For updates, see Note 6 to the Condensed Consolidated Interim Financial Statements of the Company as at September 30, 2021.

6. Regulation 22 in the Additional Information Report, Transactions with a Controlling Shareholder

For information on the employment of Mr. Rotem Strauss (a relative of the controlling shareholder) by the Company as part of the Company's summer internship program in accordance with regulation 1b(4) of the Companies Regulations (Relief for Transactions with Interested Parties), 2000, see the Immediate Report of August 17, 2021 (reference no. 2021-01-132831).

7. Regulation 26A in the Additional Information Report, Senior Officers

On May 9, 2021, Mr. Ronen Zohar assumed the office of Deputy CEO of Strauss Group. On said date, Ms. Esti Carmeli assumed the office of CEO of Strauss Water. For further information, see the Immediate Report of May 25, 2021 (reference no. 2021-01-089340).

On July 8, 2021, Mr. Joey Bernstein assumed the office of President & CEO of Sabra and Obela. For further information, see the Immediate Report of August 17, 2021 (reference no. 2021-01-132882).

8. Regulation 29 in the Additional Information Report

On June 30, 2021, the Special General Meeting of Shareholders of the Company approved the appointment of Ms. Tzipi Ozer-Armon, who was appointed by a resolution of the Board of Directors of October 28, 2020, as a director of the Company. On the same date, the Meeting of Shareholders also approved the grant of a letter of exemption to Mr. Adi Strauss, who is among the controlling shareholders of the Company, for a period of three years commencing on the date of approval by the General Meeting, and the correction of a clerical error in the financial targets in the Remuneration Policy for officers of the Company. For further information, see the Immediate Reports of May 25, 2021 and July 1, 2021 (reference no. 2021-01-089310 and 2021-01-110259, respectively).

Date: November 15, 2021

Names and titles of signatories:

Ofra Strauss, Chairperson of the Board of Directors

Giora Bardea, Chief Executive Officer

Strauss Group Ltd.

Strauss Group LTD.

Board of Directors' Report to the Shareholders

as at September 30 ,2021

Board of Directors' Report to the Shareholders: Table of Contents

EXPLANATIONS BY THE BOARD OF DIRECTORS REGARDING THE COMPANY'S BUSINESS POSITION

1. General

The Board of Directors of Strauss Group Ltd. respectfully submits herewith the Board of Directors' Report for the third quarter of 2021 in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

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 in the Periodic Report as at December 31, 2020, the Financial Statements and the Board of Directors' Report on the Company's Business Position for the year then ended, as published on March 22, 2021 (reference no. 2021-01-040482) (the "2020 Periodic Report").

2. Principal Information from the Description of the Company's Business

2.1 Overview of the operating segments in 2021

The Group is active in six operating segments that are disclosed as reportable segments, as described in Note 27 to the Financial Statements of the Company as at December 31, 2020. Four of these segments are concentrated under two main frameworks: the Israel Operation and the Coffee Operation[1].

2.2 Dividends

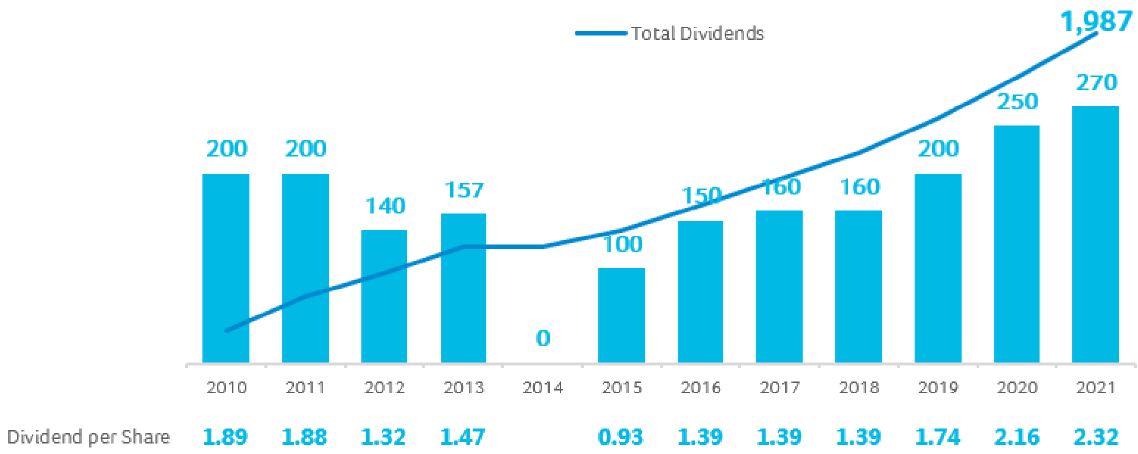
Decisions regarding the payment of dividends are made by the Company's Board of Directors. The frequency and amounts of distributions are based on the Group's business results and according to its needs.

Since 2010 through to the present, the Company has distributed dividends amounting to approximately NIS 2 billion.

[1] In addition to the operating segments described above, the Group has various activities that are immaterial to its business, which fall short of the quantitative threshold for presentation in the Financial Statements of the Company as reportable segments or the criteria for aggregation and separate presentation as a reportable segment; these are included in the Financial Statements as at December 31, 2020 as the "Other Operations" segment.

The following figure presents data on dividends paid in recent years:

Dividend Payouts, Annual and Total, in 2010-2021



* Figures are in NIS millions.

On March 21, 2021 the Board of Directors of the Company approved a dividend distribution to shareholders at an amount of NIS 270 million (approximately NIS 2.32 per share), which was paid on April 13, 2021.

The balance of retained earnings on the date of the statement of financial position is approximately NIS 3,385 million.

CHANGES IN THE ECONOMIC ENVIRONMENT

3. Outbreak of the COVID-19 pandemic

3.1 General

Further to the update contained in section 3 of the Board of Directors' Report in the 2020 Periodic Report regarding the impacts of the outbreak of COVID-19, Group Management continues to manage the event and to assess and manage the risks on an ongoing basis in all countries of operations, since due to its nature this is an unfolding event that is evolving and changing constantly. On the date of this report and throughout the past quarter, the Group's manufacturing and logistics facilities in all countries of operations have continued to operate regularly. The Group has cooperated and continues to cooperate closely with its suppliers and customers to ensure that the supply chain is able to meet demand.

3.2 Impacts of the COVID-19 outbreak on the Group's business and results of operations in the third quarter through to the publication date of this report

The impacts of the outbreak vary substantially between geographies, product categories and sales channels, as well as due to the timing of the waves of the pandemic and the extent of its containment in each geography, the timing and scope of vaccination, the restrictions imposed on businesses and their effect on consumer behavior. The third quarter was marked by continued efforts to cope with the pandemic and its rise in certain regions, such as Israel.

Following are the main occurrences observed in this period:

<u>Consumer behavior</u> – In the third quarter, the trend of opening up the Israeli economy that was observed in the second quarter continued, with the economy virtually returning to full activity following the success of the national vaccination campaign and the administration of the vaccine booster dose. In other geographies as well, most of the limitations on movement and social distancing restrictions were lifted as the vaccination campaigns continued. At-home consumption in some regions remains high compared to the pre-COVID period, but in some regions is lower than that observed in the third quarter of 2020. A number of behavioral characteristics that emerged when the pandemic broke out persisted in the third quarter of 2021, albeit to a lesser extent than in prior quarters, including continued growth in at-home consumption of food and beverages and in online shopping.

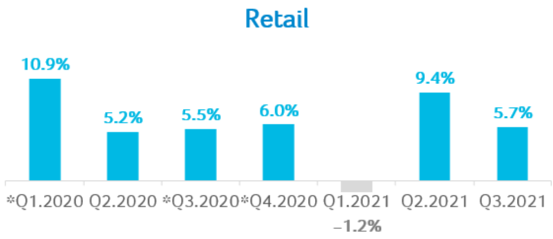
<u>Geographies</u> – In the third quarter, growth in the Group's sales in Israel increased, among other reasons thanks to a gradual improvement in the away-from-home (AFH) channel as the number of vaccinated people rose and the Israeli economy continued to reopen. It is noted that in the months of July to September 2021, the number of people infected with the Delta strain increased considerably. The increase was curbed in the course of October 2021.

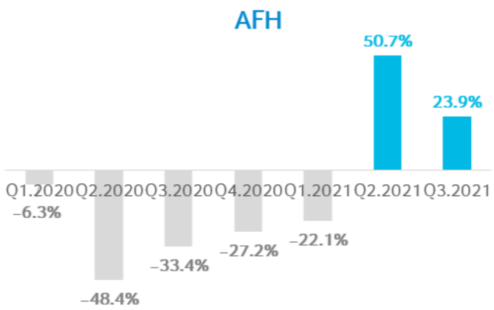
In the US, a drop in sales was recorded following ongoing challenges in supply chain operations and workforce availability. The opening of AFH channels did not offset the drop in sales.

In Eastern Europe and Brazil, local currency sales grew, excluding Russia and Ukraine. In China and the UK, sales of water bars increased in local currency. In October, there was a significant increase in the number of COVID-19 cases in the UK and Serbia, as well as an increase in case numbers in Russia, Ukraine and Romania. The trend of recovery in China's economy has continued, albeit at a slower pace than in the first half of 2021. In the past few months, there have been localized outbreaks of coronavirus that have had a negative effect on consumption. It is noted that in most countries of operations vaccination against the virus continues; however, whereas in Israel and the US vaccination rates are relatively high, in Brazil, Russia and Ukraine the rate of persons vaccinated remains relatively low.

Sales channels – In the third quarter, as the economy continued to reopen and social distancing restrictions were lifted, a significant improvement was observed in sales to the institutional and AFH market such as hotels, cafés (including the Elite Café chain), restaurants and open-air markets, and in impulse sales of products sold at convenience stores. In Israel, the Group's sales to retail chains were affected by the timing of Rosh Hashanah and the Jewish holidays, which fell in September. In the third quarter, the Elite Café chain's points of sale continued to reopen gradually, and the AFH channel in Brazil continued to recover.

Following is the trend of the Group's quarterly sales by sales channel, compared to the corresponding periods last year*:





* Reclassified between the retail channel and the "Other Operations" channel
** Excluding the translation differences effect

3.3 Future estimates

As demonstrated by the foregoing, at the date of this report, the COVID-19 outbreak and the beginning of the fourth wave in a number of geographies have had no material adverse effect on the Group's business position and the results of its operations, other than the continuing increase in international shipping costs and the rising cost of part of the Group's raw and packaging materials. In Sabra, results continue to be impacted by rising supply chain costs and increased manufacturing costs. Due to the great uncertainty involved in the pandemic and as to the period in which it will persist, the Company is unable, at the present time, to assess the extent of the future impact on its business position. In most regions, the gradual return to business in the institutional market and AFH sales channels has continued as the number of vaccinated people grows, but this improvement may be adversely affected as a function of the evolution of the pandemic.

The information contained in this report with respect to the COVID-19 outbreak, including the Company's estimates with regard to the scenarios of future impacts, the Company's ability to maintain financial stability and flexibility and persevere in activities such as reviewing M&A, brand development, etc., is forward-looking information as defined in the Securities Law, which is based on the information available to the Company on the date of the report and includes the Company's estimates on the reporting date. Actual results may differ materially from those anticipated, inter alia as a result of possible future developments, including the state of the markets in which the Company operates, changes in consumption habits, etc., as described above.

4. Prices of Raw Materials and Other Production Inputs

A substantive part of the raw materials used to manufacture the Group's products are traded on the commodities markets. In the first nine months of 2021 and with greater momentum in the third quarter of the year, the average market prices of most of the Group's raw materials rose significantly compared to the corresponding periods last year, including green coffee, sugar, sesame, plastic and seed prices, whereas the prices of honey and cocoa dropped (the drop in cocoa prices occurred in the first nine months). The price of raw milk ("target price") will be raised by approximately 0.7% for the months of October to December 2021, following an increase of 8.2% in the first nine months of the year.

Following is the average rate of change in the market prices of major inputs in the third quarter of 2021, compared to the corresponding period last year:

Inputs	Average rate of change
Arabica (1)	58%
Robusta (1)	39%
Sugar (1)	30%
Sesame (1)	15%
Plastic (2)	21%
Shipping (1)(3)	404%
Cocoa (1)	1%
Raw milk (4)	8%

(1) Figures are retrieved from Bloomberg. The exchanges on which the commodities are traded are Arabica – New York, Robusta – London, sugar – London, humera sesame and cocoa – London.
(2) Figures are retrieved from FRED.
(3) Shipping data for the port of Shanghai to the port of New York route.
(4) Figures are retrieved from the Israel Dairy Board website.

*Market prices of all inputs are quoted in US Dollars, excluding cocoa, which is quoted in Pounds Sterling, and milk, which is quoted in Shekels.

In addition, in the quarter, following adverse weather conditions in Brazil, world coffee prices rose substantially (for further information, see section 16.2 below).

Furthermore, in the past year and in the recent period in particular, the world supply chain has been adversely affected by a shortage of containers used to ship goods from China to western countries, by the incident involving the blockage of the Suez Canal and the resulting delays in discharging containers at the ports, including Israel and the US, and there has also been a sharp rise in shipping costs.

The Group is taking steps to mitigate the effects of raw material price volatility, among other things through hedges, mitigation plans and operational efficiency enhancement. Additionally, in certain geographies and products, some of the Group companies revised sales prices to their customers.

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

The procurement of green coffee in Brazil is carried out by the local management of Três Corações (JV)[2] according to internal procedures determined by Três Corações (JV)'s board of directors, and is the responsibility of the procurement, export and financial managers of Três Corações (JV).

The Group also has a committee for the management of commodity exposure for its operation in Israel. The committee is managed by the CFO of Strauss Israel.

Gains or losses arising from the economic hedging of commodities are mainly included in the non-GAAP income statement on the date of sale of the inventory to outside parties.

5. Energy Prices

In the first nine months and third quarter of 2021 the average prices of Brent oil were approximately 60% and 69% higher, respectively, than average prices in the corresponding periods last year.

6. Exchange Rate Fluctuations

The impact of the revaluation of the Shekel based on average exchange rates against the Group's main functional currencies in the first nine months and third quarter of 2021 compared to the corresponding periods last year, notably the Brazilian Real, Russian Ruble and US Dollar, led to negative translation differences on the income statement. In terms of exchange rate changes in the first nine months (based on closing prices), the Shekel appreciated against some of the functional currencies, mainly the Brazilian Real, and conversely, weakened against the Russian Ruble, and the aggregate effect on the Group's equity was negative. In terms of exchange rate changes, in the third quarter of the year the Shekel sweepingly appreciated against the major currencies, mainly the Real, which contributed to a more negative impact on equity. Based on average exchange rates, compared to the corresponding period, in the first nine months the Dollar appreciated against some of the major functional currencies, including the Real and the Ruble, and depreciated, among other currencies, against the Shekel. In the third quarter,

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

based on average exchange rates, the Dollar weakened against the major currencies compared to the corresponding period last year.

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

Average Exchange Rates Against the Shekel							
Currency		Average Exchange Rate First Nine Months		% change	Average Exchange Rate Third Quarter		% change
		2021	2020		2021	2020	
United States Dollar	USD	3.256	3.477	(6.3%)	3.234	3.418	(5.4%)
Euro	EUR	3.897	3.906	(0.2%)	3.814	3.996	(4.6%)
Ukrainian Hryvnia	UAH	0.118	0.131	(9.9%)	0.120	0.124	(3.0%)
Russian Ruble	RUB	0.044	0.049	(10.9%)	0.044	0.047	(5.4%)
Serbian Dinar	RSD	0.033	0.033	(0.2%)	0.032	0.034	(4.5%)
Romanian Leu	RON	0.794	0.809	(1.9%)	0.773	0.825	(6.2%)
Polish Zloty	PLN	0.857	0.883	(3.0%)	0.835	0.900	(7.2%)
Brazilian Real	BRL	0.611	0.693	(11.8%)	0.619	0.636	(2.6%)
Chinese Renminbi	CNY	0.504	0.497	1.4%	0.500	0.494	1.1%
Canadian Dollar	CAD	2.603	2.569	1.3%	2.569	2.566	0.1%
Australian Dollar	AUD	2.469	2.352	5.0%	2.377	2.445	(2.8%)
Mexican Peso	MXN	0.162	0.160	1.0%	0.162	0.155	4.4%
Pound Sterling	GBP	4.511	4.419	2.1%	4.460	4.415	1.0%

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

Average Exchange Rates Against the Dollar							
Currency		Average Exchange Rate First Nine Months		% change	Average Exchange Rate Third Quarter		% change
		2021	2020		2021	2020	
New Israeli Shekel	ILS	0.307	0.288	6.7%	0.309	0.293	5.7%
Ukrainian Hryvnia	UAH	0.036	0.038	(3.8%)	0.037	0.036	2.5%
Russian Ruble	RUB	0.014	0.014	(4.8%)	0.014	0.014	0.0%
Serbian Dinar	RSD	0.010	0.010	6.5%	0.010	0.010	0.9%
Romanian Leu	RON	0.244	0.233	4.7%	0.239	0.241	(0.9%)
Polish Zloty	PLN	0.263	0.254	3.5%	0.258	0.263	(1.9%)
Brazilian Real	BRL	0.188	0.199	(5.9%)	0.191	0.186	2.9%
Chinese Renminbi	CNY	0.155	0.143	8.2%	0.155	0.145	6.9%
Pound Sterling	GBP	1.385	1.271	9.0%	1.379	1.292	6.7%

The trend of appreciation of the Shekel against the major currencies continued and even gained momentum after the end of the third quarter of 2021. Since the beginning of the year through to proximate to the date of publication of the report, the Shekel has appreciated by approximately 9% against the Brazilian Real by approximately 3% against the Dollar, and by approximately 1% against the Russian Ruble.

7. Regulatory Developments in Input Prices

In January 2021, the Ministries of Finance and Agriculture signed a sectoral agreement that regulates policy for the local production and import of dairy products to Israel in the coming years. The agreement determines that the raw milk price mechanism (the "target price") will remain unchanged in the next three years, after which the Ministers of Finance and Agriculture will be given the possibility of deciding whether to extend the mechanism for a further two years, until 2026. The agreement further determines that an exemption from customs duties will be granted on the import of cheeses, yogurts and desserts containing up to 5% fat, and customs-exempt quotas for the import of yellow cheese will be raised to 65% over a 5-year period. In the Company's estimate, at the date of this report, the agreement is not expected to have a material effect on its business results.

On August 4, 2021, the Knesset approved the Milk Sector Planning bill in second and third readings. The bill extends the temporary order enabling the Ministers to define a mechanism for revising the minimum price per 1 liter of milk until December 31, 2023 and grants the Ministers the possibility to extend the validity of the temporary order for a further two years. In the Company's estimate, extension of the temporary order will contribute to stability in the Israel milk sector.

The Economic Arrangements Law, which is appended to the State Budget for the years 2022-2023, contains a number of reforms, including reforms intended to facilitate the import of certain dairy products to Israel in accordance with European standardization. The Company is presently contending with the import of yogurt to Israel under the Euro European Dairies brand, as well as under the Shufersal and Rami Levy private labels. Furthermore, these products are already exempt from customs duties. At the date of this report, the company reviewing the impacts and estimates that they will not be material to company.

On October 20, 2021, the Customs Tariff and Exemptions and Purchase Tax on Goods Order was published in the Record of Regulations ("Kovetz Hatakanot") with respect to a tax on sweetened beverages, effective commencing January 1, 2022. The Company is reviewing the effects of the order and estimates that they will not be imaterial to the Company.

On November 4, 2021, the Knesset approved the Economic Arrangements Law for the years 2021-2022 in the second and third readings. Approval of the Law also provides for an increase in the minimum wage, which will be raised in five installments by 2026. The addition of up to two more days of leave was also approved. In the Company's estimate, the Law is not expected to have a material effect on the Company's business results.

Additionally, as part of the Economic Arrangements Law approved as aforesaid, a decision was made to privatize the entities responsible for kosher supervision and to break up the Chief Rabbinate's monopoly over the kashrut system, a move which is likely to lead to simplification of the bureaucratic process that is involved and to competitive pricing.

Furthermore, the Economic Arrangements Law includes additional laws such as the imposition of carbon tax and others. The Company is presently reviewing the effect of these laws on its activities and estimates that they are not expected to have a material effect on its business results.

The information contained in this section, including the estimates that the Milk Sector Planning bill and the reforms in the Arrangements Law are not expected to have a material impact on the Company's business results, is forward-looking information as this term is defined in the Securities Law, which is based on the information available to the Company on the date of this report and includes the Company's estimates on the reporting date. Actual results may differ materially from those anticipated.

RESULTS OF BUSINESS OPERATIONS

8. Overview of the Results of Business Operations

The Group has a number of businesses carried out through jointly controlled entities in which the Company or subsidiaries hold a 50% stake: the coffee business in Brazil (Três Corações (JV)[3]), the dips and spreads business in North America (Sabra Dipping Company), Strauss Frito-Lay Ltd. (the salty snacks business in Israel) and PepsiCo Strauss Fresh Dips & Spreads International, the international dips and spreads business (Obela). To clarify, the above companies are included in the Management (non-GAAP) Reports of the Company according to the holdings of the Company and/or the subsidiaries therein.

According to generally accepted accounting principles, in the financial statements of the Company, the statements of income and statements pertaining to financial position, comprehensive income, changes in equity and cash flows of businesses which are jointly controlled by the companies in the Group and other partners are presented in one separate row ("Profit of equity-accounted investees", and in other reports in the relevant section).

Notwithstanding the foregoing, in light of the method in which Group Management measures the results of the subsidiaries and jointly ventures, in the Management (Non-GAAP) Reports the Group presents the business segments by presenting the Group's relative share of the income and expenses of the jointly controlled entities (50%) as well as other adjustments described below. Presentation of the information in this manner is different to the manner of their presentation in the Audited Financial Statements of the Company.

The next pages present the Non-GAAP Reports, the GAAP Financial Statements and the various adjustments made by Company Management in making the transition from the Company's GAAP Financial Statements to its Non-GAAP Reports.

