

STRAUSS GROUP LTD.
BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS
AS AT SEPTEMBER 30, 2007

(All values are stated in reported amounts)

SALIENT INFORMATION FROM THE DESCRIPTION OF THE COMPANY'S BUSINESS

Strauss Group Ltd. and the companies it controls (hereinafter: the “**Company**” or the “**Group**”) are a group of industrial and commercial companies that operate in Israel and abroad, in Central and Eastern Europe, Brazil and the United States of America, in the manufacture, sale and marketing of a wide variety of branded food and beverage products. The controlling shareholder of the Company is Strauss Holdings Ltd. (hereinafter: “**Strauss Holdings**”).

The Group manages and develops its business with the aim of providing the general public with a wide variety of top-quality branded products for different consumption opportunities. The Group is dominant in most of the markets in which it operates. The products of the Group are generally sold through a variety of sales channels including the large retail chains, private stores and supermarkets, kiosks, workplaces, hotels, vending machines, etc.

The Group's business is centered in Israel. Strauss Israel is the second-largest company in the food industry in Israel, where it constitutes approximately 9.7 % of the country's total retail food market ¹. The Group is also active in some ten major countries in Central and Eastern Europe, in Brazil (in most of these countries, the Group figures among the leading companies in roasted and ground coffee), and in the US. The Group's business is conducted in four geographical sectors: the business in Israel, which includes the traditional activity (the sale of a broad variety of fresh and dry food products), the Max Brenner operation in Israel and the H2Q operation; the business in Europe, which includes the coffee business in Central and Eastern Europe; the business in Brazil, which is managed by a 50% proportionately consolidated subsidiary (joint venture) active mainly in roasted coffee in the domestic market, in the manufacture of corn products and the export of green coffee (the businesses in Europe, the coffee business in Israel and the business in Brazil are subordinate to the CEO of the Group's coffee business), and the business in the US, which includes Sabra and the Max Brenner operation in the US. The different businesses are each run by separate management entities, while exploiting synergies between the operations.

The Group has three areas of activity that are reported as business sectors (secondary) in the Consolidated Annual Financial Statements of the Company:

The snack business – In this category the Group develops, manufactures, sells, markets and distributes mainly in Israel, and exports (mainly to the US) a wide range of branded products, mainly: sweet snacks, cereal snack bars, chocolate tablets, sweet spreads, candy, chewing gum, cookies, biscuits, wafers, cakes and salty snack foods.

The fresh food business – In this category the Group develops, manufactures, sells, markets and distributes in Israel and North America, a wide variety of branded products, mainly: yogurts, dairy puddings, soft cheeses, prepared and packaged salads (humus salads, eggplant salads, etc.), fresh pasta products and cut vegetables.

According to Stornext data as to September 2007 ¹

The beverage business – In this category the Group develops, manufactures, sells, markets and distributes a variety of branded beverages, mainly: various types of coffee (in Israel as well as in Eastern and Central European countries and Brazil); chocolate and other drink powders as well as milk drinks in different flavors (mainly in Israel); it sells and distributes espresso coffee products (“Lavazza”) that are not manufactured by the Group in several countries in Eastern and Central Europe; it exports green coffee (raw material) through the Company in Brazil, and also sells and distributes in Israel instant coffee products (“Jacobs”), and natural juices and aseptic juices manufactured by Ganir, and long-life UHT milk manufactured by Ramat Hagolan Dairies. As of 2007, the coffee house activity of Elite Coffee To Go, became a part of the beverage operation.

In addition to the areas of activity described above, the Group has various activities that are not included in these categories and which were included in the Company’s Financial Statements as at December 31, 2006 under the “Other” business segment. Such activities include the development, manufacture, marketing, sale and distribution of honey products, olive oil and jams under the “Yad Mordechai” brand; the sale of raw materials and interim products to the food industry in Israel; the manufacture and sale of “Max Brenner” chocolate products and the operation of “Chocolate Bars” in Israel and abroad through franchisees, partners and wholly-owned under the “Max Brenner” brand, providing an innovative consumption experience in chocolate and chocolate beverages; the export and the manufacture and sale of corn products in Brazil.

SEASONAL EFFECTS ON THE RESULTS OF THE COMPANY'S BUSINESS OPERATIONS

The Company’s snacks sales are characterized by seasonality. As a rule, snack sales are higher in the first and third quarters of the year. The seasonality in the snack business is affected by two main factors: the first is the timing of the Jewish holidays with emphasis on Rosh Hashanah (the Jewish New Year) and Passover, when the Company’s sales increase considerably. The second factor is the seasons of the year, with winter and fall being characterized by greater consumption of confectionery (mainly chocolate and snacks) than the hot seasons. Conversely, sales of cold beverages (milk, chocolate milk and juices) are higher in the summer, meaning the second and third quarters of the year.

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

Other than as described below, as at the end of the third quarter and as compared to the end of 2006 there has been no material change in the market risks to which the Company is exposed, in its policy for managing these risks, in the persons responsible for their management and in the means for controlling and executing this policy, as described in the Board of Directors’ report as at December 31, 2006.

Compared to the Company's linkage balance as described in Note 27.9 to the Annual Financial Statements for 2006, which were prepared in accordance with IFRS, the Company's Index-linked liabilities increased by approximately NIS 839.8 million, unlinked assets increased by approximately NIS 446.8 million, and its euro liabilities decreased by approximately NIS 517.1 million.

For a sensitivity analysis of the fair value of the debentures issued by the Company, see the Board of Directors' report as at March 31, 2007.

Adoption of IFRS Rules

The consolidated interim financial statements as at September 30, 2007 and for the six-month and three-month periods then ended (hereinafter: the "**Interim Financial Statements**") were prepared in accordance with the International Financial Reporting Standards (IFRS). On June 5, 2006, by way of additional information, the Company published consolidated financial statements for the year 2005 and for the first quarter of 2006, prepared in accordance with IFRS, as part of the preparations for the publication of a prospectus for an issue abroad. The date on which the Company switched to reporting in accordance with IFRS, as defined in IFRS 1, is January 1, 2003 (hereinafter: the "**Transition Date**").

On June 28, 2007 the Company published financial statements prepared in accordance with IFRS for the year 2006 and for the first quarter of 2007. Its last financial statements prepared in accordance with accepted accounting principles in Israel, published on May 28, 2007, were for the three-month period ended March 31, 2007. Financial and qualitative information on the implications of the change to reporting in accordance with IFRS is presented in Note 6 to the Interim Financial Statements. See also Note 1.1.1 to the Interim Financial Statements.

