Strauss Group LTD.

Quarterly Report

as of September 30, 2023

Board of Directors	Ofra Strauss, Chairperson Adi Strauss David Mosevics Galia Maor Dalia Narkys Dorit Salinger Dalia Lev Tzipi Ozer-Armon
President & CEO	Shai Babad
EVP, CLO & Company Secretary	Yael Nevo, Adv.
Auditor	Somekh Chaikin KPMG
Registered office	Hasivim St. 49 Kiryat Matalon Petach Tikva 4959504

Strauss Group LTD.

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Introduction

Company Profile

Strauss Group is a group of industrial and commercial companies operating in Israel and internationally 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 for the home and workplace. The Group's purpose is Nourishing a Better Tomorrow. Strauss was established in 1933 and today is listed on the Tel Aviv Stock Exchange 35 Index (TA-35), which comprises Israel's largest public companies. According to the non-GAAP financial statements for FY 2022, Strauss Group's total global annual revenues surpassed NIS 9.5 million. The Group is active in more than 20 countries across the globe and operates 28 manufacturing sites.

The Group's areas of activity

Strauss Israel

The second-largest food and beverage group in Israel in terms of sales volumes (according to StoreNext). Strauss Israel encompasses 10 business segments; operates 12 sites, which include manufacturing sites and logistics centers; and has more than 6,000 employees.

Strauss Coffee

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

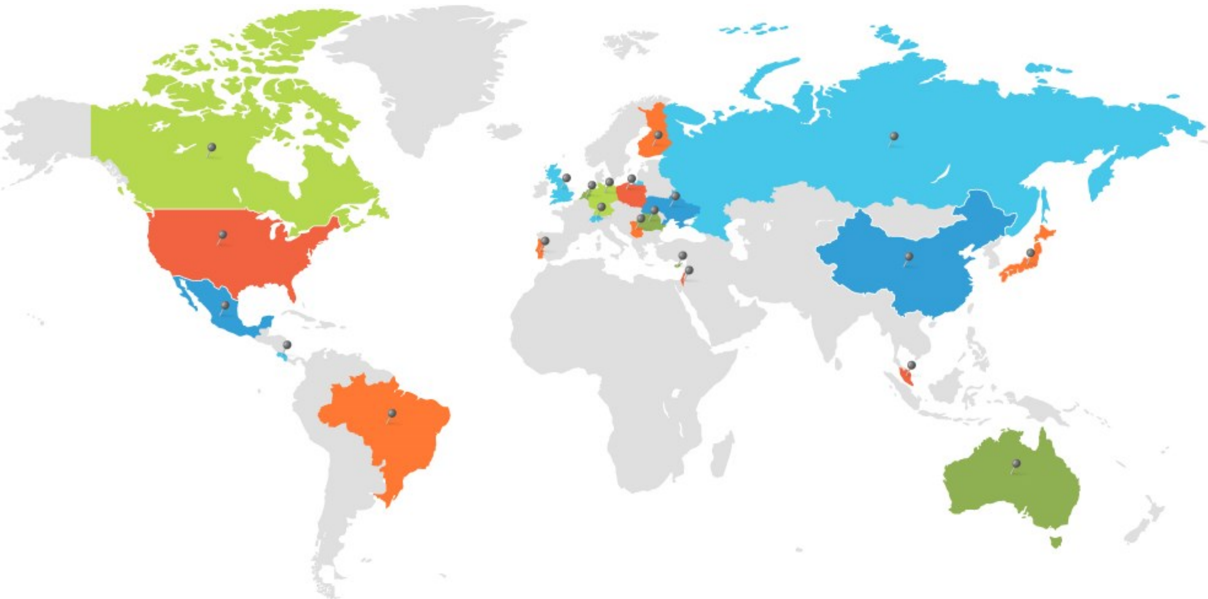
Strauss Water

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

International Dips and Spreads

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

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
New Zealand
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 Q3 2023 Financial Performance

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

NIS **2,675** million
Net sales

2.8%
Organic growth (excluding foreign currency effects)

32.0%
Gross profit margin

NIS **212** million
Operating profit

115.5%
Organic change in operating profit (excluding foreign currency effects)

8.0%
Operating profit margin

NIS **320** million
EBITDA

54.5%
Change in EBITDA (excluding foreign currency effects)

NIS **300** million
Operating cash flow

NIS **120** million
Net income attributable to shareholders

236.7%
Growth in net income attributable to shareholders

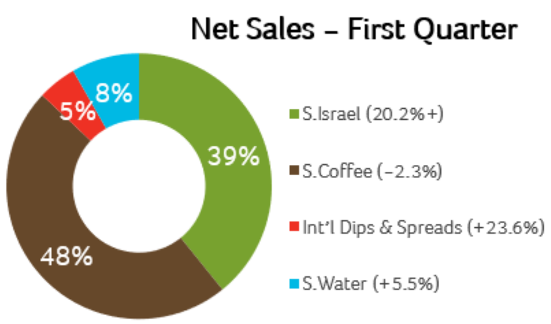
NIS **153** million
Free cash flow

NIS **1.04**
Earnings per share

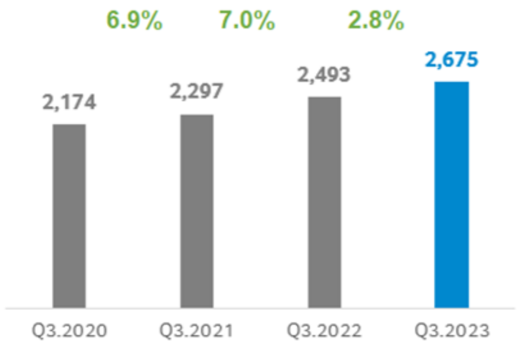
236.4%
EPS growth

Selected financial data for the first nine months and quarter ended September 30, 2023 and 2022

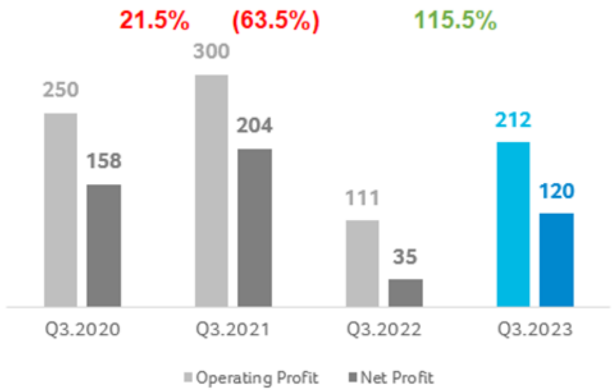
	1-9 2023	1-9 2022	% Change	Q3/2023	Q3/2022	% Change
Sales	7,854	7,041	11.5%	2,675	2,493	7.3%
Organic growth excluding foreign currency effects	7.5%	7.6%		2.8%	7.0%	
Gross profit – non-GAAP	2,531	2,099	20.6%	855	746	14.7%
% of sales	32.2%	29.8%		32.0%	29.9%	
Total operating expenses	1,947	1,798	8.3%	646	629	2.6%
Company's share of profit of equity-accounted investees	30	26	20.3%	9	7	33.1%
Operating profit before profit of incubator investees**	614	327	87.8%	218	124	75.8%
Share of profit (loss) of equity-accounted incubator investees	(23)	(12)	102.1%	(6)	(13)	(49.0%)
Operating profit – non-GAAP	591	315	87.6%	212	111	93.2%
% of sales	7.5%	4.5%		8.0%	4.4%	
Net financing expenses	(80)	(46)	74.3%	(33)	(39)	(14.5%)
Income before tax – non-GAAP	511	269	89.9%	179	72	151.6%
Income tax	(124)	(79)	57.9%	(39)	(26)	61.0%
Income for the period – non-GAAP	387	190	103.1%	140	46	199.7%
Income attributable to shareholders	339	148	128.9%	120	35	236.7%
% of sales	4.3%	2.1%		4.5%	1.4%	
Income attributable to non-controlling interests	48	42	12.9%	20	11	78.3%
EPS (NIS)	2.91	1.27	128.6%	1.04	0.31	236.4%



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.

Update of the Description of the Company'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 2022[1] (HEREINAFTER: THE "PERIODIC REPORT")

In accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, following is a description of material developments that occurred in the Company's business in the nine months ended September 30, 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 in the order of the sections in said reports. It is noted that the terms contained 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 September 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

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

of the consideration for the cash balances, financial debt and working capital of the Company in Serbia on the closing date. In October 2023, a detailed agreement was signed. 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 had 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 4.9 to the Condensed Consolidated Interim Financial Statements as of September 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 repercussions in the short and medium term and had reaffirmed the Company's ilAA+ 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 20.4.3 in the Description of the Company's Business Report, Investigation by the Competition Authority

On August 21, 2023, the Company received a letter of notice from the Competition Authority, stating that following a review of the evidence, the Authority was considering the issue of an indictment against the Company, subject to a hearing, in respect of the suspicions enumerated in the "statement of suspicions" attached to the letter of notice ("**Statement of Suspicions**" and "**Letter of Notice**", respectively).

A Company officer and a former Company officer (the "**Officers**") received a similar notice. According to the Letter of Notice, the parties involved were granted the right to present their arguments orally and in writing, and to explain why an indictment should not be brought against them. The Statement of Suspicions refers to public disclosures by the Company in the first quarterly financial statements for 2021 (the "**Financial Statements**"), in the press release that accompanied the Financial Statements, and in accompanying public announcements. For the avoidance of doubt and for clarity, there has as yet been no decision on the prosecution of any of the foregoing, and the decision on the matter is subject to the right to a hearing as aforesaid. For further information, see section 2.2 in the Board of Directors' Report as of September 30, 2023.

5. 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 two former officers and on an officer 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 amount of NIS 111 million and the intent to impose financial sanctions on each of the former officers and the officer presently serving in the Company, in respect of the Authority's Argument in the Matter of Wyler Farms. 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), and also section 2.2 in the Board of Directors' Report and Note 6.7 to the Condensed Consolidated Interim Financial Statements as of September 30, 2023.

On May 31, 2023, two motions were filed with the Tel Aviv District Court (the "**Economic Division**") for the discovery 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 connection with the Authority's argument in the matter of Wyler Farms. On July 13, 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). On October 11, 2023, the court decided to retain the first motion for the discovery of documents that was filed as the motion that would be heard by the court, and that the second motion would be struck out. The Company is required to respond to the motion for discovery by January 29, 2024. At the present stage, the chances of the motion for discovery being accepted cannot be estimated.

6. 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 September 30, 2023.

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

7.1 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 (the "**Acquisition Agreement**") as described in the Company's reports of August 24, 2022 (reference no. 2022-01-107899) (the "**Transaction Report**") and September 29, 2022 (reference no. 2022-01-099438), and further to the contents of section 6 in the Update of the Description of the Company's Business in the Company's quarterly report for the second quarter of 2023, published by the Company on August 15, 2023 (reference no. 2023-01-075862), the Company announces that all suspending conditions set in the Acquisition Agreement, within their meaning in section 17.5 of the Transaction Report, were satisfied, and that on November 13, 2023 the Consideration under the Acquisition Agreement was paid and the transaction completed. For further information, see Note 4.11 to the Condensed Consolidated Interim Financial Statements of the Company as of September 30, 2023.

7.2 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).

8. Regulation 24 in the Additional Information Report: Holdings of Interested Parties and Senior Officers

For information on the status of holdings of interested parties and senior officers (including the details of dormant shares held by the Company), see the Immediate Report of October 5, 2023 (reference no. 2023-01-092086).

As of October 11, 2023, Harel Insurance Investments & Financial Services Ltd. is an interested party of the Company. For further information, see the Immediate Report of October 18, 2023 (reference no. 2023-01-096064).

9. 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).

On September 13, 2023, the Annual General Meeting of Shareholders of the Company approved the reappointment of Mr. Adi Strauss, who is retiring by rotation in accordance with the Articles of Association of the Company, as a director of the Company. For further information, see the Immediate

Reports of August 15, 2023 (reference no. 2023-01-093963) and September 13, 2023 (reference no. 2023-01-086665).

Date: November 29, 2023

Names and titles of signatories:

Ofra Strauss, Chairperson of the Board of Directors

Shai Babad, Chief Executive Officer

Strauss Group Ltd.

Strauss

Strauss Group Ltd.

Board of Directors' Report on the Status of the Company's Affairs as of September 30, 2023

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

1. General

The Board of Directors of Strauss Group Ltd. respectfully submits herewith the Board of Directors' Report for the third 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 status of the Company's affairs in the reporting period that have a material impact, and should be read together with the chapter Description of the Company's Business in the Periodic Report as of December 31, 2022, the Financial Statements, and the Board of Directors' Report on the Status of the Company's Affairs for the year then ended as published on March 22, 2023 (reference no. 2021-01-040482) (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 business segments, as described in Note 27 to the Financial Statements of the Company as of December 31, 2022. Four of the operating segments are concentrated under two main frameworks: the Israel Operation and the Coffee Operation[1].

2.2 Major events in the reporting period

- 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 September 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 September 30, 2023.
- 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.

[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 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 rejected the argument outright. In September 2023, a settlement agreement was signed between Sabra and the insurer, following which, in the third quarter of 2023, Sabra recognized income of NIS 48 million (the Company's share) from insurance compensation. For further information, see Note 4.2 to the Consolidated Financial Statements as of September 30, 2023.

- On May 21, 2023, the Company and fourteen other companies received a letter from 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 the hearing was set for November 16, 2023. In light of the security situation, the High Court of Justice Department in the State Attorney's Office requested a three-month postponement of the hearing. The High Court granted the request, but a new date has still not been set.

- 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, payable 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. In October 2023, a detailed agreement was signed. The closing is subject to the receipt of approval from the Serbian Commission for Protection of Competition. As of the date of this report, said approval had not yet been received, and it is presently uncertain if, and under what conditions, it will be received. For further information, see section Note 4.9 to the Consolidated Financial Statements as of September 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, 1988, 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. On June 21, 2023, the Company received a summons to a hearing prior to a decision by the Competition Commissioner concerning the violation of the provisions of section 19 of the Competition Law and the intent to impose a financial sanction on the Company at a total amount of NIS 111 million and the intent to impose financial sanctions on each of the former officers and on an officer 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 until February 18, 2024 under a continuance granted after the notice was received (the "**Hearing**"). The Company and its legal counsel are reviewing the specifics of the notice and the materials on which the Competition Authority's notice was based. In the opinion of outside counsel, at this preliminary stage, the Company has strong arguments countering the body of arguments and against each argument individually, as well as against the alleged violation of section 19. Even if the Company's arguments concerning the alleged violation are not accepted, the Company has strong arguments concerning the amount of the sanction and the manner in which it was calculated, which indicate a sanction that is significantly lower than the amount calculated by the Authority. Company counsel estimates that the chances of the above financial sanction being imposed are lower 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 6.7 to the Consolidated Financial Statements as of September 30, 2023.

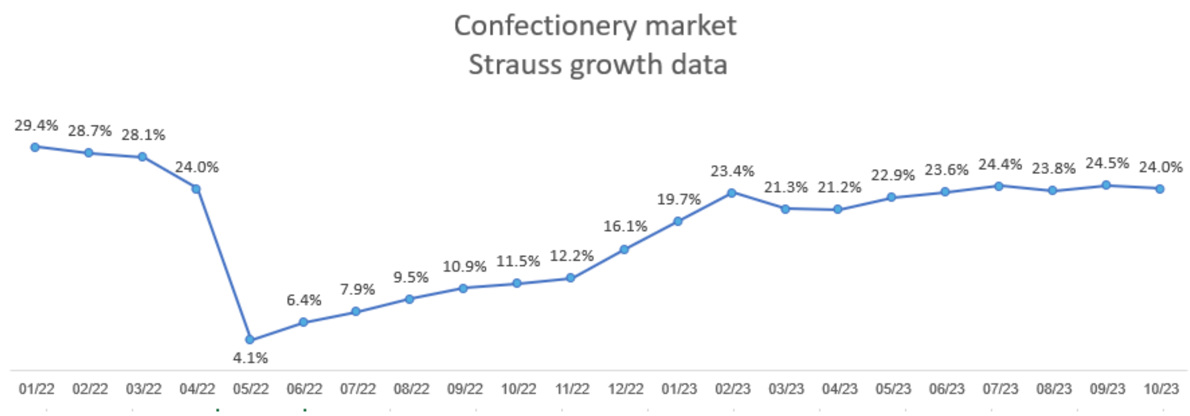
- On August 21, 2023, the Company, a Company officer and a former Company officer received letters of notice regarding an intent to file an indictment against them, subject to a hearing, in respect of suspicions of an attempted restrictive trade arrangement through a public announcement in the Company's quarterly financial statements. To clarify, the Company disputes the Commissioner's position and is of the opinion that its actions as far as the body of arguments made against the Company and the officers were legal. The Company and the officers have the right to present their position before the Commissioner in a hearing ("**Hearing**"). In light of the security situation, the Hearing was postponed, and a new date has not yet been set. The Company and its counsel have received the main investigation materials and are reviewing the case. According to the estimates of outside counsel, at this preliminary stage it is not yet possible to assess the chances of the Hearing's success, the chances of the indictment being filed and the chances of a conviction if an indictment is indeed filed. The Company will present its position at the Hearing and in any legal proceeding insofar as required. For further information, see section 20.4.3 in the Description of the Company's Business for the year 2022.
- For information on an agreement for the acquisition of the lease rights held by Strauss Holdings Ltd., the controlling shareholder of the Company, in a property in Bar Lev Industrial Park, see section 7.1 in the Description of the Company's Business Report as of September 30, 2023.

2.2.1 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 periodically performed by the Company. 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 Group began to gradually 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 Group continued to market outsourced products. A gradual increase in market share was observed in the barcoded retail market[2] proximate to the publication of the report.

However, despite the positive trend in market share, as of the end of the third quarter of 2023 the Group has not yet recovered its pre-recall sales volumes and market share 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 Plant[3].



For information on legal proceedings against the Company with respect to the recall 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 6.5 and 6.6 to the Consolidated Financial Statements as of September 30, 2023.

For the credit rating following the recall, see section 23.1 below.

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.

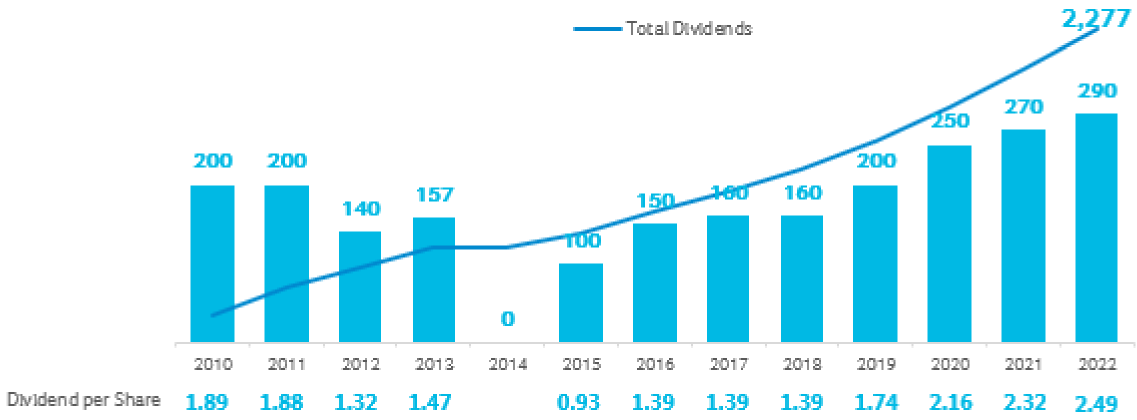
Since 2010 through to the present, the Company has distributed dividends amounting to approximately NIS 2.3 billion.

