

**Mastellone Hermanos S.A.**  
Condensed Interim Consolidated  
Financial Statements  
for the nine-month period ended  
September 30, 2014

# MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

## CONSOLIDATED INFORMATIVE SUMMARY

AS OF SEPTEMBER 30, 2014

(in thousands of Argentine pesos)

### 1. BRIEF COMMENT ON THE COMPANY'S ACTIVITIES (\*)

The drop in raw milk production (mainly due to climatic reasons) continued affecting the production levels and the product mix with the consequent impact on the business and results of our Company. Additionally, such reduction in supply of raw milk generated pressures on the upside on the price paid to the producers, thus resulting in a higher cost that the Company has not recovered via increases in sales price for its products.

Despite this, sales volumes in the local market remained relatively stable, which reflects once again the commercial strength of the Company, allowing us to maintain our leadership position in the market in all sales channels, ensuring the daily provision of fresh products to more than 74,000 clients across the country.

The export has been the business segment most affected by the reduction in the raw milk availability. The international prices for dairy products in general and for the powdered milk in particular has continued falling (especially during the third quarter of 2014), basically by a temporary mismatch between supply and demand; where 2013 high prices have had an impact on offer making it grow above the levels of absorption of the demand, thus initiating a cycle of adjustment.

As we reported in our previous informative summary, during the third quarter was completed successfully the rescheduling of the long-term financial debt which was composed by the 2018 and 2015 Notes and the tranche A and B loans. Now, after the mentioned transaction, such long term financial debt is consolidated in a new bond with final maturity in July of 2021. This transaction allowed us to improve the maturity profile of the Company's financial debt and release future resources for the execution of its expansion plans with the aim of improving the profitability of its business in a sustainable way.

Finally, we have the sad news to inform that Mr. Pascual Mastellone, who was President of the Company for sixty years, until December 2013 and who drove it during its period of greater growth, passed away on August 16. We will miss his leadership, his deep knowledge of the dairy industry, and his vision, commitment and managerial skills.

### 2. CONSOLIDATED FINANCIAL POSITION

	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2012</u>	<u>9/30/2011</u>
	(in thousand pesos)			
Current assets	2,500,814	2,118,989	1,613,420	1,486,272
Non-current assets	1,674,421	1,667,218	1,582,230	1,469,926
<b>TOTAL ASSETS</b>	<b>4,175,235</b>	<b>3,786,207</b>	<b>3,195,650</b>	<b>2,956,198</b>
Current liabilities	2,066,607	1,902,572	1,505,730	1,058,903
Non-current liabilities	1,763,259	1,137,492	1,003,781	1,093,483
<b>TOTAL LIABILITIES</b>	<b>3,829,866</b>	<b>3,040,064</b>	<b>2,509,511</b>	<b>2,152,386</b>
<b>Equity attributable to owners of the Company</b>	<b>345,350</b>	<b>746,128</b>	<b>686,129</b>	<b>803,802</b>
<b>Non-controlling interests</b>	<b>19</b>	<b>15</b>	<b>10</b>	<b>10</b>
<b>TOTAL EQUITY</b>	<b>345,369</b>	<b>746,143</b>	<b>686,139</b>	<b>803,812</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,175,235</b>	<b>3,786,207</b>	<b>3,195,650</b>	<b>2,956,198</b>

### 3. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	9/30/2014	9/30/2013	9/30/2012	9/30/2011
	(in thousand pesos)			
<b>Continuing operations:</b>				
Operational results – income	295,809	204,189	33,064	131,644
Investment income, finance cost and foreign exchange differences	(637,558)	(266,599)	(183,595)	(132,927)
Other gains and losses	(4,861)	107,714	17,812	6,719
<b>(Loss) income before taxes</b>	<b>(346,610)</b>	<b>45,304</b>	<b>(132,719)</b>	<b>5,436</b>
Income tax and alternative minimum income tax	56,790	11,492	16,089	(6,980)
<b>Net (loss) income for the period from continuing operations</b>	<b>(289,820)</b>	<b>56,796</b>	<b>(116,630)</b>	<b>(1,544)</b>
<b>Discontinued operations</b>	<b>(41,606)</b>	<b>(10,123)</b>		
<b>Net (loss) income for the period</b>	<b>(331,426)</b>	<b>46,673</b>	<b>(116,630)</b>	<b>(1,544)</b>
<b>Other comprehensive income (loss)</b>	<b>23,125</b>	<b>8,048</b>	<b>1,121</b>	<b>(8,291)</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>(308,301)</b>	<b>54,721</b>	<b>(115,509)</b>	<b>(9,835)</b>
Owners of the company	(308,302)	54,721	(115,509)	(9,835)
Non-controlling interests	1			
	<b>(308,301)</b>	<b>54,721</b>	<b>(115,509)</b>	<b>(9,835)</b>

