



Strauss Group LTD.

Quarterly Report

as at June 30, 2023



Board of Directors	Ofra Strauss, Chairperson Adi Strauss David Mosevics Galia Maor Dalia Narkys Dorit Salinger Dalya Lev Tzipi Ozer-Armon
Chief Executive Officer	Shai Babad
Company Secretary	Yael Nevo, Adv.
Auditors	KPMG Somekh Chaikin
Registered Office	Hasivim St. 49 Kiryat Matalon Petach Tikva 4959504



Table of Contents

Introduction

Description of the Corporation's Business

Board of Directors' Report on the Shareholders as at June 30 ,2023

Financial Statements as at June 30, 2023

Separate Financial Information as at June 30, 2023

Quarterly Report on the Effectiveness of Internal Control

Inclusion of the Financial Statements of an Investee Pursuant to Regulation 44 of the Securities Regulations, 1970



Strauss Group Ltd.

Introduction



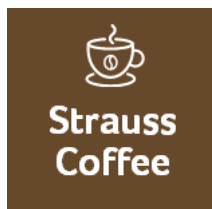
Company Profile

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 9.5 billion shekels in global annual revenue in 2022 according to non-GAAP financial measures. Strauss employs approximately 18,160 people worldwide, is active in more than 20 countries, and operates 28 manufacturing sites. Strauss is committed to its sustainability program in relation to consumers, the community, employees, suppliers and the environment.

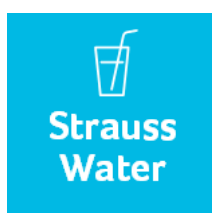
The Group's areas of activity



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 6,000 employees.



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, Serbia and Switzerland.

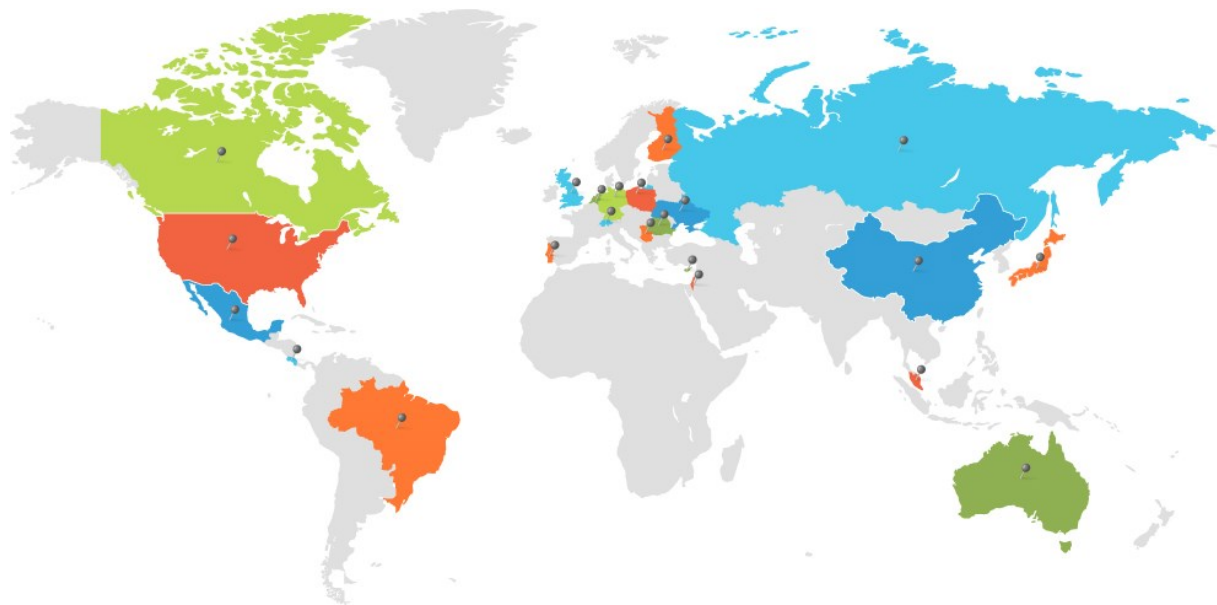


A leading international company specializing in high-quality purified drinking water solutions. Strauss Water's primary markets are Israel, the UK and China.



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, Holland, New Zealand and other countries.

Global presence



Strauss Israel

Israel



Strauss Coffee

Israel
Holland
Brazil
Romania
Switzerland
Poland
Serbia
Germany
Ukraine
Russia



Strauss Water

Israel
China
UK



International Dips and Spreads

US
Australia
Mexico
Canada

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", in 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 for the global food industry. Since its establishment, the incubator has invested in 24 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. For a list of the companies in the incubator program and their areas of activity, see section 15 in the chapter Description of the Company's Business in the 2022 Periodic Report.

In October 2022, The Kitchen Hub 2.0 launched its activity. For further information, see section 15 in the chapter Description of the Company's Business in the 2022 Periodic Report.

Summary of Q2 2023 Financial Performance

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

NIS

2,625 million

Net sales

12.4%

Organic growth
(excluding foreign currency effects)

31.9%

Gross profit margin

NIS

171 million

Operating profit

74.7%

Organic change in
operating profit (excluding
foreign currency effects)

6.5%

Operating profit margin

NIS

275 million

EBITDA

38.6%

Change in EBITDA (excluding
foreign currency effects)

NIS

61 million

Operating cash flow

NIS

85 million

Net income attributable to
shareholders

21.3%

Growth in net income
attributable to shareholders

NIS

(65) million

Free cash flow

NIS

0.72

Earnings per share

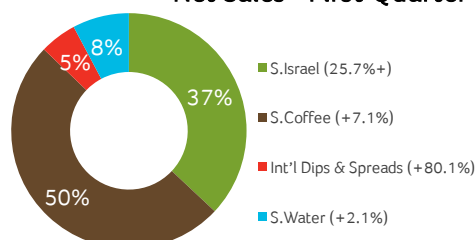
21.2%

EPS growth

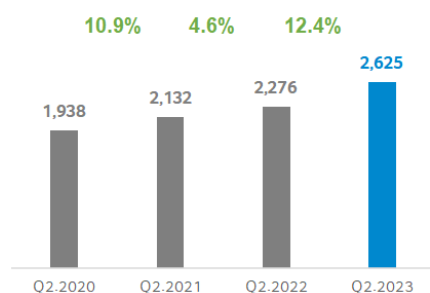
Selected financial data for the half- year and quarter ended June 30, 2023 and 2022

	H1/2023	H1/2022	% Change	Q2/2023	Q2/2022	% Change
Sales	5,179	4,548	13.9%	2,625	2,276	15.3%
Organic growth excluding foreign currency effects	10.1%	8.0%		12.4%	4.6%	
Gross profit – non-GAAP	1,676	1,353	23.8%	839	691	21.2%
% of sales	32.4%	29.8%		31.9%	30.4%	
Total operating expenses	1,304	1,169	11.6%	672	590	14.0%
Company's share of profit of equity-accounted investees	24	19	26.4%	13	8	66.8%
Operating profit before profit of incubator investees**	396	203	95.1%	180	109	65.1%
Share of profit (loss) of equity-accounted incubator investees	(17)	1	(1824.5%)	(9)	(7)	23.5%
Operating profit – non-GAAP	379	204	84.6%	171	102	65.2%
% of sales	7.3%	4.5%		6.5%	4.5%	
Net financing expenses	(47)	(7)	565.3%	(29)	11	(361.3%)
Income before tax – non-GAAP	332	197	67.5%	142	113	23.9%
Income tax	(85)	(53)	56.5%	(44)	(29)	43.7%
Income for the period – non-GAAP	247	144	71.7%	98	84	16.8%
Income attributable to shareholders	219	113	94.5%	85	70	21.3%
% of sales	4.2%	2.5%		3.2%	3.1%	
Income attributable to non-controlling interests	28	31	(9.8%)	13	14	(5.0%)
EPS (NIS)	1.88	0.97	94.2%	0.72	0.60	21.2%

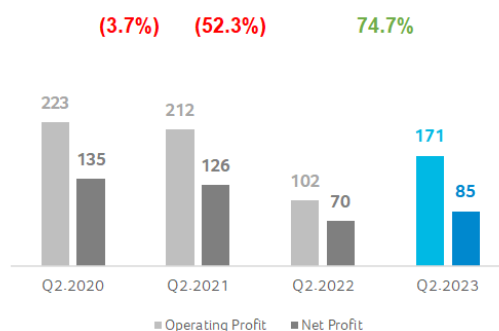
Net Sales – First Quarter



Organic sales growth excl. forex effects



Organic EBIT growth excl. forex effects



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 2022.
“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 2022.
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 2022.
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 2022¹ (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 six months ended June 30, 2023 and through to the publication date of the report, which have not yet been disclosed in the Periodic Report. This update refers to several 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 2022 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 appearing in this chapter shall have the meaning ascribed to them in the Periodic Report, unless expressly stated otherwise.

1. Section 1 in the Description of the Company's Business Report, the Group's Activities and Description of the Development of its Business

On July 4, 2023, Strauss Holdings Ltd. ("**Strauss Holdings**"), controlling shareholder of the Company, informed the Company that on said date, an agreement was signed and finalized between the shareholders of Strauss Holdings, pursuant to which Michael Strauss Assets Ltd. ("**Michael's Assets**"), controlled by Ms. Ofra Strauss, Ms. Irit Strauss and Mr. Adi Strauss and which until the above date had held 75.64% of the issued share capital of Strauss Holdings, had acquired the remaining share capital of Strauss Holdings from a private company owned by Messrs. Ran and Gil Midyan. Following the execution of the agreement, Michael's Assets presently holds the entire issued share capital (100%) of Strauss Holdings. Strauss Holdings is the direct controlling shareholder of the Company (approximately 57.00% of equity and voting rights in the Company). For further information, see the Immediate Report of July 4, 2023 (reference no. 2023-01-074655), and also Note 1 to the Condensed Consolidated Interim Financial Statements as of June 30, 2023.

2. Section 9 in the Description of the Company's Business Report, the Coffee Operation

On May 23, 2023, Strauss Coffee B.V. ("**Strauss Coffee**"), a Dutch company that is wholly owned by the Group, signed an agreement for the sale of 100% of its holding in Strauss Adriatic d.o.o. (the "**Company in Serbia**") to Atlantic Grupa d.d. (the "**Agreement**"). According to the Agreement, the consideration for the sale is EUR 40.5 million, gross, which shall be paid to Strauss Coffee at the closing, subject to the adjustment of the consideration for the cash balances, financial debt and working capital of the Company in Serbia on the closing date, as shall be prescribed in a detailed agreement. The buyers shall

¹ As published on March 23, 2023 (reference no. 2023-01-026566).



have the right to withdraw from the Agreement only if a material deviation from the representations made by Strauss Coffee in the Agreement is discovered. The closing is subject to the receipt of approval from the Serbian Commission for Protection of Competition. As of the date of approval of the financial statements, said approval has not yet been received, and it is presently uncertain if, and under what conditions, it will be received. For further information, see the Immediate Report of May 23, 2023 (reference no. 2023-01-055032), and also section 22.2 in the Board of Directors Report and Note 4.8 to the Condensed Consolidated Interim Financial Statements as of June 30, 2023.

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

Section 17.5, Credit rating

On April 3, 2023, the Company announced that Standard & Poor's Maalot Ltd. had kept the Company's rating outlook on negative against the backdrop of the recall and its possible implications in the short and medium term and had reaffirmed the Company's iIAA+ rating. For further information, see the Immediate Report of April 3, 2023 (reference no. 2023-01-033403).

On June 7, 2023, the Company announced that Midroog had reaffirmed the Aa1.il rating with negative outlook for the Company's Series E and F debentures. For further information, see the Immediate Report of June 7, 2023 (reference no. 2023-01-053767).

4. Section 20.4.4 in the Description of the Company's Business Report, Request for Information

On June 14, 2023, the Competition Commissioner (the "**Commissioner**") informed the Company of her intention, within the coming days, to issue a notice to the Company of the intent to impose a financial sanction on the Company at the maximum amount set forth in the law and to impose financial sanctions on a former officer and on two officers currently serving in the Company, due to the violation of the provisions of section 19 (Merger Prior to Receipt of the Commissioner's Consent) of the Economic Competition Law, 1988 (the "**Competition Law**"), following absence of approval of the merger transaction in which the Company had contracted for the acquisition of a 51% stake in Wyler Farms Ltd. (the "**Authority's Argument in the Matter of Wyler Farms**" and "**Absence of Approval of the Merger Transaction**", respectively) and further to the request for information sent by the Competition Authority to the Company and its officers following Absence of Approval of the Merger Transaction.

Further to the above, on June 21, 2023, a written notice was received from the Competition Authority (the "**Notice**") regarding the intent to impose a financial sanction on the Company at total of NIS 111 million and to impose financial sanctions of different amounts, the higher of which is NIS 796 thousand, on the former officer and the two officers presently serving in the Company, in respect of the Authority's Argument in the Matter of Wyler Farms.

For clarity, the Company disputes the Commissioner's position, and is of the opinion that its actions, as far as the body of arguments made against it are concerned, were compliant with the law. The Company and the officers have the right to present their position before the Commissioner by November 18, 2023 under a continuance granted after the Notice was received ("**Hearing**"). The Company and its legal



counsel are reviewing the specifics of the Notice and taking steps to receive the materials on which the Competition Authority's Notice was based. According to the estimates of outside legal counsel, at this preliminary stage, the Company has strong arguments against the alleged violation. Legal counsel is of the opinion that the chances of the above financial sanction being imposed are less than 50%, but the Company is presently unable to assess whether a sanction of a different amount will be imposed. The Company will present its position in the Hearing and in any other legal proceeding insofar as necessary.

For further information, see the Immediate Reports of June 14, 2023 and June 21, 2023 (reference no. 2023-01-055942 and 2023-01-068430, respectively).

On May 31, 2023, two motions were filed with the Tel Aviv District Court (Economic Division) for the discovery and inspection of documents prior to a derivative action, under section 198A of the Companies Law, 1999 (the "**Motions for Discovery**"). In the Motions for Discovery, the court was asked to direct the Company to produce documents concerning the inspection by the Competition Authority in the matter of Wyler Farms. On July 17, 2023, a joint hearing on the Motions for Discovery was held regarding the manner in which they would be discussed (whether the court should direct that one of the motions should be struck out, combine the two motions in a single proceeding, or direct otherwise). As of the date of this report, the court has not yet rendered a decision on the matter, and the chances of the Motions for Discovery being accepted cannot be estimated.

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 of June 30, 2023.

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

- 6.1 Further to the approval of the General Meeting of the engagement by Strauss Health Ltd., a subsidiary of the Company, in a transaction with Strauss Holdings Ltd., controlling shareholder of the Company, for the acquisition of Strauss Holdings' lease rights in a property in Bar Lev Industrial Park, as described in the Company's reports of August 24, 2022 (reference no. 2022-01-107899) and September 29, 2022 (reference no. 2022-01-099438), it is noted that the final date for the satisfaction of the suspending conditions, within its meaning in section 17.5.2 of the Company's report of August 24, 2022, has been extended until October 2, 2023, further to the decision of the Company's Audit Committee.
- 6.2 Further to the approval of the Company's Remuneration Committee, in accordance with the Companies Regulations (Easements in Transactions with Interested Parties), 2000, of the payment of director's fees to Mr. Adi Strauss at the maximum amount payable to an expert director, see the Immediate Report of August 14, 2023 (reference no. 2023-01-075670).



7. Regulation 26 in the Additional Information Report, Directors of the Corporation

On July 4, 2023, the Company published an Immediate Report, announcing that Mr. Gil Midyan had ceased to serve as a director of the Company on said date. For further information, see the Immediate Report of July 4, 2023 (reference no. 2023-01-074673). For the convening of the General Meeting of Shareholders of the Company on the agenda of which, *inter alia*, is the reappointment of Mr. Adi Strauss, who is retiring by rotation in accordance with the Articles of Association of the Company, as a director, see the Immediate Report of August 15, 2023, which is being published simultaneously with this report.

Date: August 15, 2023

Names and titles of signatories:

Ofra Strauss, Chairperson of the Board of Directors

Shai Babad, Chief Executive Officer

Strauss Group Ltd.

Table of Contents – Board of Directors Report on the State of the Company's Affairs

EXPLANATIONS BY THE BOARD OF DIRECTORS REGARDING THE STATE OF THE COMPANY'S BUSINESS AFFAIRS	C-3
1. General	C-3
2. Principal Information from the Description of the Company's Business	C-3
CHANGES IN THE ECONOMIC ENVIRONMENT AND MATERIAL EVENTS IN THE REPORTING PERIOD	C-6
3. Changes to Israel's Judiciary and Wave of Protests	C-6
4. Recall and Suspension of Operations at the Chocolate Manufacturing Site in Nof Hagalil	C-6
5. Events in Russia-Ukraine	C-8
6. Prices of Raw Materials and Other Production Inputs	C-8
7. Energy Prices	C-9
8. Exchange Rate Fluctuations	C-11
9. Inflation	C-12
10. Interest	C-12
11. Regulatory Developments in Input Prices in Israel	C-14
12. Business Regulation and Changes in the Food Sector in Israel	C-14
13. Quantitative Disclosure Regarding Market Risk Exposure and Risk Management	C-16
RESULTS OF BUSINESS OPERATIONS	C-16
14. Overview of the Results of Business Operations	C-16
15. Condensed Statement of Financial Position	C-22
16. Adjustments to the Management (Non-GAAP) Reports	C-24
17. Key Comparative Financial Data According to the Non-GAAP Reports	C-27
18. Sales	C-29
19. Gross Profit	C-30
20. Operating Profit	C-31
21. Comprehensive Income for the Period	C-33
22. Analysis of the Business Results of the Group's Major Business Units	C-33
LIQUIDITY, SOURCES OF FINANCE AND FINANCIAL POSITION	C-50
23. Liquidity	C-50
24. Disclosure Relating to the Examination of Warning Signs in Respect of a Working Capital Deficiency	C-54
25. Information on Debenture Series	C-55
CORPORATE GOVERNANCE AND CONTROL	C-55
26. Sustainability, CSR, Social Investment and Contributions	C-55
27. Aspects of Corporate Governance	C-57
28. Effectiveness of Internal Control	C-57
29. Events After the Reporting Period	C-57

EXPLANATIONS BY THE BOARD OF DIRECTORS REGARDING THE STATE OF THE COMPANY'S BUSINESS AFFAIRS

1. General

The Board of Directors of Strauss Group Ltd. (the “**Company**”) respectfully submits herewith the Board of Directors’ Report for the second quarter of 2023 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, the Financial Statements and the Board of Directors’ Report on the State of the Company’s Affairs in the Periodic Report as of December 31, 2022, as published on March 23, 2023 (reference no. 2023-01-026566) (the “2022 Periodic Report”).

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

2.1 Overview of the operating segments in 2023

The Group is engaged in six key areas of activity that are reported as segments, as described in Note 27 to the Financial Statements of the Company as of December 31, 2022, four of which are concentrated under two main frameworks: the Israel Operation and the Coffee Operation¹.

2.2 Events in the reporting period

- In the second quarter of 2023, the Group continued to implement the five-year strategy approved by the Board of Directors in March 2022, Taste the Future, in alignment with the Group’s new purpose, its long-term aspirations and evolving trends. The Group routinely refreshes its strategy in line with macroeconomic and geopolitical developments, as well as material events occurring in its business. For further information, see also section 3 in the Board of Directors’ Report as of December 31, 2022.
- In January 2023, the transaction for the sale of all rights in a property in Safed was completed, and the consideration, amounting to approximately NIS 88 million (plus VAT), was received in full. In the first quarter of 2023 the Company recognized a net profit of NIS 53 million. For further information, see Note 4.3 to the Consolidated Financial Statements as of June 30, 2023.
- In January 2023, the Company raised NIS 375 million par value in an expansion of its Debenture Series F. The proceeds from the issuance were approximately NIS 314 million, net of issuance costs. For further information, see Note 8.3 to the Consolidated Financial Statements as of June 30, 2023 and section 23.1 below.

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 of December 31, 2022 as the “Other Operations” segment.

- In January 2023, Strauss Water announced the expansion its business in Britain through a partnership with Culligan Water, which acquired a 49% stake in Strauss Water's operation in the UK. For further information, see section 22.4 below.
- In February 2023, the Group discontinued its business under the Florentin brand in Western Europe. For further information, see section 22.3 below.
- In March 2023, Sabra's insurer filed a motion for declaratory relief with the US court under the argument that the insurance company had overpaid Sabra. The Company rejects the argument outright. For further information, see Note 4.2 to the Consolidated Financial Statements as of June 30, 2023.
- On May 21, 2023, the Company and fourteen other companies received a letter from the Supervisor of Prices (hereinafter: the "**Supervisor of Prices**"). In the letter to the Company, the Supervisor of Prices sought to review the need to subject part of the Company's products to price control under sections 6 and 31 of the Supervision of Prices of Goods and Services Law, 1996 (the "**Supervision Law**") and demanded that the Company furnish information on the profitability of those products. On June 22, 2023, the Manufacturers Association of Israel and eight other companies, including the Company, submitted a motion to the High Court of Justice for the award of an order nisi, a motion for an interlocutory order and for an urgent hearing of the petition, under the argument that the Supervisor of Prices lacked the authority to demand the information. The High Court granted the petitioners' motion for the award of an interlocutory order and set the date for a hearing for September 7, 2023.
- On May 23, 2023, the Company announced that Strauss Coffee had signed an agreement for the sale of 100% of its holding in Strauss Adriatic d.o.o. to Atlantic Grupa d.d. The consideration for the sale is approximately EUR 40.5 million, gross, which shall be paid to Strauss Coffee at the closing, subject to the adjustment of the consideration for the cash balances, financial debt and working capital of the company in Serbia on the closing date, as shall be prescribed in a detailed agreement. The closing is subject to the receipt of approval from the Serbian Commission for Protection of Competition. As of the date of approval of the financial statements, said approval has not yet been received, and it is presently uncertain if, and under what conditions, it will be received. For further information, see section Note 4.8 to the Consolidated Financial Statements as of June 30, 2023 and section 22.2 below.
- In July 2021, the Company entered into a transaction for the acquisition of a 51% stake in Wyler Farms Ltd., which is active in the manufacture of tofu-based products. The transaction (hereinafter: the "**Merger Agreement**") was subject to the satisfaction of suspending conditions, including approval by the Competition Commissioner. On February 23, 2022, the Competition Commissioner announced that the merger was not approved. The Company subsequently received a request for information concerning the Merger Agreement, following which the Competition Authority sent another request for information to three officers in the Company, alleging the suspected violation of section 19 of the Economic Competition Law, which prohibits companies from merging prior to furnishing a notice of the merger and receipt of the Commissioner's consent. The Company responded to the requests for information in full and is holding discussions with the Authority concerning the documents that were furnished and the Authority's arguments. On June 21, 2023, the Company received a summons to a hearing prior

to a decision by the Competition Commissioner as to the violation of the provisions of section 19 of the Economic Competition Law, 1988, and the intent to impose a financial sanction on Strauss Group at a total amount of NIS 111 million and to impose financial sanctions of different amounts on a former officer and on two officers currently serving in the Company. For clarity, the Company disputes the Commissioner's position, and is of the opinion that its actions, as far as the body of arguments against it are concerned, were compliant with the law. The Company and the officers have the right to present their position to the Commissioner by November 18, 2023 under a continuance granted after the notice was received ("**Hearing**"). The Company and its legal counsel are reviewing the specifics of the notice and taking steps to receive the materials on which the Competition Authority's notice was based. In the opinion of outside legal counsel, at this preliminary stage, the Company has strong arguments against the alleged violation of section 19. Legal counsel estimates that the chances of the above financial sanction being imposed are less than 50%, but the Company is presently unable to assess whether a sanction of a different amount will be imposed. The Company will present its position in the Hearing and in any other legal proceeding insofar as necessary. For further information, see Note 24.1.5.2 to the Consolidated Financial Statements as of December 31, 2022 and Note 6.6 to the Condensed Consolidated Interim Financial Statements as of June 30, 2023.