ANALYSIS OF FINANCIAL RESULTS

Following are the condensed consolidated statements of income for the periods ended September 30:

	<u>For nine months</u>			<u>For three months</u>		
	<u>2007</u>	<u>2006</u>	<u>% change</u>	<u>2007</u>	<u>2006</u>	<u>% change</u>
	<u>millions of NIS</u>			<u>millions of NIS</u>		
Sales	4,388.4	3,844.8	<i>14.1</i>	1,575.3	1,340.0	<i>17.6</i>
Cost of sales not including impact of hedging transactions	2,730.7	2,401.5		989.7	837.4	
(Incomes) expenses from Hedging transactions	-	(4.4)		4.3	(11.1)	
Cost of sales	2,730.7	2,397.1		994.0	826.3	
Gross profit	1,657.7	1,447.7	<i>14.5</i>	581.3	513.7	<i>13.2</i>
	<i>37.8%</i>	<i>37.7%</i>		<i>36.9%</i>	<i>38.3%</i>	
Selling and marketing expenses	994.6	892.7	<i>11.4</i>	344.8	307.5	<i>12.1</i>
General and administrative expenses	263.3	225.8	<i>16.6</i>	91.7	78.7	<i>16.5</i>
Operating income before other income (expenses)	399.8	329.2	<i>21.4</i>	144.8	127.5	<i>13.6</i>
	<i>9.1%</i>	<i>8.6%</i>		<i>9.2%</i>	<i>9.5%</i>	
Other income (expenses), net	(8.8)	156.2		(2.0)	14.7	
Operating income after other income (expenses)	391.0	485.4	<i>(19.4)</i>	142.8	142.2	<i>0.4</i>
Financing expenses, net	(63.7)	(40.4)	<i>57.7</i>	(37.8)	(13.3)	<i>184.2</i>
Income before taxes on income	327.3	445.0	<i>(26.4)</i>	105.0	128.9	<i>(18.5)</i>
Taxes on income	(88.8)	(117.7)	<i>(24.6)</i>	(25.7)	(36.0)	<i>(28.6)</i>
Income after taxes on income	238.5	327.3	<i>(27.1)</i>	79.3	92.9	<i>(14.6)</i>
Company's share in income of affiliated companies	-	3.3		-	1.3	
Income for the period	238.5	330.6	<i>(27.9)</i>	79.3	94.2	<i>(15.8)</i>
Attributed to:						
Shareholders of the Company	205.9	297.5	<i>(30.8)</i>	62.7	81.6	<i>(23.2)</i>
Minority interest	32.6	33.1	<i>(1.5)</i>	16.6	12.6	<i>31.7</i>
Income for the period	238.5	330.6	<i>(27.9)</i>	79.3	94.2	<i>(15.8)</i>
Pro-forma operating income before other income (expenses) (1)	396.4	324.8	<i>22.0</i>	145.7	116.4	<i>25.2</i>
Pro-forma net income for the period (2)	242.7	201.1	<i>20.7</i>	81.6	76.9	<i>6.1</i>
Pro-forma net income for the period attributed to Company's shareholders	210.4	168.0	<i>25.2</i>	65.3	64.3	<i>1.6</i>

Convenience Translation to English

Adjustment to pro-forma operating income:

Operating income before other income (expenses) – accounting	399.8	329.2	21.4	144.8	127.5	13.6
(Incomes) Expenses from Hedging transactions	-	(4.4)		4.3	(11.1)	
Clubmarket Incomes	<u>(3.4)</u>	<u>-</u>		<u>(3.4)</u>	<u>-</u>	
Pro-forma operating income before other income (expenses)	396.4	324.8	22.0	145.7	116.4	25.2
Adjustment to pro-forma income for the period:						
Accounting income for the period	238.5	330.6	(27.9)	79.3	94.2	(15.8)
Hedging transactions – (income) loss	-	(4.4)		4.3	(11.1)	
Other expenses (income)	8.8	(156.2)		2.0	(14.7)	
Allocation for Clubmarket	(3.4)	-		(3.4)	-	
Taxes in respect of above adjustments	<u>(1.2)</u>	<u>31.1</u>		<u>(0.6)</u>	<u>8.5</u>	
Pro-forma income for the period	<u>242.7</u>	<u>201.1</u>	20.7	<u>81.6</u>	<u>76.9</u>	6.1
Attributed to:						
Shareholders of the Company	210.4	168.0	25.2	65.3	64.3	1.6
Minority interest	<u>32.3</u>	<u>33.1</u>		<u>16.3</u>	<u>12.6</u>	
Pro-forma income for the period	<u>242.7</u>	<u>201.1</u>	20.7	<u>81.6</u>	<u>76.9</u>	6.1

(1) After neutralizing hedging transactions on commodities and impact of Clubmarket adjustments.

(2) After neutralizing hedging transactions on commodities, other income (expenses), and the applicable tax.

Convenience Translation to English

Following are the condensed results of operations of the various business activities for the periods ended September 30:

	<u>2007</u>	<u>Nine months</u> <u>2006</u>	<u>%</u>	<u>2007</u>	<u>Three months</u> <u>2006</u>	<u>%</u>
Snacks						
Net sales (1)	691.4	695.6	(0.6)	224.7	227.0	(1.0)
Operating income (2)	55.2	28.6	93.0	16.3	3.9	317.9
Pro-forma Operating Income (3)	53.5	28.6	87.1	14.6	3.9	274.4
Fresh foods						
Net sales (1)	1077.8	978.2	10.2	391.5	339.3	15.4
Operating income (2)	149.1	146.1	2.1	61.8	50.3	22.9
Operating income (3)	147.4	146.1	0.9	60.1	50.3	19.5
Beverages						
Net sales (1)	2,396.5	1,999.1	19.9	867.3	702.7	23.4
Operating income (2)	198.8	167.9	18.4	64.9	74.2	(12.5)
Pro-forma operating income (4)	198.8	163.5	21.6	69.2	63.1	9.7
Other*						
Net sales (1)	222.7	171.9	29.6	91.8	71.0	29.3
Pro-forma Operating income (loss) (3)	(3.3)	(13.4)		1.8	(0.9)	
Total net sales (1)	4,388.4	3,844.8	14.1	1,575.3	1,340.0	17.6
Total operating income (2)	399.8	329.2	21.4	144.8	127.5	13.6
Pro-forma operating income (4)	396.4	324.8	22.0	145.7	116.4	25.2

(1) Sales to outside parties only.