### 4. CONSOLIDATED STATEMENT OF CASH FLOWS

	9/30/2014	9/30/2013	9/30/2012	9/30/2011
	(in thousand pesos)			
Cash flows provided by operating activities	245,782	389,374	321,316	282,347
Cash flows used in investing activities	(171,134)	(47,813)	(152,197)	(92,860)
Cash flows used in financing activities	(4,236)	(169,724)	(61,024)	(16,039)
<b>Cash and cash equivalents provided in the period</b>	<b>70,412</b>	<b>171,837</b>	<b>108,095</b>	<b>173,448</b>

### 5. PRODUCTION AND SALES VOLUME (\*)

	ACUMULATED SALES			
	9/30/2014	9/30/2013	9/30/2012	9/30/2011
	(in thousand liters of milk)			
Domestic market	1,165,644	1,190,561	1,235,896	1,135,828
Foreign market	52,399	190,511	224,543	161,256
<b>Total</b>	<b>1,218,043</b>	<b>1,381,072</b>	<b>1,460,439</b>	<b>1,297,084</b>

The production volumes are similar to sales volumes due to the perishable nature of marketed products.

### 6. RATIOS

	9/30/2014	9/30/2013	9/30/2012	9/30/2011
Current assets to current liabilities	1.21	1.11	1.07	1.40
Equity attributable to owners of the Company to total liabilities	0.09	0.25	0.27	0.37
Non-current assets to total assets	0.40	0.44	0.50	0.50

## **7. OUTLOOK (\*)**

As we mentioned before, we believe that during the last quarter of 2014 it will start the recovery in the production of raw milk, which would enable a parallel improvement in the results of the Company. This recovery is based on facts such as: (i) the excellent input - product (grains-milk) ratio for raw milk production which facilitates feeding of rodeos, and (ii) the higher profitability of the dairy production as compared with alternative agricultural activities. However this trend, we believe that climatic adversities recorded during the past few weeks will have a negative impact in the above-mentioned recovery, affecting the speed in which begins to be effective; what could undoubtedly have consequences on the results of the financial statements.

In terms of international prices, after the reduction seen during the first nine months of the year, the market seems to have reached a point of stabilization, with leading industry analysts arguing that it is expected to begin a gradual recovery of the same stage, especially during the next year. Despite this, our Company is closing exports at prices which would reach a reasonable profit given the general situation of the market.

City of Buenos Aires, November 7, 2014

**JOSÉ A. MORENO**

President

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT**  
**SEPTEMBER 30, 2014**  
(in thousands of Argentine pesos)

	Notes	<u>9/30/2014</u>	<u>12/31/2013</u>
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents		185,196	115,288
Other financial assets	3 and 18	30,163	20,755
Trade accounts receivable	4 and 18	988,218	796,551
Tax credits		32,823	65,505
Other receivables	5 and 18	30,152	40,887
Inventories	6 and 18	1,164,029	963,950
Assets classified as held for sale	23	70,233	
<b>Total Current Assets</b>		<b><u>2,500,814</u></b>	<b><u>2,002,936</u></b>
<b><u>NON-CURRENT ASSETS</u></b>			
Other financial assets	3	9,165	6,671
Tax credits		46,047	52,677
Other receivables	5 and 18	26,751	24,216
Deferred tax assets	11	9,395	11,633
Advances to suppliers			18,185
Property, plant and equipment, and others	7 and 18	1,546,815	1,555,039
Investment property		1,232	1,360
Goodwill		3,121	3,121
Intangible assets		24,112	50,581
Other assets		7,783	8,639
<b>Total Non-Current Assets</b>		<b><u>1,674,421</u></b>	<b><u>1,732,122</u></b>
<b>TOTAL ASSETS</b>		<b><u>4,175,235</u></b>	<b><u>3,735,058</u></b>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Trade payable	8	1,196,093	941,978
Borrowings	9 and 18	411,750	457,386
Accrued salaries, wages and payroll taxes	10	296,675	263,076
Taxes payable	18	121,043	106,924
Advance from customers		7,914	110,976
Provisions		972	1,273
Other liabilities		20,372	15,608
Liabilities directly associated with assets classified as held for sale	23	11,788	
<b>Total Current Liabilities</b>		<b><u>2,066,607</u></b>	<b><u>1,897,221</u></b>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Trade payable		10,728	9,731
Borrowings	9 and 18	1,636,185	952,266
Taxes payable	18	46,456	51,498
Deferred tax liabilities	11	18,397	125,772
Provisions		26,592	22,444
Other liabilities		24,901	22,456
<b>Total Non-Current Liabilities</b>		<b><u>1,763,259</u></b>	<b><u>1,184,167</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>3,829,866</u></b>	<b><u>3,081,388</u></b>
<b><u>EQUITY</u></b>			
Common stock		457,547	457,547
Reserves		219,230	253,918
Retained earnings (losses) – including net result for the period or year		(331,427)	(57,813)
<b>Equity attributable to owners of the Company</b>		<b><u>345,350</u></b>	<b><u>653,652</u></b>
<b>Non-controlling interests</b>		<b><u>19</u></b>	<b><u>18</u></b>
<b>TOTAL EQUITY</b>		<b><u>345,369</u></b>	<b><u>653,670</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>4,175,235</u></b>	<b><u>3,735,058</u></b>