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

Following are the condensed results of business operations (based on the Management (Non-GAAP) Reports) for the nine months ended September 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations

	First Nine Months			Explanation
	2021	2020	% change	
Sales	**6,490**	**6,280**	**3.3%**	Sales growth is largely due to the International Coffee segment thanks to growth in quantities sold and increased sales prices in Brazil, the Health & Wellness segment following the increase in sales of dairy products and dairy alternatives, and the Strauss Water segment due to growth in the customer base and in sales of new appliances. The Group's sales in the first nine months were negatively affected by the appreciation of the Shekel against most of the relevant currencies compared to the corresponding period last year. For further information, see section 12 below.
Organic growth excluding foreign currency effect	5.6%	4.5%		
Cost of sales	4,055	3,835	5.8%	The drop in gross profit and the gross margin is primarily the result of an increase in green coffee prices in Brazil and Russia, an increase in the price of raw milk and in shipping costs, which were partially offset by sales growth and the adjustment of prices for changes in raw material costs and currencies in certain regions. For further information, see section 13 below.
Gross profit – non-GAAP	**2,435**	**2,445**	**(0.4%)**	
% of sales	37.5%	38.9%		
Selling and marketing expenses	1,331	1,339	(0.6%)	There was no material change in selling and marketing expenses. The decrease is largely due to the International Dips & Spreads segment following a drop in advertising expenses, which was offset by growth in the Strauss Water segment following the launch of the tami4edge water bar series.
General and administrative expenses	401	395	1.4%	There was no material change in the percentage of general and administrative expenses in relation to total sales.
Total operating expenses	**1,732**	**1,734**		
Share of profit of equity-accounted investees	23	* 37	(36.5%)	The decrease is the result of a drop in the profits of Haier Strauss Water (HSW) due to a regional development grant of NIS 11 million and a one-time tax benefit received in the corresponding period last year. For further information, see section 16.3 below.
Operating profit before profit of incubator investees	**726**	**748**	**(3.0%)**	
Share of profit (loss) of equity-accounted incubator investees	75	*(7)	1,208.4%	Most of the increase is the result of gains recognized following a decrease in holding percentage as well as loss of control of one of the companies. For further information, see section 16.5 below.
Operating profit – non-GAAP	**801**	**741**	**8.0%**	The increase in operating profit and the operating margin is largely due to gains recognized by the Group's incubator. For further information, see section 14 below.
% of sales	12.3%	11.8%		
Financing expenses, net	(57)	(89)	(36.2%)	The decrease in financing expenses is the largely the result of an expense of NIS 20 million recorded in the corresponding period following the revision of cash flows of loans in view of their anticipated prepayment, as well as a decrease in interest expenses on debt and exchange rate gains.
Income before taxes – non-GAAP	**744**	**652**	**14.0%**	
Taxes on income	(152)	(135)	12.8%	There was no material change in the effective tax rate. The change is largely the result of the profit mix for tax purposes between the companies in the various countries and the Company's share of profit of incubator investees.
Effective tax rate	20.5%	20.7%		
Income for the period – non-GAAP	**592**	**517**	**14.4%**	Most of the increase is attributed to growth in the operating profit and a decrease in financing expenses, which was partially offset by increased tax expenses.
Attributable to the shareholders of the Company	**536**	**464**	**15.4%**	
% of sales	**8.3%**	**7.4%**		
Attributable to on-controlling interests	56	53	5.7%	
EPS (NIS)	4.61	4.01	15.1%	

* Reclassified.
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 results of business operations (based on the Management (non-GAAP) Reports) for the quarters ended September 30, 2021 and 2020:

Condensed Results of Business Operations

	Third Quarter			Explanation
	2021	2020	% change	
Sales	**2,297**	**2,174**	**5.7%**	Sales growth is largely due to the International Coffee segment thanks to growth in quantities sold and increased sales prices in Brazil, the Health & Wellness segment following the increase in sales of dairy products and dairy alternatives, and the Strauss Water segment due to growth in the customer base and in sales of new appliances. For further information, see section 12 below.
Organic growth excluding foreign currency effect	6.9%	3.9%		
Cost of sales	1,469	1,350	8.9%	The increase in gross profit is primarily the result of sales growth as mentioned. The drop in the gross margin is largely due to the increase in green coffee prices, the price of raw milk and manufacturing and shipping costs. For further information, see section 13 below.
Gross profit – non-GAAP	**828**	**824**	**0.4%**	
% of sales	36.0%	37.9%		
Selling and marketing expenses	450	458	(1.5%)	The decrease largely originated in Strauss Israel as a result of increased marketing effort following the COVID-19 crisis in the corresponding period last year.
General and administrative expenses	138	126	8.8%	The increase is largely due to low expenses in the corresponding period last year following savings in consultation, travel and business entertainment expenses in light of the pandemic.
Total operating expenses	**588**	**584**		
Share of profit of equity-accounted investees	8	*12	(30.3%)	The decrease is the result of a drop in the profits of Haier Strauss Water (HSW), which was mainly due to the timing of a one-time tax benefit received in the corresponding period last year. For further information, see section 16.3 below.
Operating profit before profit of incubator investees	**248**	**252**	**(1.6%)**	
Share of profit (loss) of equity-accounted incubator investees	52	*(2)	2,127.2%	Most of the increase is the result of gains recognized following a decrease in holding percentage. For further information, see section 16.5 below.
Operating profit – non-GAAP	**300**	**250**	**20.0%**	The increase in operating profit and the operating profit margin is mainly due to gains recognized by the Group's incubator.
% of sales	13.1%	11.5%		
Financing expenses, net	(29)	(26)	12.4%	The increase in financing expenses is the largely the result of financing expenses related to foreign currency derivatives and exchange differences, which were partially offset by an expense recorded in the corresponding period last year due to the revision of cash flows of loans in view of their anticipated prepayment.
Income before taxes – non-GAAP	**271**	**224**	**20.9%**	
Taxes on income	(47)	(48)	(2.1%)	The decrease in the effective tax rate in the third quarter is the result of the profit mix for tax purposes between the companies in the different countries, and of the Company's share of profit of incubator investees.
Effective tax rate	17.5%	21.0%		
Income for the period – non-GAAP	**224**	**176**	**26.2%**	Most of the increase is attributed to the increase in operating profit.
Attributable to the shareholders of the Company	**204**	**158**	**28.1%**	
% of sales	**8.9%**	**7.3%**		
Attributable to on-controlling interests	20	18	10.6%	
EPS (NIS)	1.75	1.37	27.9%	

* Reclassified.
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 results of business operations (based on the Management (Non-GAAP) Reports) of the major business segments for the quarters and nine months ended September 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations by Operating Segment						
	First Nine Months			Third Quarter		
	2021	2020	% change	2021	2020	% change
Israel						
Net sales	2,867	2,787	2.9%	976	953	2.4%
Operating profit	350	328	6.5%	113	106	6.4%
Coffee						
Net sales	2,552	2,445	4.4%	953	851	11.9%
Operating profit	272	283	(3.7%)	96	103	(6.5%)
International Dips & Spreads						
Net sales	523	561	(6.7%)	176	186	(4.9%)
Operating profit	37	54	(31.7%)	13	17	(23.8%)
Water						
Net sales	548	487	12.6%	192	184	4.9%
Operating profit	70	70	(1.1%)	26	25	1.5%
Other						
Operating profit	72	6	1,046.2%	52	(1)	7,332.0%
Total						
Net sales	**6,490**	**6,280**	**3.3%**	**2,297**	**2,174**	**5.7%**
Operating profit	**801**	**741**	**8.0%**	**300**	**250**	**20.0%**

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 GAAP statements of income for the quarters and nine months ended September 30, 2021 and 2020 (in NIS millions):

Condensed GAAP Statements of Income	First Nine Months			Third Quarter		
	2021	2020	% change	2021	2020	% change
Sales	4,513	4,419	2.1%	1,546	1,541	0.3%
Cost of sales excluding impact of commodity hedges	2,686	2,623	2.4%	933	932	0.2%
Adjustments for commodity hedges(1)	(1)	(1)		10	(19)	
Cost of sales	2,685	2,622	2.4%	943	913	3.3%
Gross profit	**1,828**	**1,797**	**1.8%**	**603**	**628**	**(3.9%)**
% of sales	40.5%	40.7%		39.0%	40.7%	
Selling and marketing expenses	981	972	1.0%	332	336	(1.2%)
General and administrative expenses	313	301	3.9%	106	97	8.9%
Total expenses	**1,294**	**1,273**		**438**	**433**	
Share of profit of equity-accounted investees	150	*189	(20.9%)	62	*66	(7.6%)
Share of profit (loss) of equity-accounted incubator investees	75	*(7)	1,208.4%	52	*(2)	2,127.2%
Operating profit before other expenses	**759**	**706**	**7.5%**	**279**	**259**	**7.7%**
% of sales	16.8%	16.0%		18.1%	16.8%	
Other expenses, net	-	-		(3)	-	
Operating profit after other expenses	**759**	**706**	**7.6%**	**276**	**259**	**6.8%**
Financing expenses, net	(47)	(82)	(43.0%)	(25)	(25)	0.2%
Income before taxes	**712**	**624**	**14.2%**	**251**	**234**	**7.5%**
Taxes on income	(134)	(121)	10.8%	(42)	(48)	(12.0%)
Effective tax rate	18.8%	19.4%		16.8%	20.5%	
Income for the period	**578**	**503**	15.0%	**209**	**186**	12.5%
Attributable to: The shareholders of the Company	**522**	**450**	**16.2%**	**189**	**168**	**12.6%**
Non-controlling interests	56	53	5.1%	20	18	11.8%

* Reclassified

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

(1) Reflects mark-to-market at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices and all adjustments necessary to delay recognition of gains or losses arising from commodity derivatives until the date when the inventory is sold to outside parties.

9. Condensed Statement of Financial Position

Following is the condensed GAAP statement of financial position on September 30, 2021 and December 31, 2020 (in NIS millions):

Condensed GAAP Statement of Financial Position				
	Sept. 30, 2021	Dec. 31, 2020	% change	Explanation
Total current assets	2,277	2,192	3.9%	The change is largely due to a decrease in cash and cash equivalents following dividend distributions, which was partially offset by increased inventory due to replenishment and an increase in trade receivables following sales growth.
Of which: Cash and cash equivalents	444	491	(9.7%)	For information on the change in the cash and cash equivalents item, see section 17 below. According to Company policy, these assets are mainly held in liquid deposits.
Total non-current assets	4,433	4,222	5%	The change is primarily due to an increase in investments in associates following growth in the profit of investees and investments in incubator companies, which was offset by negative translation differences largely due to the depreciation of the Brazilian Real against the Shekel based on exchange rates at period end, and a dividend received.
Total assets	**6,710**	**6,414**		
Total current liabilities	1,950	1,833	6.4%	The change is primarily due to an increase in trade payables following inventory growth and an increase in other payables and credit balances due to the timing of VAT payments (Rosh Hashana and the accompanying festivals), which were partially offset by a dividend paid to shareholders.
Total non-current liabilities	2,093	2,149	(2.6%)	There was no material change in total non-current liabilities in the reporting period.
Total equity attributable to the shareholders of the Company	2,491	2,260	10.2%	Most of the change is due to the Company's profits attributable to shareholders and was partially offset by negative translation differences, largely due to the depreciation of the Brazilian Real against the Shekel based on exchange rates at period end, and a dividend paid in the period.
Total equity attributable to non-controlling interests	176	172	2.4%	There was no material change in total equity attributable to non-controlling interests.

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

Following is the outstanding debt balance on September 30, 2021 and December 31, 2020 (in NIS millions):

Outstanding Debt				
	Sept. 30, 2021	Dec. 31, 2020	Change	Explanation
Gross debt – Non-GAAP Reports	2,600	2,639	(39)	There was no material change in gross debt and net debt.
Gross debt – GAAP Financial Statements	2,131	2,198	(67)	
Net debt – Non-GAAP Reports	1,926	1,878	48	
Net debt – GAAP Financial Statements	1,687	1,707	(20)	

Financial data were rounded to NIS millions.

10. Adjustments to the Management (Non-GAAP) Reports

Adjustments for IFRS 11 – transition from the equity method in the GAAP Financial Statements to the proportionate consolidation method (according to the segmental information based on the Group's internal Management Reports).

Following are the adjustments to the Company's Management (Non-GAAP) Reports for the nine months ended September 30, 2021 and 2020 (in NIS millions):

Adjustments to the Management (Non-GAAP) Reports

	First Nine Months 2021			First Nine Months 2020		
	Financial Statements	Change	Proportionate consolidation method	Financial Statements	Change	Proportionate consolidation method
Sales	4,513	1,977	6,490	4,419	1,861	6,280
Cost of sales excluding impact of commodity hedges	2,686	1,369	4,055	2,623	1,212	3,835
Adjustments for commodity hedges	(1)	-	(1)	(1)	-	(1)
Cost of sales	2,685	1,369	4,054	2,622	1,212	3,834
Gross profit	**1,828**	**608**	**2,436**	**1,797**	**649**	**2,446**
% of sales	40.5%		37.5%	40.7%		39.0%
Selling and marketing expenses	981	350	1,331	972	367	1,339
General and administrative expenses	313	103	416	301	107	408
Share of profit of equity-accounted investees	150	(127)	23	*189	*(152)	*37
Operating profit before profit of incubator investees	**684**	**28**	**712**	**713**	**23**	**736**
Share of profit (loss) of equity-accounted incubator investees	*75	-	*75	*(7)	-	*(7)
Operating profit before other expenses	**759**	**28**	**787**	**706**	**23**	**729**
% of sales	16.8%		12.1%	16.0%		11.6%
Other income (expenses), net	-	-	-	-	(3)	(3)
Operating profit after other expenses	**759**	**28**	**787**	**706**	**20**	**726**
Financing expenses, net	(47)	(10)	(57)	(82)	(7)	(89)
Income before taxes	**712**	**18**	**730**	**624**	**13**	**637**
Taxes on income	(134)	(18)	(152)	(121)	(13)	(134)
Effective tax rate	18.8%		20.9%	19.4%		21.1%
Income for the period	578	-	578	503	-	503
Attributable to: **The shareholders of the Company**	**522**	**-**	**522**	**450**	**-**	**450**
Non-controlling interests	56	-	56	53	-	53

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

Following are the adjustments to the Company's Management (Non-GAAP) Reports for the quarters ended September 30, 2021 and 2020 (in NIS millions):

Adjustments to the Management (Non-GAAP) Reports	Third Quarter 2021			Third Quarter 2020		
	Finan-cial State-ments	Change	Propor-tionate consolidatio n method	Finan-cial State-ments	Change	Propor-tionate consolidation method
Sales	1,546	751	2,297	1,541	633	2,174
Cost of sales excluding impact of commodity hedges	933	536	1,469	932	418	1,350
Adjustments for commodity hedges	10	-	10	(19)	-	(19)
Cost of sales	943	536	1,479	913	418	1,331
Gross profit	**603**	**215**	**818**	**628**	**215**	**843**
% of sales	39.0%		35.6%	40.7%		38.8%
Selling and marketing expenses	332	118	450	336	122	458
General and administrative expenses	106	37	143	97	33	130
Share of profit of equity-accounted investees	62	(54)	8	*66	*(54)	*12
Operating profit before profit of incubator investees	**227**	**6**	**233**	**261**	**6**	**267**
Share of profit (loss) of equity-accounted incubator investees	52	-	52	*(2)	-	*(2)
Operating profit before other expenses	**279**	**6**	**285**	**259**	**4**	**265**
% of sales	18.1%		12.4%	16.8%		12.2%
Other expenses, net	(3)	-	(3)	-	(2)	(2)
Operating profit after other expenses	**276**	**6**	**282**	**259**	**4**	**263**
Financing expenses, net	(25)	(4)	(29)	(25)	(1)	(26)
Income before taxes	**251**	**2**	**253**	**234**	**3**	**237**
Taxes on income	(42)	(2)	(44)	(48)	(3)	(51)
Effective tax rate	16.8%		17.7%	20.5%		21.2%
Income for the period	209	-	209	186	-	186
Attributable to: The shareholders of the Company	**189**	**-**	**189**	**168**	**-**	**168**
Non-controlling interests	20	-	20	18	-	18

* Reclassified.
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 Management (Non-GAAP) Reports (share-based payment, valuation of hedging transactions, other expenses and taxes referring to those adjustments):

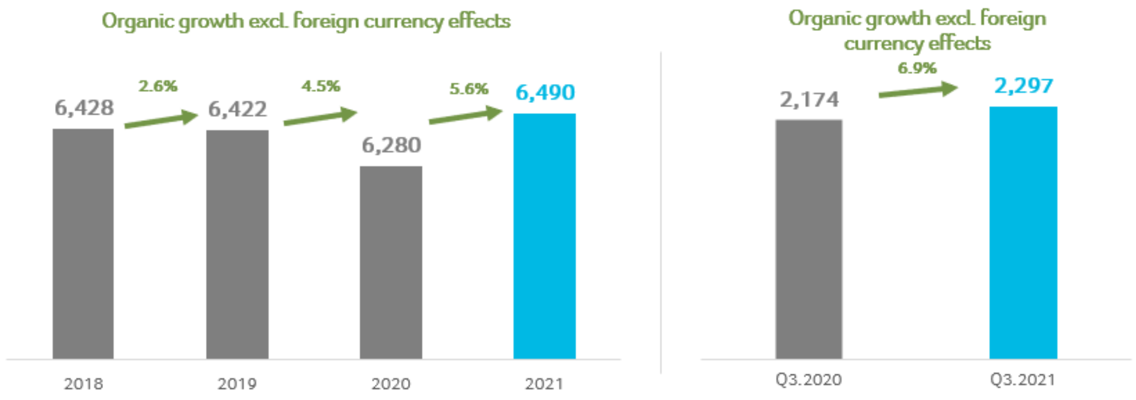
Additional Adjustments to the Management (Non-GAAP) Reports						
	First Nine Months			Third Quarter		
	2021	2020	% change	2021	2020	% change
Operating profit (according to the proportionate consolidation method) after other expenses	**787**	**726**	**8.5%**	**282**	**263**	**7.9%**
Share-based payment	15	13		5	4	
Adjustments for commodity hedges	(1)	(1)		10	(19)	
Other expenses, net	-	3		3	2	
Operating profit – non-GAAP	**801**	**741**	**8.0%**	**300**	**250**	**20.0%**
Financing expenses, net	(57)	(89)		(29)	(26)	
Taxes on income	(152)	(134)		(44)	(51)	
Taxes in respect of adjustments to the above non-GAAP operating profit	-	(1)		(3)	3	
Income for the period – non-GAAP	**592**	**517**	**14.4%**	**224**	**176**	**26.3%**
Attributable to: The shareholders of the Company	**536**	**464**	**15.4%**	**204**	**158**	**28.1%**
Non-controlling interests	**56**	**53**	**5.7%**	**20**	**18**	**10.6%**

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

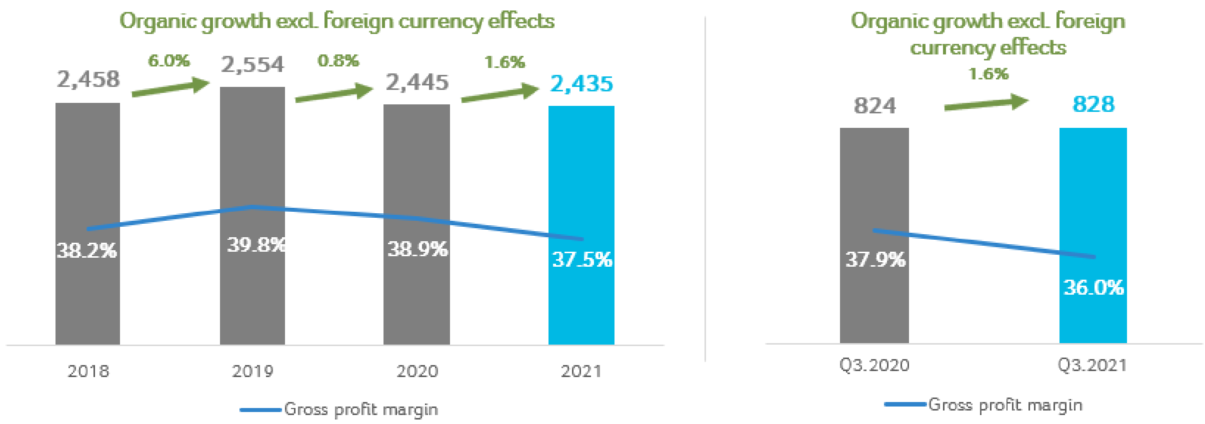
11. Key Comparative Financial Data According to the Non-GAAP Reports

Following are key financial data for the first nine months and third quarter of 2021, according to the Management (Non-GAAP) Reports:

Net Sales – First Nine Months and Third Quarter

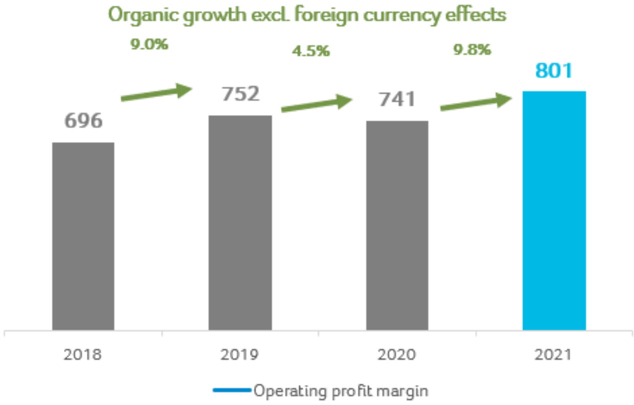


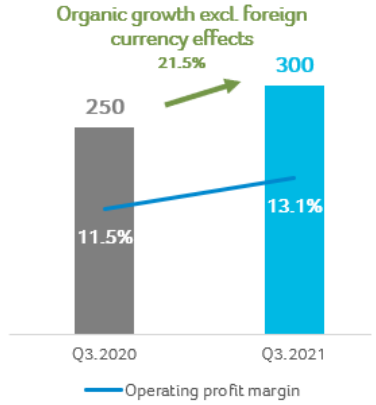
Gross Profit and Gross Profit Margin– First Nine Months and Third Quarter



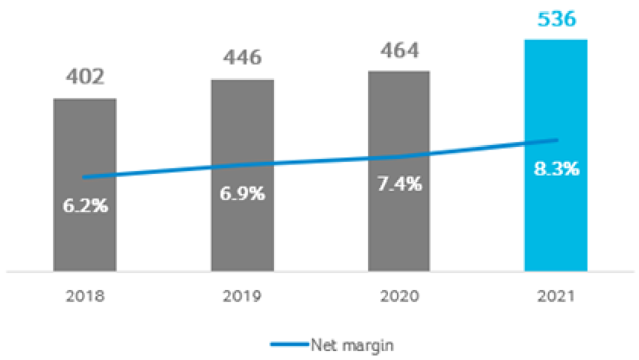
Financial data were rounded to NIS millions.