(2) Actual before other income (expenses).

(3) Operational income before other income (expenses) and without Clubmarket impact.

(4) Neutralizing the impact of the revaluation of financial derivatives for hedging commodities prices.

* Reclassified.

Following are the condensed results of operations of the business in Israel and the international businesses for the periods ended September 30:

	<u>2007</u>	<u>Nine months</u> <u>2006</u>	<u>% change</u>	<u>2007</u>	<u>Three months</u> <u>2006</u>	<u>% change</u>
Israel business						
Net sales (1)	2,456.3	2,372.6	3.5	862.5	822.7	4.8
Operating income (2)	260.2	238.7	9.0	94.6	83.7	13.0
Pro-forma operating income (3)	256.8	238.7	7.6	91.2	83.7	9.0
International business						
Net sales (1)	1,932.1	1,472.2	31.2	712.8	517.3	37.8
Operating income (2)	139.6	90.5	54.3	50.2	43.8	14.6
Pro-forma operating income (4)	139.6	86.1	62.1	54.5	32.7	66.7
Total net sales (1)	4,388.4	3,844.8	14.1	1,575.3	1,340.0	17.6
Total operating income (2)	399.8	329.2	21.4	144.8	127.5	13.6
Pro-forma operating income (3) (4)	396.4	324.8	22.0	145.7	116.4	25.2

Convenience Translation to English

- (1) Sales to outside parties only.
- (2) Before other income (expenses).
- (3) Before other income (expenses), after neutralizing adjustment of allocation for Clubmarket
- (4) After neutralizing the impact of the revaluation of financial derivatives for hedging commodities prices.

For details on the consolidated results of operations of the geographical sectors, see Note 3 of the Financial Statements.

General

In the first nine months of 2007 (hereinafter the “reported period”) the Company's sales grew by 14.1% compared to the corresponding period last year and amounted to NIS 4,388.4 million, with the international business growing by 31.2% and the business in Israel by 3.5%. The growth in sales in the reported period was particularly prominent in the coffee, Max Brenner and Sabra activities. After neutralizing the impact of the change in exchange rates during the first nine months, in the first half organic growth amounted to 13.2%.

In the reported period there was an improvement in the Group's gross income rate; the result of an improvement in the gross income of the business in Israel - Sabra and Max Brenner.

The operating income for the period before other income (expenses) grew by 21.4% compared to the operating income before other income (expenses) in the corresponding period last year and amounted to NIS 399.8 million. After neutralizing the impact of the revaluation of financial derivatives for hedging commodities prices, hedging transactions in commodities and adjustment of the allocation of the Clubmarket debt, the operating income before other income (expenses) grew by 22.0% and amounted to NIS 396.4 million.

The improvement in the operating income was evident in all of the Company's activity – the business in Israel, the coffee business, Max Brenner and Sabra in the US, and was the result of the accelerated growth, product mix, and various streamlining processes in the companies in the Group.

In the reported period the Group's financing expenses grew and amounted to NIS 63.7 million compared to NIS 40.4 million last year. The increase in financing expenses was the result of the sharp increase in the consumer price index during the first nine months of the year, and the increase in index adjusted credit volume.

The net income for the reported period for company shareholders amounted to NIS 205.9 million compared to NIS 297.5 million last year, a decrease of 30.8%. The income in 2006 including capital income (neutralizing the tax impact) in the amount of NIS 148.1 million resulting from the sale of real estate – Ramat Gan and Lieber sites). Neutralizing other expenses and incomes the impact of hedging transactions in commodities and adjustment due to the Clubmarket debt, and the tax referring to these net adjustments the net income for the reported period for shareholders amounted to NIS 210.4 million as compared to NIS 168.0 million in the corresponding period last year, an increase of 25.2%.

In the second quarter the Company announced a change in the organizational structure of the Group corporate center and the Company's business in Israel. The organizational change is in direct continuation of various strategic and organizational moves applied by Group Management in recent years, including the merger of the operations of Strauss and Elite in Israel in 2004, acceleration of the Group's international expansion, expansion of the Group's business portfolio (Sabra in the US and Max Brenner), launch of the Group's new corporate identity and the planned new, leaner brand portfolio and new brand name architecture.

Convenience Translation to English

The main objective of the organizational change is to align the operating model and structure of the Group with its strategic plans, and to facilitate its development as one international company that operates in line with leading international standards. Additionally, the new operating model and structure are designed to enable the Group's competitive capabilities to be leveraged and to focus the Group on understanding the consumer and leading consumption trends, as well as facilitate the improvement of the cost structure and profitability, the channeling of resources to continued international expansion, the development of a new organizational culture that encourages sharing, organizational flexibility and professionalism, the upgrade of cross-organizational processes, and the upgrade of expertise and professionalism in areas such as marketing and the supply chain (including production) while accomplishing operational excellence.

During the first nine months of this year expenses amounting to NIS 9.7 million were recorded for re-organization expenses.

In the first quarter of this year the Company launched its new corporate identity, and in this framework the Company's name was changed from Strauss Elite Ltd. to Strauss Group Ltd.

Early this year a new combined computerized system (ERP) was launched for all of the Company's businesses in Israel. The new system delivers a uniform computerized solution for all processes in the Company (procurement, planning, storage, production, financial processes, etc.), except for the sales processes. During the year the Company will complete the preparations for merging the selling processes and assimilating them in the new computer system, which is to be launched toward the first quarter of 2008.

OPERATIONS IN ISRAEL

The Company's operations in Israel include Strauss Israel, Max Brenner Israel and the H2Q business. Strauss Israel is active in three main spheres: the snack category, the beverage category and the fresh food category. Max Brenner Israel includes the manufacture and sale of "Max Brenner" chocolate products and the operation of "Chocolate Bars" (for more information on Max Brenner business, see below).

In the reported period the Company's sales turnover in Israel (including exports and Max Brenner) amounted to NIS 2,456.3 million, compared to NIS 2,372.6 million in the corresponding period last year, an increase of 3.5%. The growth in sales in Israel is partly due to the growth in the fresh food and beverage sectors (the first merger of Elite Coffee To Go) and the growth in the Max Brenner business. In the reported period exports decreased following the termination of exports for a private label abroad and the transition from working with an independent distributor in the US to working through an overseas subsidiary.

After neutralizing export activity (candy, coffee and others) and the business of Max Brenner Israel, Strauss Israel's business in the reported period grew by 5.1%, with sales totaling NIS 2,395.9 million.

The growth in sales in Israel is evident in all areas of business.