The accompanying Notes are an integral part of this consolidated financial statement.

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014**  
(in thousands of Argentine pesos)

	Notes	9/30/2014 <u>Nine-month</u>	9/30/2013 <u>Nine-month</u>	9/30/2014 <u>Three-month</u>	9/30/2013 <u>Three-month</u>
<b><u>Continuing operations</u></b>					
Revenue	12	9,009,455	6,825,332	3,171,757	2,619,849
Cost of sales	13	(6,379,299)	(4,831,248)	(2,232,471)	(1,891,133)
<b>Gross profit</b>		<b>2,630,156</b>	<b>1,994,084</b>	<b>939,286</b>	<b>728,716</b>
Selling expenses	14	(1,999,125)	(1,528,547)	(713,600)	(547,258)
General and administrative expenses	14	(335,222)	(261,348)	(127,879)	(99,050)
Investment income		(4,203)	40,567	(14,886)	4,452
Finance cost	15	(188,190)	(119,072)	(70,961)	(40,062)
Loss on debt refinancing	9	(29,602)		(29,602)	
Foreign exchange losses		(415,563)	(188,094)	(66,958)	(82,520)
Other gains and losses	16	(4,861)	107,714	(1,971)	(2,386)
<b>(Loss) income before taxes</b>		<b>(346,610)</b>	<b>45,304</b>	<b>(86,571)</b>	<b>(38,108)</b>
Income tax and alternative minimum income tax	17	56,790	11,492	(22,238)	12,248
<b>Net (loss) income for the period from continuing operations</b>		<b>(289,820)</b>	<b>56,796</b>	<b>(108,809)</b>	<b>(25,860)</b>
<b><u>Discontinued operations</u></b>					
Net loss for the period from discontinued operations	23	(41,606)	(10,123)	(22,770)	(5,687)
<b>NET (LOSS) INCOME FOR THE PERIOD</b>		<b>(331,426)</b>	<b>46,673</b>	<b>(131,579)</b>	<b>(31,547)</b>
<b>Other comprehensive income (loss)</b>					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		23,125	8,048	(13,270)	6,595
<b>Other comprehensive income (loss), net of income tax</b>		<b>23,125</b>	<b>8,048</b>	<b>(13,270)</b>	<b>6,595</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		<b>(308,301)</b>	<b>54,721</b>	<b>(144,849)</b>	<b>(24,952)</b>
<b>Net (loss) income attributable to:</b>					
Owners of the Company		(331,427)	46,673	(131,581)	(31,547)
Non-controlling interests		1		2	
<b>Net (loss) income for the period</b>		<b>(331,426)</b>	<b>46,673</b>	<b>(131,579)</b>	<b>(31,547)</b>
<b>Total comprehensive (loss) income attributable to:</b>					
Owners of the Company		(308,302)	54,721	(144,851)	(24,952)
Non-controlling interests		1		2	
<b>Total comprehensive (loss) income for the period</b>		<b>(308,301)</b>	<b>54,721</b>	<b>(144,849)</b>	<b>(24,952)</b>

The accompanying Notes are an integral part of this consolidated financial statement.