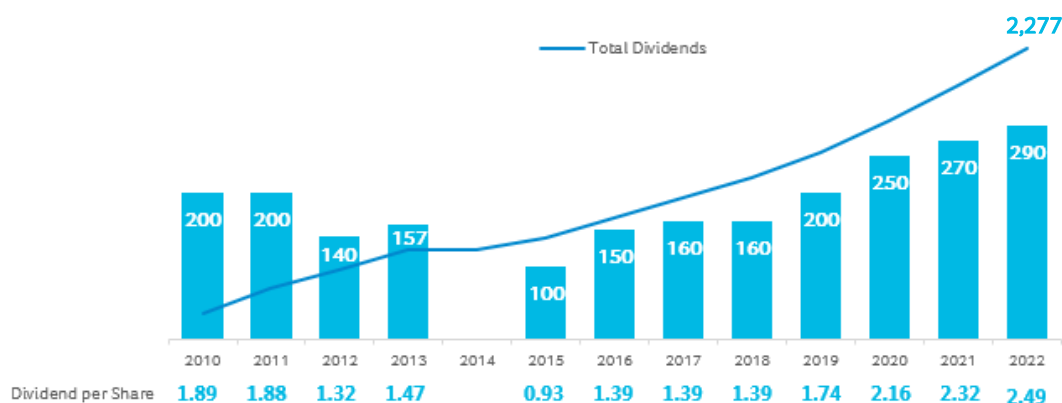
2.3 Dividends

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 2.3 billion.

The following figure presents the cumulative dividend payout in recent years:

Dividend Payouts, Annual and Total, in 2010–2022



Figures are in NIS millions.

In December 2022, the Board of Directors of the Company decided that the Company would not pay a dividend for 2022.

The balance of retained earnings on the date of the statement of financial position is NIS 3,589 million.

CHANGES IN THE ECONOMIC ENVIRONMENT AND MATERIAL EVENTS IN THE REPORTING PERIOD

3. Changes to Israel's Judiciary and Wave of Protests

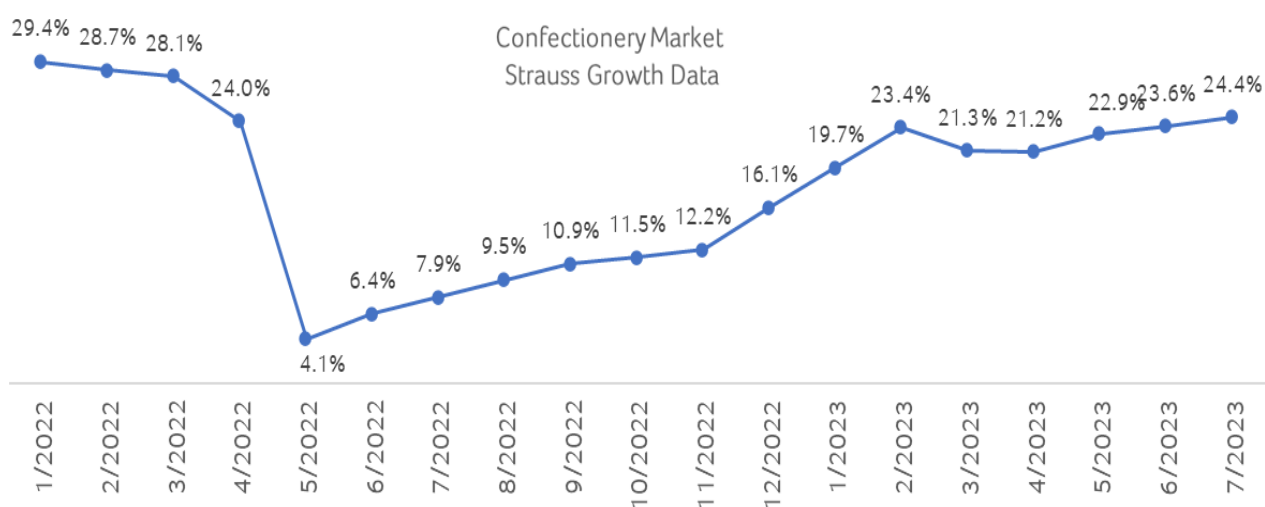
In January 2023, the Israeli government began to further changes to the judiciary. On July 24, 2023, the Knesset approved the law that eliminates the Supreme Court's use of the reasonableness standard. This has led to a wave of protests and controversy in Israeli society, and to criticism by economic and legal bodies and experts in Israel and around the world, and is liable to adversely impact the Israeli economy. Since a considerable part of the Company's business is in Israel, negative developments in the Israeli economy, should they occur, could be harmful to the Company's business and its operating results. As of the reporting date, the Company is unable to assess the future impacts of all the above factors, if any, on the Israeli economy, on the Israeli food industry in general, and on the Company's business.

4. Recall and Suspension of Operations at the Chocolate Manufacturing Site in Nof Hagalil

At the end of April 2022, findings that tested positive for salmonella were detected on part of the production lines in the confectionery plant in Nof Hagalil (hereinafter: the "**Confectionery Plant**") and on a small number of the products located in the plant, following routine tests that the Company performs periodically. The Group consequently recalled all products that had been manufactured in the Nof Hagalil chocolate plant that were then in the market and barred the distribution of all products that had been marketed until that date. Additionally, the Group shut down the Confectionery Plant and the production lines until all manufacturing systems had been thoroughly cleaned. The Company also destroyed the entire inventory.

The Company gradually began to market the products of the Confectionery Plant in November 2022, with more products returning to the shelves each month. It is noted that the throughout the entire period, the Company continued to market outsourced products. A gradual increase in market share was observed in the barcoded retail market² proximate to the publication of the report.

However, despite the positive trend in market share, as of the end of the second quarter of 2023 the Company has not yet recovered its sales volumes and market share as they were prior to the recall in some categories. The Company estimates that the main reasons are the growing competition in those categories as well as the limited range, at the present stage, of products manufactured at the Confectionery Plant³.



For information on seven motions for class certification pending against the Company, a motion for discovery and inspection of documents under section 198A of the Companies Law, 1999, and information on a motion for the disclosure of documents prior to filing a derivative claim as well as the establishment of an independent committee, see Note 24.1.3 to the Consolidated Financial Statements as of December 31, 2022 and Notes 6.4 and 6.5 to the Condensed Consolidated Interim Financial Statements as of June 30, 2023.

For further information on Immediate Reports regarding credit rating following the recall, see section 23.1 below.

² According to the StoreNext report published on August 7, 2023. StoreNext measures consumption in the barcoded FMCG market in Israel.

³ The market shares shown do not include the categories in which the Company discontinued its business in accordance with its strategic plan.

5. Events in Russia-Ukraine

The fighting between Russia and Ukraine has continued. The economic sanctions imposed on Russia by the West remain in place, but as of the date of this report, they have not had a material effect on the Group's business results.

In Ukraine, the business has operated continuously given the circumstances, but in view of the declining number of citizens in the country, sales volumes in the second quarter of 2023 were lower than in the corresponding period last year.

The Group continues to be exposed to possible global consequences of the war, which are likely to include, *inter alia*, increases in commodity, raw material and energy costs. For changes in commodity and energy prices as of the publication date of this report, see sections 6-7 below.

Since these are unfolding events that involve a high degree of uncertainty, there are several possible geopolitical scenarios that could lead to further negative economic and financial consequences.

The Company constantly monitors events in Ukraine, Russia and the markets. Until the publication date of this report, the actual impact of these events has been immaterial. However, in view of the high degree of uncertainty they involve and regarding their duration, the Group is unable to assess their future impact on its business results.

For further information on the Company's business in Russia and Ukraine, see section 22.2 below and Note 4.5 to the Condensed Consolidated Interim Financial Statements as of June 30, 2023.

6. Prices of Raw Materials and Other Production Inputs

A substantial part of the raw materials used to manufacture the Group's products are traded on the commodities markets. In the first half, and with greater intensity in the second quarter of 2023, the average market prices of part of the Group's raw materials rose significantly compared to the corresponding periods last year, including Robusta green coffee, cocoa, sugar and sesame, contrasting with a decline in the prices of Arabica green coffee, green coffee prices in Brazil and grain prices (with greater intensity in the second quarter of 2023 compared to the corresponding quarter last year). The average price of raw milk ("target price") rose in the first half and second quarter of 2023 by 15.2% and 13%, respectively, compared to the corresponding periods last year.

After the statement of financial position date, the price of raw milk was revised upward by 0.5% for the months July-September 2023, and since the beginning of the year, the price has dropped by 1.1%.

Following are the rates of change in the average market prices of major inputs in the second quarter of 2023 compared to the corresponding period last year:

Inputs	Average rate of change
Arabica ⁽¹⁾	(18%)
Robusta ⁽¹⁾	26%
Sugar ⁽¹⁾	25%
Sesame ⁽¹⁾	17%
Plastic ⁽²⁾	(3%)
Cocoa ⁽¹⁾	36%
Raw milk ⁽³⁾	13%

⁽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 Producer Price Index – Polystyrene Foam Product. The index is indicative only.

⁽³⁾ Figures are retrieved from the Israel Dairy Board website.

* Market prices of all inputs are denominated in USD, except for the price of cocoa, which is denominated in GBP, and the price of milk, which is denominated in NIS.

The Group applies measures to mitigate the effects of raw material cost fluctuations, 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 through Três Corações (JV)⁴). 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 Strauss Coffee's COO 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) 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 business in Israel. The committee is managed by the CFO of Strauss Israel.

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

⁴ Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

7. Energy Prices

Average prices of Brent oil in the first half and second quarter of 2023 were 24% and 31% lower compared to average prices in the corresponding periods last year. Since the beginning of the year through to proximate to the date of the report, there was no significant change in the price of oil (Brent).

8. Exchange Rate Fluctuations

The impact of the significant devaluation of the Shekel against most of the Group's functional currencies based on average exchange rates, excluding the Ruble in the second quarter of 2023 and the Hryvnia in the half year and the second quarter, compared to the corresponding periods last year, led to positive translation differences in the sales line item on the income statement. In terms of changes in exchange rates, in the first half and second quarter of 2023 the Shekel weakened against most currencies, mainly the Real, and strengthened significantly in the second quarter against the Ruble, and the aggregate net effect on the Group's equity was positive.

Based on average exchange rates, in the first half of 2023, the Dollar strengthened against all currencies, and in the second quarter, against part of the currencies, compared to the corresponding periods last year.

The following table presents the average exchange rates **against the Shekel** in the first half and second quarter of 2023 compared to the corresponding periods last year:

Average Exchange Rates Against the Shekel							
Currency		Average Exchange Rate First Half		% change	Average Exchange Rate Second Quarter		% change
		2023	2022		2023	2022	
United States Dollar	USD	3.591	3.270	9.8%	3.645	3.341	9.1%
Euro	EUR	3.882	3.576	8.6%	3.968	3.562	11.4%
Ukrainian Hryvnia	UAH	0.098	0.113	(12.9%)	0.100	0.114	(12.7%)
Russian Ruble	RUB	0.047	0.045	4.4%	0.045	0.051	(12.5%)
Serbian Dinar	RSD	0.033	0.030	8.8%	0.034	0.030	11.7%
Romanian Leu	RON	0.787	0.723	8.9%	0.803	0.720	11.5%
Polish Zloty	PLN	0.839	0.772	8.8%	0.873	0.766	13.9%
Brazilian Real	BRL	0.709	0.646	9.6%	0.737	0.681	8.2%
Chinese Renminbi	CNY	0.516	0.506	2.0%	0.521	0.506	2.9%
Canadian Dollar	CAD	2.665	2.572	3.6%	2.713	2.620	3.6%
Australian Dollar	AUD	2.427	2.352	3.2%	2.435	2.389	1.9%
Mexican Peso	MXN	0.198	0.161	22.6%	0.206	0.167	23.6%
Pound Sterling	GBP	4.429	4.248	4.3%	4.563	4.204	8.6%

The following table presents the average exchange rates **against the Dollar** in the first half and second quarter of 2023 compared to the corresponding periods last year:

Average Exchange Rates Against the Dollar							
Currency		Average Exchange Rate First Half		% change	Average Exchange Rate Second Quarter		% change
		2023	2022		2023	2022	
New Israeli Shekel	ILS	0.279	0.306	(9.0%)	0.274	0.300	(8.4%)
Ukrainian Hryvnia	UAH	0.027	0.034	(20.7%)	0.027	0.034	(20.0%)
Russian Ruble	RUB	0.013	0.014	(4.5%)	0.012	0.015	(19.6%)
Serbian Dinar	RSD	0.009	0.009	(1.0%)	0.009	0.009	2.3%
Romanian Leu	RON	0.219	0.221	(1.0%)	0.220	0.216	2.2%
Polish Zloty	PLN	0.234	0.236	(1.1%)	0.240	0.229	4.4%
Brazilian Real	BRL	0.197	0.198	(0.1%)	0.202	0.204	(0.9%)
Chinese Renminbi	CNY	0.144	0.155	(7.2%)	0.143	0.152	(5.7%)
Pound Sterling	GBP	1.233	1.300	(5.2%)	1.252	1.259	(0.6%)

From the beginning of the year through to proximate to the publication date of the report, the Shekel weakened by 12.5% against the Brazilian Real, by 6% against the US Dollar, and strengthened by 20% against the Ruble.

9. Inflation

In the first half of 2023, inflation in Israel and globally eased. The Consumer Price Index (CPI) in Israel rose in the half-year by 2.2% compared to 3.2% in the corresponding period last year, and by 4.2% in the past twelve months. In the US, the CPI rose by 1.7% in the first half compared to 6.3% last year, and by 3.2% in the past twelve months. In Brazil, the CPI rose by 4.0% in the twelve months ended proximate to the publication of the report compared to 10.1% in the corresponding period, and in Russia, the CPI rose by 4.3% in the same twelve-month period compared to an increase of 15.1% in the corresponding period.

Most of the Group's long-term loan liabilities are at fixed interest rates, unlinked and Shekel denominated, and the rest are floating rate loans. Most of the Group's lease liabilities are CPI-linked. The Group is exposed to future cash flows in currencies that differ from the functional currencies of the Group's subsidiaries. To protect against exposure to changes in foreign currency exchange rates and interest rates, the Group from time to time executes hedges for partial coverage using forward contracts, futures contracts and option contracts on interest rates and the various currencies.

The Company's policy is to match, to the greatest extent possible, assets and liabilities in the same currency, using financial derivatives when they are available and advantageous. In its international operations, the Group does not regularly hedge the measurement basis of its operating results or its statement of financial position against changes arising from the various currency exchange rates against the Shekel. The Group has committees that manage the risks related to interest rates, currency exposure, financial investments, etc., in which all the relevant professional people in the Company participate.

Hedging and investment activities are performed by the Finance Department in Group Headquarters and are the responsibility of Strauss Coffee's CFO in all aspects relating to the coffee business, of Strauss

Water's CFO with respect to the water business, and of the Group EVP Finance with respect to the business of the Group as a whole.

10. Interest

The Bank of Israel interest rate rose from 3.25% at the end of 2022 to 4.75% proximate to the publication date of the report. In the US, interest rose from 4.25%-4.5% to 5.25%-5.50% proximate to the publication date of the report. In Brazil, the interest rate declined from 13.75% at the end of 2022 to 13.25% proximate to the publication date of the report. In Russia, the interest rate rose from 7.5% at the end of 2022 to 8.5% proximate to the publication date of the report. In the Group's other Eastern European countries of operation, there was no significant change in the interest rate.

Most of the Group's long-term liabilities are fixed-rate loans.

11. Regulatory Developments in Input Prices in Israel

The Group is affected by regulatory changes applying from time to time to wages in Israel and raw milk prices in Israel, which account for a major part of its inputs.

The milk sector

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 duty 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, as of the date of this report, the agreement is not expected to have a material effect on its business results.

In June 2022 an agreement was signed, the heads of which are a 4.9% increase in the prices of price-controlled dairy products, implementation of an automatic mechanism for updating the prices of price-controlled dairy products, a reduction in the target price, and a revised formula for calculating the costs of milk production.

On August 4, 2021, the Knesset approved the Milk Sector Planning bill in the 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, granting the Ministers the possibility of extending 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 Israeli milk sector.

In January 2023, a decree was issued, introducing a change in import tariffs applying to cheeses, which significantly lowered the customs duty charged on various cheeses.

In March 2023, a temporary order was issued, amending the Milk Sector Planning Law, which largely concerns the implementation of a mechanism for a reduction in the target price, a revision of the formula for calculating the costs of milk production, a reduction of 2.90 agorot in the target price in the second

quarter of 2023 and 2.15 agorot for three quarters, commencing in the third quarter of 2023 through to the end of the first quarter of 2024. On March 19, 2023, the Knesset Economic Affairs Committee approved the request by the Ministry of Agriculture and Rural Development to amend the Milk Sector Planning Regulations, which address the mechanism for updating the target price. According to the proposal that was approved, in the second quarter of 2023 the target price would be reduced by 4.4 agorot per liter, in the third and fourth quarters of 2023 and in the first quarter of 2024, the target price would be reduced by 3.65 agorot, and from the second quarter of 2024 and thereafter, the price would be reduced by 1.5 agorot. The Company estimates that the agreement that was signed is not expected to materially affect its results in the foreseeable future.

In April 2023, a price update was announced, raising the prices of price-controlled dairy products by 16.0%. One week later, at the beginning of May, an amendment to the order was published, revising the prices of these price-controlled products upward by a lower rate of 8.3%. At the end of May, the prices of said products were again updated by a further 0.9%.

In July 2023, a three-month temporary order was signed, eliminating customs duties on milk. The Company estimates that no material impact on its business results is expected in the foreseeable future.

Minimum Wage Law

On November 4, 2021, the Knesset approved the Economic Arrangements Law for the years 2021-2022 in the second and third readings, in the context of which, subject to the completion of appropriate legislative procedures, an increase in the minimum wage was approved, to be implemented in five installments until 2026, as well as the addition of up to two more days of leave. As of the publication date of this report, the legislative procedures have not yet been completed. In the Company's estimate, the law, if it enters into force, is not expected to have a material effect on its business results.

In light of the increase in the average monthly salary in Israel in 2023, which rose to NIS 11,730, and the linkage mechanism in the Minimum Wage Law, pursuant whereunto the minimum wage will be no less than 47.5% of the average salary, on March 22, 2023, the Minister of Labor and Welfare signed an increase in the minimum wage. Accordingly, commencing on April 1, 2023, the minimum wage in Israel is NIS 5,571.75 per month (compared to NIS 5,300). The increase in the minimum wage is not expected to have a material effect on the Group's business results.

Consumer Protection Regulations

On January 1, 2023, an amendment to the Consumer Protection Law regarding the creation of a database called "Don't Call Me" entered into force, as well as regulations promulgated under the amendment. In the context of the amendment and the regulations, consumers/customers may register their telephone numbers with the database to prevent businesses from contacting them with marketing pitches (by telephone or digital communications). Since the law and the regulations took effect, Strauss Water has complied with them and is reviewing their effects. On the publication date of this report, the Company is unable to assess their implications.

Public Health Protection Regulations

As part of the Economic Arrangements Law and the Import Reform, on November 14, 2022, the Public Health Protection (Food) (Cancellation of Official Standards) Announcement, 2022 was published in the

Gazette of Record. Under the Announcement, the official status of approximately 100 food standards was cancelled as part of the Food Reform in Israel, which will allow for the import and manufacture of various food products without requirements that are unique to Israel. However, food standards are binding even when they are not official, as the Consumer Protection Order (Marking and Packaging of Food Products) reinstates the binding status of entire standards or sections of standards in various contexts.

On November 15, 2022, the Public Health Protection Regulations (Food) (Certificate of Release for Certain Sensitive Foods Imported by a Valid Importer) (Temporary Order), 2022 were published in the Gazette of Record. The temporary order prescribes special arrangements for importers registered under section 115 of the Public Health Protection (Food) Law, 2015 as “Valid Importers” for the release of certain sensitive foods of the types enumerated in the addendum from quarantine stations, similar to the procedure for the release of regular foods.

The Minister of Health signed a Record of Regulations – Public Health Protection (Food) Order (Application of EU Directives and Determination of Conditions and Exceptions) (Temporary Order), 2022, which was published in the Gazette of Record on December 28, 2022. The order defines an adjustment period for manufacturers and importers, in which they may work as prescribed in the current legislation, subject to informing the Ministry of Health by means of an online form of the specific foods in which respect they request a period for adjustment and preparation. The maximum transitional period in which the legislation that preceded the new provisions may be followed was extended until March 31, 2024.

Other orders and laws

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 operations 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 Economic Arrangements Law are not expected to have a material effect on the Company’s business results, is forward-looking information as this term is defined in the Securities Law, 1968, 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 outcomes may differ materially from those anticipated.

12. Business Regulation and Changes in the Food Sector in Israel

To the best of the Company’s knowledge, in 2023 a change is expected in the Israeli standard, which is slated to adopt the NSF⁵ standards for drinking water systems – treatment of aesthetic contaminants, treatment of contaminants with health effects, systems for the reduction of microbiological contaminants. The standard is currently being discussed by the Ministry of Economy’s Adoption

⁵ NSF is an American organization that tests and certifies various products, including drinking water treatment products. The organization is engaged in the definition of standards, testing and product certification.

Committee after having passed the “public comment” process. Strauss Water has reviewed the implications and estimates that the impact of the change in the standard will not be significant.

As part of the Economic Arrangements Law for 2023 and 2024, the Promotion of Competition in the Food Sector Law, 2014 was amended in a 3-year temporary order and the following provisions were defined, *inter alia*, which are intended to reduce the conglomerate power of large suppliers and manufacturers: prohibition on a large manufacturer or a supplier that supplies goods of a large manufacturer to merge with a large or mid-sized manufacturer or a supplier that supplies goods of a large or mid-sized manufacturer; prohibition on a large supplier to enter into an arrangement with a large retailer, in which the retailer is granted a discount that is contingent on value or volume purchase targets for more than one product type among the large supplier’s products; and exemption of a large retailer from obtaining the Commissioner’s approval to open another large store in a high-demand area, if, during each of the six months that preceded the date on which the contract was signed, 55% of the large retailer’s sales volume in Israel does not consist of the products of large suppliers. Furthermore, provisions were determined with the intention of facilitating the import of food products, including establishment of a team that will review non-binding standards that are a barrier to trade and cancellation of binding standards by virtue of the Consumer Protection Order (Marking and Packaging of Food Products). The Company reviewed the impact of the Economic Arrangements Law and assessed that the effect on the Company is immaterial.

On May 21, 2023, the Israeli government approved a decision that the Minister of Finance would appoint a public advisory committee and an inter-ministerial team, each of which will include representatives of the public, representatives of the government and a representative of the Bank of Israel. The new committees will be responsible for recommending steps to reduce centralization and increase competition in the food market, and for reviewing the need for additional regulation to mitigate the market power of large retailers. As of the date of this report, the Company is unable to assess the implications of the foregoing on the Company and its financial results.

On June 27, 2023, the Promotion of Competition in the Food Sector Bill (Promotion of Competition in the Food and Toiletries Sector) (Temporary Order), 2023 was published. The bill proposes that a large supplier that supplies the goods of a large manufacturer will not supply retailers with the goods of other large or medium manufacturers. At the present stage, continuation of the legislative process with respect to the bill is uncertain, as is the version of the law that will be passed. Accordingly, as of the date of this report, the Company is unable to estimate the impacts of the law if and insofar as the legislative process is completed.

Further to section 20.4.3 in the Description of the Company’s Business and section 2.2 in the Board of Directors’ Report in the 2022 Periodic Report, on June 5, 2023, officers and employees who were questioned as part of the Competition Authority’s investigation received initial letters informing them that the case had been forwarded for review by the Prosecution Department, which serves as the Competition Authority’s legal department.

On May 21, 2023, the Company and fourteen other companies received a letter from the Supervisor of Prices (hereinafter: the “**Supervisor of Prices**”). In the letter to the Company, the Supervisor of Prices sought to review the need to subject part of the Company’s products to price control under sections 6 and 31 of the Supervision of Prices of Goods and Services Law, 1996 (the “**Supervision Law**”) and demanded that the Company furnish information on the profitability of those products. On June 22,

2023, the Manufacturers Association of Israel and eight other companies, including the Company, submitted a motion to the High Court of Justice for the award of an order nisi, a motion for an interlocutory order and for an urgent hearing of the petition, under the argument that the Supervisor of Prices lacked the authority to demand the information. The High Court granted the petitioners' motion for the award of an interlocutory order and set the date for a hearing for September 7, 2023.