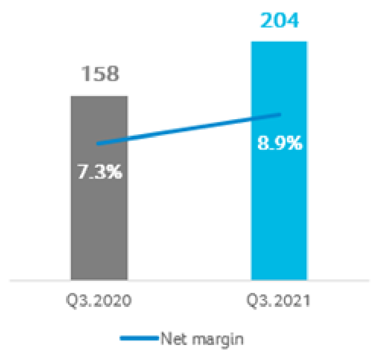
Operating Profit and Operating Profit Margin– First Nine Months and Third Quarter



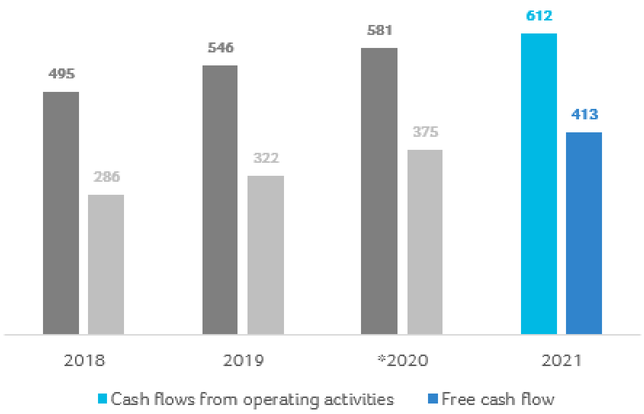


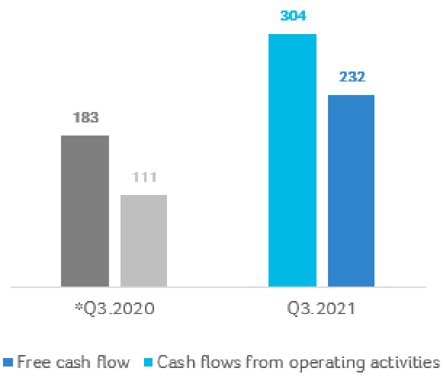
Net Profit and Net Profit Margin– First Nine Months and Third Quarter





Operating Activities and Free Cash Flow– First Nine Months and Third Quarter





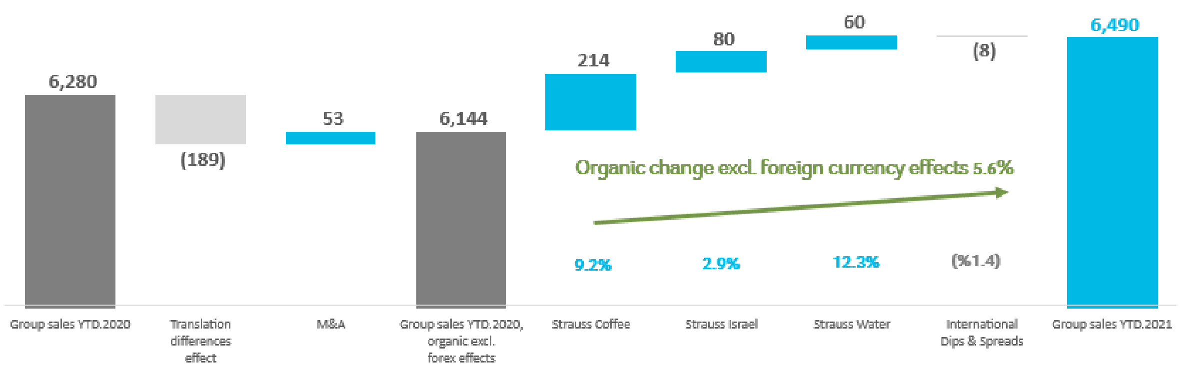
Financial data were rounded to NIS millions.

* Restated

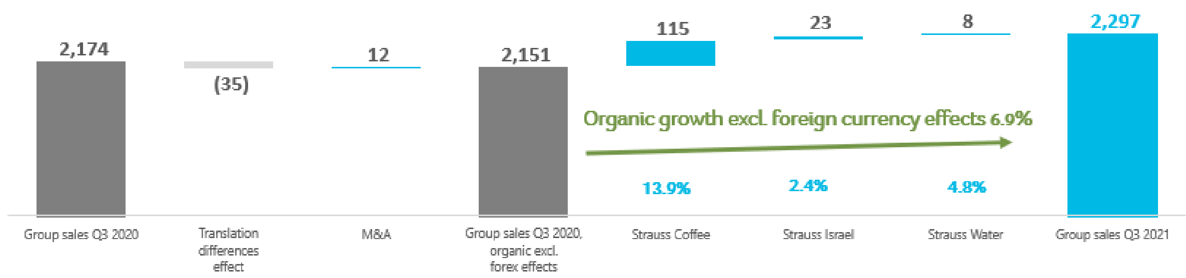
12. Sales – Non-GAAP

Following are the components of the change in sales in the period in local currency and growth rates according to the Company's major activity segments in local currency, together with the overall impact, mainly of translation differences (the "translation differences effect") and inorganic growth (M&A):

Components of Change in Sales – First Nine Months



Components of Change in Sales – Third Quarter



The translation differences effect is calculated according to the average exchange rates in the relevant period.

The Group's sales in the first nine months of 2021 were impacted by negative translation differences amounting to approximately NIS 189 million, of which NIS 111 million are due to the depreciation of the Brazilian Real against the Shekel compared to the corresponding period last year.

The Group's sales in the third quarter of 2021 were impacted by negative translation differences amounting to approximately NIS 35 million, of which NIS 10 million are due to the depreciation of the Brazilian Real against the Shekel compared to the corresponding period last year.

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

- Inorganic growth in the Group's sales (an increase of approximately NIS 53 million in the first nine months of 2021 and of NIS 12 million in the third quarter compared to the corresponding periods last year) was largely the result of completion of the acquisition of Mitsui Alimentos Ltda. in Brazil.

- See section 16.1 below for further explanations on organic growth in sales by the Strauss Israel segment.
- See section 16.2 below for further explanations on organic growth in sales by the Strauss Coffee segment.
- See section 16.3 below for further explanations on organic growth in sales by the International Dips & Spreads segment.
- See section 16.4 below for further explanations on organic growth in sales by the Strauss Water segment.

13. Gross Profit – Non-GAAP

Gross Profit – Non-GAAP								
	First Nine Months				Third Quarter			
	2021	2020	% change	% organic change less translation differences effect	2021	2020	% change	% organic change less translation differences effect
Gross profit	2,435	2,445	(0.4%)	1.6%	828	824	0.4%	1.6%
Gross profit margin	37.5%	38.9%			36.0%	37.9%		

The Group's non-GAAP gross profit in the first nine months of 2021 was negatively impacted by translation differences into Shekels, which amounted to approximately NIS 58 million. Most of the translation differences were the result of the depreciation of the Brazilian Real against the Shekel compared to the corresponding period last year (approximately NIS 32 million) (see also the exchange rate table in section 6 in this report).

The Group's non-GAAP gross profit in the third quarter of 2021 was negatively impacted by translation differences into Shekels, which amounted to approximately NIS 11 million. Most of the translation differences were the result of the depreciation of the Brazilian Real against the Shekel compared to the corresponding period last year (approximately NIS 3 million) (see also the exchange rate table in section 6 in this report).

The Group's non-GAAP gross profit in the first nine months of the year dropped by approximately NIS 10 million, compared to the corresponding period last year. In the third quarter, the Group's non-GAAP gross profit rose by approximately NIS 4 million compared to last year.

- See section 16.1 below for further explanations on the change in gross profit in the Strauss Israel segment.
- See section 16.2 below for further explanations on the change in gross profit in the Strauss Coffee segment.

- See section 16.3 below for further explanations on the change in gross profit in the International Dips & Spreads segment.
- See section 16.4 below for further explanations on the change in gross profit in the Strauss Water segment.

14. Operating Profit Before Other Expenses – Non-GAAP

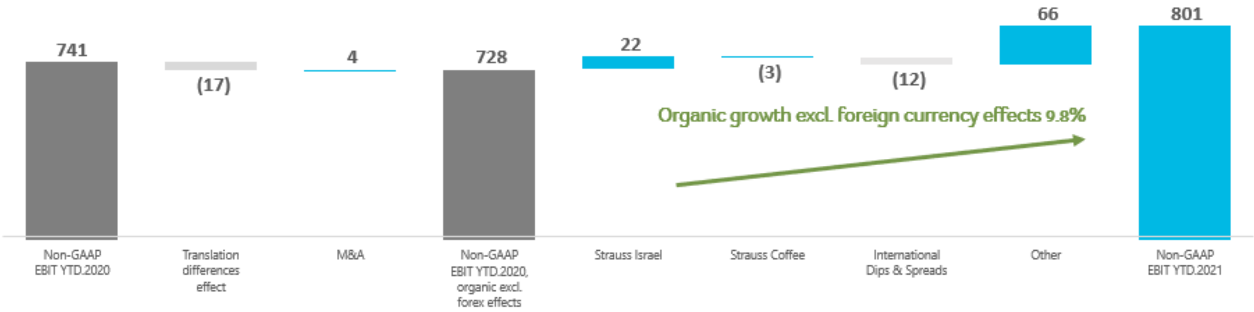
Operating Profit Before Other Expenses – Non-GAAP								
	First Nine Months				Third Quarter			
	2021	2020	% change	% organic change less translation differences effect	2021	2020	% change	% organic change less translation differences effect
Operating profit	801	741	8.0%	9.8%	300	250	20.0%	21.5%
Operating profit margin	12.3%	11.8%			13.1%	11.5%		

The Group's non-GAAP operating profit (EBIT) in the first nine months rose by approximately NIS 60 million and was adversely affected by negative translation differences into Shekels, which amounted to approximately NIS 17 million (see also the exchange rate table in section 6 in this report).

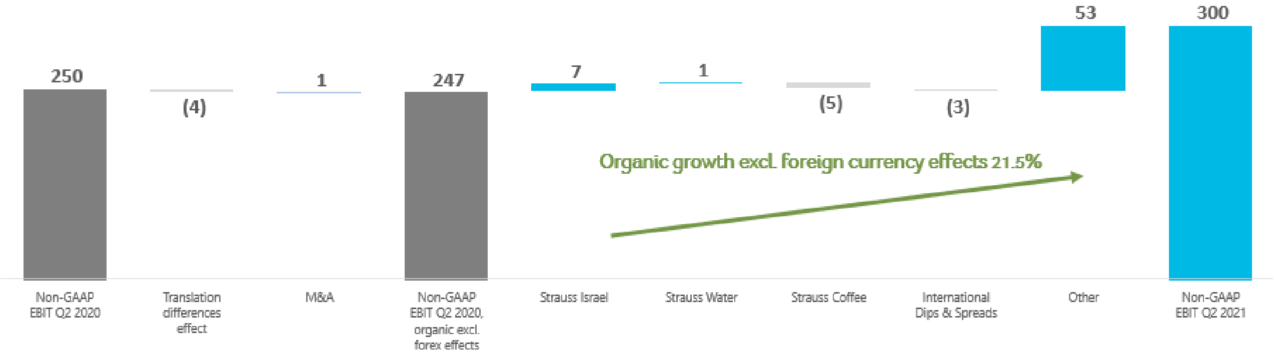
The Group's non-GAAP operating profit in the third quarter of the year rose by approximately NIS 50 million and was adversely affected by negative translation differences into Shekels, which amounted to approximately NIS 4 million (see also the exchange rate table in section 6 in this report).

Following are the components of the change in operating profit compared to the corresponding periods last year, according to the Company's major activity segments:

Components of Change in Operating Profit – First Nine Months



Components of Change in Operating Profit – Third Quarter



- See section 16.1 below for further explanations on the change in operating profit in the Strauss Israel segment.
- See section 16.2 below for further explanations on the change in operating profit in the Strauss Coffee segment.
- See section 16.3 below for further explanations on the change in operating profit in the International Dips & Spreads segment.
- See section 16.4 below for further explanations on the change in operating profit in the Strauss Water segment.
- Growth of approximately NIS 66 million in the profit of the Other Operations segment in the first nine months of 2021 compared to the corresponding period last year. The increase is due to gains arising from a decrease in holding rate and loss of control of equity-accounted investees in Strauss's incubator.

Growth of approximately NIS 53 million in the profit of the Other Operations segment in the third quarter of 2021 compared to the corresponding period. The increase is due to gains arising from a decrease in the holding rate in equity-accounted investees in Strauss's incubator.

For further information, see section 16.5 below.

15. Comprehensive Income for the Period (According to the GAAP Financial Statements)

In the first nine months of 2021 the GAAP comprehensive income amounted to approximately NIS 542 million, compared to comprehensive income of NIS 220 million in the corresponding period last year. In the reporting period losses from translation differences, which are the main component of other comprehensive income, amounted to approximately NIS 43 million, compared to foreign currency translation losses of NIS 283 million in the corresponding period in 2020.

Foreign currency translation losses in 2021 arose largely from the operations of Strauss Coffee; of said losses, approximately NIS 21 million are the result of the weakening of the Brazilian Real against the Shekel compared to exchange rates at the end of 2020.

In the third quarter of 2021 the GAAP comprehensive income amounted to approximately NIS 125 million, compared to comprehensive income of NIS 144 million in the corresponding period last year. In the reporting period losses from translation differences, which are the main component of other comprehensive income, amounted to approximately NIS 88 million, compared to foreign currency translation losses of NIS 41 million in the corresponding period last year.

Foreign currency translation losses in 2021 arose largely from the operations of Strauss Coffee; of said losses, approximately NIS 56 million are the result of the appreciation of the Shekel against the Brazilian Real compared to exchange rates at the end of 2020.

16. Analysis of the Business Results of the Group's Major Business Units

16.1 The Group's activity in Israel

Strauss Group is the second-largest company in the Israeli food market, and in the third quarter of 2021, according to StoreNext[4] figures, held a 12.3% share of the total domestic retail food and beverage market in value terms compared to 11.9% in the corresponding period in 2020, an increase of 0.4%.

Following are sales by all of Strauss Group's businesses in Israel, which include the Health & Wellness and Fun & Indulgence segments, the coffee business in Israel and Strauss Water Israel (Tami 4):

Information on Strauss Group's Sales in Israel							
	First Nine Months			Third Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
The Group's sales in Israel	3,932	3,794	3.6%	1,331	1,303	2.2%	Sales growth in the first nine months and third quarter of 2021 compared to the corresponding periods last year is largely due to growth in the Health & Wellness segment, mainly in dairy products and dairy alternatives, and in the Strauss Water segment following growth in the customer base and in sales of new appliances.

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

In July 2021 the Group entered into an agreement for the acquisition of a 51% stake in Wyler Farms, which is active in the manufacture of tofu-based products. The transaction is subject to the satisfaction of suspending conditions, including approval by the Competition Authority, which, on the date of approval of the Financial Statements, have not yet been met. For further information, see Note 4.5 to the Condensed Consolidated Interim Financial Statements as at September 30, 2021.

4 The Strauss Water business is not included in StoreNext's market share measurements.

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of the Israel Operation by activity segment for the nine months and quarters ended September 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations – the Israel Operation

	First Nine Months			Third Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Net sales	2,867	2,787	2.9%	976	953	2.4%	Sales growth in the first nine months and third quarter this year largely originated in the Health & Wellness segment due to growth in sales of dairy products and dairy alternatives.
Gross profit	1,132	1,112	1.8%	379	374	1.3%	The growth in gross profit is primarily due to sales growth as mentioned. The drop in the gross profit margin is mainly the result of the increase in the price of raw milk and in manufacturing costs.
% gross profit	39.5%	39.9%		38.9%	39.3%		
Operating profit	350	328	6.5%	113	106	6.4%	The increase in operating profit and the operating profit margin largely reflects sales growth and an improvement and savings in operating expenses.
% operating profit	12.2%	11.8%		11.6%	11.1%		

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

Condensed Results of Business Operations by Segment – the Israel Operation

	First Nine Months			Third Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Health & Wellness							
Net sales	2,008	1,911	5.1%	705	676	4.3%	Sales growth in the Health & Wellness segment compared to the corresponding period in 2020 is the result of growth in sales volumes in most categories, mainly in dairy products and dairy alternatives. Most of the growth was in the yogurt, milk and milk beverage categories and due to the start of distribution of Alpro products in Israel. The increase in operating profit and the operating profit margin is largely the result of sales growth.
Operating profit	261	235	10.5%	97	86	11.6%	
% operating profit	12.9%	12.3%		13.6%	12.7%		
Fun & Indulgence							
Net sales	859	876	(2.0%)	271	277	(2.5%)	The drop in sales by the Fun & Indulgence segment in the first nine months and third quarter of 2021 compared to the corresponding periods largely originated in the confectionery category and was offset by an improvement in the salty snacks category due to strong demand. The decrease in operating profit is mainly the result of the drop in sales.
Operating profit	89	93	(3.6%)	16	20	(15.4%)	
% operating profit	10.4%	10.6%		6.3%	7.2%		

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

16.2 The Coffee Operation

In the past decade, Strauss Coffee has become one of the world's five biggest coffee companies in terms of market share (according to Euromonitor[5]). The Company's coffee brands hold leading positions in Israel and Brazil and have a strong market presence in Romania, Serbia and Ukraine (where the company is ranked in first to third place).

In Brazil (through Três Corações (JV)[6]), Israel, Russia and Eastern European countries, the Group manufactures, markets and distributes a variety of coffee products – roast and ground (R&G) coffee, instant coffee, hot drink powders (such as chocolate and cappuccino powders) and cocoa powders for baking. The Group also markets and distributes coffee machines for home use in Brazil and in Israel. In addition, the Group markets and distributes coffee machines and coffee products for away-from-home (AFH) consumption at hotels, cafés, offices, etc. Furthermore, in Israel the Group is active (through the Elite Café chain) in the sale of coffee products, bakery products and soft drinks at some 65 points of sale countrywide, most of which cater to customers frequenting public places. Additionally, as part of its activity in Brazil (through Três Corações (JV)) the Group purchases, processes and sells green coffee, corn products, plant-based (mainly cashews) dairy alternatives and juice powders.

After Passover, in Israel the Company launched ready-to-drink cold coffee in a can, Cold Brew, under the BeanZ brand.

In the first nine months of 2021, the average market prices of green coffee rose significantly compared to the corresponding period last year.

In July 2021, severe frost in Brazil ravaged Arabica plantation areas in the states of Minas Gerais, São Paolo and Paraná, which are the major coffee growing regions in the country. Some of the plantations were caused damage as a result of the harm caused to the crops, which may lead to some producers being forced to uproot the affected coffee plantations. As a result of the frost, the upward trend in the prices of the various coffee species, which began at the end of 2020, escalated. The impact on coffee prices is expected to become fully clear once the weather conditions for entire crop season are known. In 2021, Três Corações (JV) gradually raiseed prices to compensate for the impact of the rise in green coffee costs. Since the beginning of the year through to the date of approval of the financial statements, Arabica and Robusta green coffee prices have risen by approximately 71% and 68%, respectively.

In the third quarter and in the months of October and November 2021, prices were raised in Ukraine, Romania, Serbia and Poland.

In addition to the revision of sales prices to its customers, Strauss Coffee is taking steps to further mitigate the impacts arising from the increase in coffee prices by applying the Group's formal hedging policy, mitigation plans and operational efficiency enhancement.

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5 Value market share, excluding mixes, including 100% of Três Corações (JV)'s market share.

6 Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. ("**São Miguel**") (hereinafter: "**Três Corações (JV)**"). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of the Coffee Operation by reportable segments for the nine months ended September 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations – The Coffee Operation				
	First Nine Months			Explanation
	2021	2020	% change	
Israel Coffee				
Net sales	545	543	0.3%	There was no material change in sales growth in the first nine months of 2021 compared to the corresponding period.
Operating profit	120	126	(4.7%)	The drop in operating profit and the operating margin is largely the result of an increase in raw material prices and manufacturing costs.
% operating profit	22.0%	23.1%		
International Coffee				
Net sales	2,007	1,902	5.5%	Growth in coffee sales in local currency in most regions largely reflects price increases following the increase in green coffee prices and growth in sales volumes. Coffee sales in the first nine months of the year were negatively affected by the appreciation of the Shekel against most of the relevant currencies compared to the corresponding period last year, particularly the Brazilian Real and the Russian Ruble. For further information, see “Strauss Coffee Sales by Major Geographical Regions” in section 16.2.1 below.
Operating profit	152	157	(2.7%)	The change in the operating profit of the International Coffee segment in the first nine months of 2021 reflects: • Growth in the operating profit of Três Corações (JV)[7], largely due to an increase in quantities sold and in sales prices, which was partially offset by the increase in green coffee prices. • Growth in operating profit in most CEE countries, mainly due to an increase in sales prices, which was largely the result of the increase in green coffee prices. Operating profit in the first nine months was negatively affected by the appreciation of the Shekel against the relevant currencies compared to the corresponding period last year.
% operating profit	7.6%	8.3%		
Total Strauss Coffee				
Net sales	**2,552**	**2,445**	**4.4%**	In the first nine months of 2021 Strauss Coffee’s sales grew by NIS 107 million compared to the corresponding period last year. Translation differences into Shekels in the nine months had a negative impact on sales by the coffee company and amounted to NIS 160 million, of which the negative effect of the change in the average exchange rate of the Brazilian Real against the Shekel accounted for approximately NIS 111 million.
Organic growth excluding foreign currency effect	**9.2%**	**2.0%**		
Gross profit	**821**	**844**	**(2.8%)**	In the first nine months of the year, gross profit in local currency increased, reflecting growth in sales volumes and an increase in sales prices. However, the gross profit was negatively affected by the appreciation of the Shekel against the relevant currencies compared to last year. The decrease in the gross margin in the first nine months is the result of an increase in manufacturing costs and in green coffee prices, mainly in Brazil and Russia, which was partially offset by growth in sales volumes and an increase in sales prices.
% gross profit	**32.2%**	**34.5%**		
Operating profit	**272**	**283**	**(3.7%)**	The decrease in operating profit and the operating margin is largely due to the drop in gross profit and the gross margin as mentioned, and an increase in selling and marketing expenses.
% operating profit	**10.7%**	**11.6%**		

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

[7] Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. (“**São Miguel**”) (hereinafter: “**Três Corações (JV)**”). (Data reflect Strauss Coffee’s share (50%) unless expressly stated otherwise).