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014**  
(in thousands of Argentine pesos)

	Shareholders' contributions	Reserves				Retained earnings (losses)	Equity attributable to:		Total
	Common stock	Legal reserve	Facultative reserve	Foreign currency translation reserve	Special reserve established by General Resolution N° 609/12 of the CNV		Owners of the parents	Non controlling interest	
<b>Balance at December 31, 2013</b>	<b>457,547</b>	<b>15,273</b>	<b>30,682</b>	<b>21,547</b>	<b>186,416</b>	<b>(57,813)</b>	<b>653,652</b>	<b>18</b>	<b>653,670</b>
Net loss for the period						(331,427)	(331,427)	1	(331,426)
Other comprehensive income for the period				23,125			23,125		23,125
Total comprehensive income (loss) for the period				23,125		(331,427)	(308,302)	1	(308,301)
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on April 10, 2014: Absorption of accumulated losses					(57,813)	57,813			
<b>Balance at September 30, 2014</b>	<b>457,547</b>	<b>15,273</b>	<b>30,682</b>	<b>44,672</b>	<b>128,603</b>	<b>(331,427)</b>	<b>345,350</b>	<b>19</b>	<b>345,369</b>

The accompanying Notes are an integral part of this consolidated financial statement.

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013**  
(in thousands of Argentine pesos)

	Shareholders' contributions	Reserves			Special reserve established by General Resolution N° 609/12 of the CNV	Retained earnings (losses)	Equity attributable to:		Total
	Common stock	Legal reserve	Facultative reserve	Foreign currency translation reserve		Owners of the parents	Non controlling interest		
<b>Balance at December 31, 2012</b>	<b>457,547</b>	<b>15,273</b>	<b>30,682</b>	<b>1,489</b>		<b>186,416</b>	<b>691,407</b>	<b>10</b>	<b>691,417</b>
Net income for the period						46,673	46,673		46,673
Other comprehensive income for the period				8,048			8,048		8,048
Total comprehensive income for the period				8,048		46,673	54,721		54,721
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on March 26, 2013: Appropriation to special reserve					186,416	(186,416)			
Non-controlling interest in acquiring Compañía Puntana de Carnes Elaboradas S.A. and its capital increase								5	5
<b>Balance at September 30, 2013</b>	<b>457,547</b>	<b>15,273</b>	<b>30,682</b>	<b>9,537</b>	<b>186,416</b>	<b>46,673</b>	<b>746,128</b>	<b>15</b>	<b>746,143</b>

The accompanying Notes are an integral part of this consolidated financial statement.



**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE-**  
**MONTH PERIOD ENDED SEPTEMBER 30, 2014**  
(in thousands of Argentine pesos)

	<u>9/30/2014</u>	<u>9/30/2013</u>
<b><u>Cash flows from operating activities</u></b>		
Net (loss) income for the period	(331,426)	46,673
Adjustments to reconcile net (loss) income for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	(56,790)	(11,783)
Finance cost	188,190	119,073
Loss on debt refinancing	29,602	
Foreign exchange losses	425,758	194,956
Depreciation of property, plant and equipment, and others	106,799	91,840
Additions to provision for doubtful accounts, sale rebates and provisions (net of reversals)	14,364	21,082
Depreciation of investment property	127	127
Amortization of intangible assets	26,469	325
Net loss from discontinued operations	41,606	
Gain on acquisition of subsidiary		(22,776)
Gain on sale of investments in other companies		(25,077)
Gain on sale of property, plant and equipment, and others	(4,750)	(29,726)
	<u>439,949</u>	<u>384,714</u>
Changes in working capital	(159,743)	32,576
Subtotal	<u>280,206</u>	<u>417,290</u>
Payments of income tax and alternative minimum income tax	(34,424)	(27,916)
<b>Net cash generated by operating activities</b>	<u>245,782</u>	<u>389,374</u>
<b><u>Cash flows used in investing activities</u></b>		
Payments for property, plant and equipment, and others	(149,839)	(129,466)
Payments for intangible assets		(680)
(Payments) proceeds (to acquire) from sale of other financial assets	(8,468)	3,792
Proceeds from sale of subsidiaries	6,347	1,253
Proceeds from disposal of property, plant and equipment, and others and investment property	12,333	57,310
Net cash outflow on acquisition of subsidiary	(10,050)	(7,048)
Capital contributions to subsidiary held for sale	(22,313)	
Contributions from non-controlling interest on acquisition of subsidiary		5
Proceeds from sale of investments in other companies		26,605
Proceeds from other assets	856	416
<b>Net cash used in investing activities</b>	<u>(171,134)</u>	<u>(47,813)</u>
<b><u>Cash flows used in financing activities</u></b>		
Proceeds from issue of Senior Notes – Series F	925,454	
Proceeds from other borrowings	347,116	216,247
Payment of Seniors Notes and loans tranche A and B	(695,444)	(146,172)
Repayment of other borrowings	(419,181)	(162,097)
Payment for refinancing debt issue costs	(43,821)	
Payments of interests	(118,360)	(77,702)
<b>Net cash used in financing activities</b>	<u>(4,236)</u>	<u>(169,724)</u>
<b>Increase in cash and cash equivalents</b>	<b>70,412</b>	<b>171,837</b>
<b>Cash and cash equivalents of acquired company</b>		<b>190</b>
<b>Decrease in cash from discontinued operations</b>	<b>(504)</b>	
<b>Cash and cash equivalents at beginning of year</b>	<u>115,288</u>	<u>66,071</u>
<b>Cash and cash equivalents at end of period</b>	<u>185,196</u>	<u>238,098</u>