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

[2] According to the StoreNext report published on November 6, 2023. StoreNext measures consumption in the barcoded FMCG market in Israel, Strauss Categories.

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

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 3,674 million.

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

3. The Swords of Iron War

On October 7, 2023, the Hamas terrorist organization attacked the State of Israel. Following the attack, the government of Israel declared the Swords of Iron War (hereinafter: the "War"). The War led to a massive call-up of military reserves, the evacuation of communities, the temporary or partial closure of businesses, the imposition of various restrictions on civilian activities in extensive areas, a slowdown in economic activity, a slump in share prices on the Tel Aviv Stock Exchange, the devaluation of the Shekel against foreign currencies, a rise in corporate bond yields due to the increase in risk levels and uncertainty, a downgrade from stable to negative of Israel's credit outlook by S&P Global Ratings, and furthermore, ratings agencies Moody's and Fitch announced that Israel's credit rating had been put on review for downgrade. All of the foregoing disrupted economic activity and consumer spending in the country. In the first two weeks, FMCG consumption in general increased, particularly storable dry foods, whereas there was a drop in demand for electrical appliances, real estate, tourism, and leisure and entertainment[4].

In the month of November through to proximate to the approval of the financial statements, the shekel rallied, as did the nominal effective exchange rate (published by the Bank of Israel), which is now lower than before the War, and Israel's risk premium has declined somewhat.

As of the publication date of this report, the effects of the War, described below, have had no material impact on the Group's business and on its financial results.

Since the War broke out, in its business in Israel the Company has focused on three major goals: To maintain full business continuity to the greatest extent possible and ensure regular food supply to all customers, subject to the restrictions and the directives of the Home Front Guard; to keep its people safe and tend to the needs of employees and their families due to the War; to support the community, provide help to soldiers and the families who were evacuated in southern and northern Israel, and to support the farmers who suffered damage in the Western Negev.

As of the date of this report, the effects of the War were mainly expressed in the full or partial closure, for a limited period, of the Group's three production plants in the Western Negev (the salty snack factory in Sderot, the Yad Mordechai plant and the fresh and refrigerated vegetables site on Kibbutz Bror Hayil), which reopened gradually during the first three weeks after the War broke out. As of the publication date of this report, the plants have almost fully resumed operations, and a gradual recovery in supply capacity and in meeting demand is evident. Operations at the rest of the Group's production plants and sites continued as usual.

Further, the travel restrictions imposed on employees in some parts of Israel, the call-up of employees of the Group who serve in the reserves and the adverse impact on the Group's headcount for an indefinite period following the evacuation of communities and inaccessibility of regions that have been declared closed military zones by the Home Front Command (Kibbutz Yad Mordechai) have caused partial damage

[4] According to the StoreNext report published on November 15, 2023. StoreNext measures consumption in the barcoded FMCG market.

to supply chains, the distribution system and stocking and picking array in Israel. The supply of agricultural raw materials from the Western Negev has also been adversely affected to a certain extent.

As mentioned, in the first two weeks of the fighting demand for FMCG was strong, including the products of the Group, which worked to supply the demand subject to the limitations described above. In the third week of the War the excess demand tapered off, and purchases in the retail chains reverted to the normal levels that had prevailed before the War broke out. On the other hand, in the first weeks of the War, demand for the Group's water bars in Israel declined and sales of these appliances were adversely affected. However, as of the publication date of this report, demand for water bars has improved.

To provide for maximum flexibility and financial stability, in November 2023 the Group entered into a number of agreements with banks to acquire secured lines of credit for its regular operations, at a total amount of NIS 100 million for a one-year period. This is in addition to the secured lines of credit that were in place before the War, at an amount of NIS 400 million (see section 23 below regarding liquidity, sources of finance and financial position).

Since the beginning of the War, the Group has implemented a broad variety of initiatives to support and encourage evacuated families and soldiers throughout Israel. Furthermore, to support the farmers of the Gaza envelope and the restoration and recovery of agriculture and businesses in the communities of the Western Negev, the Group formed an aid fund for farmers together with Leket Israel, Israel's national food bank. For further information, see section 26 below.

The Group is monitoring developments and preparing for various scenarios that could evolve, notably supply chain risks, including the location of alternative sources for the procurement of raw materials, outsourced production, adaptation of the logistics organization, monitoring the increase in cybersecurity risks and in food quality and safety risks.

As of the date of this report, no effects have been reported on the Company's businesses outside Israel.

As of the publication date of the report, the development of the War, its scale, impacts and duration are uncertain. Consequently, it is not possible at the present time to assess the scope of future consequences of the War on the Group's business in Israel.

To clarify, the Company's assessments regarding the possible effects and consequences of the War, as described above, on its operations, businesses and results, are forward-looking information, as this term is defined in the Securities Law, 1968. These assessments are based, *inter alia*, on the experience of Company Management in the Company's fields of business, on the information available to the Company on the date of this report and on public economic forecasts. Accordingly, materialization of all or part of these assessments is uncertain, and they may also materialize, including substantially, in a different form than anticipated as a result of various factors, including the consequences of the War and the uncertainty surrounding its nature and duration, the state of the economy, and also due to the effects of the Company's risk factors as set forth in section 7 in the Description of the Company's Business chapter in the 2022 Periodic Report.

4. 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 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. When the Swords of Iron War broke out the protests were discontinued. As of the reporting date, the Company is unable to assess the future impacts of the foregoing, if any, on the Israeli economy, on the Israeli food industry in general, and on the Company's business.

5. Events in Russia-Ukraine

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

In Russia, the Group's business activity in the coffee market stabilized following a period in 2022 in which the coffee company experienced strong growth in the volume of its business after some players in the local coffee market temporarily abandoned their activity or were unable to operate. In Ukraine, the Group's business has operated continuously given the circumstances, but considering the decline in the number of citizens residing in the country, sales volumes in the third quarter and first nine months of 2023 were lower than in the corresponding periods 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 7 and 8 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 continuously monitors events in Ukraine, Russia and the markets. As mentioned, 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 Consolidated Financial Statements as of September 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 nine months and third 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 substantial decline in the prices of Arabica green coffee and grain prices. The average price of raw milk in Israel ("target price") rose in the nine-month period by 9.7% and in the third quarter of 2023 by a negligible 0.1%, respectively, compared to the corresponding periods last year.

After the statement of financial position date, the price of raw milk was left unchanged for the months of October-December 2023, meaning that on an annualized basis, forecasts are that the average price for 2023 will be 6.8% higher than the average price in 2022, whereas in the fourth quarter of 2023, the price will be 1.1% lower than in the corresponding period last year.

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

Inputs	Average rate of change
Arabica (1)	(30%)
Robusta (1)	26%
Sugar (1)	27%
Sesame (1)	16%
Plastic (2)	(9%)
Cocoa (1)	44%
Raw milk (3)	0.1%

(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 their sell-in prices (see section 22 below).

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)[5]). 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 commodity exposure management. The committee is managed by the CFO of Strauss Israel.

[5] 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).

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.

7. Energy Prices

Average prices of Brent oil in the first nine months and third quarter of 2023 were 20% and 12% 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 Brent oil.

8. Exchange Rate Fluctuations

The impact of the significant devaluation of the Shekel against most of the Group's functional currencies, notably the Brazilian Real and excluding the Ruble and the Hryvnia in the first nine months and the Ruble in the third quarter, based on average exchange rates compared to the corresponding periods last year, led to positive translation differences in sales and operating profit in the third quarter. In terms of changes in exchange rates, in the first nine months the Shekel weakened against most currencies, mainly the Real, and strengthened significantly against the Ruble, and the aggregate net effect on the Group's equity was positive. In the third quarter, equity was not materially affected.

Based on average exchange rates, in the first nine months and third quarter of 2023, the Dollar strengthened significantly, mainly against the Shekel, Ruble and Hryvnia, and weakened slightly in the nine-month period and significantly in the third quarter against the other Eastern currencies and against the Real.

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

Average Exchange Rates Against the Shekel							
Currency		Average Exchange Rate First Nine Months		% change	Average Exchange Rate Third Quarter		% change
		2023	2022		2023	2022	
United States Dollar	USD	3.643	3.313	10.0%	3.746	3.400	10.2%
Euro	EUR	3.946	3.527	11.9%	4.075	3.428	18.9%
Ukrainian Hryvnia	UAH	0.100	0.108	(7.6%)	0.102	0.098	4.5%
Russian Ruble	RUB	0.044	0.049	(9.3%)	0.040	0.057	(30.6%)
Serbian Dinar	RSD	0.034	0.030	12.1%	0.035	0.029	19.0%
Romanian Leu	RON	0.799	0.714	11.8%	0.823	0.698	17.9%
Polish Zloty	PLN	0.861	0.756	14.0%	0.905	0.723	25.2%
Brazilian Real	BRL	0.728	0.647	12.5%	0.767	0.649	18.1%
Chinese Renminbi	CNY	0.515	0.503	2.5%	0.514	0.497	3.4%
Canadian Dollar	CAD	2.707	2.583	4.8%	2.793	2.606	7.1%
Australian Dollar	AUD	2.436	2.342	4.0%	2.452	2.322	5.6%
Mexican Peso	MXN	0.205	0.164	25.3%	0.219	0.168	30.7%
Pound Sterling	GBP	4.533	4.168	8.8%	4.741	4.010	18.2%

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

Average Exchange Rates Against the Dollar							
Currency		Average Exchange Rate First Nine Months		% change	Average Exchange Rate Third Quarter		% change
		2023	2022		2023	2022	
New Israeli Shekel	ILS	0.275	0.302	(9.1%)	0.267	0.294	(9.3%)
Ukrainian Hryvnia	UAH	0.027	0.033	(16.1%)	0.027	0.029	(5.1%)
Russian Ruble	RUB	0.012	0.015	(16.9%)	0.011	0.017	(37.0%)
Serbian Dinar	RSD	0.009	0.009	1.8%	0.009	0.009	8.0%
Romanian Leu	RON	0.219	0.216	1.6%	0.220	0.205	7.0%
Polish Zloty	PLN	0.236	0.228	3.5%	0.242	0.213	13.6%
Brazilian Real	BRL	0.200	0.195	2.2%	0.205	0.191	7.2%
Chinese Renminbi	CNY	0.141	0.152	(6.9%)	0.137	0.146	(6.2%)
Pound Sterling	GBP	1.244	1.260	(1.3%)	1.266	1.180	7.3%

From the beginning of the year through to proximate to the publication date of the report, the Shekel weakened by 12% against the Brazilian Real and by 4.5% against the US Dollar, and strengthened by 15% against the Ruble.

9. Inflation

In the first nine months and third quarter of 2023, inflation in Israel and globally eased compared to the corresponding periods last year. The Consumer Price Index (CPI) in Israel rose in the nine-month period by 2.9% compared to 4.3% in the corresponding period, and by 3.7% in the past twelve months. In the US, the CPI rose by 2.9% in the first nine months compared to 5.9% last year, and by 3.2% in the past twelve months. In Brazil, the CPI rose by 4.8% in the twelve months ended proximate to the publication of the report compared to 6.5% in the corresponding period, and in Russia, the CPI rose by 6.7% in the same twelve-month period compared to an increase of 12.6% 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%-5.5% proximate to the publication date of the report. In Brazil, the interest rate declined from 13.75% at the end of 2022 to 12.25% proximate to the publication date of the report. In Russia, the interest rate rose from 7.5% at the end of 2022 to 15% proximate to the publication date of the report. In the Group's other Eastern European countries of operations, there was no significant change in the interest rate.

Most of the Group's long-term liabilities are fixed-rate loans and the rest are floating rate loans, short-term and up to 2 years, most of them Shekel, Euro, Real and Dollar-denominated.

11. Regulatory Developments 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 importation 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 importation of cheeses, yogurts and desserts containing up to 5% fat, and customs-exempt quotas for the importation 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. On October 19, 2023, the Minister of Finance published an order extending the customs exemption for a further three months. The Company estimates that no material impact on its business results is expected in the foreseeable future.

Minimum Wage Law

Commencing on April 1, 2023, the minimum wage in Israel was raised to 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.

Convalescence Pay Extension Order

On September 11, 2023, an extension order was signed, pursuant to which the convalescence allowance in the private sector will be set at NIS 418 per day (as opposed to NIS 378). The extension order is applicable retroactively from July 1, 2023. The increase in convalescence pay 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.

The Public Health Protection Law

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 importation and manufacture of various food products without requirements that are unique to Israel. However, food standards are binding even when they are not official, subject to the Consumer Protection Order (Marking and Packaging of Food Products) which 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.

In July 2023, the Ministry of Health published a procedure concerning the update of directives adopted under the Food Law, which systematizes the procedure described in the Public Health Protection Law (Food), 2015 with respect to the update of EU directives that were adopted following amendments and changes made to the directives in the context of EU legislative processes, including addenda.

In August 2023, the Ministry of Health published a guideline for the expansion of the Food Reform, which places emphasis on the removal of import barriers. The current guideline perpetuates the trend of transferring responsibility for food safety and standards to the parties that deal in food, while protecting public health.

In the context of the guideline, several steps were proposed for implementation, such as the adoption of Regulation (EU) No. 1169/2011 with respect to food labeling.

Revision of section 79D – As part of the most recent Economic Arrangements Law several amendments to the Food Law were approved, including a significant amendment to section 79D (documents required to be attached to a declaration for the importation of food in the European Track), intended to facilitate the importation of products that are not manufactured in Europe in the European Track. The amendments took effect on September 1, 2023.

In light of the replacement of Commission Regulation (EC) No. 1881/2006 on setting maximum levels for certain contaminants in foodstuffs with Commission Regulation (EU) No. 2023/915, in September 2023 the Ministry of Health published for public comment a draft order, Protection of Public Health (Food) (Application of Changes in EU Directives) (Replacement of Commission Regulation (EC) No. 1881/2006 with Commission Regulation (EU) No. 2023/915 With Respect to Maximum Levels of Certain Contaminants in Foods and Amendment of the Second Addendum Thereto), 2023.

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 NSF[6] 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

[6] 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: Prohibition on a supplier whose determinative sales turnover exceeded NIS 307 million to merge with a supplier whose determinative sales turnover exceeded NIS 30 million, unless the Commissioner’s approval has been granted under the terms and conditions set forth in the Law; prohibition on a large supplier to stipulate a discount to a large retailer on any of its products on the purchase of another of said 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, in each of the six months that preceded the date on which the large store was opened, 55% of the sales volume of the products sold by the large retailer in Israel did not consist of products supplied to the large retailer by large suppliers. Additionally, the sum of the maximum financial sanction was raised to NIS 40 million. Furthermore, as part of said Economic Arrangements Law (Chapter 14), provisions were also determined with the intention of facilitating the process of importing food products. The Company reviewed the impact of the Economic Arrangements Law and assessed that the effect on the Group’s business 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 (hereinafter: “Public Committee”). Each of the two new committees will include representatives of the public, representatives of the government and a representative of the Bank of Israel, and they 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. In light of the state of emergency, the Public Committee announced the suspension of its work. 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 September 6, 2023, the Company and all large suppliers and large retailers received a demand for information from the Competition Authority. In the demand, the Company was requested to furnish, *inter alia*, sales data, COGS and operating costs from 2019 through to the present. In light of the security situation, the Competition Authority announced the postponement of the date for responding to the demand for information for several days, during which Regulations 3 to 5 of the Courts and Enforcement and Execution Chambers Regulations (Civil Procedures in a Special State of Emergency), 1991 would apply. On November 13, 2023, the Commissioner published an announcement that the dates for responding to the demand for information would not be extended for a further period, even if Regulations 3 to 5 are applied by the Minister of Justice beyond November 30, 2023. Accordingly, the Company will furnish the response to the questions as required in the course of December 2023.

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. The Company furnished its reference to the bill in the call for submissions that was issued. 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.

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.

On November 24, 2023, the Competition Commissioner announced that the Shelf Arrangement Exemption would be extended for a further six months until May 31, 2024, and that she would announce new rules for exemption that will increase sales of products of small suppliers in the retail chains. In the draft rules that are to be published for public comment, two tracks for the receipt of exemption will be set – a general track and an individual track. In the general track, a large retailer will be required that the total sales of products of "small suppliers" by the chain will be greater than 55% of total sales, and that this percentage will be raised by one percentage point per year up to 60%. In the individual track, a large retailer will be required, each year, to significantly increase total sales of products of "small suppliers" by the chain in relation to the prior year.

At the present stage, there is no certainty as to the form of the Exemption and when it will take effect. Accordingly, as of the date of this report, the Company is unable to assess the impact of the form and content of the Exemption insofar the process is completed.

13. Qualitative Disclosure Regarding Market Risk Exposure and Risk Management

The Group 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 Group's business. For a description of the market risks to which the Group is exposed, see section 25.1 (Discussion of Risk Factors) in the chapter Description of the Company's Business as of December 31, 2022 in the 2022 Periodic Report.

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)[7]), 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.

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 Company'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 Company'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 financial accounting (GAAP) reports 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 nine months ended September 30, 2023 and September 30, 2022 (in NIS millions):

Condensed Results of Business Operations

	First Nine Months			Explanation
	2023	2022	% change	
Sales	**7,854**	**7,041**	**11.5%**	Sales growth is largely due to the International Coffee segment following an increase in sales prices and growth in quantities sold, mainly in Eastern Europe; the Fun & Indulgence segment due to the gradual resumption of production and sales in the Confectionery Division after the recall; and the Health & Wellness segment due to growth in quantities sold and higher prices of dairy and dairy alternative beverages. For further information, see section 18 below.
Organic growth excluding foreign currency effect	7.5%	7.6%		
Cost of sales	5,323	4,942	7.7%	Growth in gross profit and the gross margin is primarily the result of the resumption of operations after the confectionery recall and the adjustments at the Sabra plant in the corresponding period last year, as well as price increases implemented in several categories and geographies. For further information, see section 19 below.
Gross profit – non-GAAP	**2,531**	**2,099**	**20.6%**	
% of sales	32.2%	29.8%		
Selling and marketing expenses	1,541	1,423	8.3%	Most of the increase is due to Strauss Coffee and Strauss Israel in line with sales growth as well as recovery following the recall last year.

7 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).