The operating income before other income (expenses) in the Israeli business (including exports and Max Brenner) and after neutralizing the impact of the adjustment of the allocation for Clubmarket in the reported period totaled NIS 256.8 million (10.5% of sales), compared to NIS 238.7 million (10.1% of sales) last year, an increase of 7.6%.

Strauss Israel's operating income before other income (expenses) after neutralizing the results of Max Brenner in Israel and expenses in respect of H2Q increased in the reported period by 9.1% compared to the corresponding period of last year.

In the three months ended September 30, 2007 (hereinafter: the "quarter"), the sales turnover of the Company in Israel (including exports and Max Brenner) amounted to NIS 862.5 million compared to NIS 822.7 million in the corresponding period last year, an increase of 4.8%.

The growth in sales in Israel in the quarter was influenced by the increase in the fresh food business, Max Brenner and coffee. After neutralizing exports and the Max Brenner business in Israel, Strauss Israel's business grew in the quarter by 4.4%, with sales amounting to NIS 842.4 million.

In the third quarter the operating income in Israel, before other income (expenses) and after neutralizing the impact of the allocation for Clubmarket, amounted to NIS 91.2 million (10.6% of sales), compared to NIS 83.7 million (10.2% of sales) in the corresponding period last year, an increase of 9.0%. Strauss Israel's operating income for the third quarter this year before other income (expenses) and after neutralizing the results of Max Brenner Israel and expenses in respect of H2Q increased this quarter by 15.0% compared to the corresponding quarter last year.

INTERNATIONAL BUSINESS

The Company's international operations include the international coffee business, Sabra Salads in the US and Max Brenner business outside of Israel. In the reported period the sales of the international businesses amounted to NIS 1,932.1 million compared to NIS 1,472.2 million in the corresponding period last year, an increase of 31.2%.

During the first nine months the operating income before other income (expenses) of the international business totaled NIS 139.6 million compared to NIS 90.5 million in the corresponding period of last year, an increase of 54.3%. After neutralizing the impact of revaluating commodities derivatives in 2006, the operating income increased this year by 62.1%. The improvement in the operating income derives from the improvement in the operating income of the coffee, Sabra and Max Brenner activities.

In the third quarter of the year the sales of the international business totaled NIS 712.8 million compared to NIS 517.3 million in the corresponding quarter last year, an increase of 37.8%. The operating income before other income (expenses) of the international business in the third quarter totaled NIS 50.2 million compared to NIS 43.8 million in the corresponding quarter last year, an increase of 14.6%. After neutralizing the impact of commodities derivatives, the operating income in the third quarter totaled NIS 54.5 million compared to NIS 32.7 million in the third quarter last year, an increase of 66.7%.

The International Coffee Business

The international coffee business continues to grow with improved gross and operating income. Sales during the first nine months increased by 25.3% and totaled NIS 1,689.7 million. After neutralizing the impact of exchange rate differentials in respect of different operating currencies abroad, international coffee activity sales increased by 23.7%.

The main growth is evident in the Company's businesses in Brazil, Romania and the former Yugoslavia countries. There has been a strong increase in consumption business away from home - AFH - in all countries where the Company is active.

In the reported period, the gross profitability of the international coffee business was negatively impacted by the continuing increase in green coffee prices, most of which was offsetting by raising sales prices, and a significant growth in business volume in Brazil.

The operating income before other income (expenses) of the international coffee business grew by 28.4% and in the reported period totaled NIS 117.6 million, compared to NIS 91.6 million last year. After neutralizing the impact of commodities derivatives, the operating income in the reported period totaled NIS 117.6 million compared to NIS 87.2 million in the corresponding period last year, an increase of 34.9%.

The improvement in the operating income before other income (expenses) in the reported period was evident in most of the regions and countries where the Company is active. The improvement in the operating income is the result of general growth, growth in AFH activities, the increase in sales prices, a change in the sales mix and the streamlining initiatives implemented by the Company.

Convenience Translation to English

In the third quarter the international coffee business grew by 33.1% and sales totaled NIS 623.8 million. After neutralizing the impact of exchange rate differentials in respect of different operating currencies abroad, international coffee sales in the quarter increased by 34.0%.

The operating income before other income (expenses) of the international coffee business dropped by 2.7% in the quarter and totaled NIS 42.6 million, compared to NIS 43.8 million last year. After neutralizing the impact of commodities derivatives, the operating income in the quarter totaled NIS 46.9 million compared to NIS 32.7 million in the corresponding quarter last year, an increase of 43.4%.

Following is the scope of sales by the international coffee operation in K NIS in the major geographical regions, and the growth rates for the periods ended September 30:

Geographical region	Nine months			Third quarter		
	Sales (1)	% of income	% change 07-06	Sales (2)	% of income	% change 07-06
Brazil	696,424	41.2	60.0	272,647	43.7	62.5
Former Yugoslavia countries	218,580	12.9	21.4	76,667	12.3	16.3
Former USSR countries	154,840	9.2	2.5	56,132	9.0	18.7
Balkan States	311,826	18.5	5.5	108,369	17.4	10.6
Poland	325,808	19.3	4.8	113,523	18.2	11.7
After neutralizing inter-regional sales	(17,762)	(1.1)		(3,529)	(0.6)	
Total	1,689,716	100.0	25.3	623,809	100.0	33.1

(1) Brazil sales in during the nine months include sales amounting to NIS 226,517 thousand (of which NIS 16,383 thousand are inter-regional sales inside the Group) of green coffee and corn products. During the nine months of last year sales amounting to 93,610 thousand shekels (of which NIS 11,630 thousand were inter-regional sales).

(2) Brazil sales in the third quarter include sales amounting to NIS 102,208 thousand (of which NIS 3,460 thousand are inter-regional sales within the Group) of green coffee and corn products. The third quarter of last year, includes sales totaling NIS 33,627 thousand (of which 7,748 thousand were in inter-regional sales).

Sabra Salad Business in the United States

Sabra's business continues to grow, and during the first nine months sales totaled NIS 216.4 million compared to NIS 119.4 million last year, an increase of 81.2%. After neutralizing the impact of the erosion of the US dollar versus the shekel, growth amounted to 89.0%. In the reported period Sabra's business also includes Carousel business. On a pro-forma basis (assuming that Carousel's business was already consolidated on January 1, 2006), Sabra's business in the US grew in the reported period by 49.0% compared to the corresponding period last year, and after neutralizing the impact of the erosion of the dollar relative to the shekel, organic (real) growth in the first three quarters of the year amounted to 56.8%.