The accompanying Notes are an integral part of this consolidated financial statement.

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014**

(in thousands of Argentine pesos)

**1. GENERAL INFORMATION**

Mastellone Hermanos S.A. (hereinafter “Mastellone Hermanos S.A.” or the “Company”) is a sociedad anónima under the laws of Argentina, registered with the Public Registry of Commerce on May 17, 1976. The term of the Company expires on November 5, 2060. Its legal address is in Juana Manso N° 555, 3<sup>rd</sup> Floor, Suite “A”, City of Buenos Aires.

The main activity of the Company is the manufacturing and distribution of dairy products. The Company process and distribute a broad line of fresh dairy products including fluid milk, cream and butter, as well as long-life milk products, including cheese, powdered milk and caramelized condensed milk, which is known in Argentina and abroad as dulce de leche. The Company markets its dairy products under several brands names, including La Serenísima, La Armonía, Ser and Fortuna and to a lesser extent, the brand of some of its major customers.

The breakdown of consolidated companies in these condensed interim consolidated financial statements is exposed in Note 2.5.

**2. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 Statement of compliance of International Financial Reporting Standards (‘IFRS’) and basis of preparation**

According to Title IV, Informative Periodic Régime, Chapter I, Informative Régime, Section I, General Regulations, Article 1<sup>st</sup>, Point b.1) of the rules issued by the Comisión Nacional de Valores (“CNV”) (N.T. 2013), the Company chose the option to prepare condensed interim consolidated financial statements in conformity with International Accounting Standard (“IAS”) N° 34, “Interim Financial Reporting”.

Accordingly, the condensed interim consolidated financial statements for the nine-month period ended September 30, 2014 have been prepared in conformity with IAS N° 34. The adoption of such standard, and the entire set of International Financial Reporting Standards (‘IFRS’) as issued by the International Accounting Standards Board (‘IASB’) was established by Technical Resolution N° 26 issued by the Argentine Federation of Professional Councils in Economic Sciences (“F.A.C.P.C.E.”) and by the CNV, Argentine Securities Commission. In accordance with the above mentioned accounting standards and regulatory standards, IFRS are mandatory for fiscal year beginning January 1<sup>st</sup> 2012.

The condensed interim consolidated financial statements do not include all the information required by IFRS for a complete set of financial statements, because they correspond to a condensed set of financial statements under IAS 34. Therefore, the condensed interim consolidated financial statements must be read in conjunction with the consolidated financial statements of the Company for the fiscal year ended December 31, 2013 prepared under IFRS.

The figures and other information for the fiscal year ended December 31, 2013 and the nine-month period ended September 30, 2013 are an integral part of these condensed interim consolidated financial statements and are intended to be read only in relation to those financial statements.

The legal currency in Argentina is the Peso. The condensed interim consolidated financial statements are presented in thousands of Pesos.

The condensed interim consolidated financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with IAS 34. The effects of the differences between International Financial Reporting Standards and the accounting principles generally accepted in the countries in which these financial statements are to be used have not been quantified. Accordingly, the accompanying condensed interim consolidated financial statements are not intended to present the financial position, profit or loss and other comprehensive income, changes in stockholders' equity and cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements that have not adopted the International Financial Reporting Standards.

## **2.2 Applicable accounting policies**

The accounting policies used in the preparation of the condensed interim consolidated financial statements are the same as those used to prepare the consolidated financial statements for the fiscal year ended December 31, 2013, as described in those financial statements, except for the changes mentioned in the following section.

The condensed interim consolidated financial statements have been prepared under the historical cost conventions, except for the revaluation of certain non-current assets and financial assets. Usually, the historical cost is based on the fair value of the consideration given in exchange for the assets.

The preparation of these financial statements are the responsibility of the Company's Board of Directors and requires accounting estimates and judgments of the administrators when applying financial standards.