	First Nine Months			Explanation
	2023	2022	% change	
General and administrative expenses	406	375	8.3%	Most of the increase is due to an increase in IT expenses, and was partially offset by an insurance payout in Sabra. For further information, see section 22.3 below.
Total operating expenses	**1,947**	**1,798**		
Share of profit of equity-accounted investees	30	26	20.3%	The increase is largely due to growth in the earnings of Haier Strauss Water following sales growth.
Operating profit before profit of incubator investees	**614**	**327**	**87.8%**	
Share of loss of equity-accounted incubator investees	(23)	(12)	102.1%	The change is the result of an increase in losses of the incubator companies and gains recognized on loss of control in the corresponding period last year.
Operating profit – non-GAAP	**591**	**315**	**87.6%**	Growth in operating profit and the operating margin is largely due to the effects of the recall on results in the corresponding period last year (for further information, see section 2.2.1 above), sales growth and price increases, which were offset by an increase in raw material costs and higher selling and marketing expenses and Group HQ expenses.
% of sales	7.5%	4.5%		
Finance expenses, net	(80)	(46)	74.3%	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 and higher interest rates.
Income before taxes – non-GAAP	**511**	**269**	**89.9%**	
Taxes on income	(124)	(79)	57.9%	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	24.3%	29.2%		
Income for the period – non-GAAP	**387**	**190**	**103.1%**	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	**339**	**148**	**128.9%**	
% of sales	**4.3%**	**2.1%**		
Attributable to non-controlling interests	48	42	12.9%	
EPS (NIS)	2.91	1.27	128.6%	

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

Condensed Results of Business Operations				
	Third Quarter			Explanation
	2023	2022	% change	
Sales	**2,675**	**2,493**	**7.3%**	Sales growth is largely due to the Fun & Indulgence segment due to the gradual resumption of production and sales in the Confectionery Division after the recall, and the Health & Wellness segment due to growth in quantities sold and higher prices of dairy and dairy alternatives. For further information, see section 18 below.
Organic growth excluding foreign currency effect	2.8%	7.0%		
Cost of sales	1,820	1,747	4.1%	Growth in gross profit and the gross margin is primarily the result of the resumption of operations after the confectionery recall and the adjustments at the Sabra plant in the corresponding period last year, as well as price increases implemented in several categories and geographies. For further information, see section 19 below.
Gross profit – non-GAAP	**855**	**746**	**14.7%**	
% of sales	32.0%	29.9%		
Selling and marketing expenses	539	499	7.9%	Most of the increase is due to Strauss Israel in line with sales growth as well as recovery following the recall last year, and higher expenses in Brazil in line with sales growth.
General and administrative expenses	107	130	(17.8%)	Most of the decline is due to an insurance payout in Sabra. For further information, see section 22.3 below.
Total operating expenses	**646**	**629**		
Share of profit of equity-accounted investees	9	7	33.1%	The increase is largely due to growth in the earnings of Haier Strauss Water following sales growth.
Operating profit before profit of incubator investees	218	124	75.8%	
Share of loss of equity-accounted incubator investees	(6)	(13)	(49.0%)	Capital losses in the incubator investees declined as a result of earnings generated in the current quarter compared to the corresponding quarter last year.
Operating profit – non-GAAP	**212**	**111**	**93.2%**	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 2.2.1 above) and an insurance payout in Sabra (for further information, see section 22.3 below), as well as sales growth and price increases, which were offset by raw material costs and higher selling and marketing expenses and Group HQ expenses.
% of sales	8.0%	4.4%		
Finance income (expenses), net	(33)	(39)	(14.5%)	The decline in finance expenses is mainly the result of the revaluation of foreign currency derivatives and exchange rate differences, and was partially offset by interest expenses due to debt raised and higher interest rates.
Income before taxes – non-GAAP	**179**	**72**	**151.6%**	
Taxes on income	(39)	(26)	61.0%	The increase in taxes is in alignment with growth in taxable income. The decline 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	22.2%	34.7%		
Income for the period – non-GAAP	**140**	**46**	**199.7%**	Most of the increase in net profit is due to growth in operating profit and was offset by higher tax expenses.
Attributable to shareholders of the Company	**120**	**35**	**236.7%**	
% of sales	**4.5%**	**1.4%**		
Attributable to non-controlling interests	20	11	78.3%	
EPS (NIS)	1.04	0.31	236.4%	

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 first nine months and the quarters ended September 30, 2023 and 2022 (in NIS millions):

Condensed Results of Business Operations by Operating Segment						
	First Nine Months			Third Quarter		
	2023	2022	% change	2023	2022	% change
Israel						
Net sales	3,068	2,619	17.1%	1,048	871	20.2%
Operating profit (loss)	279	(37)	857.3%	93	(11)	966.2%
Coffee						
Net sales	3,784	3,534	7.1%	1,278	1,308	(2.3%)
Operating profit	280	378	(25.8%)	90	146	(37.4%)
International Dips & Spreads						
Net sales	387	296	31.1%	127	104	23.6%
Operating profit (loss)	22	(85)	126.0%	32	(37)	188.0%
Water						
Net sales	613	592	3.5%	221	210	5.5%
Operating profit	66	74	(10.0%)	21	26	(17.4%)
Other						
Net sales	2	-		1	-	
Operating loss	(56)	(15)	274.4%	(24)	(13)	85.7%
Total						
Net sales	**7,854**	**7,041**	**11.5%**	**2,675**	**2,493**	**7.3%**
Operating profit	**591**	**315**	**87.6%**	**212**	**111**	**93.2%**

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 first nine months and third quarter ended September, 2023 and 2022 (in NIS millions):

Condensed GAAP Statements of Income						
	First Nine Months			Third Quarter		
	2023	2022	% change	2023	2022	% change
Sales	5,090	4,540	12.1%	1,746	1,608	8.6%
Cost of sales excluding impact of commodity hedges	3,280	3,051	7.5%	1,126	1,076	4.7%
Adjustments for commodity hedges (1)	(16)	(4)		41	–	
Cost of sales	3,264	3,047	7.1%	1,167	1,076	8.5%
Gross profit	**1,826**	**1,493**	**22.3%**	**579**	**532**	**8.6%**
% of sales	35.9%	32.9%		33.1%	33.1%	
Selling and marketing expenses	1,045	1,012	3.3%	369	348	6.2%
General and administrative expenses	359	314	14.1%	118	101	16.5%
Total expenses	**1,404**	**1,326**		**487**	**449**	
Share of profit of equity-accounted investees	162	86	90.6%	70	14	431.2%
Share of profit of equity-accounted incubator investees	(23)	(12)	102.1%	(6)	(13)	(49.0%)
Operating profit before other expenses	**561**	**241**	**132.7%**	**156**	**84**	**85.0%**
% of sales	11.0%	5.3%		8.9%	5.2%	
Other income (expenses), net	58	(34)		(3)	(3)	
Operating profit after other expenses	**619**	**207**	**198.8%**	**153**	**81**	**87.7%**
Finance expenses, net	(50)	(25)	100.8%	(20)	(31)	(33.5%)
Income before taxes	**569**	**182**	**212.3%**	**133**	**50**	**162.8%**
Taxes on income	(137)	(44)	213.2%	(33)	(12)	167.2%
Effective tax rate	24.1%	24.1%		24.8%	24.4%	
Income for the period	**432**	**138**	**212.0%**	**100**	**38**	**161.3%**
Attributable to: Shareholders of the Company	**384**	**96**	**299.8%**	**80**	**27**	**197.6%**
Non-controlling interests	48	42	12.9%	20	11	73.8%

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

Condensed GAAP Statement of Financial Position				
	September 30 2023	December 31 2022	% change	Explanation
Total current assets	2,681	2,478	8.1%	The increase is largely due to an increase in trade receivables due to 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	434	517	(16.1%)	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	5,528	4,934	11.9%	The increase is largely due to greater 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	**8,209**	**7,412**		
Total current liabilities	2,640	2,806	(5.9%)	The decline is due to the repayment of short-term loans and a decrease in other payables and credit balances.
Total non-current liabilities	2,346	1,917	21.9%	The increase is largely the result of the expansion of Debenture Series F, loans taken and a new lease for a logistics center in Kfar Masaryk.
Total equity attributable to majority shareholders	2,963	2,483	19.3%	The increase is primarily due to income for the period and positive translation differences related to equity-accounted investees, largely in light of the weakening of the Shekel against the Brazilian Real.
Total equity attributable to minority shareholders	260	206	26.1%	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 September 30, 2023 and December 31, 2022 (in NIS millions):

Outstanding Debt				
	September 30 2023	December 31 2022	Change	Explanation
Gross debt – non-GAAP reports	3,597	3,260	337	Most of the increase 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	2,850	2,614	236	
Net debt – non-GAAP reports	2,880	2,322	558	
Net debt – financial accounting (GAAP) reports	2,416	2,097	319	

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 in the management non-GAAP reports (according to the segmental information based on the Group's internal management reports).

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

Adjustments to the Management (Non-GAAP) Reports

	First Nine Months 2023			First Nine Months 2022		
	Financial Statements	Change	Proportionate consolidation method	Financial Statements	Change	Proportionate consolidation method
Sales	5,090	2,764	7,854	4,540	2,501	7,041
Cost of sales excluding impact of commodity hedges	3,280	2,043	5,323	3,051	1,891	4,942
Adjustments for commodity hedges (1)	(16)	–	(16)	(4)	(3)	(7)
Cost of sales	3,264	2,043	5,307	3,047	1,888	4,935
Gross profit	**1,826**	**721**	**2,547**	**1,493**	**613**	**2,106**
% of sales	35.9%		32.4%	32.9%		29.9%
Selling and marketing expenses	1,045	496	1,541	1,012	411	1,423
General and administrative expenses	359	67	426	314	75	389
Share of profit of equity-accounted investees	162	(132)	30	86	(60)	26
Operating profit before profit of incubator investees	**584**	**26**	**610**	**253**	**67**	**320**
Share of loss of equity-accounted incubator investees	(23)	–	(23)	(12)	–	(12)
Operating profit before other expenses	**561**	**26**	**587**	**241**	**67**	**308**
% of sales	11.0%		7.5%	5.3%		4.4%
Other income (expenses), net	58	(4)	54	(34)	(15)	(49)
Operating profit after other expenses	**619**	**22**	**641**	**207**	**52**	**259**
Finance expenses, net	(50)	(30)	(80)	(25)	(21)	(46)
Income before taxes	**569**	**(8)**	**561**	**182**	**31**	**213**
Taxes on income	(137)	8	(129)	(44)	(31)	(75)
Effective tax rate	24.1%		23.0%	24.1%		35.0%
Income for the period	432	–	432	138	–	138
Attributable to: Shareholders of the Company	**384**	**–**	**384**	**96**	**–**	**96**
Non-controlling interests	48	–	48	42	–	42

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

Adjustments to the Management (Non-GAAP) Reports						
	Third Quarter 2023			Third Quarter 2022		
	Financial Statements	Change	Propor-tionate consolidation method	Financial Statements	Change	Propor-tionate consolidation method
Sales	1,746	929	2,675	1,608	885	2,493
Cost of sales excluding impact of commodity hedges	1,126	694	1,820	1,076	671	1,747
Adjustments for commodity hedges (1)	41	-	41	-	(3)	(3)
Cost of sales	1,167	694	1,861	1,076	668	1,744
Gross profit	**579**	**235**	**814**	**532**	**217**	**749**
% of sales	33.1%		30.4%	33.1%		30.0%
Selling and marketing expenses	369	170	539	348	151	499
General and administrative expenses	118	(6)	112	101	34	135
Share of profit of equity-accounted investees	70	(61)	9	14	(7)	7
Operating profit before profit of incubator investees	**162**	**10**	**172**	**97**	**25**	**122**
Share of loss of equity-accounted incubator investees	(6)	-	(6)	(13)	-	(13)
Operating profit before other expenses	**156**	**10**	**166**	**84**	**25**	**109**
% of sales	8.9%		6.2%	5.2%		4.4%
Other expenses, net	(3)	-	(3)	(3)	(5)	(8)
Operating profit after other expenses	**153**	**10**	**163**	**81**	**20**	**101**
Finance expenses, net	(20)	(13)	(33)	(31)	(8)	(39)
Income before taxes	**133**	**(3)**	**130**	**50**	**12**	**62**
Taxes on income	(33)	3	(30)	(12)	(12)	(24)
Effective tax rate	24.8%		23.4%	24.4%		38.0%
Income for the period	100	-	100	38	-	38
Attributable to: Shareholders of the Company	**80**	**-**	**80**	**27**	**-**	**27**
Non-controlling interests	20	-	20	11	-	11

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 Nine Months			Third Quarter		
	2023	2022	% change	2023	2022	% change
Operating profit (according to the proportionate consolidation method) after other expenses	641	259	147.7%	163	101	62.7%
Share-based payment	20	14		5	5	
Adjustments for commodity hedges (1)	(16)	(7)		41	(3)	
Other expenses (income), net	(54)	49		3	8	
Operating profit – non-GAAP	591	315	87.6%	212	111	93.2%
Finance expenses, net	(80)	(46)		(33)	(39)	
Taxes on income	(129)	(75)		(30)	(24)	
Taxes in respect of adjustments to the above non-GAAP operating profit	5	(4)		(9)	(2)	
Income for the period – non-GAAP	387	190	103.1%	140	46	199.7%
Attributable to: Shareholders of the Company	339	148	128.9%	120	35	236.7%
Non-controlling interests	48	42	12.9%	20	11	78.3%

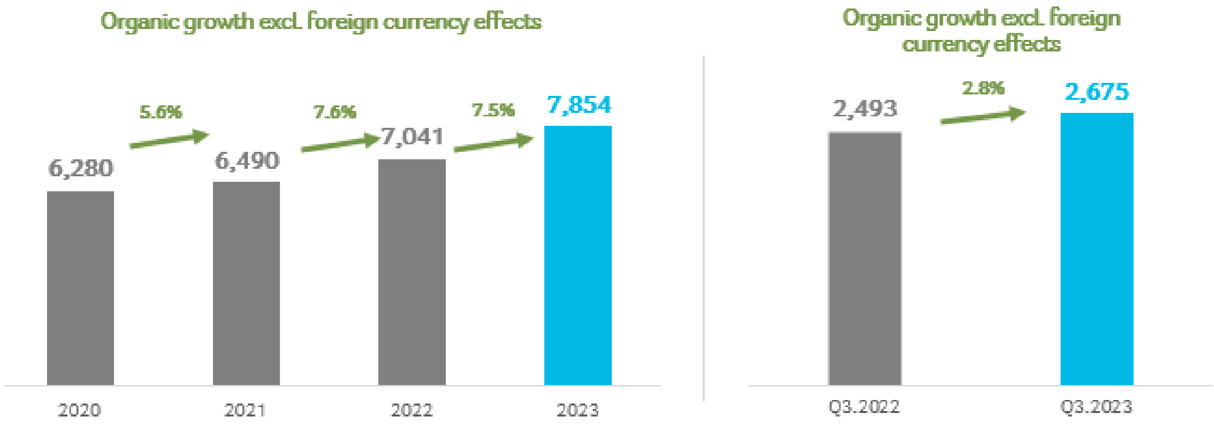
Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

(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

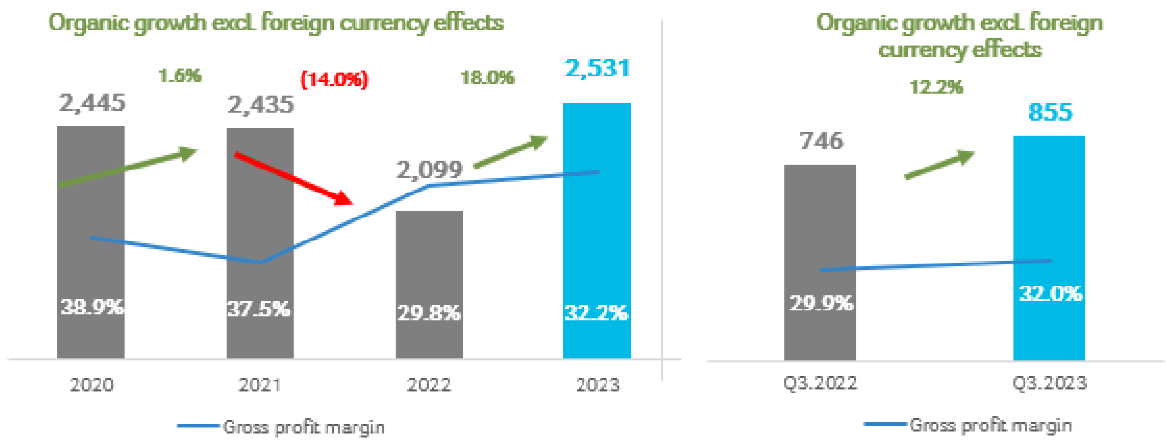
Following are key financial data presented in a quarterly and multi-year comparison, according to the management (non-GAAP) reports:

Net Sales – First Nine Months and Third Quarter



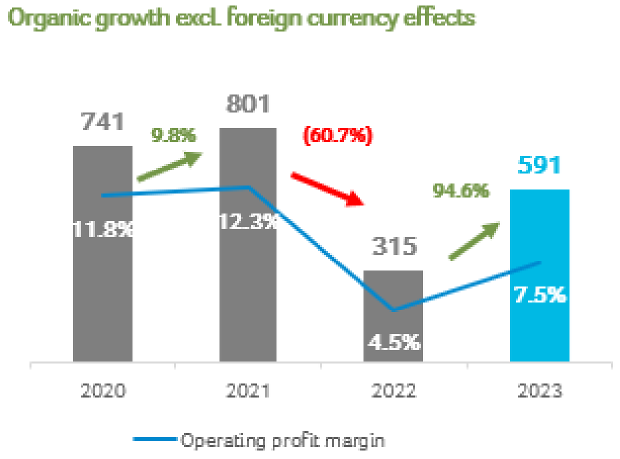
Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

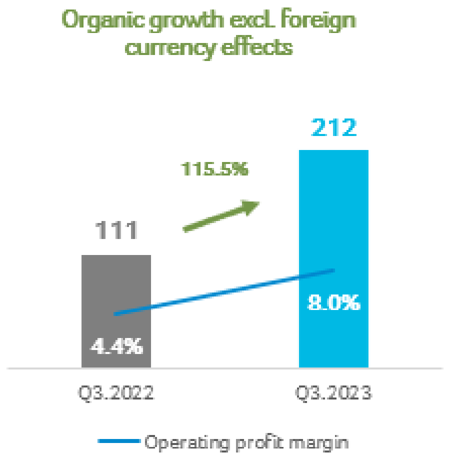
Gross Profit and Gross Margin – First Nine Months and Third Quarter