In the third quarter Sabra sales totaled NIS 80.6 million compared to NIS 44.3 million last year, an increase of 81.9%. After neutralizing the impact of the erosion of the US dollar versus the shekel, growth amounted to 86.4%. In organic terms Sabra's business grew in the quarter by 54.0% compared to the corresponding quarter last year, and after neutralizing the impact of the erosion of the dollar in relation to the shekel, organic (real) growth in this quarter totaled 58.6%.

The growth in Sabra business in the US is supported by the consumer trends developing on the American market (health, ethnicity, convenience), coupled with the expansion and intensification of the company's activity in leading retail chains such as: Wal-Mart, Kroger, Jewel, Hy-Vee, Giant Eagle, Schnucks, Costco and others.

Convenience Translation to English

The gross and operating income of Sabra business continues to grow and improve due to significant growth in sales, streamlining of production, and sale expenses.

The Sabra brand continues to represent innovation, showing the highest growth in this category in the United States, with market shares of the Sabra brand in the United States receiving a jump start and Sabra positioned as the number one brand in the United States with an average market share in the third quarter (according to IRI data issued in October 2007) of 27.0% compared to 20.8% at the end of 2006.

The Max Brenner Business (constitutes part of international and Israeli activities)

In the first nine months Max Brenner business continues to grow and its sales amount to NIS 69.3 million, growth of 76.4%. The growth in Max Brenner business is the result of the opening of the Chocolate Bars in New York (second half of 2006), as well as the increase in the number of branches in Israel. As per the date of this report there are 21 Max Brenner Chocolate Bars in operation worldwide, 7 wholly-owned branches in Israel and the US and 14 branches operating under franchise agreements in Israel, Australia, Singapore and the Philippines.

In the reported period Max Brenner posted a significant decrease in the operating loss before other income (expenses) compared to the corresponding period last year thanks to improvement in the gross income, growth in business volume, a reduction in various overheads and the more efficient utilization of infrastructures, which are being built simultaneously with the increase in the number of branches in operation.

In the third quarter Max Brenner's sales grew by 45.1% and amounted to NIS 28.5 million, compared to NIS 19.6 million in the corresponding quarter last year.

Sales

In the reported period the Company's consolidated sales turnover amounted to NIS 4,388.4 million compared to NIS 3,844.8 million in the corresponding period last year, an increase of 14.1%.

In the quarter the Company's sales turnover grew by 17.6% and amounted to NIS 1,575.3 million compared to NIS 1,340.0 million in the corresponding period last year. The improvement in sales was achieved mainly thanks to the significant growth in the international coffee business, Sabra and Max Brenner business, and also to growth in Israel in the fresh food, coffee and beverage categories.

Sales of the snack sector in the reported period amounted to NIS 691.4 million compared to NIS 695.6 million in the corresponding quarter last year.

In the third quarter the sales of the snack sector totaled NIS 224.7 million compared to NIS 227.0 million in the corresponding quarter last year, a decrease of 1.0%. The decrease in sales in the snack sector in the reported period and in the quarter is the result of the drop in export activity as a result of termination of the export operation for a private label abroad, and the transition from working with an independent distributor abroad to working through a foreign subsidiary

Sales of the beverage sector in the reported period amounted to NIS 2,396.5 million compared to NIS 1,999.1 million last year, an increase of 19.9%.

In the third quarter sales in the beverage sector amounted to NIS 867.3 million compared to NIS 702.7 million in the corresponding quarter last year, an increase of 23.4%. The increase in the beverage sector was due mainly to the growth in the international coffee business, as well as to the growth of the coffee business in Israel in the reported period.

Convenience Translation to English

Sales of the fresh food sector in the reported period amounted to NIS 1,077.8 million compared to NIS 978.2 million in the corresponding period last year, an increase of 10.2%.

In the third quarter sales in the fresh food sector amounted to NIS 391.5 million compared to NIS 339.3 million in the corresponding quarter of last year, an increase of 15.4%. The growth in fresh foods sector in the reported period is mainly due to the strong growth of Sabra business in the United States. The dairy business in Israel posted significant growth in the third quarter as compared to last year; the relatively moderate growth in the Dairies in Israel in the reported period is typical of the dairy market in Israel.

Gross Profit

In the reported period the Company's consolidated gross profit totaled NIS 1,657.7 million (37.8% of sales), compared to NIS 1,447.7 million (37.7% of sales) in the corresponding period last year, an increase of 14.5%. In the third quarter the gross profit totaled NIS 581.3 million (36.9% of sales), compared to NIS 513.7 million (38.3% of sales) in the corresponding period last year, an increase of 13.2%.

The increase in the gross profit was due mainly to the sharp growth in the Company's sales in its various businesses in Israel and abroad. The improvement in the gross profit rate in the reported period and in the quarter was due mainly to the improvement in the gross profitability of some of the areas of business in Israel, and a significant increase in the gross profit rates in the Sabra and Max Brenner operations.

Selling and Marketing Expenses

In the reported period the Company's selling and marketing expenses amounted to NIS 994.6 million (22.7% of sales), compared to NIS 892.7 million in the corresponding period last year (23.2% of sales), an increase of 11.4%.

In the quarter the Company's selling and marketing expenses amounted to NIS 344.8 million (21.9% of sales), compared to NIS 307.5 million in the corresponding period last year (22.9% of sales), an increase of 12.1%. The increase in selling and marketing expenses is due to the accelerated growth and the rapid increase in the Group's retail business (coffee houses and "Chocolate Bars"), where selling expenses are higher than average.

As a percentage of sales, total selling and marketing expenses decreased in the reported period by 0.5% compared to last year. The decrease in the rate of these expenses is evident in both the activities in Israel and abroad, which have succeeded in more efficiently exploiting their marketing and sales systems to support growth.

General and Administrative Expenses

In the reported period the Company's general and administrative expenses amounted to NIS 263.3 million (6.0% of sales), compared to NIS 225.8 million (5.9% of sales) last year, an increase of 16.6%.

The increase in the general and administrative expenses item is the result of the growth in the Company's operations abroad, , the costs of amortization expenses of new software and allowances for legal contingencies.

The Company's general and administrative expenses in the third quarter amounted to NIS 91.7 million (5.8% of sales), compared to NIS 78.7 million in the corresponding quarter of 2006 (5.9% of sales), an increase of 16.5%.