## **2.3 New standards and interpretations effective from fiscal year beginning on January 1<sup>st</sup>, 2014 which are material to the Company**

- The amendments to IAS 32 (Financial instruments: presentation) clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off". The application of this standard did not affect significantly the disclosures in the financial statements of the Company.
- The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. The application of this standard did not affect significantly the amounts set out in relation to assets and liabilities of the Company
- IFRIC 21 (Levies) provides guidance on when to recognize a liability for a levy imposed by a government. The application of this standard did not affect significantly the amounts set out in relation to assets and liabilities of the Company.

## 2.4 Standards and interpretations not yet adopted

The Company did not adopt the following standards and revision of standards as per the application of the mentioned pronouncements are not required for the nine-month period ended September 30, 2014.

Standard	Name
IFRS 9	Financial instruments <sup>1</sup>
IFRS 15	Revenue <sup>2</sup>
Amendments to IFRSs (annual cycle 2010-2012)	Various IFRSs <sup>3</sup>
Amendments to IFRSs (annual cycle 2011-2013)	Various IFRSs <sup>3</sup>
Amendments to IFRSs (annual cycle 2012-2014)	Various IFRSs <sup>4</sup>
Amendments to IAS 27	Separate Financial Statements <sup>4</sup>

<sup>1</sup> Effective for fiscal years beginning on or after January 1<sup>st</sup>, 2018.

<sup>2</sup> Effective for fiscal years beginning on or after January 1<sup>st</sup>, 2017.

<sup>3</sup> Effective for fiscal years beginning on or after July 1<sup>st</sup>, 2014.

<sup>4</sup> Effective for fiscal years beginning on or after January 1<sup>st</sup>, 2016.

- IFRS 9 Financial Instruments issued in July 2014 replaces IAS 39 “Financial Instruments: Recognition and Measurement”. The new Standard includes requirements for the classification and measurement of financial assets and liabilities, a new expected loss impairment model and a substantially-reformed model for hedge accounting. The version of IFRS 9 launched in 2014 was issued as a complete standard and supersedes all previous versions.

IFRS 9 is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company’s Board of Directors has to evaluate the impact of such standard and anticipates that IFRS 9 will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2018.

- IFRS 15 will replace IAS 11 and IAS 18 and the related interpretations (IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the new criteria, the way by which goods or services are grouped in order to recognize revenue can change. This core principle is delivered in a five-step model framework that will be applied to all contracts with costumers: identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when the entity satisfies a performance obligation.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017 with early application permitted. The Company’s Board of Directors has to evaluate the impact of such standard and anticipates that IFRS 15 will be adopted in the financial statements on the Company for the fiscal year beginning January 1, 2017.

- The annual improvements to IFRSs (2010-2012 cycle) introduce amendments to various standards, including amendments to IAS 16 (Property, plant and equipment), to IAS 19 (Employee benefits), to IAS 24 (Related parties), to IAS 38 (Intangible assets), to IFRS 2 (Share based payments), to IFRS 3 (Business combination) and to IFRS 8 (Operating segments).

The Company’s Board of Directors anticipates that such amendments will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2015. It is likely

that changes will not affect significantly the amounts set out in relation to assets and liabilities of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

- The annual improvements to IFRSs (2011-2013 cycle) introduce amendments to various standards, including amendments to IAS 40 (Investment property), to IFRS 1 (First time adoption), to IFRS 3 (Business combination) and to IFRS 13 (Fair value measurement).

The Company's Board of Directors anticipates that such amendments will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2015. It is likely that changes will not affect significantly the amounts set out in relation to assets and liabilities of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

- The annual improvements to IFRSs (2012-2014 cycle) introduce amendments to various standards, including amendments to IFRS 5 (Non-current assets held for sale and discontinued operations), to IFRS 7 (Financial Instruments: Disclosures), to IAS 19 (Employee Benefits) and to IAS 34 (Interim Financial Reporting).

The Company's Board of Directors anticipates that such amendments will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2016. It is likely that changes will not affect significantly the amounts set out in relation to assets and liabilities of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

- IASB has amended IAS 27, "Separate Financial Statements" to allow the option of using the equity method of accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity according to IAS 28.

The Company's Board of Directors anticipates that such amendment will not have effect on the separate financial statements of the Company, as subsidiaries are valued according to the equity method in the separate financial statements.

## **2.5 Basis of consolidation**

The condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima include the condensed stand-alone financial statements of the parent and its subsidiaries. Subsidiary companies are those where the Company has the control of the subsidiaries, which is based on the following three elements: power over an investee, exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's return.