The information contained in this section with respect to the effects of said regulation on the Company is forward-looking information, as this term is defined in the Securities Law, 1968, 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, and as such, its materialization is uncertain, *inter alia*, due to macroeconomic conditions, the final versions that are approved, and other factors.

On February 19, 2023, the Competition Commissioner announced that she had decided to repeal the Rules for the Promotion of Competition in the Food Industry (Exemption for Actions and Arrangements Regarding Product Arrangement in Stores of a Large Retailer) (Temporary Order), 2017 (the "**Shelf Arrangement Exemption**"), and that commencing on January 1, 2024, large suppliers will no longer be permitted to arrange products on the shelves in the stores of large retailers.

At the present stage, in light of numerous objections in the Knesset committees, it is uncertain if the Commissioner will revoke the Exemption, and, if so, when this will take effect. Accordingly, as of the date of this report, the Company is unable to assess the impact of the cancellation of the Exemption if and insofar as it is implemented.

13. Qualitative Disclosure Regarding Market Risk Exposure and Risk Management

The Company operates in business areas that are by nature basic and stable. However, there are several factors and trends that are liable to influence both the scope and profitability of the Company's business. For a description of the market risks to which the Group is exposed, see section 25.1 in the chapter Description of the Company's Business as of December 31, 2022 (Discussion of Risk Factors).

RESULTS OF BUSINESS OPERATIONS

14. Overview of the Results of Business Operations

The Group has several businesses that are operated by jointly controlled entities in which the Company or subsidiaries hold a 50% stake: the coffee business in Brazil (Três Corações (JV)⁶), the dips and spreads business in North America (Sabra Dipping Company), the salty snacks business in Israel (Strauss Frito-Lay Ltd.) and the international dips and spreads business – PepsiCo Strauss Fresh Dips & Spreads International ("Obela"). To clarify, the above companies are included in the management (non-GAAP) reports of the Company according to the stake held by the Company and/or the subsidiaries therein.

⁶ Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

According to generally accepted accounting principles, in the financial statements of the Company, the income statements 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, since in the Group's non-GAAP reports and in view of the method in which Group Management measures the results of the subsidiaries and jointly owned companies, the Group presents the activity 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 data in this manner is different to the manner of their presentation in the audited financial statements of the Company.

The next pages present the management (non-GAAP) reports, the financial accounting (GAAP) reports and the various adjustments made by Company Management in making the transition from the financial accounting reports to the non-GAAP reports.

Following are the condensed results of business operations (based on the non-GAAP reports) for the half-years ended June 30, 2023 and June 30, 2022 (in NIS millions):

Condensed Results of Business Operations				
	First Half			Explanation
	2023	2022	% change	
Sales	5,179	4,548	13.9%	Sales growth is largely due to the International Coffee segment following an increase in sales prices and growth in quantities sold; the Fun & Indulgence segment due to the gradual recovery of the Confectionery Division from the recall; and the Health & Wellness segment due to growth in sales of dairy and dairy alternative beverages and price increases. For further information, see section 18 below.
Organic growth excluding foreign currency effect	10.1%	8.0%		
Cost of sales	3,503	3,195	9.7%	Growth in gross profit and the gross margin is primarily the result of the recall in the corresponding period last year, price increases implemented in several categories and geographies and a decrease in energy prices, which were offset by an increase in the prices of raw milk, cocoa, sugar, plastic and packaging. For further information, see section 19 below.
Gross profit – non-GAAP	1,676	1,353	23.8%	
% of sales	32.4%	29.8%		
Selling and marketing expenses	1,002	924	8.6%	Most of the increase is due to Strauss Coffee and Strauss Israel following sales growth as well as the effects of the recall last year.
General and administrative expenses	302	245	23.3%	Most of the increase is due to an increase in HQ expenses, IT and consulting fees.
Total operating expenses	1,304	1,169		
Share of profit of equity-accounted investees	24	19	26.4%	The increase is largely due to growth in the profits of Haier Strauss Water following sales growth and higher profit margins.
Operating profit before profit of incubator investees	396	203	95.1%	
Share of loss of equity-accounted incubator investees	(17)	1	(1824.5%)	The decline is the result of gains recognized on loss of control in the corresponding period last year.
Operating profit – non-GAAP	379	204	84.6%	Growth in operating profit and the operating margin is largely due to the recall in the corresponding period last year (for further information, see section 4 above), sales growth and price increases, which were offset by raw material costs and higher selling and marketing expenses and HQ expenses.
% of sales	7.3%	4.5%		
Finance expenses, net	(47)	(7)	565.3%	The increase in finance expenses is mainly the result of the revaluation of foreign currency derivatives and exchange rate differences, as well as interest expenses due to debt raised in Israel.
Income before taxes – non-GAAP	332	197	67.5%	
Taxes on income	(85)	(53)	56.5%	The increase in taxes is in alignment with growth in taxable income. The decrease in the effective tax rate is largely the result of the profit mix for tax purposes between the companies in the different countries.
Effective tax rate	25.5%	27.3%		
Income for the period – non-GAAP	247	144	71.7%	Most of the increase in net profit is due to growth in operating profit and was offset by higher finance expenses.
Attributable to shareholders of the Company	219	113	94.5%	
% of sales	4.2%	2.5%		
Attributable to non-controlling interests	28	31	(9.8%)	
EPS (NIS)	1.88	0.97	94.2%	

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

Following are the condensed results of business operations (based on the non-GAAP reports) for the quarters ended June 30, 2023 and June 30, 2022 (in NIS millions):

Condensed Results of Business Operations				
	Second Quarter			Explanation
	2023	2022	% change	
Sales	2,625	2,276	15.3%	Sales growth is largely due to the Fun & Indulgence segment due to the gradual recovery of the Confectionery Division from the recall, and the Health & Wellness segment due to growth in sales of dairy and dairy alternative beverages and price increases. For further information, see section 18 below. Additionally, coffee sales in Brazil increased following growth in sales volumes, as well as in most countries of operations following price increases, and due to the weakening of the Shekel against the Brazilian Real.
Organic growth excluding foreign currency effect	12.4%	4.6%		
Cost of sales	1,786	1,585	12.8%	Growth in gross profit and the gross margin is primarily the result of the recall in the corresponding period last year, price increases implemented in several categories and geographies and a decrease in energy prices, which were offset by an increase in the prices of raw milk, cocoa, sugar, plastic and packaging. For further information, see section 19 below.
Gross profit – non-GAAP	839	691	21.2%	
% of sales	31.9%	30.4%		
Selling and marketing expenses	519	481	8.1%	Most of the increase is due to Strauss Coffee and Strauss Israel following sales growth as well as the effects of the recall last year.
General and administrative expenses	153	109	40.0%	Most of the increase is due to an increase in HQ expenses, IT and consulting fees.
Total operating expenses	672	590		
Share of profit of equity-accounted investees	13	8	66.8%	The change is largely due to growth in the profits of Haier Strauss Water following sales growth and higher profit margins.
Operating profit before profit of incubator investees	180	109	65.1%	
Share of profit of equity-accounted incubator investees	(9)	(7)	23.5%	The increase is due to higher capital losses in the incubator investees compared to the corresponding quarter last year.
Operating profit – non-GAAP	171	102	65.2%	Growth in operating profit and the operating margin is largely due to the effects of the recall on results in the corresponding period (for further information, see section 4 above), sales growth and price increases, which were offset by raw material costs and higher selling and marketing expenses and HQ expenses.
% of sales	6.5%	4.5%		
Finance income (expenses), net	(29)	11	(361.3%)	The increase in finance expenses is mainly the result of the revaluation of foreign currency derivatives and exchange rate differences, as well as interest expenses due to debt raised in Israel.
Income before taxes – non-GAAP	142	113	23.9%	
Taxes on income	(44)	(29)	43.7%	The increase in taxes is in alignment with growth in taxable income. The increase in the effective tax rate is largely the result of the profit mix for tax purposes between the companies in the different countries.
Effective tax rate	30.6%	26.4%		
Income for the period – non-GAAP	98	84	16.8%	
Attributable to shareholders of the Company	85	70	21.3%	Most of the increase in net profit is due to growth in operating profit and was offset by higher finance and tax expenses.
% of sales	3.2%	3.1%		
Attributable to non-controlling interests	13	14	(5.0%)	
EPS (NIS)	0.72	0.60	21.2%	

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

Following are the condensed results of business operations (based on the non-GAAP reports) of the major business segments for the half-years and quarters ended June 30, 2023 and 2022 (in NIS millions):

Condensed Results of Business Operations by Operating Segment						
	First Half			Second Quarter		
	2023	2022	% change	2023	2022	% change
Israel						
Net sales	2,020	1,748	15.6%	971	773	25.7%
Operating profit (loss)	186	(26)	812.5%	77	(11)	808.2%
Coffee						
Net sales	2,506	2,226	12.6%	1,317	1,230	7.1%
Operating profit	190	232	(18.6%)	91	127	(28.7%)
International Dips & Spreads						
Net sales	260	192	35.1%	133	74	80.1%
Operating profit (loss)	(10)	(48)	(79.3%)	(9)	(31)	(71.3%)
Water						
Net sales	392	382	2.5%	204	199	2.1%
Operating profit	45	48	(6.1%)	24	23	3.0%
Other						
Net sales	1	-		-	-	
Operating loss	(32)	(2)	(1405.6%)	(12)	(6)	(94.9%)
Total						
Net sales	5,179	4,548	13.9%	2,625	2,276	15.3%
Operating profit	379	204	84.6%	171	102	65.2%

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

Following are the condensed financial accounting (GAAP) statements of income for the half-years and quarters ended June 30, 2023 and 2022 (in NIS millions):

Condensed GAAP Statements of Income						
	First Half			Second Quarter		
	2023	2022	% change	2023	2022	% change
Sales	3,344	2,932	14.1%	1,631	1,421	14.8%
Cost of sales excluding impact of commodity hedges	2,154	1,975	9.0%	1,048	921	13.8%
Adjustments for commodity hedges ⁽¹⁾	(57)	(4)		(4)	(2)	
Cost of sales	2,097	1,971	6.4%	1,044	919	13.6%
Gross profit	1,247	961	29.8%	587	502	16.8%
% of sales	37.3%	32.8%		36.0%	35.3%	
Selling and marketing expenses	676	664	1.8%	346	340	1.9%
General and administrative expenses	241	213	13.0%	120	106	13.1%
Total expenses	917	877		466	446	
Share of profit of equity-accounted investees	92	72	27.5%	47	27	75.3%
Share of profit of equity-accounted incubator investees	(17)	1	(1824.5%)	(9)	(7)	23.5%
Operating profit before other expenses	405	157	158.2%	159	76	108.6%
% of sales	12.1%	5.4%		9.7%	5.4%	
Other income (expenses), net	61	(31)		(9)	(3)	
Operating profit after other expenses	466	126	271.1%	150	73	106.8%
Finance income (expenses), net	(30)	6	578.0%	(19)	20	(192.2%)
Income before taxes	436	132	231.3%	131	93	40.6%
Taxes on income	(104)	(32)	231.2%	(45)	(24)	86.5%
Effective tax rate	23.9%	23.9%		34.3%	25.9%	
Income for the period	332	100	231.3%	86	69	24.6%
Attributable to: The Company's shareholders	304	69	339.8%	73	55	31.6%
Non-controlling interests	28	31	(8.9%)	13	14	(2.6%)

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

(1) Reflects mark-to-market as of 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.

15. Condensed Statement of Financial Position

Following is the condensed financial accounting (GAAP) statement of financial position as of June 30, 2023 and 2022 (in NIS millions):

Condensed GAAP Statement of Financial Position				
	June 30 2023	Dec. 31 2022	% change	Explanation
Total current assets	2,772	2,478	12.3%	The change is largely due to an increase in trade receivables following sales growth, an increase in other receivables and debit balances, and inventory growth following build-up, and was partially offset by a decrease in cash and cash equivalents.
Of which: Cash and cash equivalents	450	517	(12.9%)	For information on the change in the cash and cash equivalents item, see section 23 below. According to Company policy, these assets are mainly held in liquid deposits.
Total non-current assets	5,312	4,934	7.5%	The change is mostly due to an increase in investments in associates due to the profits of investees and positive translation differences, investments in fixed assets and an increase in right-of-use assets, mainly a new lease for a logistics center in Kfar Masaryk.
Total assets	8,084	7,412		
Total current liabilities	2,598	2,806	(6.9%)	The decline is due to the repayment of short-term loans and a decrease in trade payables.
Total non-current liabilities	2,362	1,917	22.7%	The increase is largely the result of the expansion of Debenture Series F and a new lease for a logistics center in Kfar Masaryk.
Total equity attributable to majority shareholders	2,886	2,483	16.2%	The change is primarily due to income for the period and positive translation differences related to equity-accounted investees, largely due to the weakening of the Shekel against the Brazilian Real.
Total equity attributable to minority shareholders	239	206	15.9%	The increase is due to income attributable to minority shareholders and a transaction with minority shareholders.

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

Following is the outstanding debt balance as of June 30, 2023 and December 31, 2022 (in NIS millions):

Outstanding Debt				
	June 30 2023	Dec. 31 2022	Change	Explanation
Gross debt – non-GAAP reports	3,683	3,260	423	Most of the increase in gross debt is due to the expansion of Debenture Series F, long-term debt raised, and an increase in lease liabilities following the leasing of a logistics center in Kfar Masaryk, which was offset by the repayment of short-term loans.
Gross debt – financial accounting (GAAP) reports	2,881	2,614	267	
Net debt – non-GAAP reports	2,977	2,322	655	
Net debt – financial accounting (GAAP) reports	2,431	2,097	334	

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

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

Adjustments for IFRS 11 – transition from the equity method in the financial accounting (GAAP) reports 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 half-years ended June 30, 2023 and 2022 (in NIS millions):

Adjustments to the Management (Non-GAAP) Reports						
	First Half 2023			First Half 2022		
	Financial State-ments	Change	Propor-tionate consolidation method	Financial State-ments	Change	Propor-tionate consolidation method
Sales	3,344	1,835	5,179	2,932	1,616	4,548
Cost of sales excluding impact of commodity hedges	2,154	1,349	3,503	1,975	1,220	3,195
Adjustments for commodity hedges ⁽¹⁾	(57)	-	(57)	(4)	-	(4)
Cost of sales	2,097	1,349	3,446	1,971	1,220	3,191
Gross profit	1,247	486	1,733	961	396	1,357
% of sales	37.3%		33.5%	32.8%		29.8%
Selling and marketing expenses	676	326	1,002	664	260	924
General and administrative expenses	241	76	317	213	41	254
Share of profit of equity-accounted investees	92	(68)	24	72	(53)	19
Operating profit before profit of incubator investees	422	16	438	156	42	198
Share of profit of equity-accounted incubator investees	(17)	-	(17)	1	-	1
Operating profit before other expenses	405	16	421	157	42	199
% of sales	12.1%		8.1%	5.4%		4.4%
Other income (expenses), net	61	(4)	57	(31)	(10)	(41)
Operating profit after other expenses	466	12	478	126	32	158
Finance income (expenses), net	(30)	(17)	(47)	6	(13)	(7)
Income before taxes	436	(5)	431	132	19	151
Taxes on income	(104)	5	(99)	(32)	(19)	(51)
Effective tax rate	23.9%		22.9%	23.9%		33.8%
Income for the period	332	-	332	100	-	100
Attributable to: Shareholders of the Company	304	-	304	69	-	69
Non-controlling interests	28	-	28	31	-	31

Financial data were rounded to NIS millions. Percentages changes were calculated based on 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 most of the gains or losses arising from commodity derivatives until the date when the inventory is sold to outside parties.

Following are the adjustments to the Company's management (non-GAAP) reports for the quarters ended June 30, 2023 and 2022 (in NIS millions):

Adjustments to the Management (Non-GAAP) Reports						
	Second Quarter 2023			Second Quarter 2022		
	Financial State-ments	Change	Propor-tionate consolidation method	Financial State-ments	Change	Propor-tionate consolidation method
Sales	1,631	994	2,625	1,421	855	2,276
Cost of sales excluding impact of commodity hedges	1,048	738	1,786	921	664	1,585
Adjustments for commodity hedges (1)	(4)	-	(4)	(2)	2	-
Cost of sales	1,044	738	1,782	919	666	1,585
Gross profit	587	256	843	502	189	691
% of sales	36.0%		32.1%	35.3%		30.4%
Selling and marketing expenses	346	173	519	340	141	481
General and administrative expenses	120	40	160	106	8	114
Share of profit (loss) of equity-accounted investees	47	(34)	13	27	(19)	8
Operating profit before profit of incubator investees	168	9	177	83	21	104
Share of profit of equity-accounted incubator investees	(9)	-	(9)	(7)	-	(7)
Operating profit before other expenses	159	9	168	76	21	97
% of sales	9.7%		6.4%	5.4%		4.3%
Other expenses, net	(9)	(1)	(10)	(3)	(10)	(13)
Operating profit after other expenses	150	8	158	73	11	84
Finance income (expenses), net	(19)	(10)	(29)	20	(9)	11
Income before taxes	131	(2)	129	93	2	95
Taxes on income	(45)	2	(43)	(24)	(2)	(26)
Effective tax rate	34.3%		33.1%	25.9%		28.0%
Income for the period	86	-	86	69	-	69
Attributable to: Shareholders of the Company	73	-	73	55	-	55
Non-controlling interests	13	-	13	14	-	14

Financial data were rounded to NIS millions. Percentages changes were calculated based on 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 most of the gains or losses arising from commodity derivatives until the date when the inventory is sold to outside parties.

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 Half			Second Quarter		
	2023	2022	% change	2023	2022	% change
Operating profit (according to the proportionate consolidation method) after other expenses	478	158	201.6%	158	84	85.7%
Share-based payment	15	9		7	5	
Adjustments for commodity hedges ⁽¹⁾	(57)	(4)		(4)	-	
Other expenses, net	(57)	41		10	13	
Operating profit – non-GAAP	379	204	84.6%	171	102	65.2%
Finance income (expenses), net	(47)	(7)		(29)	11	
Taxes on income	(99)	(51)		(43)	(26)	
Taxes in respect of adjustments to the above non-GAAP operating profit	14	(2)		(1)	(3)	
Income for the period – non-GAAP	247	144	71.7%	98	84	16.8%
Attributable to: The Company's shareholders	219	113	94.5%	85	70	21.3%
Non-controlling interests	28	31	(9.8%)	13	14	(5.0%)

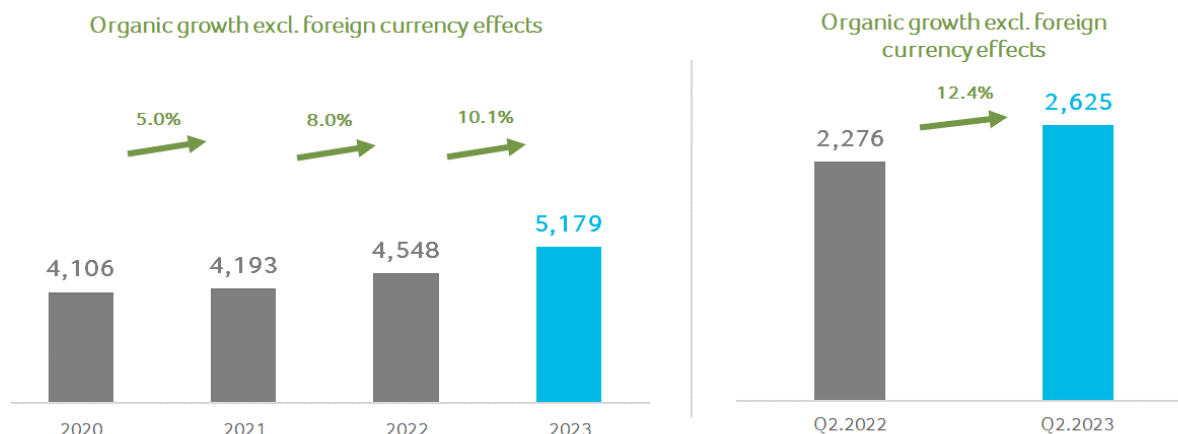
Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

(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 most of the gains or losses arising from commodity derivatives until the date when the inventory is sold to outside parties.

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

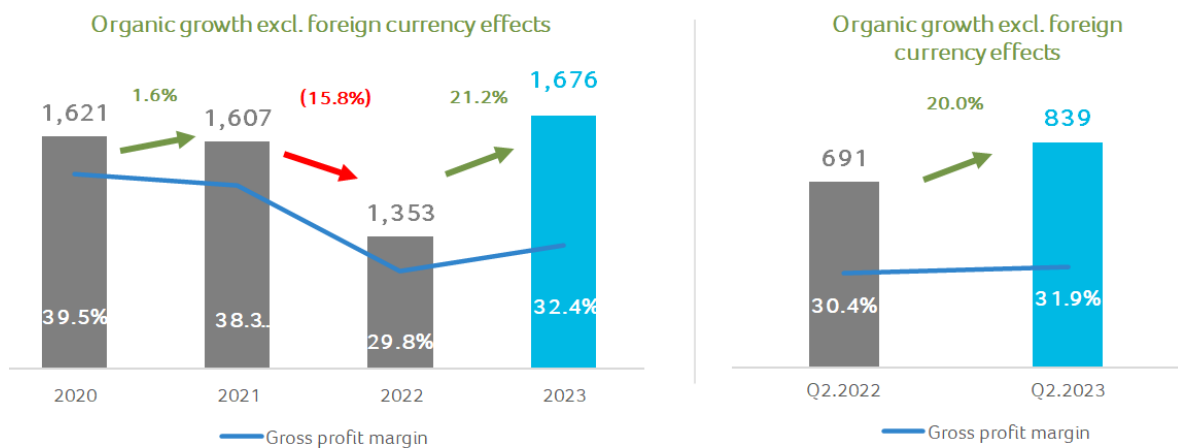
Following are key financial data presented in a quarterly and multi-year comparison, according to the management (non-GAAP) reports:

Net Sales – First Half and Second Quarter



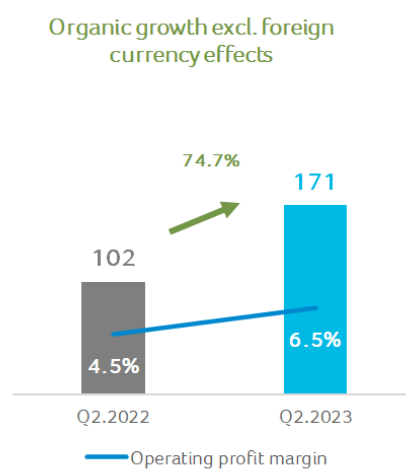
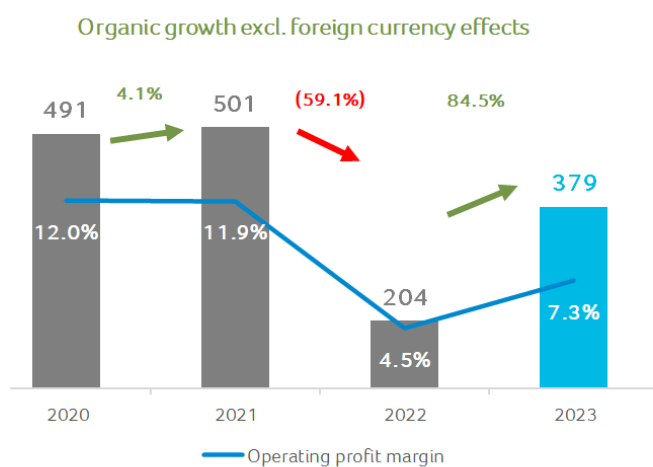
Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