Operating income before Other Income (Expenses)

The consolidated operating income before other income (expenses) in the reported period totaled NIS 399.8 million (9.1% of sales), compared to NIS 329.2 million (8.6% of sales) in the corresponding period last year. An increase of 21.4%. In the third quarter, the operating income before other income (expenses) totaled NIS 144.8 million (9.2% of sales), compared to NIS 127.5 million (9.5% of sales) in the corresponding period last year. An increase of 13.6%.

After neutralizing the impact of commodities derivatives and the impact of adjusting the provision for Clubmarket the operating income in the reported period totaled NIS 396.4 million (the impact of revaluating the derivatives during the period is insignificant) compared to NIS 324.8 million last year. An increase of 22.0%, and in the third quarter – NIS 145.7 million compared to NIS 116.4 million in the third quarter of last year. An increase of 25.2%.

Operating income before other income (expenses) in the Israeli business (including Max Brenner) and neutralizing the impact of the Clubmarket debt in the reported period totaled NIS 256.8 million (10.5% of sales), compared to a profit of NIS 238.7 million (10.1% of sales) last year, an increase of 7.6%. The operating income before other income (expenses) in Israel was influenced mainly by the improvement in the gross profit and the reduction of the operating loss in Max Brenner.

In the third quarter the operating income before other income (expenses) after neutralizing the impact of adjusting the provision for Clubmarket in Israel totaled NIS 91.2 million (10.6% of sales), compared to NIS 83.7 million (10.2% of sales) in the corresponding period last year, an increase of 9.0%.

Operating income before other income (expenses) in the international business in the reported period totaled NIS 139.6 million (7.2% of sales), compared to NIS 90.5 million (6.1% of sales) last year, an improvement of 54.3%.

The growth in the operating income in the international business is the result of the significant growth in international coffee business in most countries and in the coffee related operations in which the Company is involved, as well as the result of the sharp rise in Sabra's profitability.

In the third quarter the operating income before other income (expenses) in the international business totaled NIS 50.2 million (7.0% of sales), compared to NIS 43.8 million (8.5% of sales) in the corresponding quarter last year, an increase of 14.6%.

After neutralizing the impact of commodities derivatives, the operating income in the reported period totaled NIS 139.6 million compared to NIS 86.1 million in the corresponding period last year, an increase of 62.1%, and in the third quarter – NIS 54.5 million compared to NIS 32.6 million in the second quarter last year, an increase of 67.2%.

In the snack sector, operating income before other income (expenses) in the reported period and after neutralizing the impact of the Clubmarket debt, totaled NIS 53.5 million compared to NIS 28.6 million last year, an increase of 87.1%. The improvement in the operating income in the snack sector is due mainly to operational streamlining and to an improved variety in the confectionery and salty snack operations. In the third quarter, the operating income before other income (expenses) and after neutralizing the impact of the Clubmarket debt, amounted to NIS 14.6 million compared to NIS 3.9 million last year, an increase of 274.4%.

In the fresh food sector, the operating income before other income (expenses) in the reported period and after neutralizing the impact of the Clubmarket debt totaled NIS 147.4 million compared to NIS 146.1 million last year, an increase of 0.9%. The change in operating income in the fresh food sector is the result of growth in profit in Sabra business on the one hand, and a decrease in profit in fresh food business in Israel, due to the erosion of gross income resulting from the less profitable sales mix, as well as an increase in marketing expenses in the first nine months of the year compared to last year.

In the third quarter, the operating income before other income (expenses) and after neutralizing the impact of the Clubmarket debt amounted to NIS 60.1 million compared to NIS 50.3 million last year, an increase of 19.5%. The improvement in profit in the fresh food sector in the quarter is the result of the improvement in the gross profit in the sector in Israel and in Sabra.

In the beverage sector, operating income before other income (expenses) in the reported period amounted to NIS 198.8 million compared to NIS 167.9 million last year, an increase of 18.4%, after neutralizing the impact of commodities derivatives the operating income in the reported period totaled NIS 198.8 million (the impact of the revaluation of the derivatives during the period is insignificant) compared to NIS 163.5 million, an increase of 21.6%. The increase in operating income before other income (expenses) was reflected in most of the countries where the Group is active in coffee, in Israel and abroad. In the third quarter, the operating income before other income (expenses) amounted to NIS 64.9 million compared to NIS 74.2 million last year, a decrease of 12.5%. After neutralizing the impact of commodities derivatives in the third quarter, the operating income in the quarter totaled NIS 69.2 million compared to NIS 63.1 million in the corresponding quarter of last year, an increase of 9.7%.

Other Income (Expenses), Net

In the reported period other expenses, net amounted to NIS 8.8 million, compared to income amounting to NIS 156.2 million in the corresponding period last year. The other expenses in the reported period include mainly re-organization expenses in an amount of NIS 5.6 million. Other income in the corresponding period include mainly a gross capital gain of NIS 184 million arising from the land sale of the Ramat Gan and Lieber compound, amortization of accrued expenses of an issue amounting to NIS 12.1 million, and the writing-off of an investment of NIS 9 million in old software products, for which no use was found.

In the third quarter other expenses, net amounted to NIS 2.0 million compared to income amounting to NIS 14.7 million in the corresponding period last year.

Operating Income after Other Income (Expenses)

In the reported period the Company's operating income after other income (expenses) totaled NIS 391.0 million (8.9% of sales), compared to NIS 485.4 million (12.6% of sales), a decrease of 19.4%. In the third quarter the operating income after other income (expenses) amounted to NIS 142.8 million (9.1% of sales), compared to NIS 142.2 (10.6% of sales) , an increase of 0.4%.

Financing, Net

In the reported period consolidated financing expenses totaled NIS 63.7 million compared to NIS 40.4 million last year. In the quarter financing expenses totaled NIS 37.8 million compared to NIS 13.3 million in the corresponding period last year. The jump in financing expenses in the third quarter is mainly due to the sharp increase in the inflation rate in the quarter which amounted to 2.5%, compared to the inflation rate of 0.2% in the third quarter of 2006.

In the reported period financing expenses included an amount of NIS 9.6 million in expenses relating to entries with respect to reporting in accordance with IFRS, such as the revaluation of a liability to minority shareholders in respect of put options and payment of a dividend to minority shareholders in consolidated companies. In the corresponding period last year, the entry of the financing expenses for these items, together with the entry of an expense relating to call options on Company shares, which included an Index-linked exercise price, amounted to NIS 7.6 million. The increase in other financing expenses is the result of a change in the currency mix and average contractual term of the credit after the issue of index adjusted debentures Series B, at a volume of 770 million NIS in February 2007 and the investment of cash reserves that had increased in 2007 at a lower interest rate than the interest paid for credit.