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of the Coffee Operation by reportable segments for the quarters ended September 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations – The Coffee Operation				
	Third Quarter			Explanation
	2021	2020	% change	
Israel Coffee				
Net sales	173	175	(1.7%)	The drop in sales in the third quarter of 2021 compared to the corresponding period is the result of the drop in quantities sold due to the timing of the Jewish holidays in September, which was offset by an increase in sales by the Elite Café chain.
Operating profit	35	40	(13.3%)	The drop in operating profit and the operating profit margin is the result of the decrease in sales as mentioned and an increase in selling and marketing expenses.
% operating profit	19.8%	22.5%		
International Coffee				
Net sales	780	676	15.4%	Growth in coffee sales in local currency in most regions largely reflects price increases following the increase in green coffee prices and growth in sales volumes. Coffee sales in the third quarter of 2021 were negatively affected by the appreciation of the Shekel against most of the relevant currencies compared to the corresponding period last year, particularly the Brazilian Real and the Russian Ruble. For further information, see "Strauss Coffee Sales by Major Geographical Regions" in section 16.2.1 below.
Operating profit	61	63	(1.8%)	The change in the operating profit of the International Coffee segment in the third quarter of 2021 reflects: • Growth in the operating profit of Três Corações (JV)[8], largely due to an increase in quantities sold and in sales prices, which was partially offset by the increase in green coffee prices. • A drop in the operating profit of the CEE countries, mainly due to a drop in quantities sold and an increase in green coffee prices, among other things following the weakening of the Russian Ruble against the Dollar. The operating profit in the third quarter was negatively affected by the appreciation of the Shekel against the relevant currencies compared to the corresponding period last year.
% operating profit	8.0%	9.4%		
Total Strauss Coffee				
Net sales	**953**	**851**	**11.9%**	In the third quarter of 2021 Strauss Coffee's sales grew by NIS 102 million compared to the corresponding period last year. Translation differences into Shekels in the quarter had a negative impact on sales by the coffee company and amounted to NIS 27 million, of which the negative effect of the change in the average exchange rate of the Brazilian Real against the Shekel accounted for NIS 10 million.
Organic growth excluding foreign currency effect	**13.9%**	**1.4%**		
Gross profit	**285**	**279**	**1.8%**	The increase in gross profit in the third quarter of 2021 is mainly the result of growth in sales volumes and the increase in sales prices. The decrease in the gross margin in the quarter is largely due to the increase in green coffee prices and in manufacturing costs. Gross profit in the third quarter was negatively affected by the appreciation of the Shekel against the relevant currencies compared to the corresponding period last year.
% gross profit	**29.9%**	**32.9%**		
Operating profit	**96**	**103**	**(6.5%)**	The decrease in operating profit and the operating margin in the quarter is mainly the result of an increase in selling and marketing expenses compared to the corresponding period last year, which was affected by the COVID-19 outbreak.
% operating profit	**10.1%**	**12.1%**		

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

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

16.2.1 Strauss Coffee sales by major geographical regions

Following are sales by the Coffee Operation in the major geographical regions (not including intercompany sales) and growth rates for the nine months ended September 30, 2021 and 2020 (in NIS millions):

Sales by the Coffee Operation in Major Geographical Regions					
Geographical region	First Nine Months				Explanation
	2021	2020	% change	% organic change in local currency(1)	
Israel Coffee	**545**	**543**	**0.3%**	**0.3%**	There was no material change in sales growth in the first nine months of 2021 compared to the corresponding period.
International Coffee					
Brazil (Três Corações JV)) (2) (3) - 50%	1,227	1,084	13.2%	19.6%	Growth in Três Corações (JV)'s local currency sales is mainly due to the acquisition of 100% of Mitsui on July 31, 2020 and price increases as a result of the increase in green coffee prices. The Company's sales in the first nine months of 2021 were negatively affected by the appreciation of the Shekel against the Brazilian Real by approximately NIS 111 million compared to the corresponding period last year. For further information, see section 16.2.2 below.
Russia and Ukraine	380	408	(6.8%)	3.2%	Most of the increase in local currency sales is the result of an increase in sales prices. The Company's sales in the first nine months of 2021 were negatively affected by the appreciation of the Shekel against the Russian Ruble and the Ukrainian Hryvnia by approximately NIS 39 million compared to the corresponding period last year.
Poland	188	207	(9.4%)	(6.2%)	Most of the drop in local currency sales compared to the corresponding period is due to a drop-in quantities sold, mostly to the retail market, as a result of a temporary drop in sales to a certain customer following commercial negotiations. It is noted that beginning in the second quarter of 2021, sales to said customer resumed. The Company's sales in the first nine months of 2021 were negatively affected by the weakening of the Polish Zloty against the Shekel, by approximately NIS 7 million compared to the corresponding period last year.
Romania	125	120	4.5%	7.1%	Growth in local currency sales is largely due to growth in the volume of sales to the AFH channel following the impact of the outbreak of COVID-19 in the corresponding period last year on this channel. The Company's sales in the first nine months of 2021 were negatively affected by the weakening of the Romanian Leu against the Shekel, by approximately NIS 3 million compared to last year.
Serbia	87	83	5.0%	5.7%	Growth in local currency sales is mainly the result of growth in sales volumes following the impact of the outbreak of COVID-19 in the corresponding period last year. The Company's sales in the nine months were negatively affected by the weakening of the Serbian Dinar against the Shekel by approximately NIS 1 million, compared to the corresponding period last year.
Total International Coffee	**2,007**	**1,902**	**5.5%**	**11.9%**	
Total Coffee	**2,552**	**2,445**	**4.4%**	**9.2%**	

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

(1) The growth rate in local currency neutralizes the effect of changes in foreign exchange rates in the different countries against the Shekel on growth in the countries' sales.

(2) Três Corações – Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. (Data reflect Strauss Coffee's share (50%)).

(3) Três Corações' sales – excluding intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee.

Following are sales by the Coffee Operation in the major geographical regions (not including intercompany sales) and growth rates for the quarters ended September 30, 2021 and 2020 (in NIS millions):

Sales by the Coffee Operation in Major Geographical Regions					
Geographical region	Third Quarter				Explanation
	2021	2020	% change	% organic change in local currency[(1)]	
Israel Coffee	173	175	(1.7%)	(1.7%)	The drop-in sales in the third quarter of 2021 compared to the corresponding period is the result of the drop in quantities sold due to the timing of the Jewish holidays in September, which was offset by an increase in sales by the Elite Café chain.
International Coffee					
Brazil (Três Corações JV)) [(2) (3)] - 50%	499	375	33.2%	32.7%	Growth in Três Corações (JV)'s local currency sales is mainly due to price increases following the increase in green coffee prices and to the acquisition of 100% of Mitsui on July 31, 2020. The Company's sales in the third quarter of 2021 were negatively affected by the appreciation of the Shekel against the Brazilian Real by approximately NIS 10 million compared to the corresponding period last year. For further information, see section 16.2.2 below.
Russia and Ukraine	135	148	(8.5%)	(4.2%)	Most of the decrease in local currency sales is the result of a drop-in sales volumes to retailers, which last year were favorably affected by the increase in at-home consumption due to the outbreak of COVID-19. The Company's sales in the third quarter of 2021 were negatively affected by the appreciation of the Shekel against the Russian Ruble and the Ukrainian Hryvnia by approximately NIS 6 million compared to the corresponding period last year.
Poland	68	71	(5.1%)	2.7%	Sales growth in local currency is largely due to price increases. The Company's sales in the third quarter were negatively affected by the appreciation of the Shekel against the Polish Zloty by approximately NIS 6 million compared to the corresponding period last year.
Romania	46	49	(5.2%)	1.4%	There was no material change in terms of growth in local currency sales. The Company's sales in the third quarter of the year were negatively affected by the appreciation of the Shekel against the Romanian Leu by NIS 3 million compared to the corresponding period last year.
Serbia	32	33	(3.4%)	1.4%	There was no material change in terms of growth in local currency sales. The Company's sales in the third quarter of 2021 were negatively affected by the appreciation of the Shekel against the Serbian Dinar approximately by NIS 2 million compared to the corresponding period last year.
Total International Coffee	**780**	**676**	**15.4%**	**18.1%**	
Total Coffee	**953**	**851**	**11.9%**	**13.9%**	

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

(1) The growth rate in local currency neutralizes the effect of changes in foreign exchange rates in the different countries against the Shekel on growth in the countries' sales.

(2) Três Corações – Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. (Data reflect Strauss Coffee's share (50%)).

(3) Três Corações' sales – excluding intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee.

16.2.2 Três Corações (JV) (Brazil) – 3C – a joint venture between the Group (50%) and São Miguel Group (50%); (Data reflect Strauss Coffee's share (50%))

In the first nine months of 2021 Três Corações (JV)'s[9] average value market share in roast and ground (R&G) coffee was approximately 30.6% compared to 31.1% last year. In the GAAP Financial Statements, the Group's share of the joint venture is accounted for in the equity method.

Following are selected financial data before the elimination of intercompany sales on Três Corações (JV)'s business in **BRL millions** (data reflect the Group's holding (50%)):

Selected Financial Data on Três Corações (JV)'s business

BRL millions	First Nine Months			Third Quarter			Explanation
	2021	2020	% change in local currency	2021	2020	% change in local currency	
Sales	2,008	1,591	26.2%	809	590	37.1%	Sales growth mainly reflects price increases due to the increase in green coffee prices following the weakening of the Brazilian Real, growth in sales volumes and the acquisition of 100% of Mitsui, completed on July 31, 2020.
Organic growth	19.6%	6.4%		32.7%	6.4%		
Gross profit	451	424	6.3%	173	147	17.3%	The increase in gross profit mainly reflects growth in quantities sold and increased sales prices and was partially offset by the increase in coffee prices. The drop in the gross margin is largely due to the increase in green coffee prices and higher manufacturing costs.
Gross profit margin	22.4%	26.7%		21.4%	25.0%		
Operating profit before other income / expenses	112	112	(0.3%)	50	42	19.6%	The increase in operating profit in the quarter is due to the higher gross profit. The drop in the operating margin is largely due to the drop in the gross margin, as well as an increase in selling expenses as a result of sales growth and the rise in shipping costs.
Operating profit margin	5.6%	7.1%		6.2%	7.1%		

Financial data were rounded to BRL millions. Percentages changes were calculated on the basis of the exact figures.

Following are selected financial data before the elimination of intercompany sales on Três Corações (JV)'s business in **NIS millions** (data reflect the Group's holding (50%)):

Selected Financial Data on Três Corações (JV)'s business

NIS millions	First Nine Months			Third Quarter		
	2021	2020	% change	2021	2020	% change
Sales	1,231	1,086	13.3%	500	375	33.5%
Gross profit	276	291	(5.1%)	107	94	6.6%
Operating profit before other income/expenses	69	75	(8.8%)	32	26	18.7%

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

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

16.3 The International Dips & Spreads Activity

The Group develops, manufactures, sells, markets and distributes refrigerated dips and spreads through Sabra in the US and Canada, and through Obela in Mexico, Australia, New Zealand and Western Europe. 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 Financial Statements, the Group's share of the operations of Sabra and Obela is accounted for in the equity method.

Sabra is the largest refrigerated dips and spreads company in the US. According to IRI, Sabra's value market share of the hummus market in the nine months ended September 30, 2021 was 61.4% (Number 1 in the market), compared to 62.0% in the corresponding period last year. In the third quarter of 2021, Sabra's market share was 61.7%, compared to 60.9% in the corresponding period in 2020.

16.3.1 Sabra

Following are selected financial data on Sabra's business in **USD millions** (reflecting 100%):

Condensed Results of Business Operations – Sabra							
USD millions	First Nine Months			Third Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Sales	283	288	(1.7%)	97	96	1.3%	Most of the growth in the third quarter is due to a recovery in sales compared to the corresponding period last year, which was negatively affected by the outbreak of COVID-19 in the US and supply chain difficulties.
Operating profit before other expenses	26	34	(24.9%)	8	11	(26.0%)	The drop in operating profit and the operating margin in the first nine months and third quarter of 2021 is mainly due to increased manufacturing costs, an increase in raw material prices and in shipping costs.
% operating profit	9.0%	11.8%		8.5%	11.5%		

Financial data were rounded to USD millions. Percentages changes were calculated on the basis of the exact figures.

Following are selected financial data on Sabra's business in **NIS millions** (reflecting 100%):

Condensed Results of Business Operations – Sabra						
NIS millions	First Nine Months			Third Quarter		
	2021	2020	% change	2021	2020	% change
Sales	921	1,001	(8.0%)	313	327	(4.3%)
Operating profit before other expenses	83	118	(29.6%)	26	38	(29.9%)
% operating profit	9.0%	11.8%		8.5%	11.5%	

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

In October 2021, Sabra implemented a single-digit price increase.

16.3.2 Obela

Following are selected financial data on Obela's business in **NIS millions** (reflecting 100%):

Condensed Results of Business Operations – Obela	First Nine Months			Third Quarter		
	2021	2020	% change	2021	2020	% change
Sales	126	120	4.3%	40	44	(10.7%)
Organic growth excluding foreign currency effects	0.7%	5.2%		(8.3%)	10.4%	
Operating loss	(10)	(10)	(8.2%)	(1)	(3)	89.9%

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

Most of the decrease in sales in the third quarter of 2021 compared to the corresponding period last year is due to the business in Australia and is the result of restrictions imposed in the country following an additional wave of the pandemic.

16.4 Strauss Water

Through Strauss Water the Group is active in the drinking water market in the development, assembly, marketing, sale and servicing of POU (point-of-use) systems for the filtration, purification and carbonation of drinking water, mainly in Israel and the UK. Strauss Water also has insubstantial activities in a number of other countries, which are carried out through local franchisees. In addition, Strauss Water has a material investment (49%) in an associate (Haier Strauss Water (HSW)), which is a joint venture established by Strauss Water and Haier Group of China and is active in the filtration and purification of drinking water in China.

In Israel, water filtration, purification and carbonation appliances are sold to end customers in combination with a service agreement for degradable components. In the framework of these service agreements Strauss Water provides a warranty for the duration of the term of the agreement, and the customer may terminate the transaction at any time (subject to the terms and conditions of the service agreement). Payment for the transaction is made monthly throughout the term of the agreement. The Group has factoring arrangements with third parties for part of these payments and non-recourse factoring arrangements for the sale of water bars.

At the end of the second quarter of 2021 Strauss Water launched a series of new, advanced water bars, tami4edge. The water bars are more compact and use IoT (Internet of Things) technology.

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of Strauss Water for the nine months and quarters ended September 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations – Strauss Water

	First Nine Months			Third Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Net sales	548	487	12.6%	192	184	4.9%	Sales growth in the first nine months and third quarter of 2021 compared to the corresponding periods last year is due to growth in the customer base as well as in sales of new appliances.
Operating profit	70	70	(1.1%)	26	25	1.5%	There was no material change in EBIT growth. The drop in the operating margin in the first nine months compared to the corresponding periods last year is largely due to a regional development grant of approximately NIS 11 million (the Company's share) recognized in the second quarter last year, which was partially offset by growth in the customer base and in sales of new appliances. Excluding the profits of HSW, EBIT in the first nine months of 2021 grew by approximately NIS 13 million, and the operating margin rose by approximately 1.5% and amounted to 8.5%. Excluding the profits of HSW, EBIT in the third quarter grew by approximately NIS 4 million, and the operating margin rose by approximately 1.7% and amounted to 9%.
% operating profit	12.7%	14.5%		13.2%	13.7%		

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

16.4.1 Results of Haier Strauss Water (HSW)

Following are selected financial data on HSW's business in **RMB millions** (data reflect 100% ownership):

Condensed Results of Business Operations – HSW

RMB millions	First Nine Months			Third Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Sales	960	778	23.5%	310	286	8.9%	Sales growth in the first nine months and third quarter of 2021 is primarily due to the recovery of the Chinese market after the outbreak of COVID-19 in China in December 2019, which mainly impacted the first quarter of 2020.
Net profit	102	154	(33.8%)	37	51	(27.4%)	The decrease in net profit in the first nine months of 2021 compared to the corresponding period last year is largely due to the award of a regional development grant to HSW in the second quarter of 2020. The decrease in net profit in the third quarter is largely due to a one-time tax benefit received in the corresponding period last year.

Financial data were rounded to RMB millions. Percentages changes were calculated on the basis of the exact figures.

Following are selected financial data on HSW's business, in **NIS millions** (data reflect 100% ownership):

Condensed Results of Business Operations – HSW						
NIS millions	First Nine Months			Third Quarter		
	2021	2020	% change	2021	2020	% change
Sales	484	387	25.1%	156	142	9.9%
Net profit	51	77	(32.8%)	18	26	(26.8%)

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

In March 2020, the board of directors of HSW approved an investment of approximately RMB 375 million (approximately NIS 190 million) for the construction of a facility for the production and assembly of HSW products sold in China. In early May 2021, the facility became operational. HSW estimates that construction of the manufacturing facility will improve its competitive position, as in-house manufacturing capabilities allow for greater flexibility in the development and production of unique, innovative products, shorter time-to-market and the launch of high-quality products. Such capabilities carry substantial weight in leveraging a competitive advantage in a growing and developing market. It is further noted that the majority of significant players in the market have in-house manufacturing capabilities. To support the realization of HSW's strategy and its regular operations, the subsidiary Strauss Water granted a shareholder loan of approximately NIS 49 million, in accordance with its stake in the partnership.

The information contained in this section, including estimates that construction of the plant will enable HSW to improve its competitive position, is forward-looking information as this term is defined in the Securities Law, which is based on the information available to the Company on the date of this report as described above and includes the Company's estimates on the reporting date. Actual results may differ materially from those anticipated, among other things as a result of market developments and the impacts of COVID-19. See also sections 3-7, "Changes in the Economic Environment".

16.5 Other Operations

Since its establishment in January 2015, the FoodTech incubator has invested in 22 companies, some of which have completed product development, commenced initial sales and raised further investments. The Company participated in some of these funding rounds, investing sums that are immaterial to the Company. For a list of the companies in the incubator project and their areas of activity, see section 15 in the chapter Description of the Company's Business in the 2020 Periodic Report. In the third quarter, the incubator invested in Mushfoods Ltd., which develops proteins from mushrooms. In October 2021, the FoodTech incubator invested in ForSea Foods Ltd., which manufactures cultured fish, and in November 2021 invested in its 22nd company, Wanda Fish Technologies Ltd., a manufacturer of cultured tuna.

On the reporting date, the securities of a company that participated in the project, Flying SpArk Ltd., are listed on the Tel Aviv Stock Exchange Ltd. ("TASE").

On September 30, 2021, the total value of the investments in the incubator investees, which are presented in the financial statements according to the equity method, was approximately NIS 108 million. The fair value of the investments on said date was approximately NIS 326 million.

Fair value of each of the companies is based on the data of the most recent funding round completed multiplied by the Company's actual holding in that company, with the exception of four companies, where a decision was made to write off the investment. Companies in which respect certainty as to future fundraising is low were zeroed out or included at their most up to date fair value proximate to the date of publication of the report.

In the third quarter, a funding round was completed by Aleph Farms Ltd. Following the completion of this round the Group's holding in the equity-accounted incubator investee decreased, and the Group retained significant influence. Consequently, the Group recognized a gain of approximately NIS 58 million on the decrease in holding rate, which was classified to the "share of profit of equity-accounted incubator investees" item. See Note 4.4 to the Condensed Consolidated Interim Financial Statements as at September 30, 2021.

For information on the method of calculating the gain on the decrease in holding rate in the above investees, see Note 3.1.5 to the Consolidated Financial Statements for the year 2020.

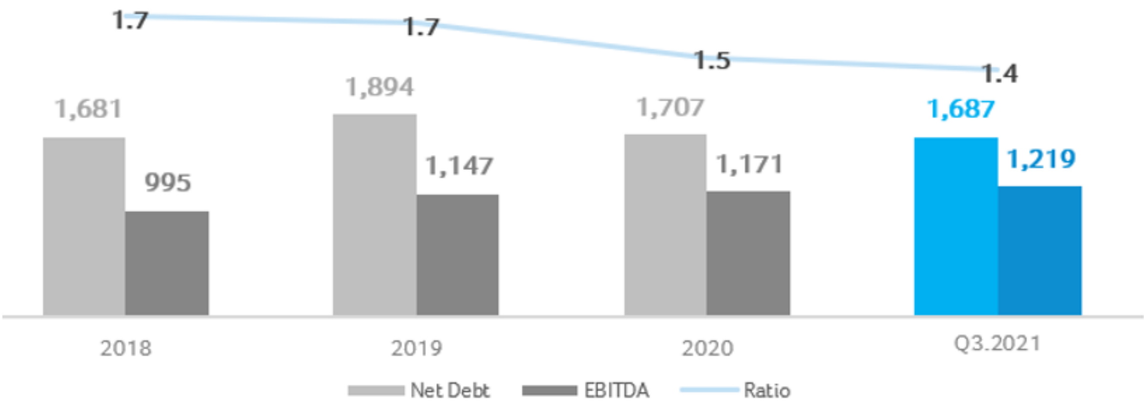
To the best of the Company's knowledge, the cash flows provided by the abovementioned funding rounds are earmarked to serve the incubator investees for the purpose of further investment activity, research and development, sales and marketing, and consequently, in the Company's estimate, in the foreseeable future the Company is expected to record a loss on the profit of the incubator companies, which is likely to reduce all or part of the gains recognized in the reporting period.