Gross Profit and Gross Margin – First Half and Second Quarter

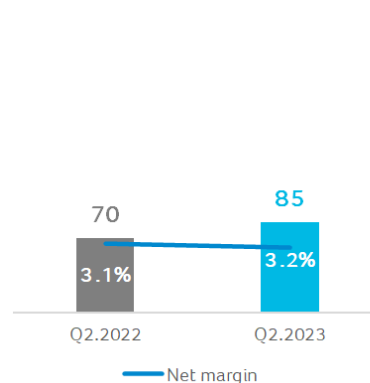
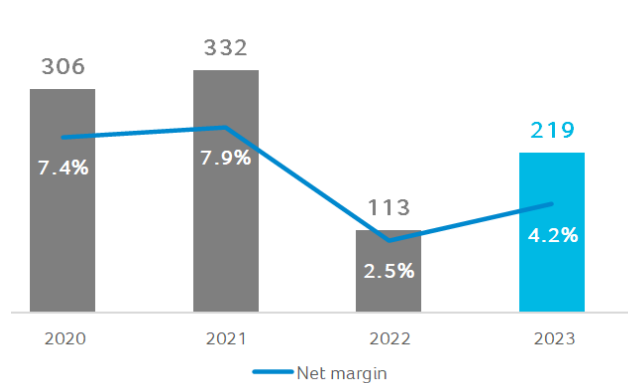


Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

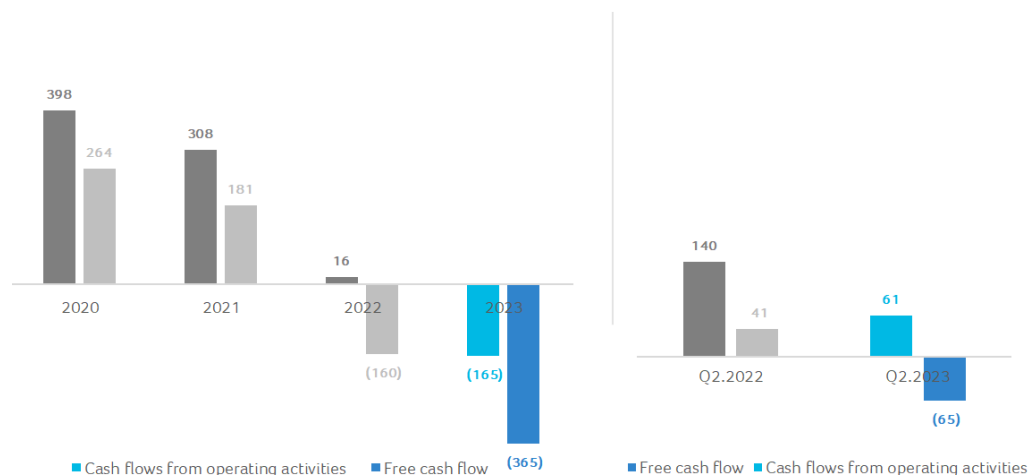
Operating Profit and Operating Margin – First Half and Second Quarter



Net Profit and Net Margin – First Half and Second Quarter



Cash Flows from Operating Activities and Free Cash Flow – First Half and Second Quarter

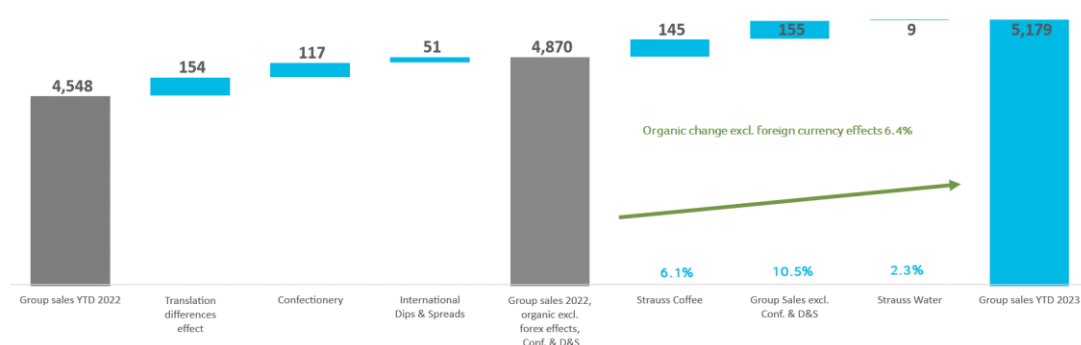


Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

18. Sales – Non-GAAP

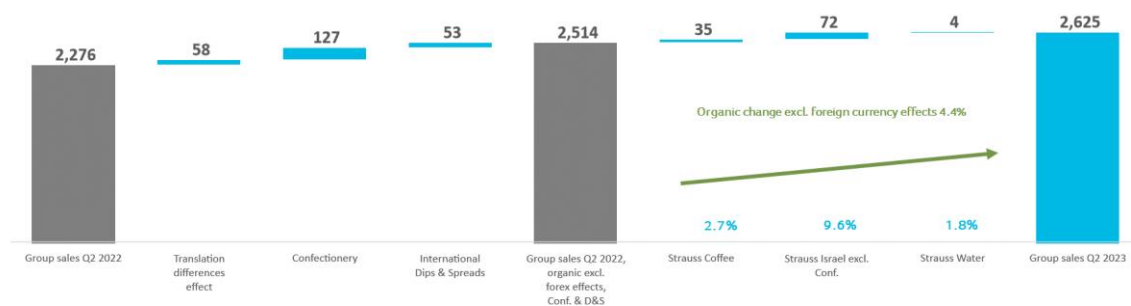
Following are the components of the change in sales in the period in local currency and growth rates according to the Company's major operating segments in local currency, together with the overall impact, mainly of translation differences (the "translation differences effect") and inorganic growth (M&A):

Components of the Change in Sales – First Half



The translation differences effect is calculated according to the average exchange rates in the relevant period. Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

Components of the Change in Sales – Second Quarter



The translation differences effect is calculated according to the average exchange rates in the relevant period. Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

The Group's sales in the first half of 2023 were affected by positive translation differences amounting to NIS 154 million, of which NIS 119 million were due to the strengthening of the Brazilian Real against the Shekel compared to the corresponding period last year.

The Group's sales in the second quarter of 2023 were affected by positive translation differences amounting to NIS 58 million, of which NIS 59 million were due to the strengthening 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:

- See section 22.1 below for further explanations on organic sales growth in the Strauss Israel segment.
- See section 22.2 below for further explanations on organic sales growth in the Strauss Coffee segment.
- See section 22.3 below for further explanations on organic sales growth in the International Dips & Spreads segment.
- See section 22.4 below for further explanations on organic sales growth in the Strauss Water segment.

19. Gross Profit – Non-GAAP

Gross Profit – Non-GAAP								
	First Half				Second Quarter			
	2023	2022	% change	% organic change excluding effect of translation differences into NIS	2023	2022	% change	% organic change excluding effect of translation differences into NIS
Gross profit	1,676	1,353	23.8%	21.1%	839	691	21.2%	20.0%
Gross margin	32.4%	29.8%			31.9%	30.4%		

The Group's non-GAAP gross profit in the first half of 2023 was positively affected by translation differences, which amounted to NIS 30 million and were largely due to the strengthening of the Brazilian Real against the Shekel compared to the corresponding period last year.

The Group's non-GAAP gross profit in the second quarter of 2023 was positively affected by translation differences amounting to NIS 8 million, of which NIS 15 million were due to the strengthening of the Brazilian Real against the Shekel and were offset by the weakening of the Ruble against the Shekel, which accounted for NIS 8 million, compared to last year (see also the exchange rate table in section 8 in this report).

The Group's non-GAAP gross profit in the first half of 2023 rose by NIS 323 million compared to the corresponding period last year. In the second quarter, non-GAAP gross profit rose by NIS 141 million compared to the corresponding period.

- See section 22.1 below for further explanations on the change in gross profit in the Strauss Israel segment.
- See section 22.2 below for further explanations on the change in gross profit in the Strauss Coffee segment.
- See section 22.3 below for further explanations on the change in gross profit in the International Dips & Spreads segment.
- See section 22.4 below for further explanations on the change in gross profit in the Strauss Water segment.

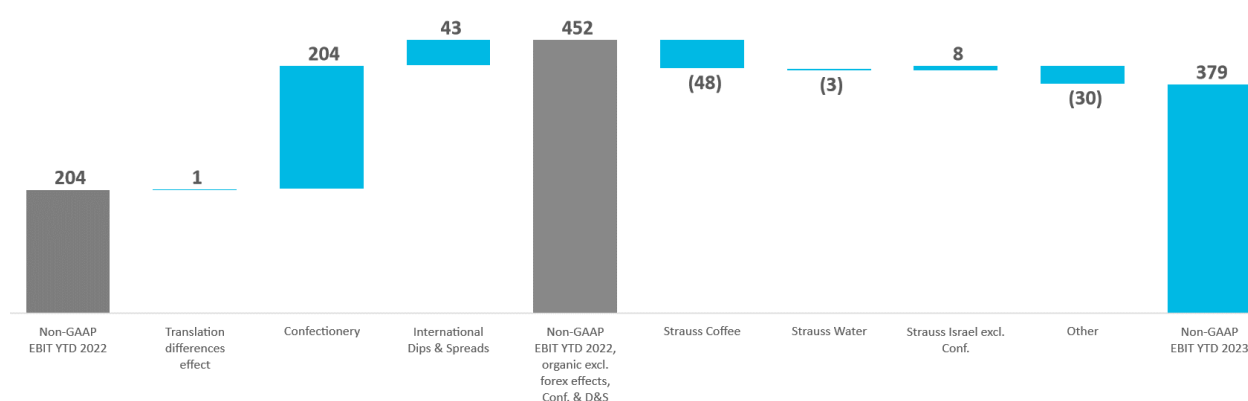
20. Operating Profit Before Other Expenses – Non-GAAP

Operating Profit – Non-GAAP								
	First Half				Second Quarter			
	2023	2022	% change	% organic change excluding effect of translation differences into NIS	2023	2022	% change	% organic change excluding effect of translation differences into NIS
Operating profit	379	204	84.6%	84.5%	171	102	65.2%	74.7%
Operating margin	7.3%	4.5%			6.5%	4.5%		

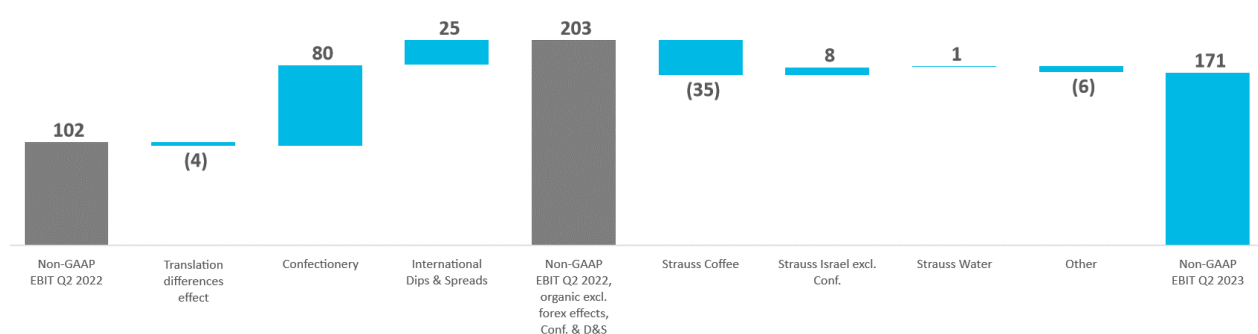
The Group's non-GAAP operating profit (EBIT) in the first half and second quarter of 2023 rose by NIS 173 million and NIS 67 million, respectively, and was not materially affected by exchange rates compared to the corresponding periods last year.

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 the Change in Operating Profit – First Half



Components of the Change in Operating Profit – Second Quarter



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

The change in the Group's operating profit in the second quarter of 2023 was the result of the following:

- See section 22.1 below for further explanations on the change in operating profit in the Strauss Israel segment.
- See section 22.2 below for further explanations on the change in operating profit in the Strauss Coffee segment.
- See section 22.3 below for further explanations on the change in operating profit in the International Dips & Spreads segment.
- See section 22.4 below for further explanations on the change in operating profit in the Strauss Water segment.
- A decline of approximately NIS 32 million in the profit of the Other Operations segment in the first half of 2023 compared to the corresponding period last year was mainly due to higher gains on a decrease in holding rate and loss of control of equity-accounted investees in Strauss's incubator in the corresponding period. For further information, see section 22.5 below.

21. Comprehensive Income for the Period (According to the Financial Accounting (GAAP) Report)

In the first half of 2023, GAAP comprehensive income amounted to NIS 459 million, compared to comprehensive income of NIS 405 million in the corresponding period last year. In the reporting period, gains from translation differences, which are the main component of other comprehensive income, amounted to NIS 116 million, compared to foreign currency translation gains of NIS 301 million in the corresponding period last year.

Foreign currency translation gains in 2023 are largely due to Strauss Coffee's business; of said amount, NIS 110 million are the result of the strengthening of the Brazilian Real against the Shekel compared to exchange rates at the end of 2022.

GAAP comprehensive income in the second quarter of 2023 amounted to NIS 133 million, compared to comprehensive income of NIS 273 million in the same quarter last year. In the reporting period, gains from translation differences, which are the main component of other comprehensive income, were NIS 47 million, compared to foreign currency translation gains of NIS 202 million in the second quarter last year.

Foreign currency translation gains in 2023 are largely due to Strauss Coffee's business; of said amount, NIS 59 million are due to the strengthening of the Brazilian Real against the Shekel compared to exchange rates at the end of 2022.

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

22.1 The Group's activity in Israel

Strauss Group is the second-largest company in the Israeli food market, and in the second quarter of 2023, the Group's value market share according to StoreNext⁷ was 11.9% of the total domestic retail food and beverage market (compared to 11.5% in the corresponding period last year), an increase of 0.4% compared to the corresponding period.

Following are sales by the Group's overall operation in Israel, which includes the Health & Wellness and Fun & Indulgence divisions, the coffee business in Israel and Strauss Water Israel (Tami 4).

⁷ Strauss Water business is not included in StoreNext's market share measurements.

Information on Strauss Group's Sales in Israel							
	First Half			Second Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
The Group's sales in Israel	2,794	2,509	11.4%	1,329	1,143	16.2%	Sales growth in the first half and second quarter of 2023 compared to the same periods last year is largely the result of the repercussions of the recall in the Confectionery Division (for further information, see section 4 above), and growth in the Health & Wellness segment following growth in sales of dairy products and dairy alternatives.

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

In December 2022, the Company updated part of the sell-in prices of its products in Israel after twelve years in which it refrained from raising prices in Israel⁸, by an average of 2.9%.

On May 2, 2023, the Company announced an update of the sell-in prices of its dairy products by an average of 2.33%. The price list was adjusted following the government decision to revise the prices of price-controlled dairy products. The products whose sell-in prices were updated include price-controlled dairy products and other related products, among them the various Yotvata dairy products, Ski cheese, yogurt, cottage cheese, sour cream, whipping cream, and Pro beverages. The products whose prices were revised account for approximately 35% of dairy product sales, and the raw milk they contain is a key raw material. The price revision took effect on May 10, 2023.

On May 15, 2023, the Company announced another update of sell-in prices, applying to products whose prices had not been revised in the past twelve years and were not included in the December 2022 price increase or in the price increase of May 2, 2023, referring to the dairy and dips and spreads products. The increase was prompted by further increases in the prices of raw and packaging materials and industrial inputs, after the Company had implemented significant efficiency enhancements. These products include sweet snack bars, Splendid chocolate tablets, Cheetos and Tapuchips, and Yad Mordechai olive oil. The update is an average of 1.4% and will include a maximum increase of up to 6% per individual product. The revised sell-in tariffs took effect on June 4, 2023, and the update covers a small portion of the ongoing price hikes that the Company has absorbed.

The Company raised its prices following an increase of tens of percent in the costs of raw materials, energy, packaging and other inputs, whose total impact is estimated at around NIS 300 million in 2021 to 2023.

The information contained in this section with respect to the expected effects of the increase in raw material prices and inputs in 2023 is forward-looking information, as this term is defined in the Securities Law, 1968, which is based on the Company's estimates regarding use that will be made by investees, and

⁸ Excluding the prices of price-controlled products.

may not materialize or may materialize differently if the use that is actually made is different to the use anticipated by the Company, and also as a function of changes in prices.

In August 2023, after an eighteen-month pilot test, the Company decided to terminate the frozen ready-to-heat meal business. The amounts involved in the business are immaterial to the Company.

Further to a request by the Competition Authority for the disclosure of comprehensive data by companies operating in the Israeli food market, including the Company, under the Promotion of Competition in the Food Sector Law, 2014, and the Company's reply, in May 2023 the Competition Authority and the Company reached an agreement, pursuant to which the Company would pay NIS 785,622 as an agreed financial penalty, with no admission of liability by the Company or a party on its behalf.

On May 21, 2023, the Company received a request for information from the Ministry of Economy and Industry, as part of a sector-wide request addressed to companies in the food market in connection with a review of the application of price control to products in the coffee and honey categories.

For information on the merger agreement with Wyler Farms Ltd., see section 2.2 above and Note 24.1.5.2 to the Consolidated Financial Statements as of December 31, 2022.

Following are the condensed results of business operations based on the management (non-GAAP) reports of the Israel Operation by activity segment for the half-years and quarters ended June 30, 2023 and 2022:

Condensed Results of Business Operations – the Israel Operation							
	First Half			Second Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Net sales	2,020	1,748	15.6%	971	773	25.7%	Sales growth in the first half and second quarter of 2023 is largely due to the Fun & Indulgence segment due to the recall in the Confectionery Division in the corresponding periods last year (for further information, see section 4 above) and to sales growth in the Health & Wellness segment following growth in sales volumes and price increases. The impact of the price increases was 4.4% and 5.4% in half-year and quarter, respectively. Growth in gross profit and the gross margin is largely due the impact of the recall in the Confectionery Division in the corresponding periods last year, which was partially offset by the increase in the prices of raw milk and other raw materials as well as higher manufacturing costs. Growth in operating profit and the operating margin is largely the result of increased sales and gross profit in light of the recall last year (for further information, see section 4 above).
Gross profit	715	505	41.5%	346	253	36.7%	
Gross margin	35.4%	28.9%		35.7%	32.8%		
Operating profit (loss)	186	(26)	812.9%	77	(11)	808.2%	
Operating margin	9.2%	(1.5%)		7.9%	(1.4%)		

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

Condensed Results of Business Operations by Segment – the Israel Operation							
	First Half			Second Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Health & Wellness							
Net sales	1,497	1,341	11.7%	754	672	12.3%	Growth in sales by the Health & Wellness segment in the first half and second quarter of 2023 compared to the corresponding periods is mainly due to volume growth in most categories, particularly sales of dairy products and dairy alternatives, and price increases introduced in the period. Growth in operating profit and the operating margin is largely due to sales growth, which was offset by raw material costs, including the target price of milk and the prices of packaging, services and energy.
Operating profit	162	146	10.7%	77	64	19.9%	
Operating margin	10.8%	10.9%		10.2%	9.6%		
Fun & Indulgence							
Net sales	523	407	28.6%	217	101	115.1%	The increase in sales and operating profit is the result of the recall in the Confectionery Division (for further information, see section 4 above).
Operating profit	24	(172)	113.7%	–	(75)	99.2%	
Operating margin	4.5%	(42.4%)		(0.3%)	(74.4%)		

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

22.2 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 Euromonitor⁹). Strauss Coffee's brands hold leading positions in Israel and Brazil (where it is ranked as the Number 1 company), and have a strong market presence in Romania, Poland and Serbia (where the Company is ranked in second to third place).

Strauss Coffee's flexible approach in providing a locally tailored response to consumer needs and agile supply chain management, combined with expertise in building partnerships and growth through acquisitions in emerging markets, were the key drivers of this growth.

The Group's local business teams build strong local brands, supported by an efficient centralized management structure. This structure includes a green coffee procurement center in Switzerland, as well as activity in Vietnam and Brazil – major coffee growing regions.

Strauss Coffee also has a global R&D and innovation center in Israel, which focuses on several aspects such as flavor, aroma, freshness, quality and improving production yield, as part of the Group's belief in ensuring sustainable coffee production. The Company also has a program in place for supporting local farmers around the world and collaborates with 4C (the Common Code for the Coffee Community), whose aim is to anchor sustainability in coffee supply chains.

⁹ Excluding mixes, including 100% of Três Corações (JV)'s market share.

In Brazil (through Três Corações (JV)¹⁰), Israel, Russia and Eastern European countries, the Group manufactures, markets and distributes a variety of coffee products – roast and ground (R&G) coffee (including filter coffee, roasted coffee beans and coffee capsules), instant coffee (including soluble coffee powder and freeze-dried soluble 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 64 points of sale countrywide (as of June 30, 2023), 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 dairy alternatives and juice powders.

In the second quarter of 2023, the average market price of Arabica green coffee declined by 18% compared to the corresponding period last year, whereas the average market price of Robusta green coffee rose by 26% compared to last year. During the period, the price of Robusta peaked at 2,930.

In the second quarter of 2023, the prices of various coffee products were raised in Romania and Poland, and in June, the prices of soluble coffee, freeze-dried coffee and capsules were raised in Israel with the aim of contending with the increase in green coffee prices (for further information, see section 22.1 above).

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

For information on the fighting between Russia and Ukraine, see section 5 above.

On May 23, 2023, the Company announced that Strauss Coffee had signed an agreement for the sale of 100% of its holding in Strauss Adriatic d.o.o. (hereinafter: the "Company in Serbia") to Atlantic Grupa d.d. (hereinafter: the "Agreement"). For information on the business of the Company in Serbia, see section 9.3 in the Description of the Company's Business in the 2022 Periodic Report.

According to the Agreement, the consideration for the sale is approximately EUR 40.5 million, gross, which shall be paid to Strauss Coffee at the closing, subject to the adjustment of the consideration for the cash balances, financial debt and working capital of the Company in Serbia on the closing date, as shall be prescribed in a detailed agreement. The buyers shall have the right to withdraw from the Agreement only to the extent that a material deviation from the representations made by Strauss Coffee in the Agreement is discovered. The closing is subject to the receipt of approval from the Serbian Commission for Protection of Competition. As of the publication date of this report, the approval has not yet been received, and it is presently uncertain if, and under what conditions, it will be received.

If as the transaction is indeed completed for the above consideration, as of June 30, 2023 the Company is expected to record a net loss in its consolidated financial statements at an amount of NIS 16 million,

¹⁰ Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

comprising a profit of NIS 73 million from the transaction, less a loss of NIS 89 million arising from the realization of the foreign currency translation reserve attributable to the Company in Serbia.

The information contained in this section with respect to the expected effects of the closing of the transaction on the Company's Consolidated Financial Statements is forward-looking information, as this term is defined in the Securities Law, 1968. The information may not materialize or may materialize differently than described, *inter alia*, if the transaction is not closed and a detailed agreement is not signed following failure to satisfy the suspending conditions and/or as a result of adjustments to the consideration, as described above.