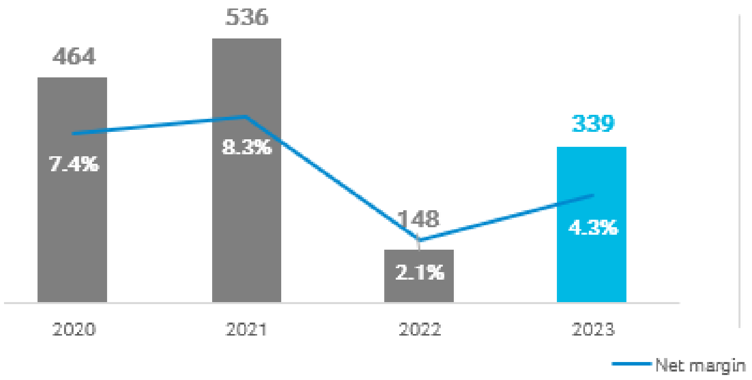
Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

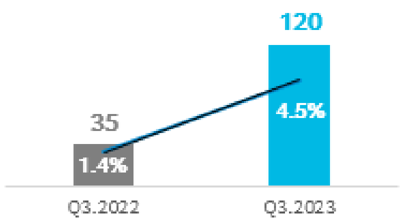
Operating Profit and Operating Margin – First Nine Months and Third Quarter



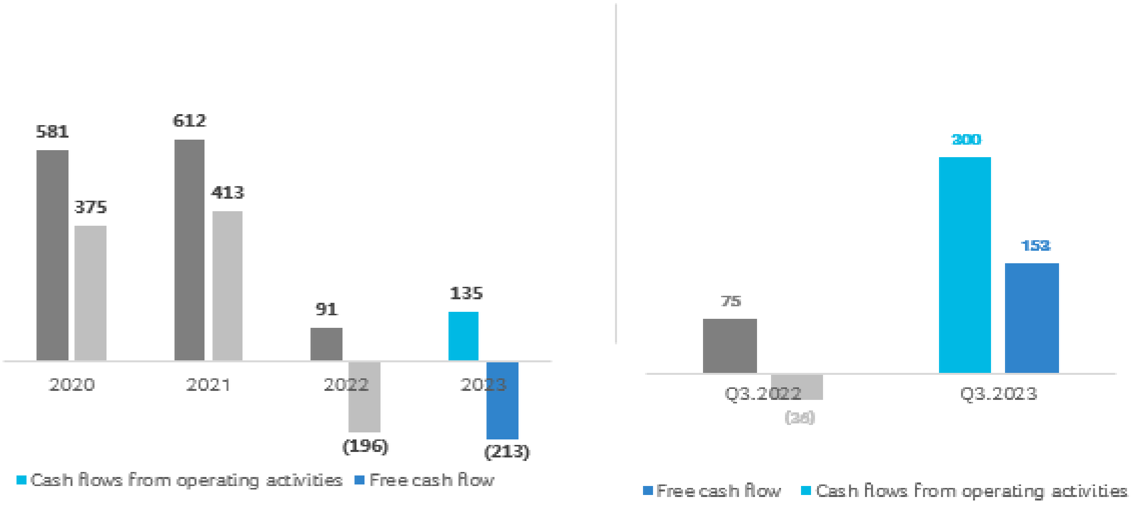


Net Profit and Net Margin – First Nine Months and Third Quarter





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

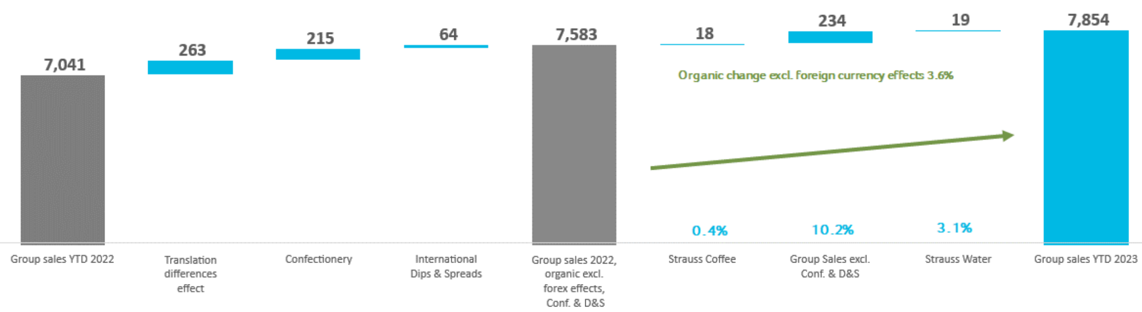


Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

18. Sales – Non-GAAP

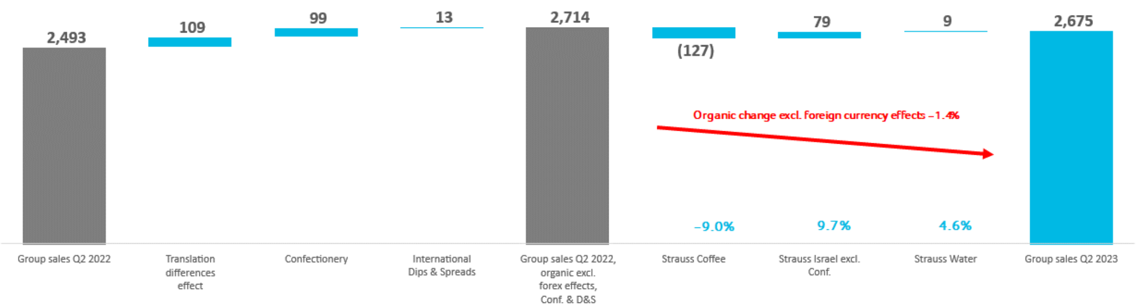
Following are the components of the change in sales in the period in local currency and growth rates according to the Group's major operating/business segments in local currency, together with the overall impact, mainly of translation differences (the "translation differences effect") and inorganic growth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

Components of the Change in Sales – First Nine Months



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 – Third 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 nine months of 2023 were affected by positive translation differences amounting to NIS 263 million, of which NIS 245 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 third quarter of 2023 were affected by positive translation differences amounting to NIS 109 million, of which NIS 127 million were due to the strengthening of the Brazilian Real against the Shekel and were partially offset by the weakening of the Russian Ruble against the Shekel by NIS 65 million, compared to the same quarter 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 Nine Months				Third 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	2,531	2,099	20.6%	18.0%	855	746	14.7%	12.2%
Gross margin	32.2%	29.8%			32.0%	29.9%		

The Group's non-GAAP gross profit in the first nine months of 2023 was positively affected by translation differences, which amounted to NIS 47 million and were largely due to the strengthening of the Brazilian Real against the Shekel and partially offset by the weakening of the Russian Ruble against the Shekel, compared to the corresponding period last year.

The Group's non-GAAP gross profit in the third quarter of 2023 was positively affected by translation differences amounting to NIS 17 million, largely due to the strengthening of the Brazilian Real against the Shekel and partially offset by the weakening of the Russian Ruble against the Shekel, 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 nine months of 2023 rose by NIS 432 million compared to the corresponding period last year. In the third quarter, non-GAAP gross profit rose by NIS 109 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.

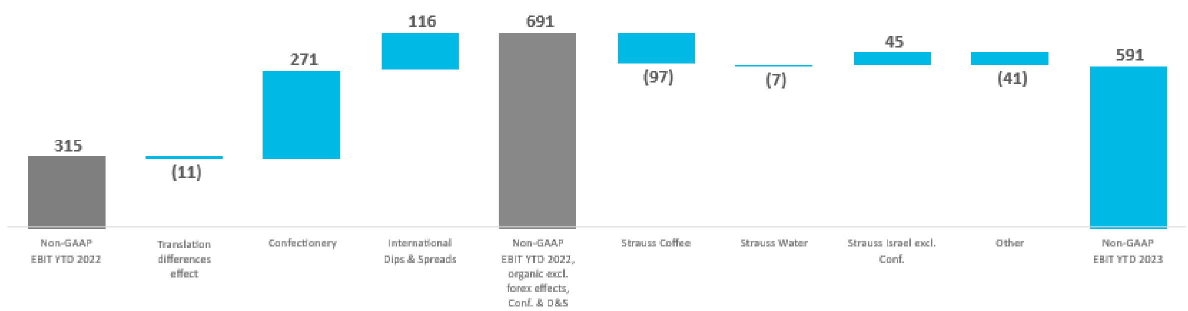
20. Operating Profit Before Other Expenses – Non-GAAP

Operating Profit – Non-GAAP								
	First Nine Months				Third 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	591	315	87.6%	94.6%	212	111	93.2%	115.5%
Operating margin	7.5%	4.5%			8.0%	4.4%		

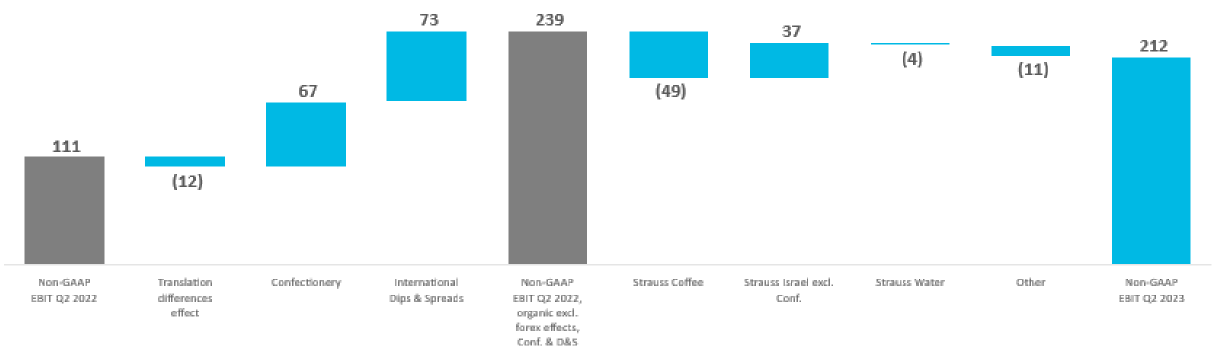
The Group's non-GAAP operating profit (EBIT) in the first nine months and third quarter of 2023 rose by NIS 276 million and NIS 101 million, respectively, and was not materially affected by exchange rates compared to the corresponding periods last year.

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 Nine Months



Components of the Change in Operating Profit – Third 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 compared to the corresponding periods last year 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 41 million in the profit of the Other Operations segment in the first nine months 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 nine months of 2023, GAAP comprehensive income amounted to NIS 546 million, compared to comprehensive income of NIS 367 million in the corresponding period last year. In the reporting period, gains from translation differences, which are the main component of other comprehensive income, were NIS 113 million, compared to foreign currency translation gains of NIS 222 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 111 million are due to the strengthening of the Brazilian Real against the Shekel compared to exchange rates at the end of 2022.

GAAP comprehensive income in the third quarter of 2023 amounted to NIS 97 million, compared to a comprehensive loss of NIS 38 million in the same quarter last year. In the reporting period, losses from translation differences, which are the main component of other comprehensive income, were NIS 3 million, compared to foreign currency translation losses of NIS 79 million in the corresponding period.

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 third quarter of 2023, the Group's value market share, according to StoreNext[8], was 12.0% of the total domestic retail food and beverage market (compared to 10.5% in the corresponding period last year), an increase of 1.5%, largely due to the gradual return of confectionery products to the shelves 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).

Information on Strauss Group's Sales in Israel							
	First Nine Months			Third Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
The Group's sales in Israel	4,259	3,781	12.6%	1,463	1,272	15.0%	Sales growth is largely due to the repercussions of the recall in the Confectionery Division (for further information, see section 2.2.1 above) and to growth in the Health & Wellness segment following growth in dairy product and dairy alternative sales.

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

In December 2022, the Group updated the sell-in prices of part of its products in Israel after twelve years in which it refrained from raising prices in Israel[9], by an average of 2.9%.

In May 2023, the Group updated the sell-in prices of its dairy products by an average of 2.33% 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 list prices were revised account for approximately 30% of the products of the dairies, and raw milk serves as a key raw material in their production.

On May 15, 2023, the Company announced another update to the sell-in price list, 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 at an average rate of 1.4% and includes 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.

[8] Strauss Water business is not included in StoreNext's market share measurements.
[9] Excluding the prices of price-controlled products.

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 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, the Group decided to terminate the frozen ready-to-heat meal business, which accounts for amounts that are immaterial to the Group.

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.

For information on a letter received on May 21, 2023 from the Supervisor of Prices and 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 first nine months and the quarters ended September 30, 2023 and 2022:

Condensed Results of Business Operations – the Israel Operation							
	First Nine Months			Third Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Net sales	3,068	2,619	17.1%	1,048	871	20.2%	Sales growth in the third quarter and first nine months of 2023 is largely due to the Fun & Indulgence segment after the recall in the Confectionery Division in the corresponding periods last year (for further information, see section 2.2.1 above) and to growth in sales by the Health & Wellness segment thanks to sales volume growth and price increases.
Gross profit	1,089	758	43.7%	374	253	47.9%	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.
Gross margin	35.5%	28.9%		35.7%	29.0%		
Operating profit (loss)	279	(37)	857.3%	93	(11)	966.2%	Growth in operating profit and the operating margin is largely the result of increased sales and gross profit after the recall last year (for further information, see section 2.2.1 above).
Operating margin	9.1%	(1.4%)		8.9%	(1.2%)		

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 Nine Months			Third Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Health & Wellness							
Net sales	2,301	2,069	11.2%	804	728	10.4%	Growth in sales by the Health & Wellness segment in the first nine months and third 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 and was offset by higher raw material costs, including the target price of milk, and currency effects on outsourcing costs.
Operating profit	263	212	23.9%	101	66	53.4%	
Operating margin	11.4%	10.2%		12.5%	9.0%		
Fun & Indulgence							
Net sales	767	550	39.4%	244	143	70.2%	The increase in sales and operating profit is the result of the recall in the Confectionery Division (for further information, see section 2.2.1 above). The operating loss in the segment in the quarter is due to ongoing increases in the prices of raw materials and other inputs, the weakening of the Shekel, and a higher cost platform in the confectionery category due to the recall.
Operating profit (loss)	16	(249)	106.4%	(8)	(77)	90.0%	
Operating margin	2.1%	(45.2%)		(3.1%)	(53.3%)		

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 Euromonitor[10]). 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 or 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. Strauss Coffee also has a program in place for supporting local

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

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.

In Brazil (through Três Corações (JV)[11]), 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 sales of coffee products, bakery products and soft drinks to the public at some 63 points of sale. 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 third quarter of 2023, the average market price of Arabica green coffee declined by 30% compared to the corresponding period last year, whereas the average market price of Robusta green coffee rose by 26% compared to the corresponding period. From the date of the statement of financial position until the publication date of this report, the market prices of coffee rose by 25% and 3%, respectively.

In the first quarter of 2023, the prices of various coffee products were raised in Romania and Poland, and in May, 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. In August 2023, prices were raised in Russia. For further information, see section 22.1 above.

In addition to the revising sales prices, Strauss Coffee is taking steps to further mitigate the effects of rising 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.

According to the Agreement, the consideration for the sale is approximately EUR 40.5 million, gross, which is to 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. In October 2023, a detailed agreement was signed. 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 the transaction is indeed completed for the above consideration, the Company is expected (as of September 30, 2023) to record a net loss in its consolidated financial statements at an amount of NIS 16 million, comprising a profit of NIS 72 million from the transaction, less a loss of NIS 88 million arising from

[11] 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).

the realization of the foreign currency translation reserve attributable to the Company in Serbia. For further information on the sale agreement, see Note 4.9 to the Consolidated Financial Statements as of September 30, 2023.

The information with respect to the effect 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, which is based on the information available to the Company at the present date. This information may not materialize or may materialize differently than described, *inter alia*, if the transaction is not approved by the Serbian Commission for Protection of Competition as set forth 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 first nine months ended September 30, 2023 and 2022 (in NIS millions):

Condensed Results of Business Operations – The Coffee Operation				
	First Nine Months			Explanation
	2023	2022	% change	
Israel Coffee				
Net sales	617	595	3.7%	Sales growth in the first nine months of 2023 compared to the corresponding period is mainly the result of growth in sales by the Elite Café chain and an increase in sales prices following the rise in raw material prices and overhead.
Operating profit	83	91	(8.9%)	The decline in operating profit and the operating margin is largely the result of the increase in raw and packaging material costs and in overhead.
Operating margin	13.5%	15.4%		
International Coffee				
Net sales	3,167	2,939	7.7%	Growth in coffee sales in local currency in most regions largely reflects an increase in sales prices following the rise in green coffee prices, which was offset by higher customer discounts. Coffee sales in the first nine months 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. For further information, see Sales by the Coffee Operation by Major Geographical Region in section 22.2.1 below.
Operating profit	197	287	(31.2%)	The decline in operating profit and the operating margin of the International Coffee segment in the first nine months of 2023 is mainly due to the impact of rising raw material and input prices.
Operating margin	6.2%	9.8%		
Total Strauss Coffee				
Net sales	**3,784**	**3,534**	**7.1%**	In the first nine months of 2023, sales by the Coffee Operation grew by NIS 250 million compared to the corresponding period last year. Translation differences into Shekels in the first nine months of 2023 had a favorable effect on sales by the Coffee Operation and amounted to NIS 233 million, of which the positive effect of the change in the average exchange rate of the Brazilian Real against the Shekel accounted for NIS 245 million, and the change in the average exchange rates of the Polish Zloty, the Romanian Leu and the Serbian Dinar accounted for NIS 31 million, NIS 17 million and NIS 12 million, respectively. By contrast, the negative effect of the change in the exchange rate of the Russian Ruble against the Shekel amounted to NIS 68 million.
Organic growth excluding foreign currency effect	**0.4%**	**35.9%**		
Gross profit	**1,044**	**1,046**	**(0.2%)**	The change in gross profit in the first nine months of 2023 is due to the increase in raw material and input prices. By contrast, the change in the exchange rate of the Shekel against the average exchange rates of the relevant currencies had a favorable effect. The decline in the gross margin is due to higher raw material prices.
Gross margin	**27.6%**	**29.6%**		
Operating profit	**280**	**378**	**(25.8%)**	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	**7.4%**	**10.7%**		

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

Condensed Results of Business Operations – The Coffee Operation				
	Third Quarter			Explanation
	2023	2022	% change	
Israel Coffee				
Net sales	210	200	5.0%	Sales growth in the third quarter of 2023 compared to the corresponding period is the result of the timing of the Jewish High Holidays, since most of the holiday sales this year were in the third quarter, whereas last year's holiday sales were split between the quarters, as well as growth in sales by the Elite Café chain and an increase in sales prices due higher raw material prices and overhead.
Operating profit	30	24	29.5%	The change in operating profit and the operating margin is largely the result of the increase in sales prices in the current quarter compared to the corresponding period last year.
Operating margin	14.6%	11.8%		
International Coffee				
Net sales	1,068	1,108	(3.6%)	The decline in coffee sales in local currency in all regions largely reflects the drop in quantities sold in some units as well as lower sales prices in Brazil. By contrast, coffee sales in the third 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. For further information, see Sales by the Coffee Operation by Major Geographical Region in section 22.2.1 below.
Operating profit	60	122	(50.4%)	The decline in operating profit and the operating margin of the International Coffee segment in the third quarter of 2023 is mainly due to a decline in the operating profit of Três Corações (JV)[12] and Russia.
Operating margin	5.6%	10.9%		
Total Strauss Coffee				
Net sales	**1,278**	**1,308**	**(2.3%)**	In the third quarter of 2023, sales by the Coffee Operation declined by NIS 30 million compared to the corresponding period last year. Translation differences into Shekels in the third quarter of 2023 had a favorable effect on sales by the Coffee Operation and amounted to NIS 97 million, of which the positive effect of the change in the average exchange rate of the Brazilian Real against the Shekel accounted for NIS 127 million and was partially offset by the change in the average exchange rate of the Russian Ruble against the Shekel, which amounted to NIS 65 million.
Organic growth excluding foreign currency effect	**(9.0%)**	**33.5%**		
Gross profit	**345**	**391**	**(11.6%)**	The decline in gross profit in the third quarter of 2023 is due to an increase in raw material and input costs, and lower sales prices in Brazil. The decline in the gross margin is due to an increase in raw material and input costs, and lower sales prices in Brazil. Gross profit in the third quarter of 2023 was favorably affected by the weakening of the Shekel, notably against the Brazilian Real, compared to the corresponding period last year.
Gross margin	**27.0%**	**29.8%**		
Operating profit	**90**	**146**	**(37.4%)**	The decline in operating profit and the operating margin is largely due the decline in gross profit and to a moderate increase in operating costs.
Operating margin	**7.1%**	**11.1%**		

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

[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%)).