The information contained in this section with respect to the anticipated losses is forward-looking information as this term is defined in the Securities Law, which is based on the Company's estimates with respect to the uses to be made by the investees. Actual results may differ materially from those anticipated if the uses that are actually made of the funds are different to the uses anticipated by the Company, and also since they are contingent on the results of the incubator investees.

LIQUIDITY, SOURCES OF FINANCE AND FINANCIAL POSITION

5.4	Aa1il	ilAA+	2,131	1,687
Average life	Moody's rating	S&P rating	Gross debt	Net debt

Net Debt-to-EBITDA Ratio



Financial data are GAAP data in NIS millions. Percentages were calculated on the basis of the exact figures in NIS thousands.

17. Liquidity

17.1 Credit rating

In April 2021 the Company announced the reaffirmation of an ilAA+ rating with stable outlook by Standard & Poor's Maalot Ltd.

In May 2021 the Company announced the reaffirmation of an Aa1.il rating with stable outlook by Midroog Ltd.

17.2 Cash flows

Following is information on cash flows generated by the Group's operating activities, which were consumed in investing and financing activities:

Cash Flows				
	First Nine Months			Explanation
	2021	2020	Change	
Cash flows from operating activities	599	532	67	Growth is largely due to an increase in EBITDA and a decrease in interest and tax payments.
Cash flows used in investing activities	(125)	(270)	145	The change is largely due to an investment in a deposit and to the grant of a long-term loan for the construction of a manufacturing facility for the production and assembly of HSW's products sold in China in the corresponding period last year.
Cash flows used in financing activities	(518)	(93)	(425)	The change is largely due to an increase in dividends paid in the reporting period and the issue of debentures in the corresponding period last year, which were partially offset by the prepayment of long-term loans in the corresponding period last year.

Financial data were rounded to NIS millions.

Cash Flows				
	Third Quarter			Explanation
	2021	2020	Change	
Cash flows from operating activities	284	163	121	The increase is largely due to a drop in the outstanding balance of trade receivables in the current quarter following the timing of Rosh Hashanah and the Jewish holidays, which impacted September sales compared to the corresponding period last year.
Cash flows used in investing activities	(64)	(110)	46	The change is largely due to an investment in a deposit in the corresponding period last year, which was offset by the receipt of a dividend from an associate in the corresponding period.
Cash flows used in (provided by) financing activities	(86)	224	(310)	The change is largely due to the issue of debentures in the corresponding period last year, which was partially offset by the repayment of long-term loans in the corresponding period.

Financial data were rounded to NIS millions.

17.3 Average credit volumes

Following is information on average credit volumes:

Average Credit Volume							
	First Half			Second Quarter			Explanation
	2021	2020	change	2021	2020	change	
Average long-term credit volume according to the Non-GAAP Report	2,444	2,606	(162)	2,434	2,741	(307)	Most of the change is due to a decrease in short-term bank credit, long-term loans and credit and lease liabilities, which was partially offset by the issuance of Series F debentures.
Average short-term credit volume according to the Non-GAAP Report	139	256	(117)	152	246	(94)	
Average long-term credit volume according to the GAAP Financial Statements	2,156	2,375	(219)	2,122	2,497	(375)	
Average short-term credit volume according to the GAAP Financial Statements	29	42	(13)	35	28	7	

Financial data were rounded to NIS millions.

17.4 Status of Liabilities Report according to payment dates

See Form T-126, published simultaneously with the Financial Statements.

17.5 Net working capital

Following is information on the change in net working capital (based on cash flow):

Change in Net Working Capital				
	First Nine Months		Third Quarter	
	2021	2020	2021	2020
Change in net working capital according to the GAAP Financial Statements	(5)	(25)	100	(32)
Change in net working capital according to the Non-GAAP Reports	(178)	* (183)	51	* (81)

* Comparative figures were restated.
Financial data were rounded to NIS millions.

17.6 Customer and supplier financing arrangements

From time to time the Group executes non-recourse factoring transactions in trade receivables, as well as reverse factoring transactions in trade payables.

17.7 Additional information on liquidity and operating cash flow

Following is additional financial information on the Company's liquidity:

Additional information on the Company's Liquidity	September 30, 2021	December 31, 2020
Liquidity ratio	1.17	1.20
Liabilities in respect of long-term loans and credit (including current maturities)	2,107	2,168
Short-term credit (excluding current maturities)	24	29
Supplier credit	853	755
Ratio of equity attributable to the shareholders of the Company to total assets on the Company's consolidated statement of financial position	37.1%	35.2%
Equity attributable to the shareholders of the Company	2,491	2,260

Financial data were rounded to NIS millions.

Following is the distribution of EBITDA between the Group's operating segments (in NIS millions):

EBITDA Development by Operating Segment	First Nine Months			Third Quarter		
	2021	**2020**	**% change**	**2021**	**2020**	**% change**
Strauss Israel	466	443	5.1%	153	147	4.2%
Strauss Coffee	349	367	(4.9%)	122	131	(6.7%)
International Dips & Spreads	56	74	(23.9%)	19	24	(18.6%)
Strauss Water	98	96	1.5%	36	32	8.7%
Other Operations	89	22	304.3%	59	5	1140.0%
Total	**1,058**	**1,002**	**5.5%**	**389**	**339**	**14.5%**

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

18. Disclosure Pertaining to the Examination of Warning Signs in Respect of a Working Capital Deficiency Under Regulation 10(B)(14)(a)

In the Company's separate financial information ("solo report") for the third quarter of 2021 there is a working capital deficiency of approximately NIS 202 million. There is no such deficiency in the Consolidated Financial Statements of the Company for the third quarter. The cash flow from operating activities in the solo report is positive and amounts to approximately NIS 264 million. In light of the working capital deficiency in the solo report, on November 15, 2021, the Board of Directors of the Company examined the Company's liquidity as described below and determined that said working capital deficiency is not indicative of a liquidity issue in the Company. This decision is based on a review, inter alia, of the Company's financial results as reported in the Financial Statements of the Company as at September 30, 2021, and is also based on data pertaining to the Company's projected cash flow for the next two years given the Company's existing and anticipated liabilities, including the Company's liabilities to the holders of its debentures (Series E and F) and to banking corporations and their maturity dates, and on an inspection of existing and anticipated sources for the repayment of these liabilities and the resources arising from the Company's holdings in its major investees, including the receipt of dividends, repayment of loans by investees, raising capital from banking corporations and/or other sources if 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. The Board of Directors also reviewed sensitivity analyses of the Company's projected cash flow, including developments and implications of the COVID-19 outbreak, for the next two years, and asserted that the working capital deficiency is not indicative of a liquidity issue in the Company.

It is emphasized that the abovementioned assessment by the Board of Directors is forward-looking information, as this term is defined in the Securities Law, 1968, which is primarily based on the Company's forecasts and on its analysis of its actual cash flows in the period since the end of 2020 and its future cash flows, its existing and anticipated liabilities, its existing assets, its expectations as to future profits and dividend distributions by investees, etc. There can be no assurance that these assessments, in whole or in part, will, in fact, occur, or that they will not occur in a different form, including materially, than estimated, among other things as a result of market behavior and occurrence of the risk factors described in section 25 in the chapter Description of the Company's Business, which is included in the 2020 Periodic Report.

19. Information on Debenture Series

Following is financial information on the debenture series on September 30, 2021.

Information on the Debenture Series		
	Series E Debentures	Series F Debentures
f	543	700
B. Carrying value of debentures	540	692
C. Carrying value of interest payable	4	3
D. Market value	585	696

On September 30, 2021, equity attributable to the shareholders of the Company was NIS 2,491 million. The financial debt-to-EBITDA ratio according to the GAAP Financial Statements was 1.4, and the equity-to-assets ratio was 37.1%. As of September 30, 2021, the Company is compliant with the debenture covenants.

CORPORATE GOVERNANCE AND CONTROL

20. Sustainability, CSR, Social Investment and Contributions

In the first nine months of 2021 the Group continued to work on environmental and social projects, both within the Group and in the communities in which it is located and works.

Prior to the UN Food Systems Summit in September, various professional teams from Strauss participated in the discourse and in roundtables in Israel, and Strauss's recommendations were incorporated in the position paper submitted by Israel.

As Rosh Hashanah and the Jewish festivals approached and the start of the school year drew near, Strauss Group supported the nutrition security of hundreds of families through collaborations: 6,700 fruit and vegetable parcels with "Leket", Israel's leading food rescue organization, and 2,700 enlarged food parcels with the "Latet" food bank. Twenty percent of these parcels were donated to Arab society for the beginning of the school year.

Strauss Group promotes diversity and inclusion, among other things by increasing employment opportunities. Arab society in Israel is a key group at the core of these efforts. At the beginning of the quarter, Strauss Israel launched a campaign for the "Zinuk" ("Rise Up") program. The program is designed for Arab students and aims to provide them with training and practical experience. It is planned to serve as a bridge to employment, so that after they have completed their internship, the students will be hired by Strauss or other companies. An advisory committee for CSR issues in Arab society was also established. The committee is composed of employees from Arab society, from Strauss's various companies and units in the Israel geography that communicate directly with the Sustainability Administration and the Community Relations Administration, with the goal of enhancing the impact of social investments and collaborations dedicated to the advancement of diversity and inclusion and employment opportunities.

Before Eid al-Adha (the Feast of Sacrifice) in July, the Group donated food parcels to 1,500 families through the Amanina nonprofit and "Latet". In addition, videos in the spirit of the holiday featuring an Arab female chef were produced, some in Hebrew and others in Arabic, to mark the festival. Strauss also celebrated with the Arab public and shared the customs of the Muslim festival with the Jewish public.

In June, Strauss Israel's Customer Service Department began providing service in sign language for the hard of hearing, whereas until then, these customers were served only in writing. Expansion of the service was made possible thanks to joining forces with Tikshoov's sign language call center. Tikshoov is the leading provider of contact center services in Israel. Strauss is the first food company to offer the service and hopes that it will lead to increased awareness and to other companies joining the effort. The sign language translation center is operated by a dedicated department at Tikshoov, staffed by eight translators who are accredited by the Ministry of Economy. The center was established by the nonprofit Maagalei Shema ("Circles of Hearing"), which promotes an egalitarian and accessible society in which the deaf and hard of hearing are independent, productive and equal members of Israeli society, and is now managed by Tikshoov. The center is unique in that it is available during all business hours of corporate customer service departments, and there is no need to arrange for a translated conversation in advance.

The confectionery plant in Israel has inaugurated an allergen-free production line, thus implementing Strauss Israel's strategy for the expansion of its product offering for diverse target populations, as part of the Company's responsibility to deliver products for groups with special dietary needs that are suitable for consumption by people who are allergic to nuts, peanuts, eggs and gluten. The new production environment is allergen-free, with the exception of milk, and a new production line designated for the manufacture of gluten-free products has been purchased.

Sabra in the US launched the work of "green teams" at its various sites, and team leads for the various spheres have been appointed. The plant in Virginia has accomplished its 100% recycling target at the offices. The company also hosted the annual farmers' market, where employees purchased produce and learned about the nutritional advantages of fresh fruit and vegetables, which they bought directly from farmers in the region at prices subsidized by the company.

21. Aspects of Corporate Governance

At the date of publication of this report, the Company has not adopted a provision regarding the percentage of independent directors, as defined in the Companies Law, 1999, in its Articles of Association.

22. Effectiveness of Internal Control

See the attached report for information on the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 38c(a).

23. Events After the Reporting Period

For a review of events that occurred after the date of the statement of financial position, see Note 9 to the Condensed Consolidated Interim Financial Statements as at September 30, 2021.

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	**Giora Bardea** Chief Executive Officer

November 15, 2021

Strauss Group LTD.

Financial Statements

as at September 30 ,2021

Condensed Consolidated Interim Financial Statements as at September 30, 2021 (unaudited)

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Condensed Consolidated Interim Statements of Financial Position

	September 30 2021	September 30 2020	December 31 2020
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	444	689	491
Securities and deposits	-	120	-
Trade receivables	1,054	1080	996
Income tax receivables	12	6	16
Other receivables and debit balances	122	113	120
Inventory	638	549	557
Assets held for sale	7	12	12
Total current assets	2,277	2,569	2,192
Investments and non-current assets			
Investment in equity-accounted investees	1,411	1,265	1,222
Other investments and long-term debt balances	115	116	110
Fixed assets	1,764	1,737	1,754
Right-of-use assets	208	201	198
Intangible assets	912	910	916
Investment property	4	4	4
Deferred tax assets	19	17	18
Total investments and non-current assets	4,433	4,250	4,222
Total assets	6,710	6,819	6,414

Ofra Strauss Chairperson of the Board of Directors	Giora Bardea Chief Executive Officer	Ariel Chetrit Chief Financial Officer

Date of approval of the interim financial statements: November 15, 2021

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

Condensed Consolidated Interim Statements of Financial Position (cont'd)

	September 30 2021	September 30 2020	December 31 2020
	Unaudited		Audited
	NIS millions		
Current liabilities			
Current maturities of debentures	30	67	30
Short-term credit and current maturities of long-term loans and other long-term liabilities	261	274	256
Current maturities of lease liabilities	77	81	78
Trade payables	853	772	755
Income tax payables	42	114	37
Other payables and credit balances	644	588	575
Dividends payable	-	-	70
Provisions	43	28	32
Total current liabilities	1,950	1,924	1,833
Non-current liabilities			
Debentures	1,202	1,368	1,231
Long-term loans and other long-term liabilities	417	621	461
Lease liabilities	144	145	142
Long-term payables and credit balances	27	26	18
Employee benefits, net	43	49	49
Deferred tax liabilities	260	252	248
Total non-current liabilities	2,093	2,461	2,149
Equity and reserves			
Share capital	253	253	253
Share premium	1,051	1,051	1,051
Reserves	(2,198)	(2,122)	(2,155)
Retained earnings	3,385	3,094	3,111
Total equity attributable to the shareholders of the Company	2,491	2,276	2,260
Non-controlling interests	176	158	172
Total equity	2,667	2,434	2,432
Total liabilities and equity	6,710	6,819	6,414

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

Condensed Consolidated Interim Statements of Income

	For the nine months ended		For the three months ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	December 31 2020
	Unaudited				Audited
	NIS millions				
Sales	4,513	4,419	1,546	1,541	5,873
Cost of sales	2,685	2,622	943	913	3,485
Gross profit	1,828	1,797	603	628	2,388
Selling and marketing expenses	981	972	332	336	1,316
General and administrative expenses	313	301	106	97	420
	1,294	1,273	438	433	1,736
Share of profit of equity-accounted investees	150	189*	62	66*	237*
Share of profit (loss) of equity-accounted incubator investees (1)	75	(7)*	52	(2)*	(2)*
Operating profit before other income (expenses)	759	706	279	259	887
Other income	6	2	-	1	2
Other expenses	(6)	(2)	(3)	(1)	(3)
Other expenses, net	-	-	(3)	-	(1)
Operating profit	759	706	276	259	886
Financing income	5	7	1	3	6
Financing expenses	(52)	(89)	(26)	(28)	(144)
Financing expenses, net	(47)	(82)	(25)	(25)	(138)
Income before taxes	712	624	251	234	748
Taxes on income	(134)	(121)	(42)	(48)	(149)
Income for the period	578	503	209	186	599
Attributable to:					
The shareholders of the Company	522	450	189	168	533
Non-controlling interests	56	53	20	18	66
Income for the period	578	503	209	186	599
Earnings per share					
Basic earnings per share (NIS)	4.50	3.88	1.63	1.45	4.60
Diluted earnings per share (NIS)	4.47	3.84	1.62	1.44	4.55

* Reclassified

(1) Including a gain on loss of control of an incubator investee. For further information, see Note 4.3.

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the nine months ended		For the three months ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	December 31 2020
	Unaudited				Audited
	NIS Millions				
Income for the period	578	503	209	186	599
Other comprehensive loss items that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences	(25)	(71)	(25)	(21)	(76)
Other comprehensive loss from equity-accounted investees	(18)	(212)	(63)	(20)	(239)
Total other comprehensive loss items for the period that will be reclassified to profit or loss in subsequent periods, net	(43)	(283)	(88)	(41)	(315)
Other comprehensive income (loss) items that will not be reclassified to profit or loss in subsequent periods, net:					
Changes in employee benefits, net	7	-	4	(1)	-
Total other comprehensive income (loss) items that will not be reclassified to profit or loss in subsequent periods, net	7	-	4	(1)	-
Comprehensive income for the period	542	220	125	144	284
Attributable to:					
The shareholders of the Company	486	167	104	127	217
Non-controlling interests	56	53	21	17	67
Comprehensive income for the period	542	220	125	144	284

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Nine-month period ended September 30, 2021 – unaudited:									
Balance as at January 1, 2021	253	1,051	(20)	(393)	(1,742)	3,111	2,260	172	2,432
Total comprehensive income (loss) for the period									
Income for the period	-	-	-	-	-	522	522	56	578
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(25)	-	(25)	-	(25)
Other comprehensive loss from equity-accounted investees	-	-	-	-	(18)	-	(18)	-	(18)
Change in employee benefits, net	-	-	-	-	-	7	7	-	7
Total other comprehensive income (loss) for the period, net	-	-	-	-	(43)	7	(36)	-	(36)
Total comprehensive income (loss) for the period	-	-	-	-	(43)	529	486	56	542
Share-based payment	-	-	-	-	-	15	15	-	15
Dividend to shareholders of the Company	-	-	-	-	-	(270)	(270)	-	(270)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(52)	(52)
Balance as at September 30, 2021	253	1,051	(20)	(393)	(1,785)	3,385	2,491	176	2,667

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

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

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Nine-month period ended September 30, 2020 – unaudited:									
Balance as at January 1, 2020	253	1,051	(20)	(392)	(1,426)	2,811	2,277	153	2,430
Total comprehensive income (loss) for the period									
Income for the period	-	-	-	-	-	450	450	53	503
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(71)	-	(71)	-	(71)
Other comprehensive loss from equity-accounted investees	-	-	-	-	(212)	-	(212)	-	(212)
Total other comprehensive loss for the period, net	-	-	-	-	(283)	-	(283)	-	(283)
Total comprehensive income (loss) for the period	-	-	-	-	(283)	450	167	53	220
Share-based payment	-	-	-	-	-	13	13	-	13
Improved interest to subsidiary	-	-	-	(1)	-	-	(1)	1	-
Dividend to shareholders of the Company	-	-	-	-	-	(180)	(180)	-	(180)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(49)	(49)
Balance as at September 30, 2020	253	1,051	(20)	(393)	(1,709)	3094	2,276	158	2,434

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

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

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Three-month period ended September 30, 2021 – unaudited:									
Balance as at July 1, 2021	253	1,051	(20)	(393)	(1,696)	3,187	2,382	155	2,537
Total comprehensive income for the period									
Income for the period	-	-	-	-	-	189	189	20	209
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(26)	-	(26)	1	(25)
Other comprehensive loss from equity-accounted investees	-	-	-	-	(63)	-	(63)	-	(63)
Change in employee benefits, net	-	-	-	-	-	4	4	-	4
Total other comprehensive income (loss) for the period, net	-	-	-	-	(89)	4	(85)	1	(84)
Total comprehensive income (loss) for the period	-	-	-	-	(89)	193	104	21	125
Share-based payment	-	-	-	-	-	5	5	-	5
Balance as at September 30, 2021	253	1,051	(20)	(393)	(1,785)	3,385	2,491	176	2,667

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

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

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Three-month period ended September 30, 2020 – unaudited:									
Balance as at July 1, 2020	253	1,051	(20)	(393)	(1,669)	2,923	2,145	141	2,286
Total comprehensive income (loss) for the period									
Income for the period	-	-	-	-	-	168	168	18	186
Components of other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(20)	-	(20)	(1)	(21)
Other comprehensive loss from equity-accounted investees	-	-	-	-	(20)	-	(20)	-	(20)
Change in employee benefits, net	-	-	-	-	-	(1)	(1)	-	(1)
Total other comprehensive loss for the period, net	-	-	-	-	(40)	(1)	(41)	(1)	(42)
Total comprehensive income (loss) for the period	-	-	-	-	(40)	167	127	17	144
Share-based payment	-	-	-	-	-	4	4	-	4
Balance as at September 30, 2020	253	1,051	(20)	(393)	(1,709)	3,094	2,276	158	2,434

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

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

	Attributable to the Company's shareholders								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Year ended December 31, 2020 – audited:									
Balance as at January 1, 2020:	253	1,051	(20)	(392)	(1,426)	2,811	2,277	153	2,430
Total comprehensive income (loss) for the year									
Income for the year	-	-	-	-	-	533	533	66	599
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(77)	-	(77)	1	(76)
Other comprehensive loss from equity-accounted investees	-	-	-	-	(239)	-	(239)	-	(239)
Total other comprehensive income (loss) for the year, net	-	-	-	-	(316)	-	(316)	1	(315)
Total comprehensive income (loss) for the year	-	-	-	-	(316)	533	217	67	284
Share-based payment	-	-	-	-	-	17	17	-	17
Improved interest to subsidiary	-	-	-	(1)	-	-	(1)	1	-
Dividend paid	-	-	-	-	-	(180)	(180)	-	(180)
Dividend declared but not yet paid	-	-	-	-	-	(70)	(70)	-	(70)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(49)	(49)
Balance as at December 31, 2020	253	1,051	(20)	(393)	(1,742)	3,111	2,260	172	2,432