Following are the condensed results of business operations based on the management (non-GAAP) reports of the Coffee Operation by reportable segments for the half-years ended June 30, 2023 and 2022 (in NIS millions):

Condensed Results of Business Operations – The Coffee Operation				
	First Half			Explanation
	2023	2022	% change	
Israel Coffee				
Net sales	407	395	3.0%	Sales growth in the first half of 2023 compared to the corresponding period is mainly the result of increased sales by the Elite Café chain.
Operating profit	53	67	(22.4%)	The change in operating profit and the operating margin is largely the result of the rise in raw and packaging material costs and increased overhead.
Operating margin	12.9%	17.2%		
International Coffee				
Net sales	2,099	1,831	14.6%	Growth in coffee sales in local currency in most regions largely reflects price increases following the rise in green coffee prices and volume growth in sales in Brazil and Russia. Coffee sales in the first half of 2023 were favorably affected by the weakening of the Shekel against most of the relevant currencies compared to the corresponding period last year, mainly the Brazilian Real and the Polish Zloty.
Operating profit	137	165	(17.1%)	The decline in operating profit and the operating margin of the International Coffee segment in the first half of 2023 is mainly due to the impact of raw material and input prices.
Operating margin	6.5%	9.0%		
Total Strauss Coffee				
Net sales	2,506	2,226	12.6%	In the first half of 2023, sales by the Coffee Operation increased by NIS 280 million compared to the corresponding period.
Organic growth excluding foreign currency effect	6.1%	37.3%		Translation differences into Shekels in the first half of 2023 had a favorable effect on sales by the Coffee Operation and amounted to NIS 136 million, of which the positive effect of the change in the average exchange rate of the Brazilian Real against the Shekel accounted for NIS 119 million, and the change in the average exchange rates of the Polish Zloty and the Romanian Leu accounted for NIS 13 million and NIS 8 million, respectively.
Gross profit	699	655	6.6%	The increase in gross profit in the first half of 2023 is due to growth in sales volumes in Brazil and to higher sales prices in most countries of operations.
Gross margin	27.9%	29.4%		The decline in the gross margin is due to higher raw material prices.
Operating profit	190	232	(18.6%)	The change in operating profit and the operating margin is largely due to the change in gross profit and the gross margin as mentioned, as well as an increase in selling expenses compared to the corresponding period last year.
Operating margin	7.6%	10.5%		

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

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 June 30, 2023 and 2022 (in NIS millions):

Condensed Results of Business Operations – The Coffee Operation				
	Second Quarter			Explanation
	2023	2022	% change	
Israel Coffee				
Net sales	169	180	(6.1%)	The decline in sales in the second quarter of 2023 compared to the corresponding period is mainly the result of the timing of Passover, since most of the holiday sales this year were in the first quarter, whereas last year's Passover sales were split between the first and second quarters. This was partially offset by growth in sales by the Elite Café chain. The change in operating profit and the operating margin is largely the result of the increase in green coffee prices and in the costs of packaging, energy and transport.
Operating profit	14	20	(33.5%)	
Operating margin	8.2%	11.6%		
International Coffee				
Net sales	1,148	1,050	9.3%	Growth in coffee sales in local currency in most regions largely reflects price increases following the rise in green coffee prices in some units. Coffee sales in the second quarter of 2023 were favorably affected by the weakening of the Shekel against most of the relevant currencies, mainly the Brazilian Real, compared to the corresponding period last year. The decline in operating profit and the operating margin of the International Coffee segment in the second quarter of 2023 is mainly due to a decline in the operating profit of Três Corações (JV) ¹¹ and Russia.
Operating profit	77	107	(27.7%)	
Operating margin	6.7%	10.2%		
Total Strauss Coffee				
Net sales	1,317	1,230	7.1%	In the second quarter of 2023, sales by the Coffee Operation increased by NIS 87 million compared to the corresponding period. Translation differences into Shekels in the second quarter of 2023 had a favorable effect on sales by the Coffee Operation and amounted to NIS 52 million, of which the positive effect of the change in the average exchange rate of the Brazilian Real against the Shekel accounted for NIS 59 million. The decline in gross profit in the second quarter of 2023 is due to an increase in raw material prices and manufacturing costs, and was partially offset by growth in quantities sold in some regions. The decline in the gross margin is due to an increase in green coffee prices and an increase in manufacturing costs across all regions. By contrast, gross profit was favorably affected by the weakening of the Shekel, notably against the Brazilian Real, compared to the corresponding period last year.
Organic growth excluding foreign currency effect	2.7%	38.3%		
Gross profit	357	360	(1.2%)	
Gross margin	27.1%	29.3%		The decline in operating profit and the operating margin is largely due the increase in raw material prices, as well as to a decline in the operating profit of Três Corações (JV) and Russia.
Operating profit	91	127	(28.7%)	
Operating margin	6.9%	10.4%		

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

¹¹ Três Corações – Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%)).

22.2.1 Sales by the Coffee Operation by Major Geographical Regions

Following are sales by the Coffee Operation in the major geographical regions (not including intercompany transactions) and growth rates for the half-years ended June 30, 2023 and 2022 (in NIS millions):

Sales by the Coffee Operation in Major Geographical Regions					
Geographical region	First Half				Explanation
	2023	2022	% change	% change in local currency ⁽¹⁾	
Israel Coffee	407	395	3.0%	3.0%	Sales growth in the first half of 2023 compared to the corresponding period last year is mainly the result of growth in sales by the Elite Café chain.
International Coffee					
Brazil (Três Corações (JV)) ^{(2) (3)} – 50%	1,404	1,264	11.1%	1.7%	Growth in Três Corações (JV)'s ¹² sales in local currency is largely due to an increase in sales volumes. The Company's sales in the first half of 2023 were favorably affected by the weakening of the Shekel against the Brazilian Real by NIS 119 million compared to last year.
Russia and Ukraine	336	283	18.5%	22.5%	Sales growth in local currency is largely due to higher sales prices and growth in quantities sold. The Company's sales in the first half of 2023 were adversely affected by NIS 10 million following changes in exchange rates compared to the corresponding period last year.
Poland	169	135	25.2%	14.6%	Sales growth in local currency compared to the same period last year is largely due to higher sales prices. The Company's sales in the first half of 2023 were favorably affected by the weakening of the Shekel against the Polish Zloty by NIS 13 million compared to last year.
Romania	111	86	29.2%	18.1%	Sales growth in local currency is largely due to higher sales prices. The Company's sales in the first half of 2023 were favorably affected by the weakening of the Shekel against the Romanian Leu by NIS 8 million compared to last year.
Serbia	79	63	25.4%	14.8%	Sales growth in local currency is largely due to higher sales prices. The Company's sales in the first half of 2023 were favorably affected by the weakening of the Shekel against the Serbian Dinar by NIS 6 million compared to last year.
Total International Coffee	2,099	1,831	14.6%	6.7%	
Total Coffee	2,506	2,226	12.6%	6.1%	

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

(1) The growth rate in local currency neutralizes the effect of changes in 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% by São Miguel Group. (Data reflect Strauss Coffee's share (50%)).

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

¹² Três Corações – Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%)).

Following are sales by the Coffee Operation in the major geographical regions (not including intercompany transactions) and growth rates for the quarters ended June 30, 2023 and 2022 (in NIS millions):

Sales by the Coffee Operation in Major Geographical Regions					
Geographical region	Second Quarter				Explanation
	2023	2022	% change	% change in local currency ⁽¹⁾	
Israel Coffee	169	180	(6.1%)	(6.1%)	The decline in sales in the second quarter of 2023 compared to the corresponding period is mainly the result of the timing of Passover, since most of the holiday sales this year were in the first quarter, whereas last year's Passover sales were split between the first and second quarters. This was partially offset by growth in sales by the Elite Café chain.
International Coffee					
Brazil (Três Corações (JV)) ^{(2) (3)} – 50%	783	705	11.1%	2.4%	Growth in Três Corações (JV)'s ¹³ sales in local currency is largely due to an increase in sales volumes and was offset by a drop in sales prices. The Company's sales in the second quarter of 2023 were favorably affected by the weakening of the Shekel against the Brazilian Real by NIS 59 million compared to the corresponding period last year.
Russia and Ukraine	171	191	(10.7%)	4.2%	Sales growth in local currency is largely due to the increase in sales prices. However, the Company's sales in the second quarter of 2023 were adversely affected by NIS 28 million following changes in exchange rates compared to the corresponding period last year.
Poland	90	71	25.9%	10.9%	Sales growth in local currency is largely due to higher sales prices. The Company's sales in the second quarter of 2023 were favorably affected by the weakening of the Shekel against the Polish Zloty by NIS 10 million compared to the corresponding period last year.
Romania	60	48	26.2%	12.7%	Sales growth in local currency is largely due to higher sales prices. The Company's sales in the second quarter of 2023 were favorably affected by the weakening of the Shekel against the Romanian Leu by NIS 6 million compared to last year.
Serbia	44	35	25.8%	12.6%	Sales growth in local currency is largely due to higher sales prices. The Company's sales in the second quarter of 2023 were favorably affected by the weakening of the Shekel against the Serbian Dinar by NIS 4 million compared to last year.
Total International Coffee	1,148	1,050	9.3%	4.2%	
Total Coffee	1,317	1,230	7.1%	2.7%	

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

(1) The growth rate in local currency neutralizes the effect of changes in 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% by São Miguel Group. (Data reflect Strauss Coffee's share (50%)).

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

¹³ Três Corações – Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%)).

22.2.2 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 half of 2023, Três Corações (JV)'s¹⁴ average value market share in roast and ground (R&G) coffee was approximately 33.8%, compared to 32.7% in the corresponding period last year. In the financial statements (GAAP) report, the Group's share of the joint venture is accounted for in the equity method.

Following are selected financial data 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							
	First Half			Second Quarter			Explanation
	2023	2022	% organic change in local currency	2023	2022	% organic change in local currency	
Sales	1,984	1,948	1.8%	1,065	1,038	2.6%	The increase in sales mainly reflects growth in quantities sold.
Gross profit	450	465	(3.2%)	237	245	(3.3%)	The decline in gross profit and the gross margin is largely the result of the drop in sales prices and was partially offset by the increase in sales volumes.
Gross margin	22.7%	23.9%		22.2%	23.6%		
Operating profit before other income/expenses	96	176	(45.1%)	53	88	(13.4%)	The decline in operating profit and the operating margin is largely the result of the decline in gross profit and the gross margin, as well as an increase in selling and marketing expenses.
Operating margin	4.9%	9.0%		(0.2%)	8.4%		

Financial data were rounded to BRL millions. Percentages changes were calculated based on the exact figures in BRL thousands.

Following are selected data 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						
	First Half			Second Quarter		
	2023	2022	% change	2023	2022	% change
Sales	1,410	1,267	11.3%	786	705	11.3%
Gross profit	320	301	6.1%	175	166	5.3%
Operating profit before other income/expenses	69	113	(39.3%)	40	60	(33.7%)

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

¹⁴ Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% by São Miguel Group. (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

22.3 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 and New Zealand. The operations of Sabra and Obela are each carried out through joint ventures between the Group and PepsiCo (50/50). In the financial accounting reports, the Group's share of the operations of Sabra and Obela is accounted for in the equity method.

In February 2022, the board of directors of Sabra approved an adjustment plan for Sabra's manufacturing site in Virginia, USA. The plan was approved following the receipt of a warning letter from the FDA, dated December 1, 2021, further to tests carried out by the FDA at the plant in April and May 2021. On April 6, 2022, the Company reported that due to further disruptions in Sabra's manufacturing organization, material delays and changes were expected in the scope and schedules of the adjustment plan at the plant. The disruptions to the adjustment plan caused a prolonged suspension of production in April 2022. In May 2022, the FDA conducted an extensive audit of the plant and retracted the warning letter. In August 2022, the plant resumed production at full capacity, which gradually lead to growth in inventory levels as well as a gradual increase in sales volumes. Nonetheless, sales volumes have not yet returned to their level prior to the decision on the adjustment plan. In 2022, the Company recognized income from indemnity insurance in respect of the recall and shutdown of the Nof Hagalil plant and the shutdown of the Sabra plant, at an aggregate amount of NIS 65 million (according to the Company's stake in Sabra), which was received from the insurance company in cash during 2022 and was not disputed at the time of receipt.

In March 2023, Sabra's insurer filed a motion for declaratory relief with the US court under the argument that the insurance company had overpaid Sabra. The Company rejects this argument outright and is of the view that the insurance company is required to make further payments. However, in view of the insurance company's position, in the financial statements for 2022 the Company recognized income in respect of the insurance payout at an amount of only NIS 30 million (the Company's share), which is the sum in which respect the insurance company did not argue overpayment. As stated, the Company is of the view that the amounts received in cash are owed to it in accordance with the insurance policy. Moreover, the coverage amounts in the policy are significantly higher than the amount that was received in cash, and accordingly, the Company will take steps to receive the full amount owing to it under the insurance policy according to legal advice. For further information, see Note 4.2 to the Consolidated Financial Statements as of June 30, 2023.

According to IRI, Sabra's average value market share of the hummus market in the quarter ended June 30, 2023 was approximately 38.5% (Number 1 in the market) compared to 33% in the corresponding period last year. A gradual increase in market share has been observed, which has also continued after the reporting period. In July, Sabra's market share in North America rose to 40.8%.

Until February 2023, the Group was also active in Western Europe under the Florentin brand. Following the discontinuation of the business in February, Obela recognized an impairment loss on assets. Consequently, the Company recognized a loss, according to its stake in the investee, at an amount of NIS 23 million, of which NIS 20 million were recognized in 2022. The expense was included in the share of profit of equity-accounted investees line item in the financial accounting (GAAP) income statement. For further information, see Note 4.1 to the Consolidated Financial Statements as of June 30, 2023.

22.3.1 Sabra

Following are selected financial data on Sabra's business (in USD millions, reflecting 50% ownership):

Condensed Results of Business Operations – Sabra							
	First Half			Second Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Sales	62	47	32.7%	32	16	96.0%	Sales growth in the first half and second quarter of 2023 is mainly due to the suspension of operations at the plant at the end of March 2022 and their partial resumption some two months later.
Operating loss before other expenses	(2)	(14)	85.9%	(2)	(9)	81.4%	The decline in operating loss in the first half and second quarter of 2023 is mainly the result of lower manufacturing costs after the adjustments at the plant, as well as the significant decline in sales in the corresponding periods last year due to the closure of the plant.
Operating margin	(2.9%)	(28.6%)		(4.4%)	(52.0%)		

Financial data were rounded to USD millions. Percentages changes were calculated based on the exact figures in USD thousands.

Following are selected financial data on Sabra's business (in NIS millions, reflecting 50% ownership):

Condensed Results of Business Operations – Sabra						
	First Half			Second Quarter		
	2023	2022	% change	2023	2022	% change
Sales	221	151	46.3%	116	54	113.7%
Operating loss before other expenses	(6)	(43)	124.4%	(5)	(28)	81.8%
Operating margin	(2.9%)	(28.6%)		(4.4%)	(52.0%)	

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

22.3.2 Obela

Following are selected financial data on Obela's business (in NIS millions, reflecting 50% ownership):

Condensed Results of Business Operations – Obela						
	First Half			Second Quarter		
	2023	2022	% change	2023	2022	% change
Sales	39	41	(5.8%)	17	20	(11.9%)
Growth excluding foreign currency effects	(10.8%)	2.5%		(16.8%)	(0.1%)	
Operating loss	(4)	(5)	30.6%	(4)	(3)	(22.3%)

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

22.4 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. Operations are carried out mainly in Israel and the UK. Strauss Water also has a material investment (49%) in an associate (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 consumable 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 service 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.

In January 2023, Strauss Water announced the expansion of its business in Britain through a partnership with Culligan Water, which acquired a 49% stake in Strauss Water's business in the UK. The partnership will operate under the Virgin Pure brand with the goal of making safe water solutions available to more communities around the world, realizing growth potential and expanding the product offering to British households.

The information contained in this section regarding the realization of growth potential is forward-looking information as this term is defined in the Securities Law, 1968, 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 outcomes may differ materially from those anticipated.

Following are the condensed results of business operations based on the management (non-GAAP) reports of Strauss Water for the half years and quarters ended June 30, 2023 and 2022 (in NIS millions):

Condensed Results of Business Operations – Strauss Water							
	First Half			Second Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Net sales	392	382	2.5%	204	199	2.1%	Sales growth in the first half and second quarter of 2023 compared to the corresponding periods last year is largely due to growth in the customer base and in sales of new appliances.
Operating profit	45	48	(6.1%)	24	23	3.0%	The decline in operating profit and the operating margin in the first half of 2023 is largely the result of a higher cost of sales due to raw material costs, as well as a subsidy received by Strauss Water’s associate in the corresponding period last year. Growth in operating profit and the operating margin in the second quarter of 2023 is mainly the result of an increase in the profits of the associate in China, and was offset by the increase in raw material costs and gross profit erosion.
Operating margin	11.6%	12.7%		11.8%	11.7%		

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

22.4.1 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 Half			Second Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Sales	765	693	10.3%	392	350	11.9%	Sales growth in the first half and second quarter of 2023 is the result of growth in sales volumes.
Net profit	93	84	10.6%	46	33	37.3%	Growth in net profit in the first half and second quarter of 2023 compared to the corresponding periods last year is primarily the result of sales growth.

Financial data were rounded to RMB millions. Percentages changes were calculated based on 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 Half			Second Quarter		
	2023	2022	% change	2023	2022	% change
Sales	395	351	12.5%	204	178	14.6%
Net profit	48	42	13.3%	24	17	40.0%

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

In December 2022, the board of directors of HSW approved the establishment of another production site in China, which is expected to become operational during 2025. The investment is aligned with HSW's growth and market leadership strategy, which is supported by the establishment of a second site for in-house production in the POU category.

22.5 Other Operations

Since its establishment in January 2015 through to the date of this report, the FoodTech incubator has invested in 25 companies, some of which have completed product development, commenced initial sales and raised further funds. 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 2022 Periodic Report. In October 2022, The Kitchen Hub 2.0 launched its activity. For further information, see section 15 in the Description of the Company's Business. In the second quarter of 2023, the incubator invested in three startups, and overall, in the first half of the year the incubator invested in a total of five startups.

On June 30, 2023, the total value of investments in incubator investees, which are presented in the financial statements according to the equity method, was NIS 116 million (on June 30, 2022: NIS 150 million). The fair value of these investments on said date was NIS 613 million (on June 30, 2022: NIS 559 million).

The fair value of each company is based on the data of the most recent funding round completed, multiplied by the Company's stake in that company, other than two 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 publication date of the report.

Since the beginning of 2023, a downward trend has been observed in fundraising by Israeli hi-tech companies, which could have an impact on the incubator investees' ability to raise capital.

To the best of the Company's knowledge, the cash flows provided by the above funding round 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 losses on the profit of the incubator companies, which is likely to reduce all or part of the gains recognized in the reporting period.

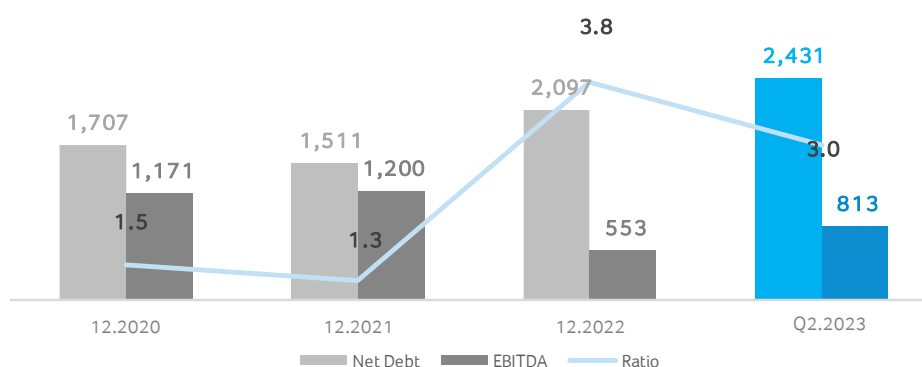
The information contained in this section with respect to expected losses is forward-looking information as this term is defined in the Securities Law, 1968, which is based on the Company's estimates with

respect to uses to be made by the investees. Actual outcomes 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

4.4	Aa1il	iAA+	2,881	2,431
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 based on the exact figures in NIS thousands.

The decline in the net debt-to-EBITDA ratio is mainly due to the increase in profit owing to the impacts of the recall in the Confectionery Division in the corresponding period (see section 4 above). On the other hand, debt increased, largely as a result of new lease agreements (for further information, see Note 4.4 to the Condensed Consolidated Interim Financial Statements as of June 30, 2023).

23. Liquidity

23.1 Credit rating

According to an Immediate Report of April 3, 2023 (reference no. 2023-15-033403), the Company announced the reaffirmation of an iAA+ rating with negative outlook by Standard & Poor's Maalot. According to an Immediate Report of January 8, 2023 (reference no. 2023-01-004635), the Company announced an iAA+ rating with negative outlook by S&P Maalot for the Series F expansion of up to NIS 375 million face value of debentures.

According to an Immediate Report of June 7, 2023 (reference no. 2023-01-053767), the Company announced the reaffirmation of an Aa1.il rating with negative outlook by Midroog.

According to an Immediate Report of January 8, 2023 (reference no. 2023-01-004563), the Company announced Midroog's Aa1.il rating with negative outlook for the Series F expansion of up to NIS 375 million face value of debentures.

In January 2023, the Company raised NIS 375 million face value in an expansion of its Debenture Series F. The proceeds from the issue were NIS 314 million, net of issuance costs, and are serving the Company to repay credit from banks and others and to fund its current operations. For further information, see Note 8.3 to the Consolidated Financial Statements as of June 30, 2023.

23.2 Cash flows

Following is information on cash flows provided by the Group's operating activities and used in investing and financing activities:

Cash Flows				
	First Half			Explanation
	2023	2022	Change	
Cash flows provided by operating activities	4	89	(85)	The decline is largely due to higher interest and tax paid compared to the corresponding period last year. Growth in EBITDA, which was mainly affected by the recall last year (for further information, see section 4 above), was fully offset by a negative change in working capital, mainly in trade receivables and inventory.
Cash flows used in investing activities	(119)	(167)	48	The change is largely due to income from the sale of real property in Safed.
Cash flows used in financing activities	37	(67)	104	Most of the change is due to the proceeds of the issue of debentures in the reporting period, which was offset by higher repayment of short-term credit and long-term loans in the current period compared to last year, and a dividend paid in the corresponding period.

Financial data were rounded to NIS millions.

Cash Flows				
	Second Quarter			Explanation
	2023	2022	Change	
Cash flows provided by operating activities	59	120	(61)	The decline is largely due to a greater negative change in working capital compared to the corresponding period, as well as tax payments in the current quarter versus tax rebates received in the corresponding period, and was offset by growth in EBITDA in light of the recall in the same quarter last year (for further information, see section 4 above).
Cash flows used in investing activities	(48)	(78)	30	The change is largely due to a dividend received from an associate in the current quarter.
Cash flows used in financing activities	(45)	(115)	70	Most of the change is due to a dividend paid to shareholders in the corresponding period, which was offset by loans received net of lower loan repayments in the current quarter compared to the corresponding period.

Financial data were rounded to NIS millions.

23.3 Average credit levels

Following is information on the average level of credit:

Average Credit Volumes							
	First Half			Second Quarter			Explanation
	2023	2022	change	2023	2022	change	
Long-term credit according to the non-GAAP reports	3,350	2,554	796	3,470	2,650	820	The increase in long-term credit in the non-GAAP reports is largely due to the Series F expansion and additional loans taken in the current period, new leases, and the impact of translation differences on outstanding debt, mainly in Brazil.
Average short-term credit according to the non-GAAP reports	122	200	(78)	93	263	(170)	
Long-term credit according to the financial accounting (GAAP) reports	2,753	2,196	557	2,852	2,269	583	The change in short-term credit is due to lower utilization of lines of credit by the Group in the current period.
Average short-term credit according to the financial accounting (GAAP) reports	38	97	(59)	8	156	(148)	The increase in long-term credit in the financial accounting (GAAP) reports is largely due to the Series F expansion and additional loans taken in the current period.

Financial data were rounded to NIS millions.

23.4 Status of Liabilities Report according to repayment dates

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

23.5 Net working capital

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

Change in Net Working Capital				
	First Half		Second Quarter	
	2023	2022	2023	2022
Change in net working capital according to the financial accounting (GAAP) reports	(350)	(103)	(84)	(14)
Change in net working capital according to the management (non-GAAP) reports	(618)	(285)	(129)	(38)

Financial data were rounded to NIS millions.

23.6 Customer and supplier financing arrangements

From time to time, the Group executes non-recourse factoring transactions in accounts receivable, as well as reverse factoring transactions in supplier credit. For further information, see Note 4.6 to the Condensed Consolidated Interim Financial Statements as of June 30, 2023 and Note 17.2 to the Consolidated Financial Statements as of December 31, 2022.

23.7 Additional information on liquidity and operating cash flow

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

Additional information		
	June 30, 2023	December 31, 2022
Liquidity ratio	1.06	0.88
Liabilities in respect of long-term loans and credit (including current maturities)	2,881	2,403
Short-term credit (excluding current maturities)	-	211
Supplier credit	1,156	1,186
Ratio of equity attributable to shareholders of the Company to total assets on the Company's consolidated statement of financial position	35.7%	33.5%
Financial debt-to-EBITDA ratio	3.0	3.8
Equity attributable to shareholders of the Company	2,881	2,483

Financial data were rounded to NIS millions.