22.2.1 Sales by the Coffee Operation by Major Geographical Region

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

Sales by the Coffee Operation in Major Geographical Regions

Geographical region	First Nine Months				Explanation
	2023	2022	% change	% change in local currency (1)	
Israel Coffee	**617**	**595**	**3.7%**	**3.7%**	Sales growth is mainly the result of growth in sales by the Elite Café chain and an increase in sales prices following the rise in raw material prices and overhead.
International Coffee					
Brazil (Três Corações (JV)) (2) (3) - 50%	2,117	1,961	7.9%	(3.7%)	The decline in Três Corações (JV)'s[13] sales in local currency is largely due to lower sales prices and higher discounts. The Company's sales in the first nine months of 2023 were favorably affected by the weakening of the Shekel against the Brazilian Real by NIS 245 million compared to last year. For further information, see section 22.2.2 below.
Russia and Ukraine	501	542	(7.6%)	6.5%	Sales growth in local currency is largely due to an increase in sales prices. The Company's sales in the first nine months of 2023 were adversely affected by NIS 72 million following changes in exchange rates compared to the corresponding period last year.
Poland	259	208	24.2%	8.5%	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 nine months of 2023 were favorably affected by the weakening of the Shekel against the Polish Zloty by NIS 31 million compared to last year.
Romania	169	134	26.7%	12.8%	Sales growth in local currency is largely due to higher sales prices. The Company's sales in the first nine months of 2023 were favorably affected by the weakening of the Shekel against the Romanian Leu by NIS 17 million compared to last year.
Serbia	121	94	28.5%	14.2%	Sales growth in local currency is largely due to higher sales prices. The Company's sales in the first nine months of 2023 were favorably affected by the weakening of the Shekel against the Serbian Dinar by NIS 12 million compared to last year.
Total International Coffee	**3,167**	**2,939**	**7.7%**	**(0.2%)**	
Total Coffee	**3,784**	**3,534**	**7.1%**	**0.4%**	

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%)).

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

Sales by the Coffee Operation in Major Geographical Regions					
Geographical region	Third Quarter				Explanation
	2023	2022	% change	% change in local currency (1)	
Israel Coffee	**210**	**200**	**5.0%**	**5.0%**	Sales growth in the third quarter of 2023 compared to the corresponding period is the result of growth in sales by the Elite Café chain, an increase in the sales prices of some of the coffee products following the rise in raw material prices and overhead, and the effect of the timing of Jewish High Holiday sales.
International Coffee					
Brazil (Três Corações (JV)) (2) (3) - 50%	713	697	2.2%	(13.4%)	The decline in Três Corações (JV)'s[14] sales in local currency is largely due to lower sales prices. The Company's sales in the third quarter of 2023 were favorably affected by the weakening of the Shekel against the Brazilian Real by NIS 127 million compared to the same quarter last year. For further information, see section 22.2.2 below.
Russia and Ukraine	165	259	(36.2%)	(15.8%)	The decline in sales in local currency is largely due to increased discounts and a decline in quantities sold. The Company's sales in the third quarter of 2023 were adversely affected by NIS 63 million due to currency effects compared to the corresponding period last year.
Poland	90	73	22.3%	(2.1%)	There was no material change in sales in local currency in the quarter. The Company's sales in the third quarter of 2023 were favorably affected by the weakening of the Shekel against the Polish Zloty by NIS 18 million compared to the corresponding period last year.
Romania	58	48	22.1%	3.4%	There was no material change in sales in local currency in the quarter. The Company's sales in the third quarter of 2023 were favorably affected by the weakening of the Shekel against the Romanian Leu by NIS 9 million compared to last year.
Serbia	42	31	34.8%	13.2%	Sales growth in local currency is largely due to higher sales prices as well as volume growth. The Company's sales in the third quarter of 2023 were favorably affected by the weakening of the Shekel against the Serbian Dinar by NIS 6 million compared to the corresponding period last year.
Total International Coffee	**1,068**	**1,108**	**(3.6%)**	**(11.4%)**	
Total Coffee	**1,278**	**1,308**	**(2.3%)**	**(9.0%)**	

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.

[14] 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 nine months of 2023, Três Corações (JV)'s[15] average value market share in roast and ground (R&G) coffee was approximately 33.7%, compared to 32.5% 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 Nine Months			Third Quarter			Explanation
	2023	2022	% organic change in local currency	2023	2022	% organic change in local currency	
Sales	2,915	3,028	(3.7%)	932	1,080	(13.7%)	The decline in sales is largely the result of lower sales prices.
Gross profit	643	724	(11.2%)	193	256	(25.5%)	The decline in gross profit and the gross margin is largely the result of the lower sales prices and was partially offset by a decline in commodity prices.
Gross margin	22.1%	23.9%		20.7%	24.0%		
Operating profit before other income/expenses	134	255	(47.3%)	38	79	(34.0%)	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 expenses.
Operating margin	4.6%	8.4%		4.1%	7.3%		

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 Nine Months			Third Quarter		
	2023	2022	% change	2023	2022	% change
Sales	2,124	1,968	7.9%	714	701	1.9%
Gross profit	468	469	(0.3%)	148	168	(11.6%)
Operating profit before other income/expenses	98	164	(40.5%)	29	51	(42.4%)

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

[15] 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. In September 2023, a settlement agreement was signed between Sabra and the insurer, following which the Company recognized income of NIS 48 million (the Company's share) from insurance compensation in the third quarter of 2023. For further information, see Note 12.6.3 to the Annual Financial Statements and Note 4.2 to the Consolidated Financial Statements as of September 30, 2023

According to IRI, Sabra's average value market share of the hummus market in the quarter ended September 30, 2023 was approximately 38.2% (Number 1 in the market) compared to 31% in the corresponding period last year.

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 September 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 Nine Months			Third Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Sales	91	71	28.2%	29	24	19.4%	Sales growth in the first nine months and third quarter of 2023 is largely the result of the suspension of operations at the plant at the end of March 2022 and their partial resumption some two months later.
Operating profit (loss) before other expenses	7	(24)	128.5%	9	(10)	183.5%	Operating profit in the first nine months and third quarter of 2023 is largely the result of an insurance payout received in the quarter and a decline in manufacturing costs following the adjustments made at the plant last year, as well as sales growth after the closure of the plant in the corresponding period last year.
Operating margin	8.6%	(33.7%)		32.4%	(43.0%)		

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 Nine Months			Third Quarter		
	2023	2022	% change	2023	2022	% change
Sales	329	233	41.0%	108	82	31.4%
Operating profit (loss) before other expenses	28	(79)	136.2%	35	(36)	199.0%
Operating margin	8.6%	(33.7%)		32.4%	(43.0%)	

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 Nine Months			Third Quarter		
	2023	2022	% change	2023	2022	% change
Sales	58	63	(6.1%)	19	22	(6.6%)
Growth excluding foreign currency effects	(12.6%)	6.2%		(15.8%)	14.3%	
Operating loss	(6)	(6)	0.7%	(3)	(1)	126.2%

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 first nine months and the quarters ended September 30, 2023 and 2022 (in NIS millions):

Condensed Results of Business Operations – Strauss Water							
	First Nine Months			Third Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Net sales	613	592	3.5%	221	210	5.5%	Sales growth in the first nine months and third quarter of 2023 compared to the corresponding periods last year is largely due to growth in the customer base.
Operating profit	66	74	(10.0%)	21	26	(17.4%)	The decline in operating profit and the operating margin in the first nine months and third quarter of 2023 is largely the result of an increase in the cost of sales due to raw material costs, negative currency effects and a subsidy received in the corresponding period last year by the associate in China, which were partially offset by the profits of HSW.
Operating margin	10.9%	12.5%		9.5%	12.2%		

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 Nine Months			Third Quarter			Explanation
	2023	2022	% change	2023	2022	% change	
Sales	1,164	1,019	14.3%	399	326	22.3%	Sales growth in the first nine months and third quarter of 2023 is the result of growth in sales volumes.
Net profit	131	115	13.7%	38	31	21.9%	Growth in net profit in the first nine months and third quarter of 2023 compared to the corresponding periods last year is primarily the result of sales growth and the sales mix, offset by a subsidy received last year by the associate in China.

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 Nine Months			Third Quarter		
	2023	2022	% change	2023	2022	% change
Sales	582	512	14.3%	200	161	22.3%
Net profit	65	58	13.7%	19	16	21.9%

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 in the course of 2025. The investment, at a total amount of NIS 210 million, is aligned with HSW's growth and market leadership strategy, which is supported by setting up a second site for in-house production, and in November 2023 the Company made an initial investment of NIS 77 million.

22.5 Other Operations

Since its inception 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 third quarter of 2023, the incubator invested in four startups, and overall, in the first nine months the incubator invested in a total of nine startups.

On September 30, 2023, the total value of investments in incubator investees, which are presented in the financial statements according to the equity method, was NIS 113 million (on September 30, 2022: NIS 138 million). The fair value of these investments on said date was NIS 624 million (on September 30, 2022: NIS 556 million).

The fair value of most of the companies 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 in which business was discontinued. 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 a negative impact on the incubator investees' ability to raise capital and on their future fair value.

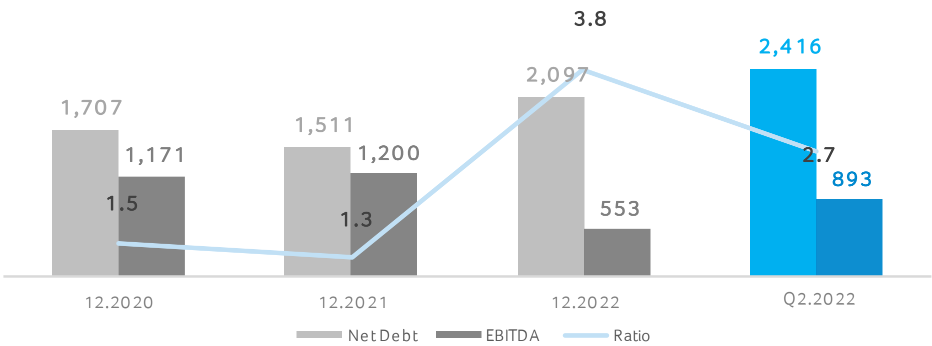
To the best of the Company's knowledge, the cash flows provided by the above funding round are earmarked to serve the incubator investees for the purpose of further investment activity, research and development, sales and marketing, and consequently, in the Company's estimate, in the foreseeable future the Company is expected to record losses on the incubator companies, which could reduce all or part of the gains recognized in the quarter to date.

The information contained in this section with respect to fair value and expected losses is forward-looking information as this term is defined in the Securities Law, 1968, which is based on the Company's estimates regarding the realization of the incubator investees' business plans, which may not materialize or may materialize differently if the actual realization of those business plans differs from the Company's expectations, and also since they are contingent on the environment and market conditions in which the investees operate.

LIQUIDITY, SOURCES OF FINANCE AND FINANCIAL POSITION

4.31	Aa1il	ilAA+	2,850	2,416
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 last year (see section 2.2.1 above). On the other hand, debt increased, largely as a result of new lease agreements (for further information, see Note 4.4 to the Consolidated Financial Statements as of September 30, 2023).

23. Liquidity

23.1 Credit rating

As of the reporting date, the Company's credit rating is ilAA+ with negative outlook in light of the possibility of further repercussions of the recall in the current challenging economic environment (see the Immediate Report of April 3, 2023, reference no. 2023-15-033259).

For the rating of the Company's Debenture Series E, see section 24.1 in the Board of Directors' Report as of December 31, 2022.

The Company's Debenture Series F, which was expanded in January 2023, is rated is ilAA+ with negative outlook by S&P Maalot (see the Immediate Report of January 8, 2023, reference no. 2023-01-004635), and Aa1.il with negative outlook by Midroog (see the Immediate Report of January 8, 2023, reference no. 2023-01-004563).

23.2 Cash flows

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

Cash Flows				
	First Nine Months			Explanation
	2023	2022	Change	
Cash flows provided by operating activities	215	131	84	Most of the increase is due to positive EBITDA, mainly in light of the recall last year (for further information, see section 2.2.1 above). The increase was offset by a higher negative change in working capital and higher interest and tax payments compared to the corresponding period last year.
Cash flows used in investing activities	(289)	(237)	(52)	The change is largely due to increased investments in fixed and intangible assets. By contrast, the Company recorded income from the sale of real property in Safed.
Cash flows used in financing activities	(23)	(21)	(2)	Most of the change is due to the proceeds and redemption of debentures and repayment of short- and long-term credit in the reporting period, offset by a dividend paid in the corresponding period last year.

Financial data were rounded to NIS millions.

Cash Flows				
	Third Quarter			Explanation
	2023	2022	Change	
Cash flows provided by operating activities	211	42	169	The increase is largely the result of positive working capital in the current quarter versus negative working capital in the corresponding period (mainly the result of the recall; for further information, see section 2.2.1 above), as well as lower tax payments in the third quarter this year compared to the corresponding period.
Cash flows used in investing activities	(170)	(70)	(100)	The increase is largely due to greater investments in fixed and intangible assets. Furthermore, a dividend was received from an associate in the corresponding period.
Cash flows provided by (used in) financing activities	(60)	46	(106)	Most of the change is due to short-term credit received in the corresponding period last year.

Financial data were rounded to NIS millions.

23.3 Average credit levels

Following is information on average credit levels:

Average Credit Levels							
	First Nine Months			Third Quarter			Explanation
	2023	2022	change	2023	2022	change	
Long-term credit according to the non-GAAP reports	3,401	2,637	764	3,541	2,847	694	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, and the impact of translation differences on outstanding debt, mainly in Brazil.
Average short-term credit according to the non-GAAP reports	115	212	(97)	99	221	(122)	
Long-term credit according to the financial accounting (GAAP) reports	2,779	2,261	518	2,849	2,428	421	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.
Average short-term credit according to the financial accounting (GAAP) reports	29	108	(79)	6	115	(109)	

Financial data were rounded to NIS millions.

23.4 Status of Liabilities Report according to repayment dates

See Form T-126, which is published simultaneously 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 Nine Months		Third Quarter	
	2023	2022	2023	2022
Change in net working capital according to the financial accounting (GAAP) reports	(281)	(160)	69	(57)
Change in net working capital according to the management (non-GAAP) reports	(541)	(351)	77	(66)

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 4.7 to the Consolidated Financial Statements as of September 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 GAAP financial information regarding the Company's liquidity:

Additional information		
	September 30, 2023	December 31, 2022
Liquidity ratio	1.02	0.88
Liabilities in respect of long-term loans and credit (including current maturities)	2,839	2,403
Short-term credit (excluding current maturities)	11	211
Supplier credit	1,174	1,186
Ratio of equity attributable to shareholders of the Company to total assets on the Company's consolidated statement of financial position	36.1%	33.5%
Financial debt-to-EBITDA ratio	2.7	3.8
Equity attributable to shareholders of the Company	2,963	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 Nine Months			Third Quarter		
	2023	2022	% change	2023	2022	% change
Strauss Israel	406	84	383.9%	136	30	349.8%
Health & Wellness	336	281	19.7%	126	89	42.0%
Fun & Indulgence	70	(197)	135.5%	10	(59)	118.3%
Strauss Coffee	382	471	(18.7%)	125	179	(29.2%)
Israel Coffee	116	122	(4.8%)	41	35	20.6%
International Coffee	266	349	(23.6%)	84	144	(41.3%)
International Dips & Spreads	43	(61)	171.2%	39	(29)	235.6%
Strauss Water	104	110	(4.5%)	34	38	(7.5%)
Other Operations	(30)	2	(1375.1%)	(14)	(7)	113.8%
Total	**905**	**606**	**49.7%**	**320**	**211**	**52.6%**

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 third quarter of 2023 there is a working capital deficiency of NIS 640 million. There is no working capital deficiency in the Consolidated Financial Statements of the Company for the third quarter of 2023. The cash flow from operating activities in the Solo Report for the nine months ended September 30, 2023, an amount of NIS 70 million, is an ongoing negative cash flow, and in the Company's Consolidated Financial Statements for the nine months ended September 30, 2023, the operating cash flow is positive. In view of the working capital deficiency and ongoing negative operating cash flow in the Solo Report, on November 29, 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 September 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, on an inspection of existing and anticipated sources for the repayment of those 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 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 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 in the next two years, 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 changes in market behavior and the materialization 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 GAAP financial information on the debenture series as of September 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	1,011
C. Carrying value of interest payable	3	5
D. Market value	461	869

On September 30, 2023, equity attributable to shareholders of the Company was NIS 2,963 million. The financial debt-to-EBITDA ratio according to the financial accounting (GAAP) reports was 2.7, and the equity-to-assets ratio was 36.1%. As of September 30, 2023, the Company is compliant with the required covenants.

ASPECTS OF CORPORATE GOVERNANCE

26. Sustainability, CSR, Social Investment and Donations

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 undertaken by the Group. The Sustainability Center of Excellence at Group Headquarters heads the professional disciplines. The business units have continued to solidify the implementation of the strategy. In this quarter, the Center of Excellence's infrastructure was reinforced, and its work plan for 2024-2026, which includes assignments and focus areas for each of Strauss's subsidiaries, was fleshed out, which included setting interim objectives for the next three years. The ESG Management Committee met to discuss and make decisions for the furtherance of infrastructure and the work of the units.

Other noteworthy highlights for the third quarter of 2023

The Group continued to develop **products that offer better choices** to different communities with diverse needs and to improve their nutritional values. Products intended to make this category increasingly accessible were launched, such as olive oil in a squeeze bottle, the series of Alpro dairy alternatives was expanded to include new flavors as well as sugarless offerings, and vegan and gluten-free dips and spreads were launched. The Company continues to promote a **healthy lifestyle and a balanced diet** through various activities such as a new forum for nutrition champions who promote a nutrition agenda, which includes a group of 20 tech, marketing and nutrition leaders from the Company.