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

Condensed Consolidated Interim Statements of Cash Flows

	For the nine months ended		For the three months ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	December 31 2020
	Unaudited				Audited
	NIS millions				
Cash flows from operating activities					
Income for the period	578	503	209	186	599
Adjustments:					
Depreciation	174	186	60	64	249
Amortization of intangible assets	30	23	11	8	35
Other income, net	(5)	-	-	-	-
Expenses in respect of share-based payment	15	13	5	4	17
Financing expenses, net	47	82	25	25	138
Income tax expenses	134	121	42	48	149
Share of profit of equity-accounted investees	(225)	(182)	(114)	(64)	(235)
Change in inventory	(86)	(25)	21	46	(38)
Change in trade and other receivables	(74)	(90)	(15)	(132)	(21)
Change in long-term trade receivables	(2)	16	(1)	3	18
Change in trade and other payables	154	73	94	50	45
Change in employee benefits	3	1	1	1	2
Interest paid	(42)	(80)	(11)	(38)	(123)
Interest received	2	1	1	-	2
Income tax paid, net	(104)	(110)	(44)	(38)	(227)
Net cash provided by operating activities	599	532	284	163	610
Cash flows from investing activities					
Purchase of marketable securities and deposits, net	-	(120)	-	(120)	-
Proceeds from sale of fixed assets and intangible assets, net	10	5	1	-	6
Investment in fixed assets	(121)	(120)	(41)	(40)	(184)
Investment in intangible assets	(37)	(36)	(14)	(16)	(55)
Repayment of loans granted	16	15	5	7	21
Loans granted	(17)	(56)	(6)	(5)	(66)
Income from sublease	6	6	2	2	8
Dividends from investees, net	37	63	-	63	133
Investment in investees	(19)	(27)	(11)	(1)	(32)
Net cash used in investing activities	(125)	(270)	(64)	(110)	(169)

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

Condensed Consolidated Interim Statements of Cash Flows (cont'd)

	For the nine months ended		For the three months ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	December 31 2020
	Unaudited				Audited
	NIS millions				
Cash flows from financing activities					
Short-term bank credit, net	(5)	13	(25)	(51)	24
Proceeds from issue of debentures, net of issuance costs	-	691	-	691	691
Redemption of debentures and repayment of long-term loans	(82)	(271)	(48)	(149)	(344)
Early redemption of debentures and prepayment of long-term loans	-	(261)	-	(261)	(555)
Change in liabilities in respect of credit card factoring	24	31	8	15	38
Payment of lease liabilities	(63)	(67)	(21)	(21)	(86)
Dividends paid	(340)	(180)	-	-	(180)
Dividend to non-controlling interests in a subsidiary	(52)	(49)	-	-	(49)
Net cash provided by (used in) financing activities	(518)	(93)	(86)	224	(461)
Increase (decrease) in cash and cash equivalents	(44)	169	134	277	(20)
Cash and cash equivalents at beginning of period	491	525	314	411	525
Effect of exchange rate changes on cash	(3)	(5)	(4)	1	(14)
Cash and cash equivalents at end of period	444	689	444	689	491

The accompanying notes are an integral part of these condensed consolidated 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 investee companies (hereinafter: the “Group”) are a group of industrial and commercial companies operating in Israel and abroad and active mainly in the development, manufacture, marketing and sale of a variety of branded food and beverage products. The Group is also active in the development, marketing, servicing and sale of water filtration, carbonation and purification products. The condensed consolidated interim financial statements of the Company as at September 30, 2021 and for the nine- and three-month periods then ended (hereinafter: the “Interim Statements”) comprise those of the Company and its subsidiaries and the Group’s rights in joint arrangements.

Strauss Holdings Ltd. (“Strauss Holdings”) is the direct controlling shareholder of the Company (approximately 57.16% of the equity and voting rights in the Company). The controlling shareholder of Strauss Holdings is Michael Strauss’s Assets Ltd. (approximately 75.64% of the equity and voting rights in Strauss Holdings) (“Michael’s Assets”).

The Company was informed that a probate order had been issued with respect to the estate of Mr. Michael Strauss OBM, which holds the shares of Michael’s Assets (the “Shares in the Estate Account”), and that as a result of the expected distribution of the Shares in the Estate Account, Ms. Ofra Strauss, Ms. Irit Strauss and Mr. Adi Strauss (“Michael’s Children”) will jointly hold the shares of Michael’s Assets (jointly, approximately 94.6% of the equity and voting rights in Michael’s Assets), granting them control of Michael’s Assets and, indirectly, control of the Company. Michael’s Children are in agreement concerning cooperation in Michael’s Assets.

In light of the foregoing, after the distribution of the estate, Ms. Ofra Strauss, Ms. Irit Strauss and Mr. Adi Strauss are the controlling shareholders of the Company.

1.1.2 The Interim Statements were prepared in accordance with IAS 34 with respect to interim financial reporting and in accordance with the provisions of Chapter 4 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 consolidated subsidiaries as at December 31, 2020 and for the year then ended, together with their accompanying notes (hereinafter: the “Annual Financial Statements”).

The Group’s accounting policy in these Interim Statements was applied consistently with the Annual Financial Statements.

1.1.3 The consolidated interim 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 The consolidated interim financial statements were approved for publication by the Board of Directors of the Group on November 15, 2021.

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

1.2 First-time adoption of the amendment to IFRS 16, Leases: COVID-19-Related Rent Concessions

The amendment asserts that the practical expedient for the accounting treatment of rent concessions in leases where the Group is the lessee, occurring as a direct consequence of the COVID-19 pandemic, may be applied when the lease payments waived by the lessor were to have been paid until June 30, 2022, and not until June 30, 2021, as formerly determined.

Accordingly, the practical expedient for the accounting treatment of rent concessions in leases where the Group is the lessee may be applied when these concessions are a direct consequence of the COVID-19 pandemic, and also when:

- Lease payments are the same as, or less than, lease payments immediately preceding the change;
- The lease payments waived by the lessor were to have been paid until June 30, 2022; and
- There is no substantive change to the remaining terms and conditions of the lease.

In such cases, the amendment enables the Company not to assess whether the rent concession is a lease modification (in general, it will be accounted for as a variable lease payment). The amendment will be applied retrospectively commencing in annual reporting periods beginning on April 1, 2021. Application of the amendment to the standard does not have a material effect on the financial statements.

Note 2 – Seasonality

Sales of Fun & Indulgence products are characterized by seasonality and are usually higher in the first quarter of the year. Seasonality is mainly affected by winter, which is marked by greater consumption of chocolate products, as well as by increased consumption of Fun & Indulgence products as Passover approaches.

In the Israel Coffee segment there is no distinct trend of seasonality. However, revenues are usually high in the first quarter of the year, due to increased consumption of coffee products prior to Passover.

In Health and Wellness products there is no distinct trend of seasonality. However, revenues are usually relatively high in the third quarter of the year in the hot summer months, which are characterized by increased consumption of dairy products.

International coffee sales are usually higher in the fourth quarter of the year. Seasonality is mainly affected by the timing of the Christian holidays and the end of the calendar year in the fourth quarter, a period characterized by higher purchases of coffee products.

Sales of the Group's water bars are generally higher in the summer months (April-October) compared to the rest of the year, with a corresponding increase in servicing the fourth quarter of the year.

For further information, see Note 4.2 with regard to the impact of the COVID-19 pandemic on the Group's activity.

Note 3 - Operating Segments

Segment information and reconciliation to the consolidated financial statements:

	For the nine months ended		For the three months ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	December 31 2020
	Unaudited				Audited
	NIS Millions				
Income					
Sales to external customers:					
Health & Wellness	2,008	1,911	705	676	2,537
Fun & Indulgence	859	876	271	277	1,144
Total Israel	2,867	2,787	976	953	3,681
Israel Coffee	545	543	173	175	712
International Coffee	2,007	1,902	780	676	2,567
Total Coffee	2,552	2,445	953	851	3,279
International Dips and Spreads	523	561	176	186	722
Water	548	487	192	184	668
Other	-	-	-	-	-
Sales to other segments:					
Health & Wellness	4	4	1	1	6
Fun & Indulgence	5	7	2	2	9
Total Israel	9	11	3	3	15
Israel Coffee	1	1	-	-	2
International Coffee	1	2	1	1	2
Total Coffee	2	3	1	1	4
Total segment income	6,501	6,294	2,301	2,178	8,369
Elimination of intersegment sales	(11)	(14)	(4)	(4)	(19)
Total segment income excluding intersegment sales	6,490	6,280	2,297	2,174	8,350
Adjustment to the equity method	(1,977)	(1,861)	(751)	(633)	(2,477)
Total consolidated income	4,513	4,419	1,546	1,541	5,873

Note 3 - Operating Segments (cont'd)

	For the nine months ended		For the three months ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	December 31 2020
	Unaudited				Audited
	NIS Millions				
Profit (loss)					
Health & Wellness	261	235	97	86	307
Fun & Indulgence	89	93	16	20	111
Total Israel	350	328	113	106	418
Israel Coffee	120	126	35	40	158
International Coffee	152	157	61	63	196
Total Coffee	272	283	96	103	354
International Dips and Spreads	37	54	13	17	56
Water	70	70	26	25	91
Other (1)	72	6	52	(1)	5
Total segment profit	801	741	300	250	924
Unallocated income (expenses):					
Adjustments for commodity hedges (2)	1	1	(10)	19	4
Other expenses, net	-	(3)	(3)	(2)	(4)
Share-based payment	(15)	(13)	(5)	(4)	(17)
Total segment operating profit	787	726	282	263	907
Adjustment to the equity method	(28)	(20)	(6)	(4)	(21)
Total operating profit in the consolidated financial statements	759	706	276	259	886
Financing expenses, net	(47)	(82)	(25)	(25)	(138)
Income before taxes	712	624	251	234	748

(1) For further information see Notes 4.3 and 4.4.
(2) Reflects mark-to-market at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices and all adjustments necessary to delay recognition of gains and losses arising from commodity derivatives until the date when the inventory is sold to outside parties.

Note 4 - Material Events in the Reporting Period

4.1 On March 21, 2021 the Board of Directors of the Company approved a dividend distribution to shareholders at an amount of NIS 270 million (approximately NIS 2.3 per share). The dividend was paid on April 13, 2021.

4.2 December 2019 saw the start of an unfolding event with global health, social and macroeconomic consequences in the form of the spread of COVID-19, which was declared a global pandemic, in most countries in the world.

Group management continues to manage the event and assess the risks on an ongoing basis in all countries of operations, since due to its nature this is an unfolding event that is evolving and changing constantly.

At the date of this report as well as throughout the past quarter, the Group's manufacturing and logistics facilities in all countries of operations continue to operate regularly. The Group has cooperated and continues to cooperate closely with its suppliers and customers to ensure that the supply chain is able to meet demand.

The third quarter of 2021 was marked by continued efforts to cope with the pandemic and its rise in certain regions, such as Israel.

In the third quarter, as the economy continued to open up and social distancing restrictions were lifted, a significant improvement was noted in sales to the institutional and away-from-home (AFH) market such as hotels, cafés (including the Elite Café chain), restaurants and open-air markets, as well as in impulse sales of products sold at convenience stores. As indicated by the foregoing, on the date of this report, other than the continuing rise in international shipping costs and increases in the prices of some of the raw materials used to manufacture the Group's products, the outbreak of COVID-19 and the beginning of the fourth wave in a number of regions have not had a material adverse effect on the Group's business condition or on the results of its operations, and there has been no material effect on the Group's financial statements.

4.3 In January 2021, a funding round was completed by an investee in The Kitchen FoodTech incubator. Following completion of the funding round, the Group lost control of the investee while retaining significant influence. Consequently, the Group recognized a gain on loss of control at a total amount of NIS 25 million, which was classified to the share of profit of equity-accounted incubator investees.

4.4 In July 2021, a funding round was completed by an investee in The Kitchen FoodTech incubator. Following completion of the funding round, the Group's holding in the equity-accounted investee decreased, and the Group retained significant influence. Consequently, the Group recognized a gain on loss of control at a total amount of NIS 58 million, which was classified to the share of profit of equity-accounted incubator investees.

4.5 In July 2021, the Company contracted in an agreement for the acquisition of a 51% stake in Wyler Farms, which is active in manufacturing tofu-based products. The transaction is subject to the satisfaction of suspending conditions, including approval by the Competition Authority, which, on the date of approval of the financial statements, have not yet been completed.

Note 4 - Material Events in the Reporting Period (cont'd)

4.6 In the first nine months of 2021, the average market prices of green coffee rose significantly compared to the corresponding periods last year.

In July 2021, severe frost in Brazil ravaged Arabica plantation areas in the states of Minas Gerais, São Paolo and Paraná, which are the major coffee growing regions in the country. Some of the plantations were caused damage as a result of the harm caused to the crops, which may lead to some producers being forced to uproot the affected coffee plantations. As a result of the frost, the upward trend in the prices of the various coffee species, which began at the end of 2020, escalated. The impact on coffee prices is expected to become fully clear once the weather conditions for entire crop season are known.

In 2021, Três Corações Alimentos S.A. began to implement gradual price increases to compensate for the impact of the rise in green coffee prices. From the beginning of the year through to proximate to the date of publication of the financial statements, the prices of Arabica and Robusta green coffee rose by approximately 71% and 68%, respectively.

Additionally, in the third quarter and in the months of October and November 2021, prices were raised in Ukraine, Romania, Serbia and Poland. Alongside the revision of its sales prices to customers, Strauss Coffee is taking steps to further mitigate the impacts arising from the increase in coffee prices by applying the Group's formal hedging policy, mitigation plans and operational efficiency enhancement.

Note 5 - Share-Based Payment

5.1 Grants in the reporting period

Following is information on the fair value of new option warrants granted in the reporting period:

Grant date	Number of options and entitled employees	Fair value NIS M	Share price NIS	Exercise price NIS	Expected life Years	Expected annual volatility %	Discount rate %
March 21, 2021	1,146,655 to 19 managers	17.3	93.8	95.49	3.95-4.95	18.75-19.2	0.44-0.64
May 24, 2021	133,333 to 1 manager	1.9	93.93	98.71	3.95-4.95	18.71-19.33	0.44-0.65
July 29, 2021	93,332 to 2 managers	1.2	89.65	94.73	3.95-4.95	18.64-19.28	0.34-0.51

Entitlement to exercise the options will vest in two equal tranches in each of the years 2023 and 2024. The benefit arising from these grants will be classified as an expense in the financial statements over the abovementioned vesting periods.

The fair value of option warrants granted to employees is measured using the Black&Scholes model. For further information on the Black&Scholes model assumptions, see Note 23.2 to the Annual Financial Statements

5.2 Options exercised in the reporting period

In the reporting period, 228,208 option warrants (of which 27,439 are restricted shares) granted to managers were exercised for 92,205 shares in consideration for their par value.

Note 6 - Contingent Liabilities

6.1 For information on claims pending against the Company and its investees and contingent liabilities as at December 31, 2020, see Note 24.1.1 to the Annual Financial Statements. There were no material changes pertaining to these claims in the reporting period, other than as provide below.

6.2 On August 4, 2021, a claim was filed with the Lod District Court, together with a motion for its certification as a class action, against the subsidiary Strauss Water Ltd. The action pertains, inter alia, to arguments that Strauss Water has abused, and continues to abuse, its monopoly power in the market for branded water filtration bars with a carbonation function, and in the associated market for filling CO_2 canisters; imposes a tying arrangement on consumers in a manner that is harmful to competition, and charges excessive prices; that the license that is part of the purchase of the product constitutes a standard form contract that contains depriving conditions; and that Strauss Water has benefited from unjust enrichment at the expense of its customer public. The relief sought, inter alia, is the refund of the gains of said unjust enrichment, which at the present stage are estimated at approximately NIS 73 million. Alternatively, the relief sought is compensation for the damages caused as a result of excessive pricing for the purchase and filling of CO_2 canisters, which are estimated at approximately NIS 66 million.

Note 6 - Contingent Liabilities (cont'd)

It is noted that additional remedies were also sought in the claim. In the estimate of Company management and based on the position of its legal counsel, the chances of the claim being accepted are less than 50%.

6.3 The Company did not recognize provisions for claims pending as at September 30, 2021, which, in the opinion of its legal counsel, are not expected to be accepted or the chances of which cannot be estimated. The amount of claims whose chances cannot be estimated is approximately NIS 17 million.

Note 7 - Investment in 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
	2021	2020	2020	2021	2020	2020
	Unaudited		Audited	Unaudited		Audited
	NIS millions					
Current assets	359	370*	291	1,383	1,196	1,134
Of which:						
Cash and cash equivalents	109	97	71	185	290	388
Non-current assets	477	518	486	832	841	865
Total assets	836	888*	777	2,215	2,037	1,999
Current liabilities	152	157*	164	945	906	839
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	14	15	14	362	491	401
Non-current liabilities	80	100	91	429	364	377
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	69	89	79	369	283	299
Total liabilities	232	257*	255	1,374	1,270	1,216

* Reclassified

Note 7 - Investment in 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, 2021	September 30, 2020	September 30, 2021	September 30, 2020	December 31 2020	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	December 31 2020
	Unaudited				Audited	Unaudited				Audited
	NIS millions									
Income	921	1,001	313	327	1,281	2,462	2,172	1,001	750	2,946
Profit for the period	58	83	18	27	88	117	131	61	52	178
Other comprehensive income (loss)	2	(5)	(5)	(6)	(46)	(49)	(336)	(103)	(40)	(332)
Total comprehensive income (loss)	60	78	13	21	42	68	(205)	(42)	12	(154)
Of which:										
Depreciation and amortization	33	34	11	11	45	48	45	17	15	58
Interest income	-	1	-	1	1	5	10	3	2	12
Interest expenses	1	2	-	-	3	18	19	7	7	26
Income tax income (expense)	*(24)	*(33)	*(8)	*(11)	*(35)	(5)	(2)	4	5	4

* Mainly reflects statutory income tax in respect of Sabra Dipping Company, which is assessed in the holding company, S.E. USA, Inc.

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

7.2 The Group has attached the condensed consolidated interim financial statements of Três Corações Alimentos S.A., an equity-accounted investee (50% owned by the Group) in Brazil, to these condensed consolidated interim financial statements. The investee's presentation currency is the Brazilian real.

7.3 Following are the average exchange rates and rates of change in the Brazilian real to shekel exchange rates during the reporting period:

	Shekel-real exchange rate		
	Average exchange rate for the period	**Closing rate for the period**	**% change based on closing rate**
For the nine-month period ended on:			
September 30, 2021	0.61	0.60	(3.6)
September 30, 2020	0.69	0.61	(29.3)
For the three-month period ended on:			
September 30, 2021	0.62	0.60	(9.1)
September 30, 2020	0.64	0.61	(4.4)
For the year ended December 31, 2020	0.67	0.62	(27.9)

Since the beginning of the year through to the date of approval of the financial statements, the shekel appreciated against the Brazilian real by approximately 9%.

Note 8 - Financial Instruments

8.1 Fair value of financial instruments measured at fair value for disclosure purposes only

The carrying amount of cash and cash equivalents, short and long-term deposits and investments, trade receivables, other receivables and debit balances, trade payables, other payables and credit balances is the same as or proximate to their fair value. There was no material change in the fair value (as stated in the Annual Financial Statements) of long-term loans.

Presented below are the fair value, based on the prices of the Tel Aviv Stock Exchange, and carrying amounts (including accrued interest) as presented on the statement of financial position, of the Company's debentures:

	September 30, 2021		September 30, 2020		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Unaudited				Audited	
	NIS millions					
Series D Debentures	-	-	174	185	-	-
Series E Debentures	544	585	572	627	570	622
Series F Debentures	695	696	695	718	691	718

8.2 Fair value hierarchy of financial instruments measured at fair value

The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in an active market for similar instruments.
- Level 2: Inputs, directly or indirectly, other than quoted prices within Level 1.
- Level 3: Inputs that are not based on observable market data.

	September 30, 2021		September 30, 2020		December 31, 2020	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
	Unaudited				Audited	
	NIS millions					
Financial assets (liabilities)						
Trade receivables – derivatives	35	3	14	7	18	3
Trade payables – derivatives	(25)	(7)	(8)	(3)	(5)	(16)
	10	(4)	6	4	13	(13)

For details on the method of determining the fair value of derivative financial instruments measured at Level 2, see Note 28.7.2.1 to the Annual Financial Statements.

Note 9 – Events After the Reporting Period

9.1 During November, representatives of the Competition Authority conducted a search and confiscated materials at the Company's offices on suspicion of offenses under the Economic Competition Law, and Company employees had been questioned, including senior officers. It is not presently possible to estimate the outcome of this investigation.

9.2 For information on developments related to the increase in green coffee prices after the date of the statement of financial position, see Note 4.6.

9.3 In November, the Company won a tender for the renewal of agreements for the operation of coffee carts for Israel Railways. Renewal of the agreements is expected to have a material effect on the amounts of a right-of-use asset and a lease liability.

Strauss Group LTD.

Separate Financial Information

as at September 30 ,2021

Unofficial Translation from Hebrew

Strauss Group Ltd.

Separate Financial Information as at September 30, 2021

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Strauss Group Ltd.

Condensed Interim Information on Financial Position

	September 30 2021	September 30 2020	December 31 2020
	Unaudited	Unaudited	Audited
		NIS Millions	
Current assets			
Cash and cash equivalents	138	343	204
Securities and deposits	-	120	-
Trade receivables	182	196	185
Income tax	4	-	8
Other receivables and debit balances	35	40	34
Investee receivables	106	154	110
Inventory	122	127	135
Assets held for sale	5	5	5
Total current assets	592	985	681
Investments and non-current assets			
Investments in investees	2,481	2,214	2,115
Other investments and long-term debt balances	540	570	531
Right-of-use assets	89	94	96
Fixed assets	946	928	937
Investment property	2	3	3
Intangible assets	49	45	48
Total investments and non-current assets	4,107	3,854	3,730
Total assets	4,699	4,839	4,411

Ofra Strauss Chairperson of the Board of Directors	Giora Bardea Chief Executive Officer	Ariel Chetrit Chief Financial Officer

Date of approval of the separate financial information: November 15, 2021

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

Strauss Group Ltd.