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

Distribution of EBITDA Between the Group's Operating Segments						
	First Half			Second Quarter		
	2023	2022	% change	2023	2022	% change
Strauss Israel	270	54	403.2%	119	29	316.3%
Health & Wellness	210	192	9.4%	101	88	15.5%
Fun & Indulgence	60	(138)	142.8%	18	(59)	129.2%
Strauss Coffee	257	292	(12.2%)	125	159	(21.8%)
Israel Coffee	75	87	(14.9%)	25	31	(22.8%)
International Coffee	182	205	(11.2%)	100	128	(21.6%)
International Dips & Spreads	4	(32)	113.9%	(3)	(22)	90.7%
Strauss Water	70	72	(3.0%)	37	35	4.1%
Other Operations	(16)	9	(276.6%)	(3)	-	(959.5%)
Total	585	395	48.1%	275	201	36.6%

Financial data were rounded to NIS millions.

24. Disclosure Regarding 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 second quarter of 2023 there is a working capital deficiency of NIS 551 million. There is no working capital deficiency in the Consolidated Financial Statements of the Company for the second quarter. The cash flow from operating activities in the Solo Report is negative and amounts to NIS 161 million. In view of the working capital deficiency in the Solo Report, on August 15, 2023, 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 of June 30, 2023, and is also based on information 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 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 they operate. The Board of Directors also reviewed sensitivity analyses of the Company's projected cash flows for the next two years, including reference to possible developments and consequences of COVID-19, 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 cash flows in the period since the end of 2022 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, materialize, or that they will not materialize in a different form, including materially, than estimated, among other things due to market behavior and the occurrence of the risk factors set forth in section 25 in the Description of the Company's Business chapter in the 2022 Periodic Report.

25. Information on Debenture Series

Following is financial information on the debenture series as of June 30, 2023.

Information on the Debenture Series		
	Series E Debentures	Series F Debentures
A. Nominal/par value	482	1,075
B. Carrying value of debentures	481	1,009
C. Carrying value of interest payable	-	-
D. Market value	459	878

On June 30, 2023, equity attributable to shareholders of the Company was NIS 2,881 million. The financial debt-to-EBITDA ratio according to the financial accounting (GAAP) reports was 3.0, and the equity-to-assets ratio was 35.7%. As of June 30, 2023, the Company is compliant with the required covenants.

ASPECTS OF CORPORATE GOVERNANCE

26. Sustainability, CSR, Social Investment and Contributions

The Group continues to advance and implement its 2030 sustainability strategy and improve sustainability governance. The sustainability strategy is part of the of the Group's business strategy and a key dimension in the transformation that the Group has undertaken. Strauss Group's Sustainability Unit, working together with the Sustainability Custodians and leaders of the professional disciplines, including all business units, continued to solidify the implementation of the strategy. In the second quarter, emphasis was placed on the enhancement of sustainability management infrastructure in alignment with the Group's restructuring and renewed operating model.

At the beginning of the year an ESG Management Committee was formed, which convenes every two months. The Committee reports on the furtherance of relevant infrastructure and drives the integration of ESG issues into decision-making processes.

Preparations for the assimilation of a uniform Group-wide IT system for ESG data management were completed, and employee training on environmental issues is slated to begin in September-October. In 2024, additional models will be implemented.

Emerging sustainability regulation is currently being mapped, and three-year work plans are being crafted accordingly to achieve the long-term goals that the Group has set.

In the current quarter, Strauss Group was awarded the highest rating in the Maala Index, Platinum Plus, for the seventeenth year straight, and was ranked first in the Maala Diversity and Inclusion rating. The public announcement regarding the Group's ESG performance is available in the 2022 ESG Report at <https://sustainability.strauss-group.com>.

Other noteworthy highlights for the second quarter of 2023

The Group has made it its goal to promote **products that offer better choices** to different communities with diverse needs also by improving the nutritional values of its products. For example, among the focus areas in this context is the vegan community in Israel. With this community in mind, a line of Achla vegan spreads was launched, based on a mayonnaise style vegan spread (cabbage in vegan “mayo”, eggplant in vegan “mayo”, and vegan eggplant “feta” cheese). The products were developed in collaboration with the vegan-friendly community and were well received in tasting tests by a panel of vegans.

The Group continues to promote a **healthy lifestyle and balanced diet** and takes steps to encourage positive eating habits and healthy living by raising awareness and providing the information people need, and held peak events in social programs for thousands of men and women. The Company also hosted an event for the promotion of a sustainable nutrition agenda for the dietitian community in Israel, with emphasis on accessibility and sustainable product packaging and the consumption of diverse legumes through new products.

The Company has deepened its activities for the advancement of **equal opportunity and women’s promotion** among population groups and employees alike, and continues to progress toward its target of 50% women in management and equal opportunity in the Company. The Company was ranked Number 1 in Maala’s Diversity and Inclusion rating, prepared in collaboration with the Equal Employment Opportunity Commission (published July 2023). To support young women and girls, the Company held a year-end event for the students of “Shavot”, a nonprofit that works to empower teenage girls and provide them with leadership tools, at which women managers at Strauss shared their personal stories. In addition, the second cycle of Achla’s culinary course was completed, held in conjunction with the “Yozmot Atid” nonprofit, which empowers underprivilege women with tools to establish and develop small businesses and supports women seeking to open small culinary businesses in the Galilee region.

Strauss believes that **diversity and the inclusion** of diverse communities are of paramount importance and makes numerous efforts to further their integration into the Company. As part of the Kudoati (“My Inspiration”) project run in collaboration with Amanina, which works to expose Arab teens to a variety of professions, jobs and role models by bringing them together with Strauss employees, two peak events took place for 500 teens from the Arab community, which were attended by senior Strauss executives.

As part of its efforts to create sustainable food systems, the Group aspires to reduce hunger and **food insecurity** by supporting policy-changing moves and food contributions year-round. **Reducing food waste** is among the Group’s key goals. A multidisciplinary team focuses on the reduction of food waste in the supply chain and at the plants. The Group also takes steps to disseminate information, and held a workshop on the subject for the general public. Three peak volunteering events were held for employees in the various divisions.

The Group continues to pursue its business operations while managing **environmental impacts** in terms of energy consumption, water consumption, wastewater, waste, greenhouse gas emissions and addressing climate change. Further progress was made on reducing the Group’s GHG emissions with the launch of the Apollo pilot project, which includes the installation of solar panels on trucks to reduce energy consumption. Additionally, the Electricity 100 – Growing Energy Business Leadership project was launched at a dedicated conference hosted by the Manufacturers Association of Israel. The Group is a founding partner of the project and a member of the management committee. Electricity 100’s goal is to encourage more companies in Israel to commit to a goal of 100% consumption of renewable energy. The

Group continues to invest in activities that support a **reduction in landfill waste**, and its used water dispensers are collected and sent for complete recycling at Israel's most advanced electronic waste recycling plant.

27. Aspects of Corporate Governance

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

On July 4, 2023, the Company announced the termination of Mr. Gil Midyan's service as a director of the Company.

As of the publication date of the report, the Board of Directors comprises eight members, who possess different backgrounds and areas of expertise, including three external directors. The Company has not adopted a provision in its Articles of Association regarding the percentage of independent directors.

28. 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).

29. Events After the Reporting Period

For a review of events occurring after the date of the statement of financial position, see Note 9 to the Condensed Consolidated Interim Financial Statements as of June 30, 2023.

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

Shai Babad
Chief Executive Officer

August 15, 2023

Financial Statements

as at June 30, 2023



Condensed Consolidated Interim Financial Statements as of June 30, 2023 (Unaudited)

Contents	Page
Condensed Consolidated Interim Statements of Financial Position	2
Condensed Consolidated Interim Statements of Income	4
Condensed Consolidated Interim Statements of Comprehensive Income	5
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	6
Condensed Consolidated Interim Statements of Cash Flows	11
Notes to the Condensed Consolidated Interim Financial Statements	13

Condensed Consolidated Interim Statements of Financial Position

	June 30 2023	June 30 2022	December 31 2022
	Unaudited	Unaudited	Audited
	NIS millions		
Current assets			
Cash and cash equivalents	450	441	517
Trade receivables	1,080	916	949
Income tax receivables	13	12	18
Other receivables and debit balances	241	209	169
Inventory	966	843	814
Assets held for sale	11	7	11
Total current assets	2,761	2,428	2,478
Investments and non-current assets			
Investment in equity-accounted investees	1,648	1,603	1,514
Other investments and long-term debt balances	174	124	151
Fixed assets	2,020	1,855	1,960
Right-of-use assets	453	336	326
Intangible assets	991	958	948
Investment property	1	4	3
Deferred tax assets	26	23	32
Total investments and non-current assets	5,313	4,903	4,934
Total assets	8,074	7,331	7,412

Ofra Strauss
Chairperson of the Board of
Directors

Shai Babad
Chief Executive Officer

Ariel Chetrit
Chief Financial Officer

Date of approval of the interim financial statements: August 15, 2023

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

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

	June 30 2023	June 30 2022	December 31 2022
	Unaudited	Unaudited	Audited
	NIS millions		
Current liabilities			
Current maturities of debentures	174	30	30
Short-term credit and current maturities of long-term loans and other long-term liabilities	454	415	759
Current maturities of lease liabilities	100	90	85
Trade payables	1,156	1,046	1,186
Income tax payables	89	111	107
Other payables and credit balances	576	594	608
Provisions	49	28	31
Total current liabilities	2,598	2,314	2,806
Non-current liabilities			
Debentures	1,316	1,173	1,174
Long-term loans and other long-term liabilities	473	562	314
Lease liabilities	364	257	252
Long-term payables and credit balances	30	16	11
Employee benefits, net	36	45	36
Deferred tax liabilities	138	202	130
Total non-current liabilities	2,357	2,255	1,917
Equity and reserves			
Share capital	253	253	253
Share premium	1,051	1,051	1,051
Reserves	(2,012)	(1,987)	(2,090)
Retained earnings	3,589	3,261	3,269
Total equity attributable to shareholders of the Company	2,881	2,578	2,483
Non-controlling interests	238	184	206
Total equity	3,119	2,762	2,689
Total liabilities and equity	8,074	7,331	7,412

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

Condensed Consolidated Interim Statements of Income

	For the six months ended		For the three months ended		For the year ended
	June 30 2023	June 30 2022	June 30 2023	June 30 2022	December 31 2022
	Unaudited				Audited
	NIS millions				
Sales	3,344	2,932	1,631	1,421	6,105
Cost of sales	2,097	1,971	1,044	919	4,129
Gross profit	1,247	961	587	502	1,976
Selling and marketing expenses	676	664	346	340	1,359
General and administrative expenses	241	213	120	106	425
	17	877	66	446	1,784
Share of profit of equity-accounted investees	92	72	47	27	80
Share of profit (loss) of equity-accounted incubator investees	(17)	1	(9)	(7)	(26)
Operating profit before other income (expenses)	405	157	159	76	246
Other income	78	1	1	1	4
Other expenses	(17)	(32)	(10)	(4)	(58)
Other income (expenses), net	61	(31)	(9)	(3)	(54)
Operating profit	466	126	150	73	192
Finance income	35	44	15	41	46
Finance expenses	(65)	(38)	(34)	(21)	(87)
Finance income (expenses), net	(30)	6	(19)	20	(41)
Income before taxes	436	132	131	93	151
Taxes on income	(104)	(32)	(45)	(24)	(34)
Income for the period	332	100	86	69	117
Attributable to:					
Shareholders of the Company	304	69	73	55	64
Non-controlling interests	28	31	13	14	53
Income for the period	332	100	86	69	117
Earnings per share					
Basic earnings per share (NIS)	2.61	0.59	0.62	0.47	0.55
Diluted earnings per share (NIS)	2.60	0.59	0.61	0.47	0.54

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the six months ended		For the three months ended		For the year ended
	June 30 2023	June 30 2022	June 30 2023	June 30 2023	June 30 2022
	Unaudited				Unaudited
	NIS millions				
Income for the period	332	100	86	69	117
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences	-	141	(3)	159	52
Other comprehensive income from equity-accounted investees	116	160	50	43	146
Total other comprehensive income items for the period that will be reclassified to profit or loss in subsequent periods, net	116	301	47	202	198
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net:					
Changes in employee benefits, net	1	4	-	2	7
Total other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net	1	4	-	2	7
Comprehensive income for the period	449	405	133	273	322
Attributable to:					
Shareholders of the Company	420	376	120	261	271
Non-controlling interests	29	29	13	12	51
Comprehensive income for the period	449	405	133	273	322

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 Shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings		
	NIS millions							
Six-month period ended June 30, 2023 – unaudited:								
Balance as of January 1, 2023	253	1,051	(20)	(393)	(1,677)	3,269	206	2,689
Total comprehensive income for the period								
<i>Income for the period</i>	-	-	-	-	-	304	28	332
<i>Components of other comprehensive income:</i>								
Foreign currency translation differences	-	-	-	-	(1)	-	1	-
Other comprehensive income from equity-accounted investees	-	-	-	-	116	-	-	116
Change in employee benefits, net	-	-	-	-	-	1	-	1
Total other comprehensive income for the period, net	-	-	-	-	115	1	1	117
Total comprehensive income for the period	-	-	-	-	115	305	29	449
Share-based payment	-	-	-	-	-	15	-	15
Transaction with non-controlling interests	-	-	-	(37)	-	-	41	4
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	(38)	(38)
Balance as of June 30, 2023	253	1,051	(20)	(430)	(1,562)	3,589	238	3,119

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 Shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings		
	NIS millions							
Six-month period ended June 30, 2022 – unaudited:								
Balance as of January 1, 2022	253	1,051	(20)	(393)	(1,877)	3,469	192	2,675
Total comprehensive income for the period								
<i>Income for the period</i>	-	-	-	-	-	69	31	100
<i>Components of other comprehensive income (loss):</i>								
Foreign currency translation differences	-	-	-	-	143	-	(2)	141
Other comprehensive income from equity-accounted investees	-	-	-	-	160	-	-	160
Change in employee benefits, net	-	-	-	-	-	4	-	4
Total other comprehensive income (loss) for the period, net	-	-	-	-	303	4	(2)	305
Total comprehensive income for the period	-	-	-	-	303	73	29	405
Share-based payment	-	-	-	-	-	9	-	9
Dividend to shareholders of the Company	-	-	-	-	-	(290)	-	(290)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	(37)	(37)
Balance as of June 30, 2022	253	1,051	(20)	(393)	(1,574)	3,261	184	2,762

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 Shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings		
	NIS millions							
Three-month period ended June 30, 2023 – unaudited:								
Balance as of April 1, 2023	253	1,051	(20)	(430)	(1,609)	3,509	263	3,017
Total comprehensive income for the period								
<i>Income for the period</i>	-	-	-	-	-	73	13	86
<i>Components of other comprehensive income:</i>								
Foreign currency translation differences	-	-	-	-	(3)	-	-	(3)
Other comprehensive income from equity-accounted investees	-	-	-	-	50	-	-	50
Total other comprehensive income for the period, net	-	-	-	-	47	-	-	47
Total comprehensive income for the period	-	-	-	-	47	73	13	133
Share-based payment	-	-	-	-	-	7	-	7
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	(38)	(38)
Balance as of June 30, 2023	253	1,051	(20)	(430)	(1,562)	3,589	238	3,119

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 Shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings		
	NIS millions							
Three-month period ended June 30, 2022 – unaudited:								
Balance as of April 1, 2022	253	1,051	(20)	(393)	(1,778)	3,199	209	2,521
Total comprehensive income for the period								
<i>Income for the period</i>	-	-	-	-	-	55	14	69
<i>Components of other comprehensive loss:</i>								
Foreign currency translation differences	-	-	-	-	161	-	(2)	159
Other comprehensive income from equity-accounted investees	-	-	-	-	43	-	-	43
Change in employee benefits, net	-	-	-	-	-	2	-	2
Total other comprehensive loss for the period, net	-	-	-	-	204	2	(2)	204
Total comprehensive income for the period	-	-	-	-	204	57	12	273
Share-based payment	-	-	-	-	-	5	-	5
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	(37)	(37)
Balance as of June 30, 2022	253	1,051	(20)	(393)	(1,574)	3,261	184	2,762

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 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								
Year ended December 31, 2022 – audited:									
Balance as of January 1, 2022	253	1,051	(20)	(393)	(1,877)	3,469	2,483	192	2,675
Total comprehensive income for the year									
Income for the year	-	-	-	-	-	64	64	53	117
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	54	-	54	(2)	52
Other comprehensive loss from equity-accounted investees	-	-	-	-	146	-	146	-	146
Change in employee benefits, net	-	-	-	-	-	7	7	-	7
Total other comprehensive income (loss) for the year, net	-	-	-	-	200	7	207	(2)	205
Total comprehensive income for the year	-	-	-	-	200	71	271	51	322
Share-based payment	-	-	-	-	-	19	19	-	19
Dividend to shareholders of the Company	-	-	-	-	-	(290)	(290)	-	(290)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(37)	(37)
Balance as of December 31, 2022	253	1,051	(20)	(393)	(1,677)	3,269	2,483	206	2,689

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

Condensed Consolidated Interim Statements of Cash Flows

	For the six months ended		For the three months ended		For the year ended
	June 30	June 30	June 30	June 30	June 30
	2023	2022	2023	2023	2022
	Unaudited				Audited
	NIS millions				
Cash flows from operating activities					
Income for the period	332	100	86	69	117
Adjustments:					
Depreciation	137	127	69	64	262
Amortization of intangible assets	24	22	11	11	45
Impairment of fixed and intangible assets, net	3	25	1	-	26
Other expenses (income), net	(74)	2	3	2	9
Expenses in respect of share-based payment	15	9	7	5	19
Finance expenses (income), net	30	(6)	19	(20)	41
Income tax expense	104	32	45	24	34
Share of profit of equity-accounted investees	(75)	(73)	(38)	(20)	(54)
Change in inventory	(151)	(121)	(58)	(61)	(124)
Change in trade and other receivables	(195)	7	42	129	(40)
Change in long-term receivables	1	(4)	1	(1)	(4)
Change in trade and other payables	(6)	14	(71)	(80)	149
Change in employee benefits	1	1	2	(1)	(3)
Interest paid	(64)	(32)	(33)	(23)	(65)
Interest received	9	2	4	2	6
Income tax received (paid), net	(87)	(16)	(31)	20	(111)
Net cash provided by operating activities	4	89	59	120	307
Cash flows from investing activities					
Proceeds from sale of fixed assets and investment property	50	2	-	2	25
Investment in fixed assets and investment property	(151)	(104)	(67)	(60)	(303)
Investment in intangible assets	(56)	(33)	(34)	(18)	(77)
Proceeds from the sale of a business in a subsidiary	10	-	-	-	-
Repayment of deposits and loans granted	15	17	8	12	30
Loans granted	(39)	(22)	(10)	(11)	(54)
Income from sublease	-	1	-	1	2
Dividends from investees, net	58	-	58	-	70
Investment in investees	(6)	(28)	(3)	(4)	(43)
Net cash used in investing activities	(119)	(167)	(48)	(78)	(350)

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 six months ended		For the three months ended		For the year ended
	June 30	June 30	June 30	June 30	June 30
	2023	2022	2023	2023	2022
	Unaudited				Audited
	NIS millions				
Cash flows from financing activities					
Sale of shares in subsidiaries to non-controlling interests	7	-	-	-	-
Acquisition of shares in subsidiaries from non-controlling interests	(3)	-	-	-	-
Short-term bank credit, net	(210)	31	(2)	(30)	191
Proceeds from issue of debentures, net of issuance costs	314	-	-	-	-
Receipt of long-term loans	200	299	200	299	299
Redemption of debentures and repayment of long-term loans	(172)	(34)	(172)	(34)	(104)
Change in liabilities in respect of credit card factoring	(10)	11	(8)	2	17
Payment of lease liabilities	(52)	(47)	(26)	(25)	(97)
Dividends paid	-	(290)	-	(290)	(290)
Dividend paid to non-controlling interests in a subsidiary	(37)	(37)	(37)	(37)	(37)
Net cash provided by (used in) financing activities	37	(67)	(45)	(115)	(21)
Decrease in cash and cash equivalents	(78)	(145)	(34)	(73)	(64)
Cash and cash equivalents at beginning of period	517	554	480	488	554
Effect of exchange rate changes on cash balances	11	32	4	26	27
Cash and cash equivalents at end of period	450	441	450	441	517

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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 of June 30, 2023 and for the six- 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 57.00% of equity and voting rights in the Company). The controlling shareholder of Strauss Holdings is Michael Strauss Assets Ltd. (100% of equity and voting rights in Strauss Holdings) (“Michael’s Assets”).

The Company was informed that a probate order was issued with respect to the estate of the late Mr. Michael Strauss, 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 equity and 100% of 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, by virtue of which they are considered joint holders of 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 together with the audited consolidated financial statements of the Company and its consolidated subsidiaries as of December 31, 2022 and for the year then ended, including 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 August 15, 2023.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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

1.2 First-time adoption of new standards, amendments and interpretations

1.2.1 Amendment to IAS 12, *Income Taxes: International Tax Reform – Pillar Two Model Rules*

The amendment introduces a temporary mandatory relief from recognizing and disclosing deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two Model Rules published by the OECD. Under the amendment, an entity is effectively exempt from providing for and disclosing those deferred taxes, but will recognize its current tax expense (if any) related to the Pillar Two income tax. The disclosure will be made separately. Furthermore, the amendment contains new disclosure requirements, such as quantitative and qualitative information, to help users of the financial statements better understand the entity's exposure to Pillar Two income taxes arising from the legislation in the period between the legislation being enacted or substantively enacted and the legislation becoming effective.

The amendment was published on May 23, 2023, and the guidance regarding the temporary mandatory relief from recognizing and disclosing deferred taxes is required to be applied immediately and retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, including the requirement to disclose the fact that the exception has been applied. The new disclosure requirements of the amendment to IAS 12 will apply to financial statements from December 31, 2023.

The Group is part of a large multinational group of enterprises that have consolidated revenues of more than €750 million. However, the amendment has not yet affected the financial statements, since the global tax legislation has not yet been enacted or substantively enacted in the Group's countries of operations.

1.3 New standards and interpretations not yet adopted

1.3.1 Amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments: Disclosures: Supplier Finance Arrangements*

The amendment contains new disclosure requirements regarding supplier finance arrangements to enable users of the financial statements to evaluate the effect of these arrangements on the entity's liabilities and cash flows, as well as its exposure to liquidity risk. For example, payment terms and limitations arising from the arrangements; quantitative information as of the start and end of the reporting period on aggregate amounts that are part of the arrangements and non-cash changes to those amounts; how the arrangements affect liquidity risk management in the entity and its exposure to concentration risk.

The amendments were published on May 25, 2023 and are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted. In the annual reporting period in which it first applies the amendments, an entity is not required to apply the disclosure requirements under the amendment to IAS 7 for interim financial reports in that year and is not required to disclose comparative information for preceding periods. Additionally, entities will be exempt from disclosing certain information on carrying amounts in the first annual reporting period in which the amendments are applied.

The Group is reviewing the implications of the amendments on its disclosures in the notes to the financial statements. Early application is not expected.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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 with the approach of Passover.

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 seasonality trend, but revenues are usually relatively high in the third quarter of the year during the hot summer months, which are characterized by greater consumption of dairy products.