The Group continues to pursue its business operations while managing **environmental impacts** in spheres such as energy consumption, water consumption, wastewater, waste, greenhouse gas emissions and addressing climate change. The Company launched the assimilation of a new, uniform IT system for

ESG data management and introduced additional training for employees on environmental and sustainability issues.

The Company deepened its activities for the advancement of **equal opportunity and women's promotion** to achieve its target of 50% women in management. The fifth cycle of the "Magshimot" (Actualization) program at the confectionery plant, which is designed for the advancement of women on the production floor, was completed, and the Group joined a petition by organizations in Israel to raise awareness of the promotion of equal opportunity.

The Group continued to take steps to reduce hunger and **food insecurity**. With the approach of the Jewish High Holidays in September, Strauss donated 50 thousand holiday meals to families in need in the form of food parcels that were packed by volunteers in the Company.

During the quarter, the Company and its brands received **recognition and awards** in several spheres. Yad Mordechai olive oil won a prestigious medal with the highest ranking in the Athena International Olive Oil Competition 2023 for the world's finest olive oils. Strauss Water won three consumers' choice awards in Israel: Customer Experience and Service Excellence, the tami4edge series, and marketing activities for the tami4 brand. The Strauss brand was ranked Number 1 among Israeli food companies in the Globes 2023 Brand Index, and seven other Company brands were also ranked. Strauss Group gained international recognition from the UN Global Compact, which awarded a prize to the Sustainability and Ethics Director for her work in promoting the UN's Sustainable Development Goals (SDGs).

Highlights from Strauss Group's major activities and contributions in October-November 2023 as part of the war effort

When the news of the murderous terrorist attack against Israeli civilians on October 7 broke and war was declared, the entire Company's operating format was adapted for the war and associated activity. Strauss Group has always – let alone in times of crisis – extended support and aid to diverse communities, simultaneously with its efforts to maintain business continuity. These initiatives and actions reflect the Group's core values in the spirit of its mission, Nourishing a Better Tomorrow.

Support and encouragement initiatives for evacuated families and soldiers (volunteering and contributions)

Since the beginning of the war, Strauss Group has maintained a variety of support and encouragement initiatives all over Israel. The Group donated millions of Strauss products, including coffee packs, snacks and candy, salads and dips and spreads, dairy products, coffee machines and water bars. The donations were sent to more than 300 different hubs countrywide, including hospitals, military bases and assembly areas, hotels, moshavim and kibbutzim accommodating the evacuated. Strauss employees volunteered to pack and distribute some 18,000 rich, delicious "comfort parcels" to hearten families who had been uprooted from their homes. Despite the situation, the Group also continued to provide a response to the needs of a variety of communities with special dietary needs, such as gluten-free products for soldiers suffering from celiac and vegan products in collaboration with Vegan Friendly. The Group's vehicles were assigned to distribute additional products and hold activities for the evacuated and for soldiers at military centers throughout Israel. All activities were carried out in coordination with the business sector and social organizations by mapping needs on a daily basis and sending donations through three large organizations in possession of the appropriate logistics capabilities and infrastructure.

Support for farmers in the Gaza envelope

The farmers of the Gaza envelope (Western Negev) have a major role in maintaining the food security of the citizens of Israel, and the crops grown in this region are among the sources of Strauss Group's agricultural raw materials in its activity in Israel. The farmers of the Gaza envelope and their families suffered a critical blow in the vicious terrorist attack of October 7. In its commitment to helping them rebuild their life's work, the Group decided to establish an aid fund of millions of shekels together with Leket Israel, Israel's national food bank, which specializes in the rescue of agricultural produce and has been Strauss's long-standing partner for many years. The Group believes that the fund and realization of the program that will be crafted will enable assistance to the farmers in restoring and rebuilding their farms, and thus, contribute to the economic robustness of the Israeli food industry.

Strauss Group will continue to work to strengthen the communities that were harmed.

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.

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 Consolidated Financial Statements as of September 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

November 29, 2023

Unofficial Translation from Hebrew

Strauss Group Ltd.

Financial Statements
As of September 30, 2023

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

Contents	**Page**

Condensed Consolidated Interim Statements of Financial Position

	September 30 2023	September 30 2022	December 31 2022
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	434	549	517
Trade receivables	1,151	1,023	949
Income tax receivables	14	13	18
Other receivables and debit balances	189	178	169
Inventory	882	842	814
Assets held for sale	11	7	11
Total current assets	2,681	2,522	2,478
Investments and non-current assets			
Investment in equity-accounted investees	1,734	1,545	1,514
Other investments and long-term debt balances	184	146	151
Fixed assets	2,106	1,893	1,960
Right-of-use assets	455	332	326
Intangible assets	1,009	936	948
Investment property	1	3	3
Deferred tax assets	39	22	32
Total investments and non-current assets	5,528	4,877	4,934
Total assets	8,209	7,399	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: November 29, 2023

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

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

	September 30 2023	September 30 2022	December 31 2022
	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	440	521	759
Current maturities of lease liabilities	103	89	85
Trade payables	1,174	1,130	1,186
Income tax payables	120	99	107
Other payables and credit balances	599	599	608
Provisions	30	27	31
Total current liabilities	2,640	2,495	2,806
Non-current liabilities			
Debentures	1,318	1,173	1,174
Long-term loans and other long-term liabilities	453	515	314
Lease liabilities	362	254	252
Long-term payables and credit balances	36	25	11
Employee benefits, net	34	40	36
Deferred tax liabilities	143	168	130
Total non-current liabilities	2,346	2,175	1,917
Equity and reserves			
Share capital	253	253	253
Share premium	1,051	1,051	1,051
Reserves	(2,015)	(2,067)	(2,090)
Retained earnings	3,674	3,296	3,269
Total equity attributable to shareholders of the Company	2,963	2,533	2,483
Non-controlling interests	260	196	206
Total equity	3,223	2,729	2,689
Total liabilities and equity	8,209	7,399	7,412

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

Condensed Consolidated Interim Statements of Income

	For the nine months ended		For the three months ended		For the year ended
	September 30 2023	September 30 2022	September 30 2023	September 30 2022	December 31 2022
	Unaudited				Audited
	NIS millions				
Sales	5,090	4,540	1,746	1,608	6,105
Cost of sales	3,264	3,047	1,167	1,076	4,129
Gross profit	1,826	1,493	579	532	1,976
Selling and marketing expenses	1,045	1,012	369	348	1,359
General and administrative expenses	359	314	118	101	425
	1,404	1,326	487	449	,784
Share of profit of equity-accounted investees	162	86	70	14	80
Share of loss of equity-accounted incubator investees	(23)	(12)	(6)	(13)	(26)
Operating profit before other income (expenses)	561	241	156	84	246
Other income	80	3	2	2	4
Other expenses	(22)	(37)	(5)	(5)	(58)
Other income (expenses), net	58	(34)	(3)	(3)	(54)
Operating profit	619	207	153	81	192
Finance income	52	38	17	2	46
Finance expenses	(102)	(63)	(37)	(33)	(87)
Finance expenses, net	(50)	(25)	(20)	(31)	(41)
Income before taxes	569	182	133	50	151
Taxes on income	(137)	(44)	(33)	(12)	(34)
Income for the period	432	138	100	38	117
Attributable to:					
Shareholders of the Company	384	96	80	27	64
Non-controlling interests	48	42	20	11	53
Income for the period	432	138	100	38	117
Earnings per share					
Basic earnings per share (NIS)	3.30	0.83	0.69	0.23	0.55
Diluted earnings per share (NIS)	3.29	0.82	0.69	0.23	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 nine months ended		For the three months ended		For the year ended
	September 30	September 30	September 30	September 30	September 30
	2023	2022	2023	2023	2022
	Unaudited				Audited
	NIS millions				
Income for the period	432	138	100	38	117
Other comprehensive income (loss) items that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences	(22)	81	(22)	(60)	52
Other comprehensive income (loss) from equity-accounted investees	135	141	19	(19)	146
Total other comprehensive income (loss) items for the period that will be reclassified to profit or loss in subsequent periods, net	113	222	(3)	(79)	198
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net:					
Changes in employee benefits, net	1	7	-	3	7
Total other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net	1	7	-	3	7
Comprehensive income (loss) for the period	546	367	97	(38)	322
Attributable to:					
Shareholders of the Company	497	326	77	(50)	271
Non-controlling interests	49	41	20	12	51
Comprehensive income (loss) for the period	546	367	97	(38)	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								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Nine-month period ended September 30, 2023 – unaudited:									
Balance as of January 1, 2023	253	1,051	(20)	(393)	(1,677)	3,269	2,483	206	2,689
Total comprehensive income for the period									
Income for the period	-	-	-	-	-	384	384	48	432
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(23)	-	(23)	1	(22)
Other comprehensive income from equity-accounted investees	-	-	-	-	135	-	135	-	135
Change in employee benefits, net	-	-	-	-	-	1	1	-	1
Total other comprehensive income for the period, net	-	-	-	-	112	1	113	1	114
Total comprehensive income for the period	-	-	-	-	112	385	497	49	546
Share-based payment	-	-	-	-	-	20	20	-	20
Transaction with non-controlling interests	-	-	-	(37)	-	-	(37)	43	6
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(38)	(38)
Balance as of September 30, 2023	253	1,051	(20)	(430)	(1,565)	3,674	2,963	260	3,223

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								
Nine-month period ended September 30, 2022 – unaudited:									
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 period									
Income for the period	-	-	-	-	-	96	96	42	138
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	82	-	82	(1)	81
Other comprehensive income from equity-accounted investees	-	-	-	-	141	-	141	-	141
Change in employee benefits, net	-	-	-	-	-	7	7	-	7
Total other comprehensive income (loss) for the period, net	-	-	-	-	223	7	230	(1)	229
Total comprehensive income for the period	-	-	-	-	223	103	326	41	367
Share-based payment	-	-	-	-	-	14	14	-	14
Dividend to shareholders of the Company	-	-	-	-	-	(290)	(290)	-	(290)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(37)	(37)
Balance as of September 30, 2022	253	1,051	(20)	(393)	(1,654)	3,296	2,533	196	2,729

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								
Three-month period ended September 30, 2023 – unaudited:									
Balance as of July 1, 2023	253	1,051	(20)	(430)	(1,562)	3,589	2,881	238	3,119
Total comprehensive income for the period									
Income for the period	-	-	-	-	-	80	80	20	100
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(22)	-	(22)	-	(22)
Other comprehensive income from equity-accounted investees	-	-	-	-	19	-	19	-	19
Total other comprehensive loss for the period, net	-	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income (loss) for the period	-	-	-	-	(3)	80	77	20	97
Share-based payment	-	-	-	-	-	5	5	-	5
Transaction with non-controlling interests	-	-	-	-	-	-	-	2	2
Balance as of September 30, 2023	253	1,051	(20)	(430)	(1,565)	3,674	2,963	260	3,223

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								
Three-month period ended September 30, 2022 – unaudited:									
Balance as of July 1, 2022	253	1,051	(20)	(393)	(1,574)	3,261	2,578	184	2,762
Total comprehensive income for the period									
Income for the period	-	-	-	-	-	27	27	11	38
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(61)	-	(61)	1	(60)
Other comprehensive loss from equity-accounted investees	-	-	-	-	(19)	-	(19)	-	(19)
Change in employee benefits, net	-	-	-	-	-	3	3	-	3
Total other comprehensive income (loss) for the period, net	-	-	-	-	(80)	3	(77)	1	(76)
Total comprehensive income for the period	-	-	-	-	(80)	30	(50)	12	(38)
Share-based payment	-	-	-	-	-	5	5	-	5
Balance as of September 30, 2022	253	1,051	(20)	(393)	(1,654)	3,296	2,533	196	2,729

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 income 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 condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

	For the nine months ended		For the three months ended		For the year ended
	September 30 2023	September 30 2022	September 30 2023	September 30 2022	December 31 2022
	Unaudited				Audited
	NIS millions				
Cash flows from operating activities					
Income for the period	432	138	100	38	117
Adjustments:					
Depreciation	209	194	72	67	262
Amortization of intangible assets	38	33	14	11	45
Impairment of fixed and intangible assets, net	4	25	1	-	26
Other expenses (income), net	(78)	2	(4)	-	9
Expenses in respect of share-based payment	20	14	5	5	19
Finance expenses, net	50	25	20	31	41
Income tax expense	137	44	33	12	34
Share of profit of equity-accounted investees	(139)	(74)	(64)	(1)	(54)
Change in inventory	(73)	(145)	78	(24)	(124)
Change in trade and other receivables	(184)	(94)	11	(101)	(40)
Change in long-term receivables	2	(6)	1	(2)	(4)
Change in trade and other payables	(25)	84	(19)	70	149
Change in employee benefits	(1)	1	(2)	-	(3)
Interest paid	(94)	(48)	(30)	(16)	(65)
Interest received	15	3	6	1	6
Income tax paid, net	(98)	(65)	(11)	(49)	(111)
Net cash provided by operating activities	215	131	211	42	307
Cash flows from investing activities					
Proceeds from the sale of fixed assets, intangible assets and investment property	59	3	9	1	25
Investment in fixed assets and investment property	(245)	(174)	(94)	(70)	(303)
Investment in intangible assets	(96)	(54)	(40)	(21)	(77)
Proceeds from the sale of a business in a subsidiary	10	-	-	-	-
Repayment of deposits and loans granted	22	24	7	7	30
Short-term loans granted to an equity-accounted investee	(38)	-	(38)	-	-
Long-term loans granted	(50)	(46)	(11)	(24)	(54)
Income from sublease	-	1	-	-	2
Dividends from investees	58	37	-	37	70
Investment in investees	(9)	(28)	(3)	-	(43)
Net cash used in investing activities	(289)	(237)	(170)	(70)	(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 nine months ended		For the three months ended		For the year ended
	September 30 2023	September 30 2022	September 30 2023	September 30 2022	December 31 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	(200)	141	10	110	191
Proceeds from issue of debentures, net of issuance costs	314	-	-	-	-
Receipt of long-term loans	200	299	-	-	299
Redemption of debentures and repayment of long-term loans	(221)	(83)	(49)	(49)	(104)
Receipt of capital notes from non-controlling interests	5	-	5	-	-
Change in liabilities in respect of credit card factoring	(8)	21	2	10	17
Payment of lease liabilities	(79)	(72)	(27)	(25)	(97)
Dividends paid	-	(290)	-	-	(290)
Dividend paid to non-controlling interests in a subsidiary	(38)	(37)	(1)	-	(37)
Net cash provided by (used in) financing activities	(23)	(21)	(60)	46	(21)
Increase (decrease) in cash and cash equivalents	(97)	(127)	(19)	18	(64)
Cash and cash equivalents at beginning of period	517	554	450	441	554
Effect of exchange rate changes on cash balances	14	32	3	-	27
Cash and cash equivalents at end of period	434	459	434	459	517

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

Note 1 - Reporting Principles and Accounting Policy

1.1 General

1.1.1 The reporting entity, Strauss Group Ltd (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 (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 September 30, 2023 and for the nine- and three-month periods then ended (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 consolidated interim financial 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 New Israeli Shekels (NIS), which is the functional currency of the Company. The financial information is presented in NIS millions and has been rounded to the nearest million.

1.1.4 The consolidated interim financial statements were approved for publication by the Board of Directors of the Group on November 29, 2023.

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, amendments 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.

Note 2 - Seasonality

There is no distinct seasonality trend in Health & Wellness products, 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.

Sales of Fun & Indulgence products are characterized by seasonality and are usually (relatively) higher in the first quarter of the year and (relatively) lower in the second quarter. Seasonality is mainly affected by the winter months, which fall in the first quarter of the year and are marked by greater consumption of chocolate products, as well as by increased consumption of Fun & Indulgence products with the approach of Purim and Passover.

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

In the International Coffee segment 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. By contrast, the first quarter of the year is generally marked by relatively low sales after consumers stocked up in the fourth quarter.

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 income from servicing in the fourth quarter of the year.

Note 3 - Operating Segments

Segment information and reconciliation to the consolidated financial statements:

	For the nine months ended		For the three months ended		For the year ended
	September 30	September 30	September 30	September 30	September 30
	2023	2022	2023	2023	2022
	Unaudited				Audited
	NIS millions				
Income					
Sales to external customers:					
Health & Wellness	2,301	2,069	804	728	2,784
Fun & Indulgence	767	550	244	143	712
Total Israel	3,068	2,619	1,048	871	3,496
Israel Coffee	617	595	210	200	778
International Coffee	3,167	2,939	1,068	1,108	4,026
Total Coffee	3,784	3,534	1,278	1,308	4,804
International Dips and Spreads	387	296	127	104	415
Water	613	592	221	210	785
Other	2	-	1	-	1
Sales to other segments:					
Health & Wellness	7	5	3	2	5
Fun & Indulgence	5	4	1	1	5
Total Israel	12	9	4	3	10
Israel Coffee	2	4	1	2	2
International Coffee	1	-	1	-	1
Total Coffee	3	4	2	2	3
Total segment income	7,869	7,054	2,681	2,498	9,514
Elimination of intersegment sales	(15)	(13)	(6)	(5)	(13)
Total segment income excluding intersegment sales	7,854	7,041	2,675	2,493	9,501
Adjustment to the equity method	(2,764)	(2,501)	(929)	(885)	(3,396)
Total consolidated income	5,090	4,540	1,746	1,608	6,105

Note 3 - Operating Segments (cont'd)

	For the nine months ended September 30 2023	September 30 2022	For the three months ended September 30 2023	September 30 2023	For the year ended September 30 2022
	Unaudited				Audited
	NIS millions				
Profit (loss)					
Health & Wellness	263	212	101	66	280
Fun & Indulgence	16	(249)	(8)	(77)	(302)
Total Israel	279	(37)	93	(11)	(22)
Israel Coffee	83	91	30	24	97
International Coffee	197	287	60	122	363
Total Coffee	280	378	90	146	460
International Dips and Spreads	22	(85)	*32	(37)	(111)
Water	66	74	21	26	97
Other	(56)	(15)	(24)	(13)	(45)
Total segment profit	591	315	212	111	379
Unallocated income (expenses):					
Adjustments for commodity hedges (1)	16	7	(41)	3	(26)
Other income (expenses), net	54	(49)	(3)	(8)	(87)
Share-based payment	(20)	(14)	(5)	(5)	(19)
Total segment operating profit	641	259	163	101	247
Adjustment to the equity method	(22)	(52)	(10)	(20)	(55)
Total operating profit in the consolidated financial statements	619	207	153	81	192
Finance expenses, net	(50)	(25)	(20)	(31)	(41)
Income before taxes	569	182	133	50	151

* For further information, see Note 4.2.

(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.