Condensed Interim Information on Financial Position (cont'd)

	September 30 2021	September 30 2020	December 31 2020
	Unaudited	Unaudited	Audited
		NIS Millions	
Current liabilities			
Current maturities of debentures	30	67	30
Short-term credit and current maturities of long-term loans and other long-term liabilities	-	35	-
Current maturities of lease liabilities	42	38	38
Trade payables	198	215	196
Income tax	-	40	-
Other payables and credit balances	272	238	241
Investee payables	245	220	127
Dividend declared and not yet paid	-	-	70
Provisions	7	-	-
Total current liabilities	794	853	702
Non-current liabilities			
Debentures	1,202	1,368	1,231
Long-term loans and other long-term liabilities	-	120	-
Lease liabilities	54	66	67
Long-term payables and credit balances	23	24	16
Employee benefits, net	22	28	29
Deferred tax liabilities	113	104	106
Total non-current liabilities	1,414	1,710	1,449
Total equity attributable to the shareholders of the Company	2,491	2,276	2,260
Total liabilities and equity	4,699	4,839	4,411

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

Strauss Group Ltd.

Condensed Interim Information on Income

	For the six months ended		For the three months ended		For the year ended
	September 30 2021	September 30 2020	September 30 2021	September 30 2020	December 31 2020
	Unaudited		Unaudited		Audited
	NIS Millions				
Sales	764	795	243	253	1,034
Cost of sales	497	508	166	167	664
Gross profit	267	287	77	86	370
Selling and marketing expenses	160	174	53	55	227
General and administrative expenses	71	60	23	18	86
	231	234	76	73	313
Operating profit before other expenses	36	53	1	13	57
Other income	1	1	1	-	1
Other expenses	(4)	(1)	(3)	-	(1)
Other expenses, net	(3)	-	(2)	-	-
Operating (loss) profit	33	53	(1)	13	57
Financing income	11	20	5	9	22
Financing expenses	(28)	(62)	(15)	(21)	(101)
Financing expenses, net	(17)	(42)	(10)	(12)	(79)
Income (loss) before taxes	16	11	(11)	1	(22)
Income tax	(14)	(11)	(1)	(10)	(12)
Net income (loss) after taxes	2	-	(12)	(9)	(34)
Income from investees	520	450	201	177	567
Income for the period attributable to the shareholders of the Company	522	450	189	168	533

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

Condensed Interim Information on Comprehensive Income

	For the six months ended		For the three months ended		For the year ended
	September 30 2021	September 30 2020	September 30 2021	September 30 2020	December 31 2020
	Unaudited		Unaudited		Audited
	NIS Millions				
Income for the period attributable to the shareholders of the Company	522	450	189	168	533
Other comprehensive loss items that will be reclassified to profit or loss in subsequent periods:					
Other comprehensive loss from investees	(43)	(283)	(90)	(40)	(316)
Total other comprehensive loss items for the period that will be reclassified to profit or loss in subsequent periods, net	(43)	(283)	(90)	(40)	(316)
Other comprehensive income items that will not be reclassified to profit (loss) in subsequent periods:					
Changes in employee benefits, net	7	-	4	(1)	-
Total other comprehensive income items that will not be reclassified to profit (loss) in subsequent periods, net	7	-	4	(1)	-
Comprehensive income for the period attributable to the shareholders of the Company	486	167	103	127	217

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

Condensed Interim Information on Cash Flows

	For the six months ended		For the three months ended		For the year ended
	September 30 2021	September 30 2020	September 30 2021	September 30 2020	December 31 2020
	Unaudited		Unaudited		Audited
	NIS Millions				
Cash flows from operating activities					
Income for the period attributable to the shareholders of the company	522	450	189	168	533
Adjustments:					
Depreciation	73	74	24	27	98
Amortization of intangible assets	10	9	3	3	13
Expenses in respect of share-based payment	10	9	3	4	12
Income from investees	(520)	(450)	(201)	(177)	(567)
Financing expenses, net	17	42	10	12	79
Income tax	14	11	1	10	12
Change in inventory	12	8	9	(1)	1
Change in trade and other receivables	(8)	(21)	2	(8)	(2)
Change in investee receivables	4	7	12	(6)	1
Change in trade and other payables	22	14	19	18	5
Change in investee payables	118	77	74	74	(16)
Change in employee benefits	2	1	-	-	2
Interest paid	(16)	(55)	-	(27)	(92)
Interest received	1	1	-	-	24
Income tax received (paid), net	3	(17)	(4)	(3)	(72)
Net cash provided by operating activities	264	160	141	94	31
Cash flows from investing activities					
Purchase of marketable securities and deposits, net	-	(120)	-	(120)	-
Proceeds from sale of fixed and other assets	-	4	-	-	5
Investment in fixed assets	(42)	(37)	(14)	(12)	(66)
Investment in intangible assets	(14)	(8)	(6)	(4)	(13)
Repayment of long-term loans	10	10	3	5	15
Loans granted	(8)	(11)	(1)	(4)	(17)
Dividends from investees	141	107	22	-	289
Cash received in respect of investing activities with investees	-	56	-	29	122
Cash paid in respect of investing activities with investees	(15)	(49)	(9)	-	(53)
Sublease income	1	-	-	-	-
Net cash provided by (used in) investing activities	73	(48)	(5)	(106)	282
Cash flows from financing activities					
Repayment of debentures and long-term loans	(30)	(223)	-	(105)	(258)
Early redemption of debentures and loans	-	(261)	-	(261)	(555)
Short-term bank credit, net	-	-	(20)	(60)	-
Dividends paid	(340)	(180)	-	-	(180)
Proceeds from issuance of debentures, net of issuance costs	-	691	-	691	691
Repayment of principal of lease liabilities	(33)	(31)	(11)	(10)	(42)
Net cash provided by (used in) financing activities	(403)	(4)	(31)	255	(344)
Net increase (decrease) in cash and cash equivalents	(66)	108)	105	243	(31)
Cash and cash equivalents as at beginning of period	204	235	33	100	235
Cash and cash equivalents as at end of period	138	343	138	343	204

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

Note 1 - Reporting Rules and Accounting Policies

1. General

1.1 The Company's business comprises the activity of Group Headquarters, the Group's salads (dips and spreads) business in Israel and the Group's confectionery business in Israel, which includes the development, manufacture and marketing of branded candy products.

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, 2020, and in conjunction with the Condensed Consolidated Interim Financial Statements as at September 30, 2021 (hereinafter: the "Condensed Consolidated Interim Financial Statements").

The accounting policy in this Separate Interim Financial Information was applied consistently with the accounting policy and rules described in the Separate Financial Information as at December 31, 2020.

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, 2020.

1.4 The Interim Separate Financial Information is presented in NIS, 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. There is no clear trend of seasonality in the salads category in Israel.

For further information on the effects of the coronavirus pandemic on the Group's activity, see Note 4.2 to the Condensed Consolidated Interim Financial Statements.

Note 3 - Material Events during the Reported Period

3.1 On April 13, 2021 the subsidiary Strauss Coffee declared a dividend distribution at the amount of NIS 25 million, which was paid to the Company on April 21, 2021.

3.2 On July 28, 2021 the subsidiary Strauss Coffee declared a dividend distribution at the amount of NIS 21.4 million, which was paid to the Company on August 2, 2021.

3.3 For further information on material events in the reporting period, see Note 4 to the Condensed Consolidated Interim Financial Statements.

Note 4 - Share-Based Payment

For information on share-based payment see Note 5 to the Condensed Consolidated Interim Financial Statements.

Note 5 - Contingent liabilities

For information on contingent liabilities see Note 6 to the Condensed Consolidated Interim Financial Statements.

Note 6 - Financial Instruments

6.1 Fair value of financial instruments

For information on the fair value of financial instruments, see Note 8.1 to the Condensed Consolidated Interim Financial Statements.

6.2 Fair value hierarchy of financial instruments measured at fair value

For information on the fair value hierarchy of financial instruments measured at fair value, see Note 8.2 to the Condensed Consolidated Interim Financial Statements.

Note 7 – Post-Statement of Financial Position Date Events

For further information on events occurring after the statement of financial position date, see Note 9 to the Condensed Consolidated Interim Financial Statements.

Strauss Group LTD.

Quarterly Report on the Effectiveness of Internal Control

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. Giora Bardea, Chief Executive Officer;
2. Ronen Zohar, Deputy Chief Executive Officer;
3. Ariel Chetrit, Chief Financial Officer;
4. Shahar Florence, Chief Growth and Innovation Officer;
5. Mike Avner, EVP, CLO and Company Secretary;
6. Hila Mukevisius, 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 performing such functions in practice, 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 Chief Executive Officer and the most senior financial officer or anyone performing such functions, in order to enable decisions in reference to the disclosure requirement to be made in a timely manner.

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 detected.

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, 2021 (hereinafter: the

"Latest Quarterly Report on Internal Control"), the Board of Directors and Management of the corporation reached the conclusion that internal control as at June 30, 2021 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 the internal control, as presented in the Latest Quarterly Report on the Internal Control.

As at the reporting date, based on the evaluation of the effectiveness of internal control in the Latest Quarterly 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.

MANAGERS' DECLARATIONS:

A. Declaration by the Chief Executive Officer pursuant to Regulation 38c(d)(1):

I, Giora Bardea, declare that:

(1) I have reviewed the Quarterly Report of Strauss Group Ltd. (the "Corporation") for the third quarter of 2021 (the "Reports" or the "Interim 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, in all material respects, the financial condition, 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 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 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 Chief Executive Officer or anyone reporting to him directly or which involves other employees who play a significant role in 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 Generally Accepted Accounting Principles.

c. I 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, 2021) 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 foregoing shall not derogate from my responsibility or from the responsibility of any other person, pursuant to applicable law.

November 15, 2021

Giora Bardea, Chief Executive Officer

MANAGERS' DECLARATIONS:

B. Declaration by the most senior financial officer pursuant to Regulation 38c(d)(2):

I, Ariel Chetrit, declare 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 2021 (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, in all material respects, the financial condition, 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 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 insofar as it relates to the Interim Financial Statements and 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 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 reporting to him directly or which involves other employees who play a significant role in 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, insofar that it is relevant to the Financial Statements and other financial information included in the Reports, 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 our 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 Generally Accepted Accounting Principles;

c. I 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, 2021) and the date of the Reports, 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.

d. The foregoing shall not derogate from my responsibility or from the responsibility of any other person, pursuant to applicable law.

November 15, 2021

Ariel Chetrit, Chief Financial Officer

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 30 September 2021 and independent auditors' report on review of condensed consolidated interim financial statements

Contents

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Independent auditors’ report on review of condensed consolidated interim financial statements

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

Introduction
We have reviewed the accompanying 30 September 2021 condensed consolidated interim financial statements of Três Corações Alimentos S.A. (“the Company”), which comprise:

- the condensed consolidated statement of financial position as at 30 September 2021;
- the condensed consolidated statement of income and other comprehensive income for the three and nine months periods ended 30 September 2021;
- the condensed consolidated statement of changes in equity for the three and nine months periods ended 30 September 2021;
- the condensed consolidated statement of cash flows for the three and nine months periods ended 30 September 2021 and
- notes to the condensed consolidated 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 Statement 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

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative (“KPMG International”), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

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 2021 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, ‘Interim Financial Reporting’.

Fortaleza, November 11, 2021

KPMG Auditores Independentes
CRC SP-014428/O-6 S-CE

Pedro Barroso Silva Júnior
Accountant CRC CE-021967/O-5

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative (“KPMG International”), uma entidade suíça.

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Três Corações Alimentos S.A.

Consolidated Interim Statements of Financial Position as of 30 September 2021 and 31 December 2020

(In thousands of Brazilian Reals)

Assets	30 September 2021	31 December 2020
Current		
Cash and cash equivalents	310,346	627,002
Deposits	37,021	10,743
Trade receivables	769,013	456,646
Inventories	1,051,438	615,743
Recoverable taxes	109,006	93,069
Income tax receivables	24,309	11,656
Other current assets	17,987	17,707
	2,319,120	**1,832,566**
Non-current		
Judicial deposits	7,686	8,012
Loans to related parties	12,580	12,272
Recoverable taxes	134,476	140,426
Other non-current assets	56,139	63,411
Deferred tax assets	4,934	6,634
Investments	62,879	53,401
Fixed assets	648,428	636,233
Intangible assets	398,112	396,532
Right-of-use assets	68,758	80,920
	1,393,992	**1,397,841**
Total assets	**3,713,112**	**3,230,407**

Liabilities and equity	30 September 2021	31 December 2020
Current		
Short term loans	581,751	621,269
Trade payables	803,887	472,106
Short term lease liabilities	24,955	27,277
Income tax payables	2,606	21
Employees and other payroll related liabilities	91,543	69,707
Proposed dividends	-	58,526
Interest on equity payable	32,560	44,724
Payable taxes	16,333	28,729
Other current liabilities	30,433	33,208
	1,584,068	**1,355,567**
Non-current		
Long term loans	562,332	417,932
Long term lease liabilities	55,680	65,324
Other non-current liabilities	33,781	44,332
Deferred tax liabilities	5,933	14,359
Provision for legal proceedings	61,694	66,757
	719,420	**608,704**
Equity		
Share capital	275,531	275,531
Translation reserve	(184,991)	(172,316)
Retained earnings	1,317,718	1,161,063
Equity attributable to owners of the Company	1,408,258	1,264,278
Non-controlling interests	1,366	1,858
Total Equity	**1,409,624**	**1,266,136**
Total liabilities and equity	**3,713,112**	**3,230,407**

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

Três Corações Alimentos S.A.

Consolidated Interim Satements of Income
Nine and three months periods ended 30 September 2021 and 2020

(In thousands of Brazilian Reals)

	Nine month period ended 30 September		Three months period ended 30 September	
	2021	**2020**	**2021**	**2020**
Revenue	4,015,872	3,181,147	1,617,228	1,179,446
Cost of sales	(3,114,608)	(2,333,162)	(1,271,635)	(884,802)
Gross profit	**901,264**	**847,985**	**345,593**	**294,644**
Selling and marketing expenses	(557,906)	(511,315)	(202,778)	(177,609)
General and administrative expenses	(129,731)	(120,295)	(44,728)	(36,825)
Equity method	10,289	8,116	2,507	3,864
Other income (expenses), net	(7)	(4,552)	(85)	(3,085)
Operating profit	**223,909**	**219,939**	**100,509**	**80,989**
Financial income	7,802	14,469	4,070	4,113
Financial expenses	(32,677)	(35,180)	(12,740)	(11,358)
Net financial expenses	**(24,875)**	**(20,711)**	**(8,670)**	**(7,245)**
Profit before income tax	**199,034**	**199,228**	**91,839**	**73,744**
Income tax expenses	(7,749)	(3,631)	(6,992)	(7,813)
Profit for the period	**191,285**	**195,597**	**98,831**	**81,557**
Profit attributable to:				
Owners of the Company	191,855	196,873	99,051	81,649
Non-controlling interests	(570)	(1,276)	(220)	(92)
Total profit for the period	**191,285**	**195,597**	**98,831**	**81,557**

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

(In thousands of Brazilian Reals)

	Nine months period ended 30 September		Nine months period ended 30 September	
	2021	**2020**	**2021**	**2020**
Profit attributable to:	191,285	195,597	98,831	81,557
Other comprehensive income (loss) items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences	(12,675)	(55,273)	(17,230)	(6,034)
Comprehensive income for the period	**178,610**	**140,324**	**81,601**	**75,523**
Comprehensive income attributable to:				
Owners of the Company	179,180	141,600	81,821	75,615
Non-controlling interests	(570)	(1,276)	(220)	(92)
Total comprehensive income for the period	**178,610**	**140,324**	**81,601**	**75,523**

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

Três Corações Alimentos S.A.

Consolidated Interim Statements of Changes in Equity
Three months period ended 30 September 2021 and 2020

(In thousands of Brazilian Reals)

		Retained earnings							
	Share capital	Legal reserve	Tax incentives	Profit to distribute	Translation adjustments	Accumulated profit	Total	Non-controlling interests	Total Equity
Balance as of 30 June 2020	**275,531**	**55,106**	**413,671**	**608,243**	**(150,562)**	**-**	**1,201,989**	**1,888**	**1,203,877**
Profit for the period	-	-	-	-	-	81,649	81,649	(92)	81,557
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(6,034)	-	(6,034)	-	(6,034)
Total other comprehensive gain (loss):	-	-	-	-	(6,034)	81,649	75,615	(92)	75,523
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	182	182
State VAT and Federal tax incentives	-	-	14,021	-	-	(14,021)	-	-	-
Profit destination									-
Interest on equity credited	-	-	-	-	-	(16,500)	(16,500)	-	(16,500)
Reserve for profit to be distributed	-	-	-	51,128	-	(51,128)	-	-	-
	-	-	14,021	51,128	-	(81,649)	(16,500)	-	(16,318)
Balance as of 30 September, 2020	**275,531**	**55,106**	**427,692**	**659,371**	**(156,596)**	**-**	**1,261,104**	**1,978**	**1,263,082**
Balance as of 30 June 2021	**275,531**	**55,106**	**475,069**	**706,892**	**(167,761)**	**-**	**1,344,837**	**1,586**	**1,346,423**
Profit for the period	-	-	-	-	-	99,051	99,051	(220)	98,831
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(17,230)	-	(17,230)	-	(17,230)
Total other comprehensive gain (loss):	-	-	-	-	(17,230)	99,051	81,821	(220)	81,601
Internal equity changes									
State VAT and Federal tax incentives	-	-	18,811	-	-	(18,811)	-	-	-
Profit destination									-
Interest on equity credited	-	-	-	-	-	(18,400)	(18,400)	-	(18,400)
Reserve for profit to be distributed	-	-	-	61,840	-	(61,840)	-	-	-
	-	-	18,811	61,840	-	(99,051)	(18,400)	-	(18,400)
Balance as of 30 September, 2021	**275,531**	**55,106**	**493,880**	**768,732**	**(184,991)**	**-**	**1,408,258**	**1,366**	**1,409,624**

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

Três Corações Alimentos S.A.

Consolidated Interim Statements of Changes in Equity
Nine months period ended 30 September 2021 and 2020

(In thousands of Brazilian Reals)

	Share capital	Retained earnings: Legal reserve	Retained earnings: Tax incentives	Retained earnings: Profit to distribute	Translation adjustments	Accumulated profit	Total	Non-controlling interests	Total Equity
Balance as of 31 December, 2019	**275,531**	**55,106**	**385,086**	**553,454**	**(101,323)**	**-**	**1,167,854**	**1,715**	**1,169,569**
Profit for the year	-	-	-	-	-	196,873	196,873	(1,276)	195,597
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(55,273)	-	(55,273)	-	(55,273)
Total other comprehensive gain (loss):	-	-	-	-	(55,273)	196,873	141,600	(1,276)	140,324
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	1,539	1,539
State VAT and Federal tax incentives	-	-	42,606	-	-	(42,606)	-	-	-
Profit destination									-
Interest on equity credited	-	-	-	-	-	(48,350)	(48,350)	-	(48,350)
Reserve for profit to be distributed	-	-	-	105,917	-	(105,917)	-	-	-
	-	-	42,606	105,917	-	(196,873)	(48,350)	1,539	(46,811)
Balance as of 30 September, 2020	**275,531**	**55,106**	**427,692**	**659,371**	**(156,596)**	**-**	**1,261,104**	**1,978**	**1,263,082**
Balance as of 31 December, 2020	**275,531**	**55,106**	**449,550**	**656,407**	**(172,316)**	**-**	**1,264,278**	**1,858**	**1,266,136**
Profit for the period	-	-	-	-	-	191,855	191,855	(570)	191,285
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(12,675)	-	(12,675)	-	(12,675)
Total other comprehensive gain (loss):	-	-	-	-	(12,675)	191,855	179,180	(570)	178,610
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	78	78
State VAT and Federal tax incentives	-	-	44,330	-	-	(44,330)	-	-	-
Profit destination									-
Interest on equity credited	-	-	-	-	-	(35,200)	(35,200)	-	(35,200)
Reserve for profit to be distributed	-	-	-	112,325	-	(112,235)	-	-	-
	-	-	44,330	112,325	-	(191,855)	(35,200)	78	(35,122)
Balance as of 30 June, 2021	**275,531**	**55,106**	**493,880**	**768,732**	**(184,991)**	**-**	**1,408,258**	**1,366**	**1,409,624**

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

Três Corações Alimentos S.A.