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

Sales of the Group's water dispensers 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.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Note 3 - Operating Segments

Segment information and reconciliation to the consolidated financial statements:

	For the six months ended		For the three months ended		For the year ended
	June 30 2023	June 30 2022	June 30 2023	June 30 2022	December 31 2022
	Unaudited				Audited
	NIS millions				
Income					
Sales to external customers:					
Health & Wellness	1,497	1,341	754	672	2,784
Fun & Indulgence	523	407	217	101	712
Total Israel	<u>2,020</u>	<u>1,748</u>	<u>971</u>	<u>773</u>	<u>3,496</u>
Israel Coffee	407	395	169	180	778
International Coffee	2,099	1,831	1,148	1,050	4,026
Total Coffee	<u>2,506</u>	<u>2,226</u>	<u>1,317</u>	<u>1,230</u>	<u>4,804</u>
International Dips and Spreads	260	192	133	74	415
Water	392	382	204	199	785
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Sales to other segments:					
Health & Wellness	4	3	2	1	5
Fun & Indulgence	4	3	2	1	5
Total Israel	<u>8</u>	<u>6</u>	<u>4</u>	<u>2</u>	<u>10</u>
Israel Coffee	1	2	-	1	2
International Coffee	-	-	-	-	1
Total Coffee	<u>1</u>	<u>2</u>	<u>-</u>	<u>1</u>	<u>3</u>
Total segment income	<u>5,188</u>	<u>4,556</u>	<u>2,629</u>	<u>2,279</u>	<u>9,514</u>
Elimination of intersegment sales	<u>(9)</u>	<u>(8)</u>	<u>(4)</u>	<u>(3)</u>	<u>(13)</u>
Total segment income excluding intersegment sales	5,179	4,548	2,625	2,276	9,501
Adjustment to the equity method	(1,835)	(1,616)	(994)	(855)	(3,396)
Total consolidated income	3,344	2,932	1,631	1,421	6,105

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Note 3 - Operating Segments (cont'd)

	For the six months ended		For the three months ended		For the year ended
	June 30	June 30	June 30	June 30	December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS millions				
Profit (loss)					
Health & Wellness	162	146	77	64	280
Fun & Indulgence	24	(172)	-	(75)	(302)
Total Israel	186	(26)	77	(11)	(22)
Israel Coffee	53	67	14	20	97
International Coffee	137	165	77	107	363
Total Coffee	190	232	91	127	460
International Dips and Spreads	(10)	(48)	(9)	(31)	(111)
Water	45	48	24	23	97
Other	(32)	(2)	(12)	(6)	(45)
Total segment profit	379	204	171	102	379
Unallocated income (expenses):					
Adjustments for commodity hedges (1)	57	4	4	-	(26)
Other income (expenses), net	57	(41)	(10)	(13)	(87)
Share-based payment	(15)	(9)	(7)	(5)	(19)
Total segment operating profit	478	158	158	84	247
Adjustment to the equity method	(12)	(32)	(8)	(11)	(55)
Total operating profit in the consolidated financial statements	466	126	150	73	192
Finance income (expenses), net	(30)	6	(19)	20	(41)
Income before tax	436	132	131	93	151

(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 and losses arising from commodity derivatives until the date when the inventory is sold to outside parties.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Note 4 - Material Events in the Reporting Period

- 4.1** In the first quarter, Obela (an equity-accounted investee) discontinued its business in Western Europe. Consequently, the Company recognized an impairment loss on assets, according to its stake in the investee, of NIS 23 million, of which NIS 20 million were recognized in the Annual Financial Statements for 2022. The loss was included in the share of profit of equity-accounted investees line item in the income statement. For further information, see Note 12.6.2 to the Annual Financial Statements.
- 4.2** In March 2023, Sabra's insurer filed a motion for declaratory relief with the US court under the argument that the insurance company had overpaid Sabra. The Company rejects this argument outright and is of the view that the insurance company is required to make further payments to the Company. However, in view of the insurance company's position, in the financial statements for 2022 the Company recognized income in respect of the insurance payout at an amount of only NIS 30 million (the Company's share), which is the amount that was not contested by the insurance company. As stated, the Company is of the view that the amounts received in cash are owed to it in accordance with the insurance policy. Moreover, the coverage amounts in the policy are significantly higher than the amounts received in cash, and accordingly, the Company will take steps to receive the full amount owing to it under the insurance policy, in accordance with legal advice sought. For further information, see Note 12.6.3 to the Annual Financial Statements. Following indications of impairment, the Company tested the recoverable amount of its investment in Sabra as of June 30, 2023, and did not recognize an impairment loss.
- 4.3** In October 2022, the Company entered into an agreement with an unrelated third party for the sale of all its rights in a property situated within the city limits of Safed, in consideration for a total of NIS 88 million plus VAT. In January 2023, the transaction was completed, and the entire consideration was received. In the first quarter of 2023, the Company recognized a net profit of NIS 53 million. It is further noted that there is no charge on the property and no credit was granted it its respect. For further information, see Note 16.3 to the Annual Financial Statements.
- 4.4** In early 2023, the Company began a new lease agreement on Kibbutz Kfar Masaryk. The lease term is until December 2037 with two options to renew until November 2047. As a result of the lease agreement, in the first quarter of 2023, the Company recognized a right-of-use asset and a lease liability of NIS 89 million.
- 4.5** The fighting between Russia and Ukraine continues. The economic sanctions imposed on Russia by the West remain in place, but as of the publication date of the financial statements, they have not had a material effect on the Group's business results. In Ukraine, the business has operated continuously given the circumstances, but in view of the decline in the number of citizens in the country, sales volumes in the second quarter of 2023 were lower than in the corresponding period last year.

The Group continues to be exposed to the global consequences of the war, which could include, *inter alia*, increases in commodity, raw material and energy costs. Since these are unfolding events that involve a high degree of uncertainty, there are several possible geopolitical scenarios that could lead to further negative economic and financial consequences.

The Company constantly monitors events in Ukraine, Russia and the markets. As of the date of approval of the financial statements, the actual impact of these events has been immaterial. However, in view of the high degree of uncertainty they involve and regarding their duration, the Group is unable to assess their future impact on its business results.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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

Due to an increase in the discount rate as of the statement of financial position date, which is an indication of impairment, the Company tested the recoverable amount of the cash-generating unit in Russia as of June 30, 2023. The recoverable amount as calculated is higher than the carrying amount, and accordingly, no impairment loss was recognized.

- 4.6** Further to the contents of Note 17.2 to the Annual Financial Statements regarding supplier finance arrangements, on June 30, 2023, payables included in the reverse factoring arrangement amounted to NIS 287 million (June 30, 2022: NIS 165 million).
- 4.7** In April and May 2023, the Company entered into agreements with banks for the renewal of a secured line of credit of NIS 200 million for a two-year period, and the renewal of a secured line of credit of NIS 100 million for a one-year period, for purposes of the Company's operating activities. In June 2023, a subsidiary of the Group refinanced a loan by repaying a loan of EUR 30 million (approximately NIS 120 million) and taking a loan of EUR 25 million (approximately NIS 100 million).
- 4.8** On May 23, 2023, Strauss Coffee B.V. (hereinafter: "Strauss Coffee"), a Dutch company that is wholly owned by the Group, signed an agreement for the sale of 100% of its holding in Strauss Adriatic d.o.o. to Atlantic Grupa d.d. (hereinafter: the "Agreement"). According to the Agreement, the consideration for the sale is EUR 40.5 million, gross, which shall be paid to Strauss Coffee at the closing, subject to the adjustment of the consideration for the cash balances, financial debt and working capital of the company in Serbia on the closing date, as shall be prescribed in a detailed agreement. The buyers shall have the right to withdraw from the Agreement only if a material deviation from the representations made by Strauss Coffee in the Agreement is discovered. The closing is subject to the receipt of approval from the Serbian Commission for Protection of Competition. As of the date of approval of the financial statements, said approval has not yet been received, and it is presently uncertain if, and under what conditions, it will be received. If the transaction is indeed completed for the above consideration, the Company is expected to record a net loss as of June 30, 2023 in its consolidated financial statements at an amount of approximately NIS 16 million, comprising a profit of NIS 73 million from the transaction, less a loss of NIS 89 million arising from the realization of the foreign currency translation reserve attributable to the company in Serbia.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Note 5 - Share-Based Payment

5.1 Grants in the reporting period

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

Grant date	Number of warrants and entitled employees	Fair value NIS M	Share price NIS	Exercise price NIS	Expected life Years	Expected annual volatility %	Discount rate %
January 18, 2023	487,096 to one manager	10.4	91.54	89.93	3.46-4.46	20.73-21.89	3.22-3.28
February 28, 2023	214,000 to 26 managers	3.7	83.2	91.12	3.65-4.65	20.72-21.90	4.15-4.23
March 22, 2023	1,544,400 to 26 managers	27	84.92	92	3.65-4.65	20.83-21.89	3.99-4.02

Entitlement to exercise the warrants will vest in two equal tranches in each of the years 2024 to 2026. 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 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 Warrants exercised in the reporting period

In the reporting period, 409,480 warrants granted to managers were exercised for 118,047 shares in consideration for their par value.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Note 6 - Contingent Liabilities

- 6.1** For information on claims pending against the Company and its investees and contingent liabilities as of December 31, 2022, see Note 24.1 to the Annual Financial Statements. There were no material changes in respect of said claims in the reporting period, other than as described below.
- 6.2** Further to the contents of Note 24.1.1 to the Annual Financial Statements regarding a claim against the subsidiary Strauss Water Ltd., pertaining to the alleged unlawful collection of cancellation fees following the cancellation of service agreements by customers, at an amount of NIS 20 million, on May 9, 2023 a judgment was rendered, in which the court approved the settlement agreement submitted by the parties, pursuant whereunto the Company undertook, *inter alia*, to amend the service agreement, and the plaintiff was paid a sum that is immaterial to the Company.
- 6.3** Further to the contents of Note 24.1.1 to the Annual Financial Statements regarding claims of April 2015 and May 2016 brought against the Company and the Parent Company, pertaining to alleged unfair pricing of price-controlled products and alleged excessive pricing of the Milky dessert product, respectively, in which respect on December 27, 2016 the court directed a joinder of claims, on April 21, 2023, the court approved the plaintiffs' notice of withdrawal of monetary claims and motions for their class certification, which had been brought against Strauss Group Ltd.
- 6.4** Further to the contents of Note 24.1.2 to the Annual Financial Statements concerning class actions related to the recall, no change has occurred other than with respect to the claim for pecuniary damages, regarding which the Company's legal counsel is of the opinion that the chances of the actions being accepted are less than 50%.
- 6.5** Further to the contents of Note 24.1.3 to the Annual Financial Statements regarding motions filed with the Tel Aviv District Court – Economic Division by various petitioners for discovery and inspection of documents under section 198A of the Companies Law, 1999, for the purpose of reviewing the possibility of filing a motion for certification of a derivative action against officers and senior parties in the Company and the independent committee formed to investigate the recall in the reporting period, the committee is expected to submit its recommendations by the end of 2023, and there were no changes in the reporting period with respect to the motions.
- 6.6** Further to the contents of Note 24.1.5.2 to the Annual Financial Statements concerning a request for information regarding the merger agreement with Wyler Farms Ltd., on June 21, 2023, the Company received a summons to a hearing prior to a decision by the Competition Commissioner as to the violation of the provisions of section 19 of the Economic Competition Law, 1988, and the intent to impose a financial sanction on Strauss Group at a total amount of NIS 111 million and to impose financial sanctions of different amounts on a former officer and on two officers currently serving in the Company. For clarity, the Company disputes the Commissioner's position, and is of the opinion that its actions, as far as the body of arguments against it are concerned, were compliant with the law. The Company and the officers have the right to present their position to the Commissioner by November 18, 2023 under a continuance granted after the notice was received ("**Hearing**"). The Company and its legal counsel are reviewing the specifics of the notice and taking steps to receive the materials on which the Competition Authority's notice was based.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Note 6 - Contingent Liabilities (cont'd)

According to the estimates of outside legal counsel, at this preliminary stage, the Company has strong arguments against the alleged violation of section 19. Legal counsel is of the opinion that the chances of the above financial sanction being imposed are less than 50%, but the Company is presently unable to assess whether a sanction of a different amount will be imposed. The Company will present its position in the Hearing and in any other legal proceeding insofar as necessary.

- 6.7** In November 2021, representatives of the Competition Authority conducted a search and seized materials at the offices of the Company on suspicion of violations of the Economic Competition Law, and Company employees, including senior officers, were questioned. On June 5, 2023, the officers and employees who were questioned in the Competition Authority's investigation received initial letters informing them that the case had been forwarded for review by the Prosecution Department, which serves as the Competition Authority's legal department.
- 6.8** The Company did not recognize provisions for claims and demands pending on June 30, 2023, 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 NIS 62 million.

Note 7 - Investment in Equity-Accounted Investees

- 7.1** Concise information on material equity-accounted investees (data reflect 100% of the assets, liabilities, and profit and loss of the investees):

	Sabra Dipping Company			Três Corações Alimentos S.A.		
	June 30		December 31	June 30		December 31
	2023	2022	2022	2023	2022	2022
	Unaudited		Audited	Unaudited		Audited
	NIS millions					
Current assets	234	212	216	2,458	1,806	2,054
Of which:						
Cash and cash equivalents	26	76	56	393	154	691
Non-current assets	495	509	488	1,248	1,001	1,007
Total assets	729	721	704	3,706	2,807	3,061
Current liabilities (1)	217	249	226	1,675	1,327	1,527
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	70	114	68	843	518	715
Non-current liabilities	196	24	159	607	390	417
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	129	-	99	507	307	330
Total liabilities	413	273	385	2,282	1,717	1,944

- (1) The outstanding balance as of June 30, 2022 of the loan to Sabra Dipping Company was reclassified from long-term to short-term due to non-compliance with a covenant. As of June 30, 2023, Sabra is compliant with its covenants.



Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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

	Sabra Dipping Company					Três Corações Alimentos S.A.				
	For the six months ended		For the three months ended		For the year ended	For the six months ended		For the three months ended		For the year ended
	June 30 2023	June 30 2022	June 30 2023	June 30 2022	December 31 2022	June 30 2023	June 30 2022	June 30 2023	June 30 2022	December 31 2022
	Unaudited				Audited	Unaudited				Audited
	NIS millions									
Income	442	302	231	108	655	2,820	2,534	1,572	1,412	5,338
Profit (loss) for the period	(13)	(74)	(9)	(53)	(171)	131	183	71	106	294
Other comprehensive income	15	54	6	44	54	175	168	93	3	161
Total comprehensive income (loss)	2	(20)	(3)	(9)	(117)	306	351	164	109	455
Of which:										
Depreciation and amortization	27	29	13	18	58	47	39	25	21	81
Interest income	-	-	-	-	-	35	10	17	5	30
Interest expenses	6	1	3	1	5	64	27	33	15	67
Tax income (expense)	5*	29*	4*	21*	63*	24	(23)	10	-	(27)

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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 changes 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 sixth-month period ended on:			
June 30, 2023	0.71	1.31	(12.6)
June 30, 2022	0.65	0.67	20.2
For the three-month period ended on:			
June 30, 2023	0.74	1.31	(6.4)
June 30, 2022	0.68	0.67	0.9
For the year ended December 31, 2022	0.65	0.67	19.3

From the beginning of the year through to the date of approval of the financial statements, the Shekel weakened against the Brazilian real by 12.5% and by 6% against the US dollar.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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:

	June 30, 2023		June 30, 2022		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Unaudited				Audited	
	NIS millions					
Series E Debentures	481	459	510	510	517	494
Series F Debentures	1,009	878	693	611	700	577

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: Observable inputs, directly or indirectly, other than quoted prices within Level 1.
- Level 3: Inputs that are not based on observable market data.

	June 30, 2023		June 30, 2022		December 31, 2022	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
	Unaudited				Audited	
	NIS millions					
Financial assets (liabilities)						
Derivative receivables	71	32	14	16	9	19
Derivative payables	(25)	(5)	(9)	(2)	(28)	(3)
	46	27	5	14	(19)	16

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.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Note 8 - Financial Instruments (cont'd)

- 8.3** On January 12, 2023, the Company issued NIS 375 million face value of debentures (NIS 1 face value each) as an expansion of its Debenture Series F. The proceeds from the issuance were approximately NIS 314 million, net of issuance costs.

The terms and conditions of the debentures are as follows:

	Series F expansion
Type of interest	Fixed
Annual interest rate	1.9%
Effective interest rate on listing date, taking issuance costs into account	Approximately 4.30%
Face value on issuance date	NIS 375 million
Linkage conditions	Principal and interest are not linked to any index
Payment dates of principal	14 yearly payments on June 30 of each year from 2024 to 2037. 4 first payments of 5% each, and 10 additional payments of 8% each.
Payment dates of interest	Half-yearly interest, on December 31 and June 30, from June 30, 2023 until June 30, 2037.
Collateral or charges	None
Name of rating company	Midroog, Maalot
Rating on issuance date	Aa1.il; ilAA+
Trustee	Reznik Paz Nevo Trusts Ltd. of 14 Yad Harutsim Street, Tel Aviv - Jaffa

The covenants set for the Series F expansion are the same as the covenants applying to the Series F debentures. For further information, see Note 20.5 to the Annual Financial Statements. As of June 30, 2023, the Company is compliant with the covenants applying to the Series F debentures.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Note 9 – Events After the Reporting Period

- 9.1** For information on developments in pending claims occurring after the statement of financial position date, see Note 6.
- 9.2** On August 8, 2023, the Group's Remuneration Committee approved the grant of 34,540 warrants to one manager. The exercise price was set at the average closing price of the Company's share in the thirty trading days preceding the grant date, plus a 5% premium. Entitlement to exercise the options will vest in two equal tranches, on August 8 in each of the years 2025 and 2026. The value of the grant is approximately NIS 0.7 million.



Strauss Group LTD.

Separate Financial Information

as at June 30 ,2023



Unofficial Translation from Hebrew

Strauss Group Ltd.

Separate Financial Information as of June 30, 2023



Table of Contents:

Page

Condensed Interim Information on Financial Position

2

Condensed Interim Information on Profit and Loss

4

Condensed Interim Information on Comprehensive Income

5

Condensed Interim Information on Cash Flows

6

Additional Information

7

Strauss Group Ltd.



Condensed Interim Information on Financial Position

	June 30 2023	June 30 2022	December 31 2022
	Unaudited	Unaudited	Audited
	NIS Millions		
Current assets			
Cash and cash equivalents	55	165	119
Trade receivables	141	1	60
Other receivables and debit balances	100	93	51
Investee receivables	143	128	124
Inventory	138	70	113
Assets held for sale	10	5	9
Total current assets	587	462	476
Investments and non-current assets			
Investments in investees	3,032	2,833	2,729
Other investments and long-term debt balances	590	531	547
Right-of-use assets	204	85	88
Fixed assets	1,039	976	1,023
Investment property	-	3	2
Intangible assets	112	61	80
Total investments and non-current assets	4,977	4,489	4,469
Total assets	5,564	4,951	4,945

Ofra Strauss
Chairperson of the Board of
Directors

Shai Babad
Chief Executive Officer

Ariel Chetrit
Chief Financial Officer

Date of approval of the separate financial information: August 15, 2023

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

Strauss Group Ltd.**Condensed Interim Information on Financial Position (cont'd)**

	June 30 2023	June 30 2022	December 31 2022
	Unaudited	Unaudited	Audited
	NIS Millions		
Current liabilities			
Current maturities of debentures	174	30	30
Short-term credit and current maturities of long-term loans and other long-term liabilities	208	-	390
Current maturities of lease liabilities	46	42	38
Trade payables	248	250	281
Income tax	48	23	44
Other payables and credit balances	225	213	248
Investee payables	170	290	152
Provisions	19	-	5
Total current liabilities	1,138	848	1,188
Non-current liabilities			
Debentures	1,316	1,173	1,174
Long-term loans and other long-term liabilities	-	198	-
Lease liabilities	161	47	54
Long-term payables and credit balances	16	13	10
Employee benefits, net	16	23	17
Deferred tax liabilities	36	71	19
Total non-current liabilities	1,545	1,525	1,274
Total equity attributable to shareholders of the Company	2,881	2,578	2,483
Total liabilities and equity	5,564	4,951	4,945

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

Strauss Group Ltd.



Condensed Interim Information on Profit and Loss

	For the six months ended		For the three months ended		For the year ended
	June 30 2023	June 30 2022	June 30 2023	June 30 2022	December 31 2022
	Unaudited		Unaudited		Audited
	NIS Millions				
Sales	405	325	180	62	487
Cost of sales	291	355	132	80	579
Gross profit (loss)	114	(30)	48	(18)	(92)
Selling and marketing expenses	70	133	43	73	200
General and administrative expenses	67	45	28	21	96
	137	178	71	94	296
Operating loss before other expenses	(23)	(208)	(23)	(112)	(388)
Other income	70	1	-	1	1
Other expenses	(14)	(6)	(9)	(4)	(27)
Other income (expenses), net	56	(5)	(9)	(3)	(26)
Operating profit (loss)	33	(213)	(32)	(115)	(414)
Finance income	29	26	12	20	35
Finance expenses	(39)	(18)	(20)	(9)	(42)
Finance income (expenses), net	(10)	8	(8)	11	(7)
Profit (loss) before income tax	23	(205)	(40)	(104)	(421)
Tax income (expense)	(27)	35	(3)	15	83
After-tax loss	(4)	(170)	(43)	(89)	(338)
Income from investees	308	239	116	144	402
Income for the period attributable to shareholders of the Company	304	69	73	55	64

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

Strauss Group Ltd.



Condensed Interim Information on Comprehensive Income

	For the six months ended		For the three months ended		For the year ended
	June 30 2023	June 30 2022	June 30 2023	June 30 2022	December 31 2022
	Unaudited		Unaudited		Audited
			NIS Millions		
Income for the period attributable to shareholders of the Company	<u>304</u>	<u>69</u>	<u>73</u>	<u>55</u>	<u>64</u>
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods:					
Other comprehensive income from investees	<u>115</u>	<u>303</u>	<u>47</u>	<u>204</u>	<u>200</u>
Total other comprehensive income items for the period that will be reclassified to profit or loss in subsequent periods, net	<u>115</u>	<u>303</u>	<u>47</u>	<u>204</u>	<u>200</u>
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods:					
Changes in employee benefits, net	<u>1</u>	<u>4</u>	<u>-</u>	<u>2</u>	<u>7</u>
Total other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net of tax	<u>1</u>	<u>4</u>	<u>-</u>	<u>2</u>	<u>7</u>
Comprehensive income for the period attributable to shareholders of the Company	<u>420</u>	<u>376</u>	<u>120</u>	<u>261</u>	<u>271</u>

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

Strauss Group Ltd.**Condensed Interim Information on Cash Flows**

	For the six months ended		For the three months ended		For the year ended
	June 30 2023	June 30 2022	June 30 2023	June 30 2022	December 31 2022
	Unaudited		Unaudited		Audited
	NIS Millions				
Cash flows from operating activities					
Income for the period attributable to shareholders of the Company	304	69	73	55	64
Adjustments:					
Depreciation	58	54	30	28	107
Amortization of intangible assets	8	6	4	3	14
Other income, net	(68)	-	2	-	7
Expenses in respect of share-based payment	10	6	4	4	12
Share of profit of investees	(308)	(239)	(116)	(144)	(402)
Finance expenses (income), net	11	(8)	9	(11)	7
Tax expense (income)	27	(35)	3	(15)	(83)
Change in inventory	(25)	56	(16)	(10)	14
Change in trade and other receivables	(143)	113	18	151	83
Change in investee receivables	(40)	(21)	11	-	(24)
Change in trade and other payables	16	(15)	(73)	(89)	16
Change in investee payables	18	111	8	75	(26)
Change in employee benefits	(1)	-	-	(1)	(4)
Interest paid	(35)	(15)	(19)	(14)	(20)
Interest received	6	2	4	2	3
Income tax received (paid), net	1	14	2	19	26
Net cash provided by (used in) operating activities	(161)	98	(56)	53	(206)
Cash flows from investing activities					
Proceeds from sale of fixed and other assets	49	-	-	-	23
Investment in fixed assets	(64)	(36)	(29)	(24)	(117)
Investment in intangible assets	(37)	(14)	(23)	(8)	(36)
Repayment of long-term loans	12	6	6	3	17
Grant of long-term loans	(17)	(10)	(2)	(3)	(22)
Dividends from investees	109	148	89	148	310
Cash received in respect of investing activities with investees	1	21	1	21	48
Cash paid in respect of investing activities with investees	(25)	(42)	(8)	(22)	(57)
Sublease income	-	1	-	1	2
Net cash provided by investing activities	28	74	34	116	168
Cash flows from financing activities					
Redemption of debentures and repayment of long-term loans	(30)	(30)	(30)	(30)	(30)
Proceeds from issue of debentures, net of issuance costs	314	-	-	-	-
Short-term bank credit, net	(189)	-	-	-	189
Dividends paid	-	(290)	-	(290)	(290)
Receipt of long-term loans	-	198	-	198	198
Repayment of principal of lease liabilities	(26)	(25)	(13)	(13)	(50)
Net cash used in financing activities	69	(147)	(43)	(135)	17
Net increase (decrease) in cash and cash equivalents	(64)	25	(65)	34	(21)
Cash and cash equivalents as of beginning of period	119	140	120	131	140
Cash and cash equivalents as of end of period	55	165	55	165	119

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

Note 1 - Reporting Rules and Accounting Policies

1.1 General

1.1.1 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.