Note 4 - Material Events in the Reporting Period

4.1 In the first quarter of 2023, 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. Sabra rejected this argument outright, and its position is that the insurance company was required to make further payments to Sabra. 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, Sabra's position is that the amounts received in cash were 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, in September 2023 Sabra took steps to receive the full amount owing to it under the insurance policy, in accordance with legal advice it had received.

In September 2023, a settlement agreement was signed between Sabra and the insurer, following which in the third quarter of 2023 the Company recognized income from insurance compensation at an amount of NIS 48 million (the Company's share) within the share of profit of equity-accounted investees line item in the income statement. 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 in its respect. As of September 30, 2023, there were no indications of impairment in the unit.

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 commenced a new lease agreement for a logistics center in 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 Group's business has operated continuously given the circumstances, but in view of the declining number of citizens in the country, sales volumes in the third 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.

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

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.

Following an increase in the discount rate as of June 30, 2023 – 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 was higher than the carrying amount, and accordingly, no impairment loss was recognized. Furthermore, in light of an increase in the discount rate as of September 30, 2023 the Company performed another test, which revealed that as of September 30, 2023, revision of the discount rate, with no change in the remaining assumptions, would lead to the recoverable amount being higher than the carrying amount.

4.6 An annual test for goodwill impairment as of September 30, 2023 was performed in the Strauss Coffee Germany cash-generating unit. The recoverable amount of the cash-generating unit, which is based on value in use, was calculated by discounting future cash flows at a real pre-tax discount rate of 9.2%, assuming a long-term growth rate of 0%. No impairment loss was recognized following the test. An increase of 0.6% in the real discount rate combined with maintaining the long-term growth rate at 0% would lead to the result whereby the carrying amount would be approximately equal to the recoverable amount.

4.7 Further to the contents of Note 17.2 to the Annual Financial Statements regarding supplier finance arrangements, on September 30, 2023, payables included in the reverse factoring arrangement amounted to NIS 306 million (September 30, 2022: NIS 243 million).

4.8 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).

4.9 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. to Atlantic Grupa d.d. ("**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.

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

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 September 30, 2023 in its consolidated financial statements at an amount of approximately NIS 16 million, comprising a profit of NIS 72 million from the transaction, less a loss of NIS 88 million arising from the realization of the foreign currency translation reserve attributable to the company in Serbia. For further information, see Note 9.3.

4.10 In September 2023, the company entered into an agreement to receive consulting services with a consulting company in which a relative of one of the board members has a personal interest. This is after the engagement in this agreement was approved in May 2023 by the Audit Committee and Board of Directors of the Company as an extraordinary transaction under sections 270(1) and 272 of the Companies Law. The agreement is for the period commencing on July 1, 2023 and ending on December 31, 2025, subject to a cancellation option exercisable at any time by either of the parties, in accordance with arrangements set forth in the agreement. The compensation payable to the consultancy in respect of the services is variable and is contingent on performance conditions related to various measures of the Company's performance, and in the estimate of the Company is in the ordinary course of business and was undertaken in market conditions for transactions of a similar scope.

4.11 Further to approval by the General Meeting of September 2022 of an engagement by Strauss Health Ltd., a subsidiary of the Company, in a transaction for the acquisition of lease rights held by Strauss Holdings Ltd., the controlling shareholder of the Company, in a property in Bar Lev Industrial Park in consideration for their fair value, on September 28, 2023, all suspending conditions determined in the sales agreement were satisfied. For further information, see Note 37.3.1 to the Annual Financial Statements. The term of the lease applying to the property granted by the Israel Land Authority (ILA) is until March 2046. Leases from the ILA are classified under fixed assets. As a result of the engagement, in the third quarter of 2023 the Company recognized fixed assets at an amount of NIS 27 million. The consideration for the acquisition of the lease rights was paid in full after the date of the statement of financial position.

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	Share price	Exercise price	Expected life	Expected annual volatility	Discount rate
		NIS M	NIS	NIS	Years	%	%
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
August 8, 2023	34,540 to one manager	0.7	85.75	88.63	3.65-4.65	22.07-23.34	3.83-3.91

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, 469,996 warrants granted to managers were exercised for 129,245 shares of NIS 1 par value each.

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 whereto Strauss Water 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 certification as a class action.

6.4 Further to the contents of Note 24.1.1 to the Annual Financial Statements concerning a claim of NIS 122 million filed in November 2022 against the Company and Yad Mordechai Apiary Ltd., pertaining to abuse of the Company's monopoly status in the honey product market, on October 22, 2023, the Tel Aviv District Court approved the claimants' notice of withdrawal of the monetary claim and a motion for its certification as a class action.

6.5 Further to the contents of Note 24.1.2 to the Annual Financial Statements concerning motions for class certification related to the recall, in a decision of September 3, 2023, the Jerusalem District Court ruled that four of the seven motions for class certification would be struck out, and the discussion of the three other motions combined in such manner that they would be heard jointly, on the basis of one pleading that had already been filed ("**Joint Motion**"). The Company proposed a mediation process with respect to the Joint Motion to the claimants' counsel, and the proposal was accepted. Mediation is scheduled to begin in January 2024. If and insofar as the mediation process with respect to the Joint Motion is unsuccessful, Company counsel is of the opinion that the Joint Motion will be discussed by the court and that the chances of its acceptance are greater than 50%, in which case the court will discuss the claim itself. However, Company counsel is of the view that the chances of the combined action being accepted with respect to the pecuniary element are lower than 50%. Furthermore, with respect to the non-pecuniary element, Company counsel estimates that the chances of the action being accepted are considerably lower than 50%.

6.6 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. With respect to this action, there were no changes in the reporting period.

Note 6 - Contingent Liabilities (cont'd)

6.7 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 ("**Economic Competition Law**") and the intent to impose a financial sanction on the Company at a total amount of NIS 111 million and to impose financial sanctions on each of the former officers and on an officer presently 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 made against it are concerned, were compliant with the law. The Company and the officers have the right to present their position to the Commissioner until February 18, 2024 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 solid arguments concerning the body of arguments and against each argument individually, and also against the alleged violation of section 19. Even if the Company's arguments with respect to the alleged violation are not accepted, the Company has solid arguments regarding the amount of the sanction and the method of its calculation, which point to a sanction of a significantly lower amount than the sanction calculated by the authority. 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.

6.8 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. On August 21, 2023, the Company received a second letter of notice under section 60A of the Criminal Procedure Law [Consolidated Version], 1982, according to which the Competition Authority was considering the filing of an indictment in respect of the suspicions enumerated in the statement attached to the letter, subject to a hearing. The date of the oral hearing, which will be held jointly for the Company and the officers, was set for November 20, 2023. The date was postponed as a result of the security situation and the orders and directives of the Commissioner, and a new date has not yet been scheduled. According to the estimates of Company counsel, at this early stage it is not yet possible to assess the chances of the hearing's success, the chances of the indictment being filed and the chances of a conviction if an indictment is indeed filed.

6.9 On September 6, 2023, a motion for class certification was filed with the Tel Aviv District Court against the Company. The motion concerns "Reva L'Sheva" products and argues that due to the physical similarity of their packaging, consumers cannot differentiate between the pack weights, and consequently are caused damage by buying a product that is less worthwhile in terms of value for money. The amount cited by the claimants in the motion with respect to pecuniary damages is NIS 53 million, and NIS 5 in non-pecuniary damages for each consumer who was caused damage after buying a product that delivers less value for money. Pretrial has been set for February 28, 2024. According to the estimates of Company counsel, the chances of the motion's acceptance are lower than 50%.

Note 6 - Contingent Liabilities (cont'd)

6.10 The Company did not recognize provisions for claims and demands pending on September 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 56 million at most.

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.		
	September 30		December 31	September 30		December 31
	2023	2022	2022	2023	2022	2022
	Unaudited		Audited	Unaudited		Audited
	NIS millions					
Current assets	302	212	216	2,373	1,807	2,054
Of which:						
Cash and cash equivalents	86	42	56	364	149	691
Non-current assets	495	505	488	1,282	1,011	1,007
Total assets	797	717	704	3,655	2,818	3,061
Current liabilities	237	229	226	1,558	1,437	1,527
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	84	68	68	714	673	715
Non-current liabilities	172	117	159	624	251	417
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	156	96	99	527	164	330
Total liabilities	409	346	385	2,182	1,688	1,944

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

	Sabra Dipping Company					Três Corações Alimentos S.A.				
	For the nine months ended		For the three months ended		For the year ended	For the nine months ended		For the three months ended		For the year ended
	September 30 2023	September 30 2022	September 30 2023	September 30 2022	December 31 2022	September 30 2023	September 30 2022	September 30 2023	September 30 2022	December 31 2022
	Unaudited				Audited	Unaudited				Audited
	NIS millions									
Income	658	466	216	164	655	4,247	3,936	1,427	1,402	5,338
Profit (loss) for the period	31	(132)	44	(58)	(171)	180	260	49	77	294
Other comprehensive income (loss)	26	56	11	2	54	176	152	1	(16)	161
Total comprehensive income (loss)	57	(76)	55	(56)	(117)	356	412	50	61	455
Of which:										
Depreciation and amortization	39	43	12	14	58	73	59	26	20	81
Interest income	1	-	1	-	-	49	17	14	7	30
Interest expenses	10	3	4	2	5	101	42	37	15	67
Tax income (expense)	(13)*	51*	(18)*	22*	63*	36	(37)	12	(14)	(27)

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

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

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

7.3 Following are the average exchange rates and 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 nine-month period ended on:			
September 30, 2023	0.73	0.76	14.8
September 30, 2022	0.65	0.66	18.8
For the three-month period ended on:			
September 30, 2023	0.77	0.76	0.3
September 30, 2022	0.65	0.66	(1.1)
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% and by 4.5% against the US dollar.

Note 8 - Financial Instruments

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

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

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

	September 30, 2023		September 30, 2022		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Unaudited				Audited	
	NIS millions					
Series E Debentures	484	461	513	500	517	494
Series F Debentures	1,016	869	696	579	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.

	September 30, 2023		September 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	19	31	12	18	9	19
Derivative payables	(9)	(4)	(5)	(10)	(28)	(3)
	10	27	7	8	(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.

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

For further information on the covenants applying to Series F debentures, see Note 20.5 to the Annual Financial Statements. As of September 30, 2023, the Company is compliant with the covenants applying to the Series F debentures.

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 October 7, 2023, the Hamas terrorist organization attacked the State of Israel. Following the attack, the government of Israel declared the Swords of Iron War ("**War**"). The War led to a massive call-up of military reserves, the evacuation of communities, the temporary or partial closure of businesses, the imposition of various restrictions on civilian activities in extensive areas, a slowdown in economic activity, a slump in share prices on the Tel Aviv Stock Exchange, the devaluation of the Shekel against foreign currencies and a rise in corporate bond yields due to the increase in risk levels and uncertainty, and also to a downgrade from stable to negative in Israel's credit outlook by S&P Global Ratings. Furthermore, in October 2023, ratings agencies Moody's and Fitch announced that Israel's credit rating had been put on review for downgrade. All of the foregoing disrupted economic activity and consumer spending in the country.

In the month of November through to proximate to the approval of the financial statements, the shekel rallied, as did the nominal effective exchange rate (published by the Bank of Israel), which is now lower than before the War, and Israel's risk premium has declined somewhat.

As of the date of approval of the financial statements, the effects of the War on the Group's business and its financial results are immaterial, and were expressed in the full or partial closure, for a limited period, of the Group's three production plants in the Western Negev (the salty snack factory in Sderot, the Yad Mordechai plant and the fresh and refrigerated vegetables site on Kibbutz Bror Hayil), which reopened gradually during the first three weeks after the War broke out. As of the date of approval of the financial statements, the plants have resumed production – albeit at a lower capacity than usual and on a partial basis – and supply capacity and the response to demand have gradually recovered. Operations at the rest of the Group's production plants and sites continued as usual.

Furthermore, the travel restrictions imposed on employees in some parts of Israel, the call-up of employees of the Group who serve in the reserves and the adverse impact on the Group's headcount for an indefinite period following the evacuation of communities and inaccessibility of regions that have been declared closed military zones by the Home Front Command have been detrimental to supply chains, the distribution system and stocking and picking array in Israel. The supply of agricultural raw materials from the Western Negev has also been adversely affected.

The Group is monitoring developments and preparing for various scenarios, including the need to find alternative sources for the procurement of raw materials and to outsource production.

To provide for maximum flexibility and financial stability, in November 2023 the Group entered into an agreement with a banking institution for a secured line of credit for the purpose of its regular operations, at a total of NIS 100 million for a one-year period.

As of the date of approval of the financial statements, the development of the War, its scale, impacts and duration are uncertain. Consequently, it is not possible at the present time to assess the scope of the future consequences on the Group's business in Israel.

As of the date of approval of the financial statements, there has been no effect on the Company's businesses outside Israel.

Note 9 – Events After the Reporting Period (cont'd)

9.3 Further to the contents of Note 4.9, in October 2023, Strauss Coffee B.V. ("**Strauss Coffee**"), a Dutch company that is wholly owned by the Group, signed a detailed agreement for the sale of 100% of its stake in Strauss Adriatic d.o.o. to Atlantic Grupa d.d.

9.4 Further to the Group's decision regarding an investment of NIS 210 million in an associate for the purpose of building a second manufacturing site in China, which is expected to become operational in 2025, in November 2023 the Company made an initial investment of NIS 77 million.

Strauss Group LTD.

Separate Financial Information

as of September 30 ,2023

Unofficial Translation from Hebrew

Strauss Group Ltd.

Separate Financial Information as of September 30, 2023

Table of Contents:

Strauss Group Ltd.

Condensed Interim Information on Financial Position

	September 30 2023	September 30 2022	December 31 2022
	Unaudited	Unaudited	Audited
		NIS Millions	
Current assets			
Cash and cash equivalents	43	43	119
Trade receivables	159	33	60
Other receivables and debit balances	72	80	51
Investee receivables	200	131	124
Inventory	134	84	113
Assets held for sale	9	5	9
Total current assets	617	376	476
Investments and non-current assets			
Investments in investees	3,147	2,878	2,729
Other investments and long-term debt balances	610	538	547
Right-of-use assets	206	89	88
Fixed assets	1,048	1,008	1,023
Investment property	-	3	2
Intangible assets	136	66	80
Total investments and non-current assets	5,147	4,582	4,469
Total assets	5,764	4,958	4,945

Ofra Strauss	Shai Babad	Ariel Chetrit
Chairperson of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Date of approval of the separate financial information: November 29, 2023

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

Strauss Group Ltd.

Condensed Interim Information on Financial Position (cont'd)

	September 30 2023	September 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	209	102	390
Current maturities of lease liabilities	48	42	38
Trade payables	253	262	281
Income tax	73	24	44
Other payables and credit balances	247	220	248
Investee payables	252	234	152
Provisions	1	1	5
Total current liabilities	1,257	915	1,188
Non-current liabilities			
Debentures	1,318	1,173	1,174
Long-term loans and other long-term liabilities	-	194	-
Lease liabilities	161	51	54
Long-term payables and credit balances	19	22	10
Employee benefits, net	13	21	17
Deferred tax liabilities	33	49	19
Total non-current liabilities	1,544	1,510	1,274
Total equity attributable to shareholders of the Company	2,963	2,533	2,483
Total liabilities and equity	5,764	4,958	4,945

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

Strauss Group Ltd.

Condensed Interim Information on Proft and Loss

	For the nine months ended		For the three months ended		For the year ended
	September 30 2023	September 30 2023	September 30 2023	September 30 2022	December 31 2022
	Unaudited		Unaudited		Unaudited
	NIS Millions				
Sales	604	396	199	71	487
Cost of sales	445	471	154	116	579
Gross profit (loss)	159	(75)	45	(45)	(92)
Selling and marketing expenses	113	163	43	30	200
General and administrative expenses	102	69	35	24	96
	215	232	78	54	296
Operating loss before other expenses	(56)	(307)	(33)	(99)	(388)
Other income	72	1	2	-	1
Other expenses	(17)	(9)	(3)	(3)	(27)
Other income (expenses), net	55	(8)	(1)	(3)	(26)
Operating profit (loss)	(1)	(315)	(34)	(102)	(414)
Finance income	41	27	14	8	35
Finance expenses	(54)	(32)	(17)	(21)	(42)
Finance income (expenses), net	(13)	(5)	(3)	(13)	(7)
Profit (loss) before income tax	(14)	(320)	(37)	(115)	(421)
Tax income (expense)	(26)	55	1	20	83
After-tax loss	(40)	(265)	(36)	(95)	(338)
Income from investees	424	361	116	122	402
Income for the period attributable to shareholders of the Company	384	96	80	27	64

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

Strauss Group Ltd.

Condensed Interim Information on Comprehensive Income

	For the nine months ended		For the three months ended		For the year ended
	September 30 2023	September 30 2022	September 30 2023	September 30 2022	December 31 2022
	Unaudited		Unaudited		Audited
	NIS Millions				
Income for the period attributable to shareholders of the Company	384	96	80	27	64
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods:					
Other comprehensive income from investees	112	223	(3)	(80)	200
Total other comprehensive income items for the period that will be reclassified to profit or loss in subsequent periods, net	112	223	(3)	(80)	200
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods:					
Changes in employee benefits, net	1	7	-	3	7
Total other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net of tax	1	7	-	3	7
Comprehensive income for the period attributable to shareholders of the Company	497	326	77	(50)	271

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

Strauss Group Ltd.

Condensed Interim Information on Cash Flows

	For the nine months ended		For the three months ended		For the year ended
	September 30 2023	September 30 2022	September 30 2023	September 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	384	96	80	27	64
Adjustments:					
Depreciation	88	79	30	25	107
Amortization of intangible assets	14	10	6	4	14
Other income, net	(70)	3	(2)	3	7
Expenses in respect of share-based payment	13	9	3	3	12
Share of profit of investees	(424)	(361)	(116)	(122)	(402)
Finance expenses (income), net	13	5	2	13	7
Tax expense (income)	26	(55)	(1)	(20)	(83)
Change in inventory	(21)	42	4	(14)	14
Change in trade and other receivables	(142)	88	1	(25)	83
Change in investee receivables	(42)	(24)	(2)	(3)	(24)
Change in trade and other payables	17	(18)	1	(3)	16
Change in investee payables	103	56	85	(55)	(26)
Change in employee benefits	(4)	-	(3)	-	(4)
Interest paid	(41)	(17)	(6)	(2)	(20)
Interest received	8	2	2	-	3
Income tax received (paid), net	8	14	7	-	26
Net cash provided by (used in) operating activities	(70)	(71)	91	(169)	(206)
Cash flows from investing activities					
Proceeds from sale of fixed and other assets	56	1	7	1	23
Investment in fixed assets	(92)	(68)	(28)	(32)	(117)
Investment in intangible assets	(64)	(26)	(27)	(12)	(36)
Repayment of long-term loans	17	11	5	5	17
Grant of long-term loans	(20)	(14)	(3)	(4)	(22)
Dividends from investees	109	148	-	-	310
Cash received in respect of investing activities with investees	1	21	-	-	48
Cash paid in respect of investing activities with investees	(70)	(42)	(45)	-	(57)
Sublease income	-	1	-	-	2
Net cash provided by investing activities	(63)	32	(91)	(42)	168
Cash flows from financing activities					
Redemption of debentures and repayment of long-term loans	(30)	(30)	-	-	(30)
Proceeds from issue of debentures, net of issuance costs	314	-	-	-	-
Short-term bank credit, net	(189)	102	-	102	189
Dividends paid	-	(209)	-	-	(290)
Receipt of long-term loans	-	198	-	-	198
Repayment of principal of lease liabilities	(38)	(38)	(12)	(13)	(50)
Net cash used in financing activities	57	(58)	(12)	89	17
Net increase (decrease) in cash and cash equivalents	(76)	(97)	(12)	(122)	(21)
Cash and cash equivalents as of beginning of period	119	140	55	165	140
Cash and cash equivalents as of end of period	43	43	43	43	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 September 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 September 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

7.1 In November 2023, the subsidiary Strauss Coffee declared a dividend to shareholders at an amount of NIS 54 million.

7.2 In November 2023, the Company issued capital notes to the subsidiary Strauss Water at an amount of NIS 39 million. The capital notes are interest and linkage free and will not fall due before 5 years have elapsed from the date on which they were issued.