Total comprehensive result of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries, with registered offices abroad, used to prepare the condensed interim consolidated financial statements were issued in accordance with IFRS. Assets, liabilities and equity accounts were converted into pesos considering the exchange rate prevailing at the date of these financial statements. The income and expenses accounts were converted into pesos according to the exchange rate prevailing at the end of each month.

The main consolidation adjustments are the followings:

- elimination of assets, liabilities, income and expenses of the parent with those of its subsidiaries, in order to disclose the balances maintained effectively with third parties; and
- offset the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

Detailed below are the subsidiaries whose financial statements have been included in these consolidated financial statements:

Company	Main activity	Country	% of direct and indirect participation in capital stock and votes		
			9/30/2014	12/31/2013	9/30/2013
Compañía Puntana de Carnes Elaboradas S.A. (1)	Slaughtering, preparation and preservation of meat and production and storage of miscellaneous food products	Argentina	99.99	99.99	99.99
Con-Ser S.A.	Transportation services, services for vehicle, sale of parts and distribution of cooling equipments	Argentina	100.00	100.00	100.00
Leitesol Industria e Comercio S.A. Marca 4 S.A.	Production and distribution of dairy products	Brazil	100.00	100.00	100.00
Marca 5 Asesores en Seguros S.A.	Ownership, administration and legal defense of trademarks <i>Ser</i> and <i>La Serenísima</i>	Argentina	99.99	99.99	99.99
Marca 5 Asesores en Seguros S.A.	Insurance broker	Argentina	99.99	99.99	99.99
Mastellone de Paraguay S.A.	Import and distribution of dairy products	Paraguay	100.00	100.00	100.00
Mastellone Hermanos do Brasil Comercial e Industrial Ltda.	Inactive	Brazil	100.00	100.00	100.00
Mastellone San Luis S.A.	Manufacturer of dairy products	Argentina	99.99	99.99	99.99
Promas S.A. (2)	Agricultural exploitation	Argentina	100.00	100.00	100.00

(1) Company acquired in 2013 fiscal year.

(2) Company classified as an asset held for sale at September 30, 2014. See note 23.

The financial position statements of Mastellone Hermanos Sociedad Anónima as of September 30, 2014 and December 31, 2013 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month periods ended September 30, 2014 and 2013, were consolidated based on financial statements of the subsidiaries companies for the periods or years ended at such dates, with the exception as of September 30, 2014 and 2013 of Marca 4 S.A., Mastellone de Paraguay S.A. and Mastellone Hermanos do Brasil Comercial e Industrial Ltda. The financial statements of such companies used for the preparation of the consolidated financial statements were those as of June 30, 2014 and 2013, respectively. No significant changes have occurred between both dates, which modified the financial position and results of the subsidiary companies and which were not considered.

The Company acquired 99.99% of the capital stock of Compañía Puntana de Carnes Elaboradas S.A. (“Copuce”) in May 2013. Such company is located in the city of Villa Mercedes, Province of San Luis and is included in the régime for promoted industrial activities for the developing of certain activities, including the manufacturing of dairy products. The acquisition price was approximately 35 million of pesos, from which (i) 20% was paid at the date of acquisition, (ii) 5% was retained to settle eventually payments related to unexpected issues at the date of acquisition (the remaining balance, according to the definitions established in the purchase agreement, if any, will be reimbursed to the sellers) and (iii) the remaining balance is being paid in four annual and consecutive installments, the first three installments corresponding each to 20% of the purchase price, and the last one for the remaining 15%, each installment being due on May 21, from years 2014 to 2017.

In accordance with the acquisition method described in IFRS 3 “Business combinations”, the Company allocated the cost of the business combination of Copuce shares at the acquisition date. The identifiable assets acquired and liabilities assumed were measured at fair value, based on financial information as of May 31, 2013. At the date of acquisition, assets acquired amounted to 71 million and liabilities assumed amounted to 1 million. As a consequence of such allocation, the value of Copuce’s net assets was higher than the book value of Copuce in approximately 63 million pesos. The excess of the acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over the acquisition cost, which amounts to 35 million pesos, was recognized in profit and loss as a “bargain purchase” in fiscal year 2013 (the amount recorded in the nine-month period ended on September 30, 2013 was a gain of 23 million of pesos).