1.1.2 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 together with the financial information as of and for the year ended on December 31, 2022, and together with the Condensed Consolidated Interim Financial Statements as of June 30, 2023 (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 of December 31, 2022.

1.1.3 In this Separate Financial Information – the Company and investee companies as defined in Note 1 to the Consolidated Financial Statements of the Company as of December 31, 2022 and as described in Note 1 to the Condensed Consolidated Interim Financial Statements as of June 30, 2023.

1.1.4 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 (dips and spreads) category in Israel.

Note 3 - Events in the Reporting Period

For information on 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 – Events After the Reporting Date

For information on events occurring after the reporting date, see Note 9 to the Condensed Consolidated Interim Financial Statements.

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. Shai Babad, Chief Executive Officer;
2. Ronen Zohar, Deputy Chief Executive Officer;
3. Ariel Chetrit, Chief Financial Officer;
4. Yael Nevo, EVP, CLO and Company Secretary;
5. 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 March 31, 2023 (hereinafter: the "Latest Quarterly Report on Internal Control"), the Board of Directors and Management of the corporation reached the conclusion that internal control as of March 31, 2023 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, Shai Babad, declare that:

- (1) I have reviewed the Quarterly Report of Strauss Group Ltd. (the "Corporation") for the second quarter of 2023 (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 Quarterly Report as at March 31, 2023) 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.

August 15, 2023

Shai Babad, 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 second quarter of 2023 (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 Quarterly Report as at March 31, 2023) 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.

August 15, 2023

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 six
months periods ended June 30, 2023

Contents

Independent auditors' report on review of interim financial statements	3
Condensed consolidated interim statements of financial position	5
Condensed consolidated interim statements of income	6
Condensed consolidated interim statements of comprehensive income	7
Condensed consolidated interim statements of changes in equity	8
Condensed consolidated interim statements of cash flows	10
Notes to the condensed consolidated interim financial statements	11



KPMG Auditores Independentes Ltda.
Ed. BS Design - Avenida Desembargador Moreira, 1300
SC 1001 - 10º Andar - Torre Sul - Aldeota
60170-002 - Fortaleza/CE - Brasil
Telefone +55 (85) 3457-9500
kpmg.com.br

Independent auditors' report on review of interim financial statements

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

Introduction

We have reviewed the accompanying June 30, 2023 condensed consolidated interim financial statements of Três Corações Alimentos S.A. ("the Company"), which comprise:

- the condensed consolidated statement of financial position as at June 30, 2023;
- the condensed consolidated statement of income and the condensed consolidated comprehensive income for the three and six months periods ended June 30, 2023;
- the condensed consolidated statement of changes in equity for the three and six months periods ended June 30, 2023;
- the condensed consolidated statement of cash flows for the three and six months periods ended June 30, 2023; 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 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 June 30, 2023 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Fortaleza, August 11, 2023

KPMG Auditores Independentes Ltda.
CRC CE-003141/F-5

A handwritten signature in blue ink, appearing to read 'Pedro Barroso Silva Junior', written over a faint circular stamp.

Pedro Barroso Silva Junior
Contador CRC CE-021967/O-5

Três Corações Alimentos S.A.

Condensed Consolidated Interim Statements of Financial Position as of June 30, 2023 and December 31, 2022

(In thousand of Brazilian Reais)



	June 30, 2023	December 31, 2022		June 30, 2023	December 31, 2022
Assets			Liabilities and equity		
Current			Current		
Cash and cash equivalents	516,575	1,037,736	Short term loans	1,066,660	1,037,201
Deposits	13,440	15,148	Trade payables	925,862	891,886
Trade receivables	1,187,950	765,622	Short term lease liabilities	40,528	36,934
Inventories	1,368,507	1,076,052	Income tax payables	8,359	4,987
Recoverable taxes	73,984	133,004	Employees and other payroll related liabilities	109,295	100,453
Income tax receivables	37,906	25,371	Proposed dividends	-	82,484
Other current assets	30,029	23,791	Interest on equity payable	-	79,689
	<u>3,228,391</u>	<u>3,076,724</u>	Payable taxes	22,599	22,405
			Other current liabilities	27,204	38,375
Non-current				<u>2,200,507</u>	<u>2,294,414</u>
Trade receivables	7,464	9,482	Non-current		
Judicial deposits	9,226	8,988	Long term loans	599,283	424,600
Loans to related parties	15,324	14,389	Long term lease liabilities	66,103	71,626
Recoverable taxes	179,430	124,306	Other non-current liabilities	19,517	19,497
Other non-current assets	68,949	68,551	Deferred tax liabilities	5,463	6,342
Deferred tax assets	42,381	17,842	Interest on equity payable	33,855	33,855
Investments	92,680	85,072	Provision for legal proceedings	72,871	70,152
Fixed assets	698,473	681,623		<u>797,092</u>	<u>626,072</u>
Intangible assets	433,360	416,459	Equity		
Right-of-use assets	92,026	95,845	Share capital	276,464	275,531
	<u>1,639,313</u>	<u>1,522,557</u>	Translation reserve	(193,242)	(200,891)
			Retained earnings	1,786,655	1,603,919
			Equity attributable to owners of the Company	1,869,877	1,678,559
			Non-controlling interests	228	236
			Total Equity	<u>1,870,105</u>	<u>1,678,795</u>
Total assets	<u>4,867,704</u>	<u>4,599,281</u>	Total liabilities and equity	<u>4,867,704</u>	<u>4,599,281</u>

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

Três Corações Alimentos S.A.

Condensed Consolidated Interim Statements of Income

Six and three month periods ended June 30, 2023 and 2022

(In thousand of Brazilian Reais)



	Six months period ended June 30,		Three months period ended June 30,	
	2023	2022	2023	2022
Revenue	3,966,819	3,894,959	2,128,871	2,075,586
Cost of sales	(3,067,062)	(2,965,310)	(1,655,818)	(1,586,206)
Gross profit	899,757	929,649	473,053	489,380
Selling and marketing expenses	(606,804)	(481,623)	(318,844)	(262,605)
General and administrative expenses	(102,871)	(98,715)	(51,135)	(51,692)
Allowance for expected credit losses	(5,289)	(7,175)	(1,329)	(3,327)
Equity method	7,608	8,500	3,504	3,620
Other income (expenses), net	(573)	(1,610)	(594)	(1,110)
Operating profit	191,828	349,026	104,655	174,266
Financial income	49,549	15,409	22,978	7,413
Financial expenses	(91,892)	(46,126)	(46,068)	(26,729)
Net financial expenses	(42,343)	(30,717)	(23,090)	(19,316)
Profit before income tax	149,485	318,309	81,565	154,950
Income tax income (expenses)	34,163	(37,248)	14,802	908
Profit for the period	183,648	281,061	96,367	155,858
Profit attributable to:				
Owners of the Company	183,669	281,350	96,409	155,954
Non-controlling interests	(21)	(289)	(42)	(96)
Total profit for the period	183,648	281,061	96,367	155,858

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

Três Corações Alimentos S.A.

Condensed Consolidated Interim Statements of Comprehensive Income
Six and three month periods ended June 30, 2023 and 2022

(In thousand of Brazilian Reais)



	Six months period ended June 30,		Three months period ended June 30,	
	2023	2022	2023	2022
Profit attributable to:	183,648	281,061	96,367	155,858
Other comprehensive income (loss) items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences (net of tax)	7,649	3,533	7,796	(7,726)
Comprehensive income for the period	191,297	284,594	104,163	148,132
Comprehensive income attributable to:				
Owners of the Company	191,318	284,883	104,205	148,228
Non-controlling interests	(21)	(289)	(42)	(96)
Total comprehensive income for the period	191,297	284,594	104,163	148,132

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

Três Corações Alimentos S.A.

Condensed Consolidated Interim Statements of Changes in Equity

Three month period ended June 30, 2023 and 2022

(In thousand of Brazilian Reais)



	Retained earnings								
	Share capital	Legal reserve	Tax incentives	Profit to distribute	Translation reserve	Accumulated profit	Total	Non- controlling interests	Total Equity
Balance as of March 31, 2022	275,531	55,106	538,804	863,148	(189,919)	-	1,542,670	651	1,543,321
Profit for the period	-	-	-	-	-	155,954	155,954	(96)	155,858
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(7,726)	-	(7,726)	-	(7,726)
Total other comprehensive gain (loss):	-	-	-	-	(7,726)	155,954	148,228	(96)	148,132
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	(259)	(259)
State VAT and Federal tax incentives	-	-	26,930	-	-	(26,930)	-	-	-
Change in interest in investments valued by the equity method	-	-	-	313	-	-	313	-	313
Profit destination									
Interest on equity credited	-	-	-	-	-	(66,000)	(66,000)	-	(66,000)
Reserve for profit to be distributed	-	-	-	63,024	-	(63,024)	-	-	-
	-	-	26,930	63,337	-	(155,954)	(65,687)	(259)	(65,946)
Balance as of June 30, 2022	275,531	55,106	565,734	926,485	(197,645)	-	1,625,211	296	1,625,507
Balance as of March 31, 2023	275,531	55,106	692,801	943,272	(201,038)	-	1,765,672	270	1,765,942
Profit for the period	-	-	-	-	-	96,409	96,409	(42)	96,367
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	7,796	-	7,796	-	7,796
Total other comprehensive gain (loss):	-	-	-	-	7,796	96,409	104,205	(42)	104,163
Internal equity changes									
Capitalization of tax incentives	933	-	(933)	-	-	-	-	-	-
State VAT and Federal tax incentives	-	-	37,599	-	-	(37,599)	-	-	-
Profit destination									
Reserve for profit to be distributed	-	-	-	58,810	-	(58,810)	-	-	-
	933	-	36,666	58,810	-	(96,409)	-	-	-
Balance as of June 30, 2023	276,464	55,106	729,467	1,002,082	(193,242)	-	1,869,877	228	1,870,105

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

Três Corações Alimentos S.A.

Condensed Consolidated Interim Statements of Changes in Equity

Six months period ended June 30, 2023 and 2022

(In thousand of Brazilian Reals)



	Retained earnings								
	Share capital	Legal reserve	Tax incentives	Profit to distribute	Translation reserve	Accumulated profit	Total	Non- controlling interests	Total Equity
Balance as of December 31, 2021	275,531	55,106	512,623	801,089	(201,178)	-	1,443,171	735	1,443,906
Profit for the year	-	-	-	-	-	281,350	281,350	(289)	281,061
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	3,533	-	3,533	-	3,533
Total other comprehensive gain (loss):	-	-	-	-	3,533	281,350	284,883	(289)	284,594
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	(150)	(150)
State VAT and Federal tax incentives	-	-	53,111	-	-	(53,111)	-	-	-
Change in interest in investments valued by the equity method	-	-	-	(2,065)	-	-	(2,065)	-	(2,065)
Profit destination									
Interest on equity credited	-	-	-	-	-	(90,800)	(90,800)	-	(90,800)
Dividends proposed	-	-	-	-	-	(9,978)	(9,978)	-	(9,978)
Reserve for profit to be distributed	-	-	-	127,461	-	(127,461)	-	-	-
	-	-	53,111	125,396	-	(281,350)	(102,843)	(150)	(102,993)
Balance as of June 30, 2022	275,531	55,106	565,734	926,485	(197,645)	-	1,625,211	296	1,625,507
Balance as of December 31, 2022	275,531	55,106	659,887	888,926	(200,891)	-	1,678,559	236	1,678,795
Profit for the period	-	-	-	-	-	183,669	183,669	(21)	183,648
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	7,649	-	7,649	-	7,649
Total other comprehensive gain (loss):	-	-	-	-	7,649	183,669	191,318	(21)	191,297
Internal equity changes									
Capitalization of tax incentives	933	-	(933)	-	-	-	-	-	-
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	13	13
State VAT and Federal tax incentives	-	-	70,513	-	-	(70,513)	-	-	-
Profit destination									
Reserve for profit to be distributed	-	-	-	113,156	-	(113,156)	-	-	-
	933	-	69,580	113,156	-	(183,669)	-	13	13
Balance as of June 30, 2023	276,464	55,106	729,467	1,002,082	(193,242)	-	1,869,877	228	1,870,105

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

Três Corações Alimentos S.A.

Condensed Consolidated Interim Statements of Cash Flows
Six and three month period ended June 30, 2023 and 2022

(In thousand of Brazilian Reals)



	Six month period ended June 30,		Three months period ended June 30,	
	2023	2022	2023	2022
Cash flows from operating activities				
Profit for the period	183,648	281,061	96,367	155,858
Adjustments for:				
Depreciation and amortization	65,978	59,668	33,419	30,508
Termination of lease contracts	(77)	(53)	252	(16)
Provision for legal proceedings	2,719	874	903	(256)
Allowance for expected credit losses	5,289	7,175	1,330	3,327
Other income, net	573	1,610	594	1,110
Equity method	(7,608)	(8,500)	(3,504)	(3,620)
Finance expenses, net	42,343	30,717	23,090	19,316
Income tax income (expenses)	(34,163)	37,248	(14,802)	(908)
Change in:				
Trade receivables	(426,745)	(556,945)	(119,736)	(124,834)
Inventories	(294,638)	(264,714)	(132,688)	(88,670)
Recoverable and payable taxes, net	7,960	(16,849)	11,136	(13,446)
Judicial deposits	(238)	(744)	(281)	(228)
Trade payables	32,721	156,474	131,716	97,785
Employees and other payroll related liabilities	8,842	27,391	12,260	27,001
Other current and non-current assets and liabilities	(15,867)	(9,954)	(9,240)	(10,403)
Change in operating activities	(429,263)	(255,541)	30,816	92,524
Interest paid	(49,673)	(23,296)	(38,892)	(2,886)
Interest received	42,937	10,119	17,903	2,425
Income tax paid	(2,154)	(4,119)	(1,117)	(23)
Net cash flows used in (provided by) operating activities	(438,153)	(272,837)	8,710	92,040
Cash flows from investing activities				
Change in deposits	1,524	12,892	(319)	33,625
Payment for acquisition of operations, net of cash	-	(400)	-	(100)
Proceeds from sales of fixed assets	1,835	1,836	356	650
Acquisition of fixed assets	(70,528)	(59,673)	(38,066)	(37,565)
Investments in intangible assets	(22,125)	(9,741)	(14,349)	(5,688)
Dividends received	-	350	-	350
Net cash flows used in investing activities	(89,294)	(54,736)	(52,378)	(8,728)
Cash flows from financing activities				
Proceeds from loans	742,655	278,472	625,787	241,400
Repayment of loans	(560,268)	(247,587)	(227,909)	(154,684)
Payment of lease liabilities	(13,928)	(15,879)	(7,511)	(10,035)
Interest on equity paid	(79,689)	-	(79,689)	-
Dividends paid	(82,484)	-	(82,484)	-
Net cash flows provided by financing activities	6,286	15,006	228,194	76,681
Net decrease (increase) in cash and cash equivalents	(521,161)	(312,567)	184,526	159,993
Net decrease (increase) in cash and cash equivalents				
Cash and cash equivalents as at beginning of period	1,037,736	542,680	332,049	70,120
Cash and cash equivalents as at end of period	516,575	230,113	516,575	230,113
	(521,161)	(312,567)	184,526	159,993

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 coffee shops, 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 turn controls the entity Rituais Café S.A. and also controls Café Três Corações S.A., which controls the entity Principal Comércio e Indústria 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 Company Indústria e Comércio Ltda (“Positive Company”), with 50% of shares in each company, which are not consolidated in this report, but evaluated by equity method.

The Group is currently the largest group in roasted and ground coffee business in Brazil according to Nielsen Flash Report, 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, Apollo, Astoria, Manaus, Tapajós, Betânia, Tribo do Café, Bar Barista, Rituais, 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, Plant Power and Possible, owned by the Positive Company joint venture.

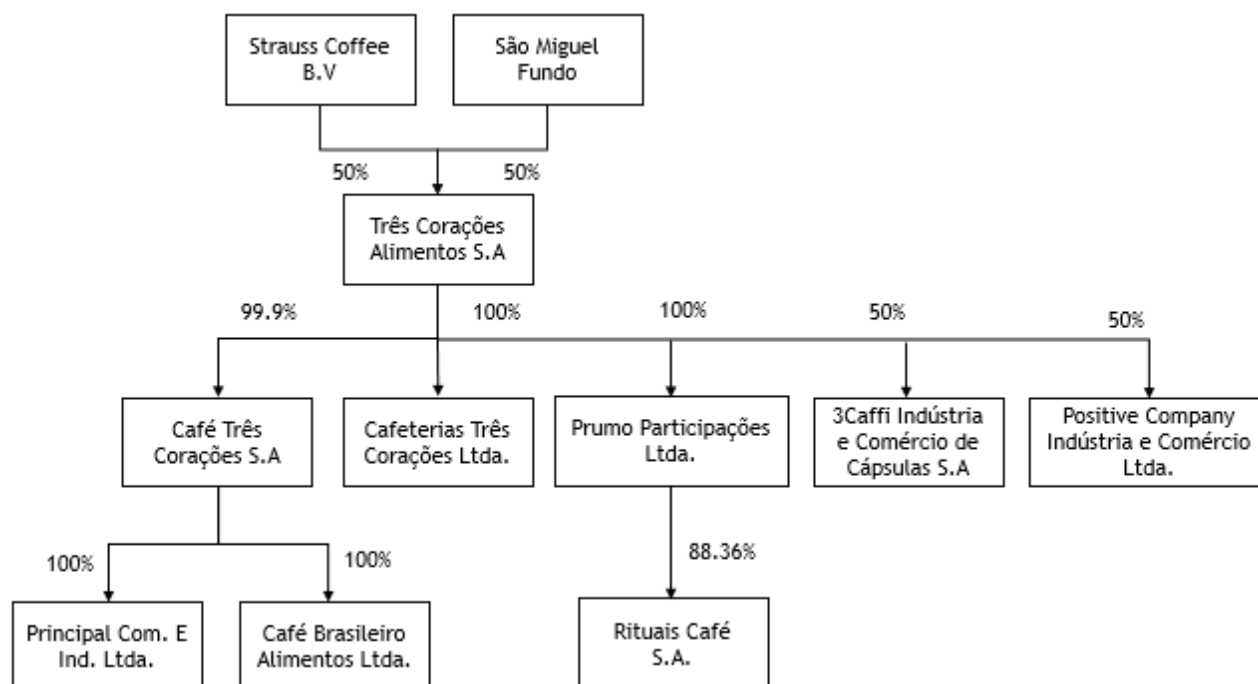
The Group’s industrial facilities are located in the states of Ceará, Rio Grande do Norte, Minas Gerais, Rio de Janeiro, Amazonas, São Paulo and Mato Grosso. Distribution centers are located in almost all states of Brazil. In addition, the Group owns green coffee processing plants in the state of Minas Gerais. The Group also owns coffee shops that are located in the cities of Fortaleza, Natal and Curitiba. Positive Company’s physical structure is located in the state of Espírito Santo and Ceará. 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%).

Três Corações Alimentos S.A.

Notes to the condensed consolidated interim financial statements
(In thousands of Brazilian Reals)



On June 30, 2023, 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 Interim Financial Reporting, and should be read in conjunction with the IFRS audited consolidated financial statements as at and for the year ended December 31, 2022 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, explanatory notes are included to explain events and transactions that are significant for understanding of the changes in the financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements were authorized for issuance by Company's Management on August 11, 2023.

2.2 Significant accounting policies, judgments and estimates

The accounting policies, judgments and estimates 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 December 31, 2022. 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 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 2020, the Company had received similar tax assessment for fiscal year of 2016.

On January 30, 2023, 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 2017. This favorable decision is similar to the one received in August 2021 related to the fiscal year 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, for both tax assessments, 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. On June 30, 2023 the amount of the São Paulo State tax claims was R\$ 79,577 (R\$ 75,782 as of 31 December 2022).

3.2 Dividend paid

On May 02, 2023, the profit destination related to 2022 results was approved at Board Meeting in the amount of R\$ 168.634. The amount includes R\$ 82,484 to be paid as dividends and the remaining R\$ 86,150 to be paid as interest on equity (on the amount, there is withholding income tax of R\$ 6,461). The total amount was fully paid on June 15, 2023.

3.3 Capital increase

On May 15, 2023, the Board approved the capital increase in the amount of R\$ 933, from R\$ 275,531 to R\$ 276,464. The proportional of each shareholder still the same.

There was no cash movement. The increased amount came from Tax Incentive reserve, related to a Federal Incentive of reduction of 30% of Income Tax of 2018.

3.4 Tax assessment notice - Pará State VAT (ICMS)

On June 15, 2023 the State of Pará issued two notices of infractions of ICMS (State VAT) in the total amount of R\$ 12,230. The notices of infractions are related to seven months of 2018 (from June to December).

The tax auditor changed the added value margins used in the calculation of the ICMS tax substitution paid on the entry of goods into the State from 20% to 150% on the view that the 3corações unit in the State of Pará is not a distribution center in the manner established by law.

The Group and its tax advisors responsible for monitoring the proceeding understand that there are strong favorable arguments to defend the tax assessment notice and that there is no need to record any provision on June 30, 2023.

4 Cash and cash equivalents, short term loans, long term loans

	June 30, 2023	December 31, 2022
Short term loans	1,066,660	1,037,201
Long term loans	599,283	424,600
Cash and cash equivalents	<u>516,575</u>	<u>1,037,736</u>

Cash and cash equivalents decrease is mainly due usage in operating activities such as trade receivables and inventories movements and the financing activity of repayment and receipt of loans as well as dividend payment. Below is presented the cash flow use for the period:

- Cash flows used in operating activities, in the amount of R\$ (438,153);
- Cash flows used in investing activities, in the amount of R\$ (89,294);
- Cash flows provided by financing activities, in the amount of R\$ 6,286.

There are no debt covenants in the Group's loans contracts with the banks.

5 Provision for legal proceedings

There were no new material events, except for the usual interest accrued on the provisioned contingent liability balances as well as the matters mentioned on notes 3.1 and 3.4.

6 Financial instruments**6.1 Fair value of financial instruments**

The carrying amounts of cash and cash equivalents, deposits, trade receivables, other current and non-current assets and liabilities, trade payables and loans to related parties, 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:

	Level of hierarchy of fair value	June 30, 2023		December 31, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities					
Short term loans	2	1,066,660	1,139,575	1,037,201	1,124,171
Long term loans	2	599,283	700,485	424,600	423,160

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.

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).

On June 30, 2023 and December 31, 2022, the Group had no financial instruments classified at Level 3.

Três Corações Alimentos S.A.

Notes to the condensed consolidated interim financial statements
(In thousands of Brazilian Reals)



7 Revenue

7.1 Disaggregated revenue information

	Products	Services	June 30, 2023
Geographical markets			
Domestic	3,866,092	777	3,866,869
Foreign	99,950	-	99,950
	<u>3,966,042</u>	<u>777</u>	<u>3,966,819</u>

	Products	Services	June 30, 2022
Geographical markets			
Domestic	3,711,081	240	3,711,321
Foreign	183,638	-	183,638
	<u>3,894,719</u>	<u>240</u>	<u>3,894,959</u>

7.2 Composition of Revenue

	Six month periods ended June 30		Three month periods ended June 30	
	2023	2022	2023	2022
Revenue:				
Products - domestic	4,777,371	4,406,303	2,580,863	2,331,883
Products - foreign	99,950	183,638	49,757	112,180
Services	792	249	396	139
Other	675	727	246	402
Revenue deductions:				
Taxes on sales	(496,047)	(404,461)	(272,894)	(215,227)
State VAT incentives	119,316	85,736	66,111	45,108
Discounts	(382,876)	(268,031)	(215,951)	(142,866)
Other deductions	(152,362)	(109,202)	(79,657)	(56,033)
Revenue	<u>3,966,819</u>	<u>3,894,959</u>	<u>2,128,871</u>	<u>2,075,586</u>

* * *

Pedro Alcântara Rego de Lima
Chief Executive Officer

Danísio Costa Lima Barbosa
Chief Financial Officer

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