7.3 For further information on events after the reporting period, see Note 9 to the Condensed Consolidated Interim Financial Statements.

Strauss

Strauss Group LTD.

Quarterly Report on the Effectiveness of Internal Control

QUARTERLY REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE PURSUANT TO REGULATION 38c(a):

Management, under the supervision of the board of directors of Strauss Group Ltd. (the “Corporation”), is responsible for determining and maintaining proper internal control over financial reporting and disclosure within the Corporation.

For this purpose, the members of management are:

1. 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 June 30, 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 June 30, 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 third 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 of June 30, 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.

November 29, 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 third 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 of June 30, 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.

November 29, 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 nine months periods ended September 30, 2023

Contents

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

Fortaleza, November 10, 2023

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

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

Três Corações Alimentos S.A.

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

(In thousand of Brazilian Reais)

	September 30, 2023	December 31, 2022
Assets		
Current		
Cash and cash equivalents	476,986	1,037,736
Deposits	15,078	15,148
Trade receivables	1,141,511	765,622
Inventories	1,346,020	1,076,052
Recoverable taxes	66,716	133,004
Income tax receivables	20,838	25,371
Other current assets	39,627	23,791
	3,106,776	**3,076,724**
Non-current		
Trade receivables	7,464	9,482
Judicial deposits	9,508	8,988
Loans to related parties	-	14,389
Recoverable taxes	195,576	124,306
Other non-current assets	70,023	68,551
Deferred tax assets	45,272	17,842
Investments	96,747	85,072
Fixed assets	709,258	681,623
Intangible assets	457,222	416,459
Right-of-use assets	87,663	95,845
	1,678,733	**1,522,557**
Total assets	**4,785,509**	**4,599,281**

	September 30, 2023	December 31, 2022
Liabilities and equity		
Current		
Short term loans	893,568	1,037,201
Trade payables	936,994	891,886
Short term lease liabilities	41,273	36,934
Income tax payables	1,446	4,987
Employees and other payroll related liabilities	115,949	100,453
Proposed dividends	-	82,484
Interest on equity payable	-	79,689
Payable taxes	17,221	22,405
Other current liabilities	33,816	38,375
	2,040,267	**2,294,414**
Non-current		
Long term loans	628,888	424,600
Long term lease liabilities	61,644	71,626
Other non-current liabilities	19,942	19,497
Deferred tax liabilities	-	6,342
Interest on equity payable	33,855	33,855
Provision for legal proceedings	72,606	70,152
	816,935	**626,072**
Equity		
Share capital	276,464	275,531
Translation reserve	(198,465)	(200,891)
Retained earnings	1,850,121	1,603,919
Equity attributable to owners of the Company	1,928,120	1,678,559
Non-controlling interests	187	236
Total Equity	**1,928,307**	**1,678,795**
Total liabilities and equity	**4,785,509**	**4,599,281**

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

(In thousand of Brazilian Reais)

	Nine months period ended September 30,		Three months period ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue	5,830,414	6,054,898	1,863,595	2,159,939
Cost of sales	(4,544,291)	(4,606,683)	(1,477,229)	(1,641,373)
Gross profit	**1,286,123**	**1,448,215**	**386,366**	**518,566**
Selling and marketing expenses	(891,477)	(788,603)	(284,673)	(306,980)
General and administrative expenses	(134,796)	(153,422)	(31,925)	(54,707)
Allowance for expected credit losses	(3,308)	(7,285)	1,981	(110)
Equity method	11,676	10,459	4,068	1,959
Other income (expenses), net	1,838	(2,162)	2,411	(552)
Operating profit	**270,056**	**507,202**	**78,228**	**158,176**
Financial income	68,294	26,663	18,745	11,254
Financial expenses	(140,808)	(74,200)	(48,916)	(28,074)
Net financial expenses	**(72,514)**	**(47,537)**	**(30,171)**	**(16,820)**
Profit before income tax	**197,542**	**459,665**	**48,057**	**141,356**
Income tax revenue (expenses)	49,532	(59,819)	15,369	(22,571)
Profit for the period	**247,074**	**399,846**	**63,426**	**118,785**
Profit attributable to:				
Owners of the Company	247,135	399,976	63,466	118,626
Non-controlling interests	(61)	(130)	(40)	159
Total profit for the period	**247,074**	**399,846**	**63,426**	**118,785**

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

(In thousand of Brazilian Reais)

	Nine months period ended September 30,		Three months period ended September 30,	
	2023	**2022**	**2023**	**2022**
Profit attributable to:	247,074	399,846	63,426	118,785
Other comprehensive income (loss) items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences	2,426	(3,894)	(5,223)	(7,427)
Comprehensive income for the period	**249,500**	**395,952**	**58,203**	**111,358**
Comprehensive income attributable to:				
Owners of the Company	249,561	396,082	58,243	111,199
Non-controlling interests	(61)	(130)	(40)	159
Total comprehensive income for the period	**249,500**	**395,952**	**58,203**	**111,358**

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

(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 December 31, 2021	**275,531**	**55,106**	**512,623**	**801,089**	**(201,178)**	**-**	**1,443,171**	**735**	**1,443,906**
Profit for the year	-	-	-	-	-	399,976	399,976	(130)	399,846
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(3,894)	-	(3,894)	-	(3,894)
Total other comprehensive gain (loss):	-	-	-	-	(3,894)	399,976	396,082	(130)	395,952
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	(314)	(314)
State VAT and Federal tax incentives	-	-	72,887	-	-	(72,887)	-	-	-
Change in interest in investments valued by the equity method	-	-	-	(2,001)	-	-	(2,001)	-	(2,001)
Profit destination									
Interest on equity credited	-	-	-	-	-	(122,750)	(122,750)	-	(122,750)
Dividends proposed	-	-	-	-	-	(9,978)	(9,978)	-	(9,978)
Reserve for profit to be distributed	-	-	-	194,361	-	(194,361)	-	-	-
	-	-	72,887	192,360	-	(399,976)	(134,729)	(314)	(135,043)
Balance as of September 30, 2022	**275,531**	**55,106**	**585,510**	**993,449**	**(205,072)**	**-**	**1,704,524**	**291**	**1,704,815**
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	-	-	-	-	-	247,135	247,135	(61)	247,074
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	2,426	-	2,426	-	2,426
Total other comprehensive gain (loss):	-	-	-	-	2,426	247,135	249,561	(61)	249,500
Internal equity changes									
Capitalization of tax incentives	933	-	(933)	-	-	-	-	-	-
Non-reciprocal capital contributions to subsidiary	-	-		-	-	-	-	12	12
State VAT and Federal tax incentives	-	-	98,064	-	-	(98,064)	-	-	-
Profit destination									
Reserve for profit to be distributed	-	-	-	149,071	-	(149,071)	-	-	-
	933	-	97,131	149,071	-	(247,135)	-	12	12
Balance as of September 30, 2023	**276,464**	**55,106**	**757,018**	**1,037,997**	**(198,465)**	**-**	**1,928,120**	**187**	**1,928,307**

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

(In thousand of Brazilian Reais)

	Share capital	Retained earnings: Legal reserve	Retained earnings: Tax incentives	Retained earnings: Profit to distribute	Translation reserve	Accumulated profit	Total	Non- controlling interests	Total Equity
Balance as of June 30, 2022	**275,531**	**55,106**	**565,734**	**926,485**	**(197,645)**	**-**	**1,625,211**	**296**	**1,625,507**
Profit for the period	-	-	-	-	-	118,626	118,626	159	118,785
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(7,427)	-	(7,427)	-	(7,427)
Total other comprehensive gain (loss):	-	-	-	-	(7,427)	118,626	111,199	159	111,358
Internal equity changes									
State VAT and Federal tax incentives	-	-	19,776	-	-	(19,776)	-	-	-
Change in interest in investments valued by the equity method	-	-	-	64	-	-	64	(164)	(100)
Profit destination									
Interest on equity credited	-	-	-	-	-	(31,950)	(31,950)	-	(31,950)
Reserve for profit to be distributed	-	-	-	66,900	-	(66,900)	-	-	-
	-	-	19,776	66,964	-	(118,626)	(31,886)	(164)	(32,050)
Balance as of September 30, 2022	**275,531**	**55,106**	**585,510**	**993,449**	**(205,072)**	**-**	**1,704,524**	**291**	**1,704,815**
Balance as of June 30, 2023	**276,464**	**55,106**	**729,467**	**1,002,082**	**(193,242)**	**-**	**1,869,877**	**228**	**1,870,105**
Profit for the period	-	-	-	-	-	63,466	63,466	(40)	63,426
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(5,223)	-	(5,223)	-	(5,223)
Total other comprehensive gain (loss):	-	-	-	-	(5,223)	63,466	58,243	(40)	58,203
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	(1)	(1)
State VAT and Federal tax incentives	-	-	27,551	-	-	(27,551)	-	-	-
Profit destination									
Reserve for profit to be distributed	-	-	-	35,915	-	(35,915)	-	-	-
	-	-	27,551	35,915	-	(63,466)	-	(1)	(1)
Balance as of September 30, 2023	**276,464**	**55,106**	**757,018**	**1,037,997**	**(198,465)**	**-**	**1,928,120**	**187**	**1,928,307**

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

(In thousand of Brazilian Reais)

	Nine month period ended September 30,		Three months period ended September 30,	
	2023	**2022**	**2023**	**2022**
Cash flows from operating activities				
Profit for the period	247,074	399,846	63,426	118,785
Adjustments for:				
Depreciation and amortization	100,288	91,304	34,310	31,636
Termination of lease contracts	24	(196)	101	(143)
Provision (reversal) for legal proceedings	2,454	2,464	(265)	1,590
Allowance for expected credit losses	3,308	7,285	(1,981)	110
Other income, net	(1,838)	2,162	(2,411)	552
Equity method	(11,676)	(10,459)	(4,068)	(1,959)
Finance expenses, net	72,514	47,537	30,171	16,820
Income tax revenue (expenses)	(49,532)	59,819	(15,369)	22,571
Change in:				
Trade receivables	(376,822)	(498,669)	49,923	58,276
Inventories	(273,028)	(353,561)	21,610	(88,847)
Recoverable and payable taxes, net	14,385	(27,494)	6,425	(10,645)
Judicial deposits	(520)	(831)	(282)	(87)
Trade payables	46,044	186,151	13,323	29,677
Employees and other payroll related liabilities	15,496	43,701	6,654	16,310
Other current and non-current assets and liabilities	(21,409)	(21,379)	(5,542)	(11,425)
Change in operating activities	**(233,238)**	**(72,320)**	**196,025**	**183,221**
Interest paid	(91,585)	(47,661)	(41,912)	(24,365)
Interest received	58,319	19,960	15,382	9,841
Income tax paid	(3,444)	(6,470)	(1,290)	(2,351)
Net cash flows used in (provided by) operating activities	**(269,948)**	**(106,491)**	**168,205**	**166,346**
Cash flows from investing activities				
Change in deposits	(242)	(1,915)	(1,766)	(14,807)
Payment for acquisition of operations, net of cash	-	(400)	-	-
Proceeds from sales of fixed assets	4,498	2,519	2,663	683
Acquisition of fixed assets	(105,171)	(97,253)	(34,643)	(37,580)
Investments in intangible assets	(51,056)	(18,770)	(28,931)	(9,029)
Dividend received	-	15	-	(335)
Net cash flows used in investing activities	**(151,971)**	**(115,804)**	**(62,677)**	**(61,068)**
Cash flows from financing activities				
Proceeds from loans	871,638	355,935	128,983	77,463
Repayment of loans	(841,246)	(317,530)	(280,978)	(69,943)
Payment of lease liabilities	(22,715)	(18,667)	(8,787)	(2,788)
Interest on equity paid	(79,689)	(52,078)	-	(52,078)
Dividend paid	(82,484)	(62,770)	-	(62,770)
Loans received from related parties	15,665	-	15,665	-
Net cash flows used in financing activities	**(138,831)**	**(95,110)**	**(145,117)**	**(110,116)**
Net decrease in cash and cash equivalents	**(560,750)**	**(317,405)**	**(39,589)**	**(4,838)**
Net increase (descrease) in cash and cash equivalents				
Cash and cash equivalents as at beginning of period	1,037,736	542,680	516,575	230,113
Cash and cash equivalents as at end of period	476,986	225,275	476,986	225,275
	(560,750)	(317,405)	(39,589)	(4,838)

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

1 General information

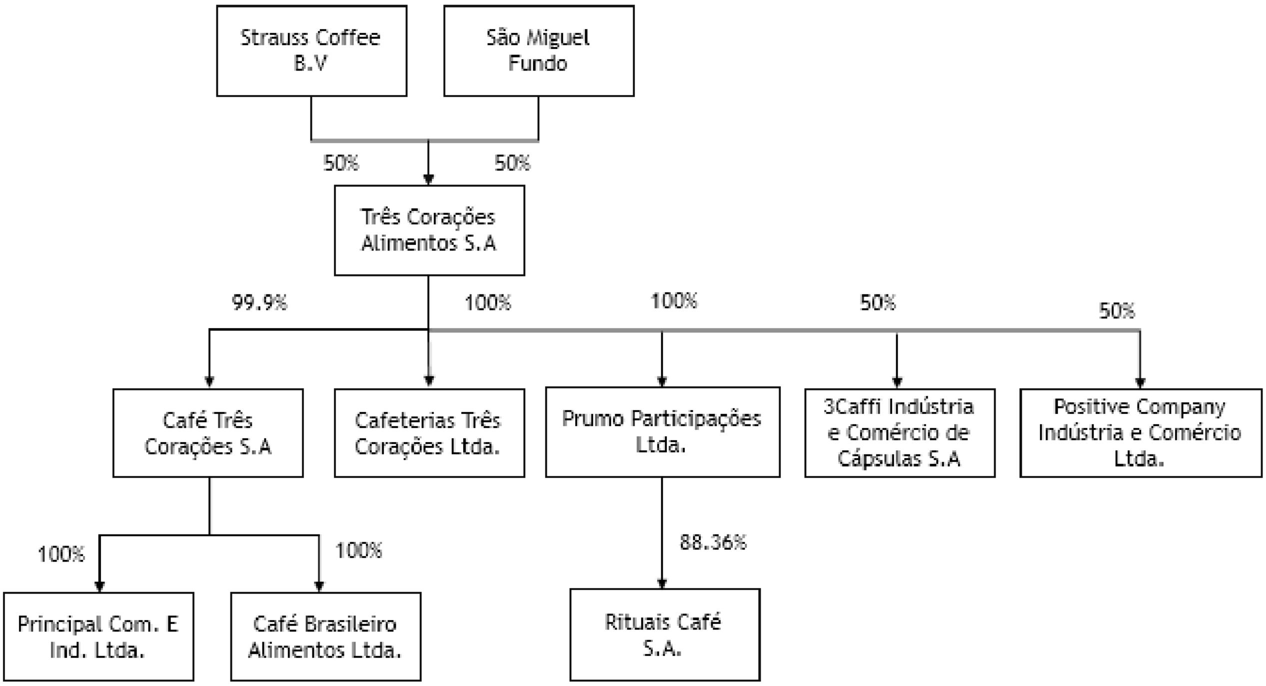
Três Corações Alimentos S.A. (the “Company”) together with its subsidiaries (the “Group”) are an industrial and commercial Group, which operates in Brazil, in producing and selling branded coffee products, multi-beverage single portion capsules and machines, powdered juices, chocolate drinks and corn 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 and cashew butter.

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, Café do Cuca, Ouribom, Bangu, Fort, 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%).

On September 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 November 10, 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 September 30, 2023 the amount of the São Paulo State tax claims was R$ 81,531 (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.

(In thousands of Brazilian Reals)

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 as of September 30, 2023.

4 Cash and cash equivalents, short and long term loans

	September 30, 2023	December 31, 2022
Short term loans	893,568	1,037,201
Long term loans	628,888	424,600
Cash and cash equivalents	476,986	1,037,736

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$ (269,948);
- Cash flows used in investing activities, in the amount of R$ (151,971);
- Cash flows used in financing activities, in the amount of R$ (138,831).

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:

(In thousands of Brazilian Reals)

	Level of hierarchy of fair value	September 30, 2023		December 31, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities					
Short term loans	2	893,568	945,298	1,037,201	1,124,171
Long term loans	2	628,888	734,721	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 September 30, 2023 and December 31, 2022, the Group had no financial instruments classified at Level 3.

(In thousands of Brazilian Reals)

7 Revenue

7.1 Disaggregated revenue information

	Products	Services	September 30, 2023
Geographical markets			
Domestic	5,650,509	1,213	5,651,722
Foreign	178,692	-	178,692
	5,829,201	**1,213**	**5,830,414**

	Products	Services	September 30, 2022
Geographical markets			
Domestic	5,768,588	380	5,768,968
Foreign	285,930	-	285,930
	6,054,518	**380**	**6,054,898**

7.2 Composition of Revenue

	Nine month periods ended September 30		Three month periods ended September 30	
	2023	**2022**	**2023**	**2022**
Revenue:				
Products - domestic	7,001,129	6,901,520	2,223,758	2,495,217
Products - foreign	178,693	285,931	78,743	102,293
Services	1,237	394	445	145
Other	677	1,480	2	753
Revenue deductions:				
Taxes on sales	(719,032)	(633,624)	(222,985)	(229,163)
State VAT incentives	168,929	128,064	49,613	42,328
Discounts	(592,287)	(455,092)	(209,411)	(187,061)
Other deductions	(208,932)	(173,775)	(56,570)	(64,573)
Revenue	**5,830,414**	**6,054,898**	**1,863,595**	**2,159,939**

* * *

Pedro Alcântara Rego de Lima
Chief Executive Officer

Danisio Costa Lima Barbosa
Chief Financial Officer

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