Consolidated Interim Statements of Cash Flow
Nine and three months periods ended 30 September 2021 and 2020

(In thousands of Brazilian Reals)

	Nine months period ended 30 September		Three months period ended 30 September	
	2021	**2020**	**2021**	**2020**
Cash flows from operating activities				
Profit for the period	191,285	195,597	98,831	81,557
Adjustments for:				
Depreciation and amortization	78,146	64,693	30,767	22,944
Gains in tax lawsuits	(12,903)	(20,491)	-	-
Termination of lease contracts	(867)	(13)	(261)	-
Provision for legal proceedings	(5,063)	6,294	1,008	2,579
Other income, net	7	4,552	85	3,085
Equity method	(10,289)	(8,116)	(2,507)	(3,864)
Finance expenses, net	24,875	20,711	8,670	7,245
Income tax expenses	7,749	3,631	(6,992)	(7,813)
Change in:				
Trade receivables	(307,335)	(166,871)	(47,836)	32,437
Inventories	(424,581)	(219,451)	(310,987)	(176,796)
Recoverable and payable taxes, net	(29,226)	(15,782)	(14,564)	9,465
Judicial deposits	326	1,051	(135)	(224)
Trade payables	333,173	53,535	228,585	(19,277)
Employees and other payroll related liabilities	21,836	39,591	9,118	5,532
Other current and non-current assets and liabilities	1,620	(5,723)	1,190	(2,983)
Change in operating activities	**(131,247)**	**(46,792)**	**(5,028)**	**(46,113)**
Interest paid	(32,212)	(29,782)	(7,007)	(9,883)
Interest received	7,493	12,220	4,337	2,702
Income tax paid	(3,528)	(5,817)	(3,501)	(4,228)
Net cash flows used in operating activities	**(159,494)**	**(70,171)**	**(11,199)**	**(57,522)**
Cash flows from investing activities				
Change in deposits	(26,091)	(8,987)	(18,240)	(2,807)
Payment for acquisition of operations, net of cash	-	(215,988)	-	(184,077)
Capital increase in joint venture	(7,876)	-	(7,876)	-
Proceeds from sales of fixed assets	6,270	1,757	(2,122)	465
Acquisition of fixed assets	(71,876)	(74,663)	(30,410)	(22,690)
Investments in intangible assets	(12,246)	(2,901)	(7,437)	(1,437)
Dividend received	779	-	-	-
Net cash flows used in investing activities	**(111,040)**	**(300,782)**	**(66,805)**	**(210,546)**
Cash flows from financing activities				
Proceeds from loans	554,091	921,186	332,180	294,217
Repayment of loans	(483,062)	(573,829)	(86,116)	(98,141)
Payment of lease liabilities	(13,901)	(12,630)	(4,700)	(4,361)
Interest on equity paid	(44,724)	(24,119)	-	(24,119)
Dividend paid	(58,526)	-	-	-
Net cash flows provided by (used in) financing activities	**(46,122)**	**310,608**	**241,364**	**167,596**
Net increase (decrease) in cash and cash equivalents	**(316,656)**	**(60,345)**	**164,080**	**(100,472)**
Net increase (descrease) in cash and cash equivalents				
Cash and cash equivalents as at beginning of period	627,002	538,045	146,266	578,172
Cash and cash equivalents as at end of period	310,346	477,700	310,346	477,700
	(316,656)	**60,345**	**(164,080)**	**(100,472)**

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

1 General information

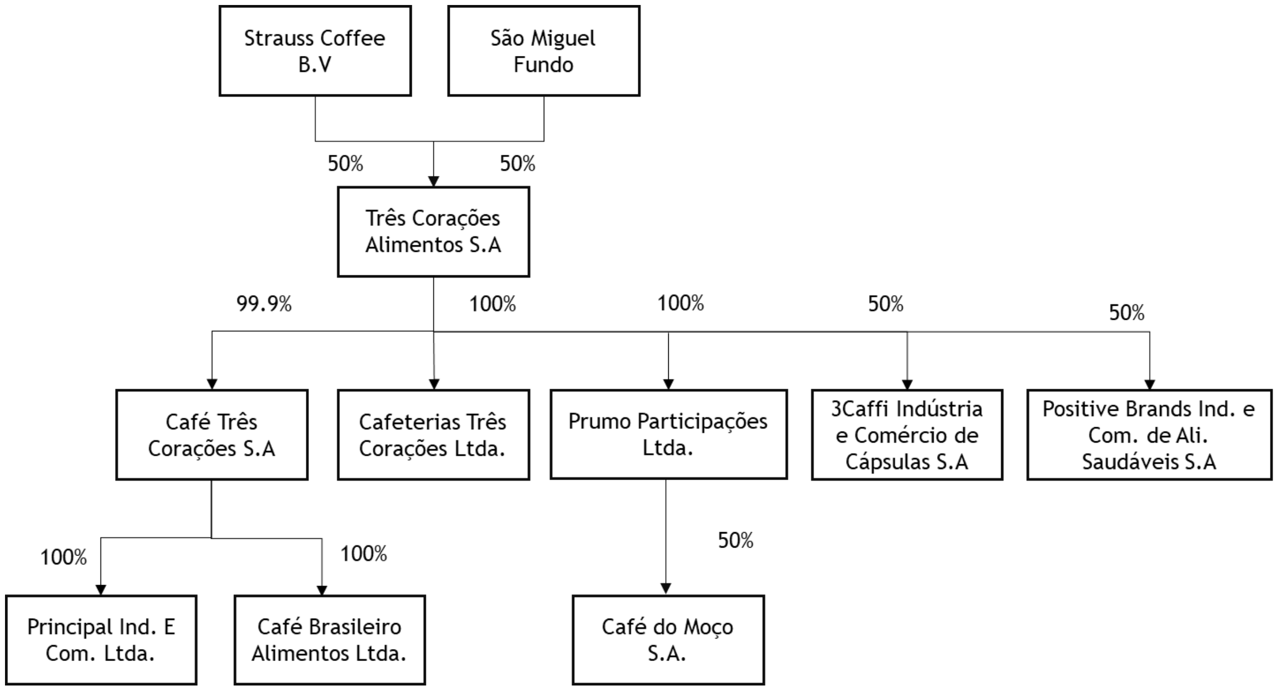
Três Corações Alimentos S.A. (the “Company”) together with its subsidiaries (the “Group”) are an industrial and commercial Group, which operates in Brazil, in producing and selling branded coffee products, multi-beverage single portion capsules and machines, powdered juices, chocolate drinks and corn meal products. The Group is also active in green coffee exports, lending Away-From-Home machines, operation of cafeterias, roasting and selling specialty coffees in e-commerce and to third party businesses and investing in other companies. The Group also operates in the industrialization and sales of plant-based beverages, especially nuts milk and isotonic ones, cashew butter and cashew and nuts snacks.

The Company is located at Rua Santa Clara, 100, Parque Santa Clara, Eusébio, Ceará, Brazil. The Company controls the entities Cafeterias Três Corações Ltda., Prumo Participações Ltda., which in turns controls the entity Café do Moço S.A. and also controls Café Três Corações S.A., which controls the entity Principal Comércio e Indústria de Café Ltda and the entity Café Brasileiro Alimentos Ltda. The Company also participates in joint-venture agreements, sharing the control with third parties of the companies 3Caffi Indústria e Comércio de Cápsulas S.A. (“3Caffi”) and Positive Brands Indústria e Comércio de Alimentos Saudáveis S.A. (“Positive Brands”), with 50% of shares in each company which are not consolidated in this report.

The Group is currently the largest group in roasted and ground coffee business in Brazil (information not reviewed by independent auditors), and owns the coffee and other food brands of Santa Clara, Kimimo, Três Corações, Pimpinela, Principal, Fino Grão, Café Doutor, Café Opção, Café Divinópolis, Café Geronymo, Estrada Real, Café Letícia, Itamaraty, Londrina, Chocolatto, Claralate, Dona Clara, Claramil, Frisco, Tornado, Tres, Iguaçu, Cruzeiro, Amigo, Cirol, Cirol Real, Realmil, Toko, Astoria, Manaus, Tapajós, Betânia, Tribo do Café, Bar Barista, Café do Moço, Café Brasileiro, Café 3 Fazendas, Café Bandeira, Café Premiado, .br, .br Gold and Coolate. In addition, the Group sells products with the brands A Tal da Castanha, Jungle, Nutco and Possible, owned by the Positive Brands joint venture. The Apollo brand which was owned by Toko Paticipações e Empreendimentos S.A. and used by the Group as a result of a License agreement, with purchase option, now belongs to the Group since June, 2021 (see Note 3.5)

The Group’s industrial facilities are located in the states of Ceará, Rio Grande do Norte, Minas Gerais, Rio de Janeiro, Amazonas and, due to Café Brasileiro Alimentos Ltda. acquisition, there are also two additional industrial facilities in the states of São Paulo and Mato Grosso. Distribution centers are located in almost all states of Brazil. In addition, the Group owns green coffee processing plants in the state of Minas Gerais. 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 these financial statements, 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%). The Group also owns cafeterias that are located in the cities of Fortaleza, Natal and Curitiba, the last one is owned by the subsidiary Café do Moço. Positive Brands’ physical structure is located in the state of Espírito Santo.

As of 30 September 2021, the Group has the following structure:



2 Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 regarding interim financial reporting. These condensed 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 consolidated financial statements of the Company as of 31 December 2020 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 November 11, 2021.

2.2 Significant accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended 31 December 2020. The Group has not adopted early any other standards, interpretations or amendments that have been issued but are not yet effective.

3 Material events during the reported period

3.1 Impacts of the coronavirus disease (COVID-19)

On March 11, 2020, the World Health Organization (WHO) declared the outbreak of the new coronavirus disease (COVID-19) as a pandemic. The virus has taken its toll on not just human life, but businesses and financial markets too, the full extent of which is currently undetermined.

The Group is closely monitoring the potential impact of COVID-19 on the employees, communities, clients and suppliers, in order to respond in a timely manner and mitigate possible effects, as well as measuring its impact on the results as demonstrated in the financial statements.

The Group created a Corporate Crisis Management Commission (health cell), which is in charge of Group's internal actions to raise awareness of the risks and disseminate the measures that must be taken to minimize contamination by the virus. Among others, the participation of employees in public gatherings, as well as business travel have been limited, up until the virus is contained.

With the advance of vaccination and the decrease in the number of deaths in the country, the Group prepared a plan for the gradual return of its employees to the offices. The plan will be fully implemented in November 2021.

The Group did not have material effects from the impact of COVID-19 on its operation during the most severe moments of the pandemic due to the fact that its main customers are businesses in the food segment, considered to be essential activity.

Even so, during the pandemic, the Group has been taken the following precautions:

(i) Impacts on its supply chain, including imported goods. The Group has been closely monitoring the delivery process of goods by all suppliers and has increased its inventory coverage, wherever feasible, for more days than usual.

Additionally, due to the recent high exchange rates of foreign currency, local suppliers are frequently preferring to export their products rather than selling them on the domestic market, causing prices to rise in the domestic market due to low supply versus high demand. There have been localized temporary shortages in the domestic markets, also causing price increases. Due to these reasons, the Company has been increasing its inventory levels whenever acceptable acquisition opportunities appear, both to dilute average cost and to prevent eventual shortages. The current green coffee supply situation is being further compounded by the impact of regional freezes destroying significant portion of the Arabic coffee crop and further complicating the pricing situation of the limited local stocks.

The Group has been keeping high inventories to slow down the cost increase.

(ii) Potential credit losses from customers exist especially in the Away From Home (AFH) and Electro segments, which represent, however, only 4.2% of total trade receivables as at 30 September 2021 (3.43% as at 31 December 2020). The Group assesses the payment capacity of customers and has established policies for extending the maturity of accounts receivable when possible and necessary. During the period, there has been no significant increase in trade receivable defaults by customers or in the expected credit losses.

(iii) Exchange rate variations on exposed assets and liabilities: The Group uses derivative financial instruments in order to reduce exposure to risks arising from changes in foreign currency exchange rates and does not have significant balances not covered by derivatives as at 30 September 2021.

After the Christmas and New Year celebrations of 2020 - 2021, there was an increase in number of cases of COVID-19 in Brazil. During the first quarter of 2021, state and municipal governments took partial social isolation measures, mostly depending on the level of the disease spread within their territories.

During the second and third quarters of 2021, the governments initiated the relaxation of some restrictions, reopening, for example, schools, restaurants, bars, sport events and malls, reducing limiting of the numbers of clients or of the opening hours of these establishments. By the end of the third quarter, commercial activities were in most of the country almost back to normal since the vaccination campaign advanced in the whole country, reaching more than half of the population over 12 years of age.

By September 30, 2021, 151,150,944 people had been vaccinated with the first dose (72% of the Brazilian population) and 90,860,944 with the second or single dose (43% of the Brazilian population), with a total of more than 242 million doses applied and the share of the vaccinated population continues to grow.

Management understands that the Group has a significant headroom relating to goodwill valuations and does not expect any impairment of such assets due to the temporary impact of COVID-19 crisis in Brazil.

The Group has reviewed its exposure to other business risks possibly arising from Covid-19 and has not identified any additional risks that could impact significantly the financial performance or position of the Group as at 30 September 2021.

3.2 Brazilian Supreme Court final decision over exclusion of State VAT (ICMS) from the Federal VAT (PIS and COFINS) calculation base

In the annual report of 2020 the Group disclosed that Federal Regional Courts in Brazil had judged definitively and favorably to Três Corações Alimentos S.A. and its subsidiaries Café Três Corações S.A. and Principal Comércio e Indústria de Café Ltda., proceedings in which the Companies had requested exclusion of state VAT (ICMS) from the Federal VAT (PIS and COFINS) calculation base. In calculating tax credits, the Group adopted the method established in the court decision, which considers the state VAT amounts mentioned in the sales invoices, following also the practice adopted by other companies in Brazil.

Due to the high impact on public accounts of the judicial decisions not only for 3corações Group but also for many other companies, the Federal Government questioned in the Brazilian Supreme Court the correct method of calculating the tax credits, as well as the date of application of the effects of the decision.

On May 13th, 2021, the Supreme Court confirmed the methodology that had been adopted by the majority of Brazilian taxpayers, defining that the ICMS amount to be excluded from PIS and COFINS calculation basis is the one presented in the sales invoices and ratified the unconstitutionality of the tax collection, in general, for all companies since March 15th, 2017. However, companies that had already initiated judicial proceedings before March 15, 2017, will be entitled to the refund of tax credits as authorized by courts in their own proceedings.

The Brazilian Supreme Court thereby ratified the procedure adopted by taxpayers in general, as well as by the companies of *3corações* Group.

The additional impacts in the period from this matter is described in the following Notes.

3.2.1 Três Corações Alimentos S.A - Additional recognition

The amounts of the tax credits were recognized immediately after receiving notification of the gain of the lawsuits or after performing the calculations for those items that were related to the past, where the credit analysis required physical inspection of the documentation. Part of the tax credit was not recognized, where, based on the expectation of using future economic benefits arising from such tax credits, management concluded at the time that the existing balances could probably not be used in the near future (within 5 years of the final court decision, in accordance with Brazilian tax law).

However, after a review, the Group recognized in the first quarter an additional amount of R$ 9,838 based upon the expected utilization through tax compensation. The Group recognized in the statement of income the gain arising from the lawsuits (principal, interest, etc.) as revenue deductions (see Note 7).

3.2.2 Café Brasileiro - New recognition

On November 17, 2020, the Federal Regional Court of the 1st Region judged definitively and favorably the proceeding nº 0010930-04.2017.4.01.3400 of Café Brasileiro Alimentos Ltda., in which the Company had requested exclusion of State VAT (ICMS) from the Federal VAT (PIS and COFINS) calculation base for the years from 2012 to 2018. The Company started to calculate the amounts related to it in January, 2021.

On June 30, 2021, the Company recorded a gain of R$ 3,065 (see Note 7), of which R$ 2,976 will be reimbursed to the original owners of Café Brasileiro after the final approval of the credits utilization by the Federal Revenue Office, which in accordance with past experience can take up to 10 years.

3.3 Tax assessment notice - São Paulo State VAT (ICMS)

On May 10, 2021, the Company received a tax assessment notice, issued by the São Paulo State Treasury, in the total amount of R$ 36,169. Tax authorities state that the Company, in the fiscal year of 2017, calculated incorrectly ICMS (state VAT) in transactions with goods subject to the ICMS tax substitution method (ST), claiming that the price used by the Company should have been the consumer sales price rather than the entry cost of goods, although the State of São Paulo legislation determines that wholesalers are not allowed to receive goods without the ICMS - ST calculation.

In December 2020 the Company had already received a similar tax assessment notice related to the same matter, however for the fiscal year of 2016. The State tax authority has the right to inspect transactions of the last 5 years and therefore additional tax assessments may still be issued.

On August 2, 2021, the Company obtained a partially favorable judgment at the State of São Paulo Tax Judgment Office, first administrative instance, regarding the State VAT (ICMS) treatment applied in transactions with goods subject to the ICMS tax substitution method (ST) in the period from January to December of 2016.

The court judged favorably for the Company the matter of greater value, but judged two less relevant topics unfavorably, which the Company still has the opportunity to contest, both administratively and in courts, arguing the decision.

Considering that the decision is at least in part contrary to the Government and the relatively high values involved, the judging body itself will send the process to the second administrative instance for review.

The partially favorable outcome at the first administrative instance confirmed the understanding of the Group and of its tax advisors, that there is no need to record any liability.

The Group and its tax advisors responsible for monitoring these proceedings classify the risk of loss as remote. As of 30 September 2021 the amount of the São Paulo State tax claims was R$ 68,097 (R$ 30,673 as of 31 December 2020).

3.4 Payments of dividends and interest on equity

The dividends and interest on equity related to 2020, in the total amount of R$ 106,876, were recommended by the Board to be paid in 2021. The amount of R$ 106,876 includes R$ 58,526 to be paid as dividends and R$ 48,350 to be paid as interest on equity (from the respective amount there is the foreign shareholder's withholding income tax of R$ 3,626).

On June 29, 2021 the Company paid in full the dividends and interest on equity to both the Brazilian and the foreign shareholders.

3.5 Purchase option of Apollo brand

On September 26, 2017, a license agreement was celebrated for the use of the Apollo brand, with purchase option, between Toko Paticipações e Empreendimentos S.A. and Café Três Corações S.A.

On June 07, 2021, Café Três Corações S.A. exercised the purchase option and acquired the Apollo Brand from Toko Paticipações e Empreendimentos S.A. for the amount of R$ 2 million.

3.6 Frost harm to coffee plantations

During the month of July, 2021, a frost hit the arabica coffee plantations located in the states of Minas Gerais, São Paulo and Paraná, which are home to the main producing regions in Brazil.

Many coffee plantations were damaged, having at least part of their crops burned by frost. Some producers have even uprooted the severely damaged coffee plantations.

Following the frost, the increase in coffee prices, which started in late 2020, has accelerated.

During 2021, 3corações Group has been implementing a staged price increases of coffee products in order to compensate, at least in part, the impact of green coffee price increases.

3.7 Payment of the remaining consideration of Positive Brands' business combination

On September 30, 2021, the Company paid the remaining consideration in the amount of R$ 7,876 which was settled through additional contribution in accordance with the cash requirement of the business plan.

The amount was increased by interest based upon 102% of the Brazilian Interbank CDI rate, in accordance with the business combination agreement.

(In thousands of Brazilian Reals)

4 Net debt

	30 September 2021	31 December 2020
Short term loans	581,751	621,269
Long term loans	562,332	417,932
Cash and cash equivalents	(310,346)	(627,002)
Net debt	**833,737**	412,199

The increase in net debt is mainly due to the decrease of cash and cash equivalents. Below is presented the cash flow use for the period:

- Cash flows used in operating activities, in the amount of R$ (159,494);
- Cash flows used in investing activities, in the amount of R$ (111,040);
- Cash flows used in financing activities, in the amount of R$ (46,122).

During the quarter there was an increase in the short and long term loans, mainly due to contracting of working capital loans in the total amount of R$ 323,185. For further information, see the statements of cash flows.

There are no debt covenants in the Group's loan and borrowing contracts with the banks.

5 Contingent liabilities

There were no material events, except for the usual interest accrued on the provisioned contingent liability balances.

6 Financial instruments

6.1 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term deposits, trade receivables, other receivables and debit balances, credits from banks and others, trade payables and other payables and credit balances, are equal or close to their fair values, 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:

	30 September 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Short term loans	581,751	546,863	621,269	612,899
Long term loans	562,332	558,935	417,932	440,953

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

(In thousands of Brazilian Reals)

6.2 Fair value hierarchy

The Group uses the following hierarchy to determine and disclose the fair values of financial instruments, based on the valuation methodology used:

- **Level 1**: quoted prices in an active market for identical assets and liabilities;

- **Level 2**: values determined by other techniques, for which all of the data, having a significant effect on the recorded fair value, are observable, directly or indirectly;

  The fair value of assets and liabilities that are not quoted in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

  These valuation techniques maximize the use of observable market data when it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs are not based on observable market data, the asset or liability is considered as valued from Level 3 source of information.

  Specific valuation techniques that might be used to value financial instruments in general include:

(i) Quoted market prices or dealer quotes for similar instruments;

(ii) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

(iii) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

- **Level 3**: inputs for valuing a financial instrument that is not based on observable market data (that is, unobservable inputs). As of 30 September 2021 and 31 December 2020, the Group had no financial instruments classified at Level 3.

7 Revenue

7.1 Disaggregated revenue information

	Products	Services	30 September 2021
Geographical markets			
Domestic	3,777,204	347	3,777,551
Foreign	238,321	-	238,321
	4,015,525	**347**	**4,015,872**

	Products	Services	30 September 2020
Geographical markets			
Domestic	2,906,530	211	2,906,741
Foreign	274,406	-	274,406
	3,180,936	**211**	**3,181,147**

(In thousands of Brazilian Reals)

7.2 Revenue reconciliation

	Nine month periods ended September 30		Three month periods ended September 30	
	2021	**2020**	**2021**	**2020**
Gross revenue:				
Products - domestic	4,607,889	3,641,827	1,877,371	1,304,363
Products - foreign	238,321	274,406	58,055	135,134
Services	413	220	95	152
Other	377	188	257	88
Revenue deductions:				
Taxes on sales (a)	(441,682)	(360,087)	(178,403)	(137,298)
State VAT incentives	85,605	74,895	30,540	24,590
Discounts	(363,372)	(361,218)	(130,805)	(117,786)
Other deductions	(111,679)	(89,084)	(39,882)	(29,797)
Revenue	**4,015,872**	**3,181,147**	**1,617,228**	**1,179,466**

(a) As described in Note 3.2.1 and 3.2.2, the Group recognized the gain from the lawsuits related to the exclusion of State VAT (ICMS) from the Federal VAT (PIS and COFINS) calculation base. For the nine months period ended 30 September 2021 the amount recognized was R$ 12,903 (R$ 20,491 for the nine months period ended 30 September 2020).

8 Subsequent events

8.1 Tax assessment notice - Mato Grosso State VAT (ICMS)

On October 10, 2021, the subsidiary Café Brasileiro received a tax assessment notice, issued by the Mato Grosso State Treasury Office, in the total amount of R$ 48,815. Tax authorities argued that the Company used incorrectly the state tax benefit of the fiscal years 2018 and 2019, calculating less state VAT (ICMS).

The Company started the defense proceeding with its legal advisors. The period regarding the tax notice is from before the acquisition date, and because of that any payment regarding this issue will be reimbursed by the former owners.

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Chief Executive Officer

Danisio Costa Lima Barbosa
Chief Financial Officer

Adenise Evangelista de Melo
Accountant CRC/CE 8.126/O-3