The price index (based on the known index to which the debentures are linked) rose in the reported period by 2.8% (2.5% of which in the third quarter), compared to 1.5% in the corresponding period last year.

Convenience Translation to English

The gross credit volume (not including liabilities relating to Put options granted to minority shareholders in consolidated companies) at the end of the reported period amounted to NIS 1,489.3 million, compared to gross credit volume of NIS 1,248.2 million at the end of the corresponding period last year.

Net credit volume at the end of the period amounted to NIS 871.8 million compared to NIS 994.2 million at the end of the corresponding period last year.

Income before Taxes on Income

In the reported period the Company's consolidated income before taxes on income amounted to NIS 327.3 million (7.5% of sales), compared to a profit of NIS 445.0 million (11.6% of sales) in the corresponding period last year. The Company's consolidated income before taxes on income in the third quarter of 2007 amounted to NIS 105.0 million (6.7% of sales) compared to a profit of NIS 128.9 million (9.6% of sales) in the corresponding quarter last year.

Income tax expenses

In the reported period income tax expenses amounted to NIS 88.8 million and the effective tax rate was 27.1%, whereas in the corresponding period last year income tax expenses amounted to NIS 117.7 million and the effective tax rate was 26.4%. The increase in the effective tax rate is due to the growth in taxable income in the US, , and a reduced tax rate last year applying to the capital gain from the sale of the real estate asset in Ramat Gan. In the second quarter of the same year income tax expenses amounted to NIS 25.7 million and the effective tax rate was 24.5%, compared to taxes on income totaling NIS 36.0 million in the corresponding quarter last year and an effective tax rate of 27.9%.

Profit for the Period

In the reported period profit for the period amounted to NIS 238.5 million compared to NIS 330.6 million last year. After neutralizing other income and expenses in 2007 and 2006, neutralizing the impact of hedging transactions on commodities and neutralizing the tax effect relating to these neutralizations, in the reported period income for the period totaled NIS 242.7 million compared to NIS 201.1 million last year, an increase of 20.7%.

In the third quarter of 2007 the income amounted to NIS 79.3 million compared to NIS 94.2 million last year. After neutralizing other income and expenses in 2007 and 2006, neutralizing the impact of hedging transactions on commodities and neutralizing the tax effect relating to these neutralizations, the quarter income totaled NIS 81.6 million compared to NIS 76.9 million last year, an increase of 6.1%.

Income for the Period for Majority Shareholders

The majority shareholders' income for the period totaled NIS 205.9 million compared to NIS 297.5 million last year. After neutralizing the impact of hedging transactions on commodities, and neutralizing other income (expenses) deducting the applicable tax, the majority shareholders' income for the period totaled NIS 210.4 million compared to NIS 168.0 million last year, an increase of 25.2%.

The majority shareholders' income for the third quarter totaled NIS 62.7 million compared to NIS 81.6 million last year, after neutralizing the impact of hedging transactions on commodities, and neutralizing other income (expenses) and deducting the applicable tax, the majority shareholders' income for the third quarter totaled NIS 65.3 million compared to NIS 64.3 million; an increase of 1.6%.

Minority Share in Income of Subsidiaries

In the reported period the minority share in the income of subsidiaries amounted to NIS 32.6 million compared to NIS 33.1 million in the corresponding period in 2006, a decrease of 1.5%.

In the third quarter the minority share in the income of subsidiaries amounted to NIS 16.6 million compared to NIS 12.6 million in the corresponding period last year, an increase of 31.7%.

LIQUIDITY AND SOURCES OF FINANCING

CASH FLOWS

Cash flows provided by on-going operations in the reported period totaled NIS 314.9 million, compared to cash flow provided by ongoing operations in the amount of NIS 215.6 million last year.

In the third quarter cash flows provided by operating activities totaled NIS 38.3 million, compared to cash flows provided by operating activities totaling NIS 100.4 million in the corresponding quarter last year. The significant increase in cash flows provided by operating activities during the reported period is the result of an improvement in the group's operational working capital, as a result of a decrease in customers' days, minor improvement in inventories' days and an increase in trade payables' days.

Cash flows serving in investment activity in the reported period amounted to a negative cash flow of NIS 121.9 million, compared to a positive cash flow from continuing investment activities amounting to NIS 5.4 million last year. The volume of investments in fixed and other assets in the reported period amounted to NIS 182.1 million, compared to NIS 144.8 million last year. In the reported period and in the corresponding period last year cash flows serving in investments were set off against a positive cash flow (in the reported period and in the corresponding period last year) deriving from the receipt of proceeds of the sale of real estate assets in 2006.

In the third quarter of 2007 the negative cash flow used in investment activity amounted to NIS 72.1 million compared to a positive cash flow from continuing investment activities amounting to NIS 18.4 million in the corresponding quarter last year. The volume of investments in fixed and other assets in the third quarter this year totaled NIS 51.7 million, compared to NIS 48.0 million in the corresponding quarter last year.

Cash flows deriving from financing activity in the reported period amounted to NIS 248.4 million compared to a negative cash flow of NIS 244.6 million last year. The positive cash flow in the reported period is due mainly to the receipt of proceeds from the issue of debentures (Series B); conversely, the negative cash flow last year was the result of payment of a dividend.

In the third quarter the positive cash flow from financing activity amounted to NIS 19.7 million compared to a negative cash flow of NIS 110.7 million in the corresponding quarter last year.

FINANCIAL POSITION

As per September 30, 2007 the Company's cash and cash equivalents totaled NIS 569.9 million, compared to NIS 129.1 million as per December 31, 2006 and NIS 125.0 million as per September 30, 2006. The increase is due mainly to amounts received from the issue of debentures. In accordance with the Company's policy, these assets are held mainly in shekel deposits and foreign currency. The Company has short-term investments in securities, principally in shekel mutual funds and government bonds.

As per September 30, 2007 the Company's liquidity ratio is 1.63, compared to 1.03 at the end of 2006 and 1.10 as per September 30, 2006.

As per September 30, 2007 the volume of long-term loans (including current maturities and liabilities in respect of Put options granted to minority shareholders in subsidiaries) amounted to NIS 1,425.4 million (December 31, 2006 – NIS 721.5 million and September 30, 2006 – NIS 721.6 million). As per September 30, 2007 short-term credit amounted to NIS 221.2 million (December 31, 2006 – NIS 580.1 million and September 30, 2006 – NIS 566.8 million). As per September 30, 2007 suppliers' credit volume totaled NIS 633.5 million (compared to NIS 572.2 million as per December 31, 2006 and NIS 485.5 million as per September 30, 2006). The increase in long-term credit is the result of issuance of debentures (Series B) in the amount of NIS 770.0 million from institutional investors, listed for trading on the Tel Aviv Stock Exchange, on May 21, 2007.

As per September 30, 2007 the Company's consolidated balance sheet totaled NIS 4,980.7 million, compared to NIS 4,206.5 million at the end of 2006 and NIS 4,015.2 million as per September 30, 2006.

As per September 30, 2007 the ratio of shareholders' equity to total consolidated assets was 35.0%, compared to 34.5% at the end of 2006 and 33.6% as per September 30, 2006.

As per September 30, 2007 the ratio of long-term liabilities to banks and others (including current maturities) to total shareholders' equity was 81.7%, compared to 49.7% at the end of 2006 and 53.5% as per September 30, 2006.

The Company's activities outside of Israel are conducted in various foreign currencies through autonomous held companies. Any strengthening in relation to the shekel of the currencies in which the Company operates abroad may increase the volume of sales of the international businesses in shekels and improve the shareholders' equity of the Company, and vice versa.

HIGHER CONTROL OF THE PROCESS OF PREPARING AND APPROVING THE FINANCIAL STATEMENTS

The Company places great emphasis on having in place controls in the processes of preparing and approving its financial statements, above and beyond routine control processes that include the audit/review of the financial statements by the auditor of the subsidiaries and the auditor of the Company in Israel. Company Management executes a series of additional control processes vis-à-vis the various organs, the business units and the subsidiaries outside of Israel.

These control processes include, inter alia, a quarterly discussion by the local managements of the results as expressed in the financial statements of that unit, the review of the financial statements by the accounting unit in the Group corporate center, targeted discussions with each of the chief financial officers of the different units regarding the business activity of the unit during the quarter, major details and changes in the financial statements of the business unit and/or subsidiary. The units concurrently send in a targeted questionnaire that contains necessary information for the preparation of the periodic report. A number of items in this questionnaire are accompanied by the professional assessment of an external attorney.

The Company also recently established a professional department responsible for monitoring the accounting innovations published from time to time and for their assimilation in the various units and companies in the Group. The Company holds periodic conferences for accountants and chief financial officers of the units where accounting issues are discussed, and periodic audits are conducted to review compliance with the accounting practices determined by Group Management.

The Board of Directors and its Finance Committee execute a series of control processes with respect to the financial statements before they are approved. These processes include, inter alia, regular and detailed meetings between the Chairman of the Finance Committee and the CFO regarding accounting issues that are unique to the Company, and a highly detailed review of the business results. Additionally, the Company auditor holds regular meetings with the Chairman of the Finance Committee and the Chairman of the Audit Committee which do not include representatives of Company Management on issues relating to the financial statements and various findings revealed in the review/audit processes. The financial statements, the Board of Directors' report, updates to the periodic report and detailed information on the business results are forwarded to the members of the Board for review before the meetings are held. The financial statements are presented for discussion by the Board Finance Committee. In this discussion the VP Finance presents a detailed review of the Company's business activities and business results in the period under review. The financial statements are presented for an additional discussion by the Board of Directors and for the Board's approval.

EVENTS DURING THE REPORTED PERIOD

1. **Agreement with H2Q**
For information on a loan agreement and an investment in H2Q, see Note 4.1 in the Financial Statements.
2. **Issue of debentures to institutional investors**
For information on the issue of debentures to institutional investors, registration for trade and general approval of repurchasing see Note 4.4 in the Financial Statements.
3. **Publication of a shelf prospectus**
For information on the publication of a shelf prospectus and the securities that the Company may offer through shelf prospectus offer reports, see Note 4.5 in the Financial Statements.
4. **Compensation of Senior Executives**
For information on the compensation plan for senior executives and the impact of the implementation of IFRS 2 with respect to "Share-Based Payment", see Note 4.2 in the Financial Statements.
5. **Acquisition of the controlling interest in Elite Coffee-To-Go**
For information on the acquisition of the controlling interest in Coffee-To-Go, see Note 4.6 in the Financial Statements.
6. **Completion of the merger between Ganir Ltd. and Gan Shmuel Food Ltd.**
For information on the completion of the merger transaction, see Note 4.3 in the Financial Statements.
7. **Class actions and other pending claims**
During and after the reported period two claims, which were asked to be certified as class actions, were filed against the company and its subsidiary. See note 4.13 and 5 in the Financial Statements.
For information on the developments in class actions, see Notes 4.12 and 4.13 in the Financial Statements.
Audit review report calls attention to Notes 12.4 and 4.13 in the Financial Statements regarding a claim of NIS 12.3 billion and NIS 1.3 billion, filed against the company for the propose of being certified as class actions.

8. **Monopoly in the activity of Coffee Supply**
For information regarding the withdrawal of declaring the company as a monopoly in the activity of black coffee supply, see note 4.15 in the Financial Statements.
9. **Acquisition of the controlling interest in Aviv Dairies**
For information on a transaction for the acquisition of the controlling interest in Aviv Dairies, see Note 4.7 in the Financial Statements.
10. **Changes in Group Management**
The Company announced changes in Head Management of the Group, whereby the Vice President Marketing and CEO of Strauss Israel will end their present term of office by the end of 2007, as well as the appointment of an Executive Vice President.
11. **Change in the composition of the Audit Committee and ratification of Audit Committee resolutions**
An investigation conducted by the Company revealed a question as to the eligibility of one of the directors to serve on the Audit Committee of the Company. In this light of this and despite a legal opinion regarding the validity of the resolutions of the Audit Committee in the period when that director was a member, to be doubly cautious, the Company decided to re-approve all resolutions that were approved by the Audit Committee during the aforesaid period.
For further information, see the Immediate Report dated May 9, 2007.
12. **Put Options exercise by the minority in A.N.P.**
For information on the exercise of PUT options by the minority shareholders see note 4.9 in the financial statements.
13. **Company's engagements with Chairperson of the Board and C.E.O**
For information regarding the Company's engagements with Chairperson of the Board and C.E.O, see note 4.10 in the Financial Statements.
14. **Options Grant to the C.E.O**
For information regarding options grant to the C.E.O, see note 4.11 in the Financial Statements.

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

Ofra Strauss
Chairperson of the Board

Erez Vigodman
CEO

November 25, 2007