### 3. OTHER FINANCIAL ASSETS

	<u>9/30/2014</u>	<u>12/31/2013</u>
• <u>Current</u>		
Restricted investment funds (Note 18d)	8,399	9,554
Public bonds	12,495	
Private bonds	7,508	7,506
Derivative financial instruments	510	
Short-term investments - related parties (Note 19)		1,029
Short-term investments – other	1,251	2,666
<b>Total</b>	<u><b>30,163</b></u>	<u><b>20,755</b></u>
• <u>Non-current</u>		
Long-term investments	9,165	6,671
<b>Total</b>	<u><b>9,165</b></u>	<u><b>6,671</b></u>

### 4. TRADE ACCOUNTS RECEIVABLE

	<u>9/30/2014</u>	<u>12/31/2013</u>
Third parties (domestic)	873,671	725,481
Related parties (Note 19)	83,840	62,645
Foreign receivables	18,245	7,219
Notes receivables	438	5,269
Tax incentives on exports	47,779	26,208
<b>Subtotal</b>	<u><b>1,023,973</b></u>	<u><b>826,822</b></u>
Allowance for doubtful accounts	(18,995)	(14,825)
Allowance for trade discounts and volume rebates	(16,760)	(15,446)
<b>Total</b>	<u><b>988,218</b></u>	<u><b>796,551</b></u>

## 5. OTHER RECEIVABLES

	<u>9/30/2014</u>	<u>12/31/2013</u>
• <u>Current</u>		
Prepaid expenses	8,152	10,445
Receivable from sale of subsidiary company	9,812	14,117
Receivable from sale of property, plant and equipment, and others		3,373
Advances to services suppliers	3,471	2,105
Insurance receivable	1,180	3,255
Guarantee deposits (Note 18c)	791	148
Related parties (Note 19)		41
Receivables from customers in receivership and in bankruptcy	225	215
Other	7,111	7,778
<b>Subtotal</b>	<b>30,742</b>	<b>41,477</b>
Allowance for doubtful accounts	(590)	(590)
<b>Total</b>	<b>30,152</b>	<b>40,887</b>
• <u>Non-current</u>		
Régime for the professionalization of transport	17,567	17,567
Receivables from customers in receivership and in bankruptcy	17,848	16,906
Recovery of decrees N° 7290/67 and 9038/78	3,992	3,992
Receivables from sale of property, plant and equipment	3,373	
Guarantee deposits (Note 18c)	337	904
Other	143	1,558
<b>Subtotal</b>	<b>43,260</b>	<b>40,927</b>
Allowance for doubtful accounts	(16,509)	(16,711)
<b>Total</b>	<b>26,751</b>	<b>24,216</b>

## 6. INVENTORIES

	<u>9/30/2014</u>	<u>12/31/2013</u>
Resale goods	51,049	45,638
Finished goods	501,395	356,657
Work in progress	239,445	252,245
Raw materials, packaging and other materials	328,223	238,228
Goods in transit	36,333	66,720
<b>Subtotal</b>	<b>1,156,445</b>	<b>959,488</b>
Advances to suppliers	7,584	4,462
<b>Total</b>	<b>1,164,029</b>	<b>963,950</b>



## 7. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	Cost or deemed cost							9/30/2014					Net value at the end of the period resultante		
	Value at the beginning of the year	Assets classified as held for sale	Foreign currency exchange differences	Acquisitions	Transfers	Retirement and disposal	Value at the end of the period	Accumulated depreciation at the beginning of the year	Assets classified as held for sale	Foreign currency exchange differences	Retirement and disposal	Depreciación		Accumulated depreciation at the end of the period	
												Rate %			Of the period
Land and buildings	908,309	7,741	4,973	2,391	1,164	100	908,996	136,969	2,382	2,638		2, 2.5, 3.3 and 5	21,713	158,938	750,058
Olive plantations	50,166	50,166					-	15,465	15,465						-
Machinery and equipment, containers, tools and spare parts	1,049,917	17,821	2,525	5,422	18,746	9,266	1,049,523	801,487	15,281	1,741	3,721	5 and 10	24,861	809,087	240,436
Fittings, laboratory equipment and furniture	783,500	10,717	961	6,342	25,197	4,068	801,215	575,213	8,633	821	3,035	5, 10, 25 and 33	24,503	588,869	212,346
Vehicles (1)	150,660	1,589	240	7,771		2,252	154,830	102,760	1,552	121	1,348	10 and 20	5,652	105,633	49,197
Work in progress	182,577	1,840		71,190	(39,199)		212,728								212,728
Advances to suppliers	4,315	499		11,773	(5,908)		9,681								9,681
<b>Subtotal</b>	<b>3,129,444</b>	<b>90,373</b>	<b>8,699</b>	<b>104,889</b>	<b>-</b>	<b>15,686</b>	<b>3,136,973</b>	<b>1,631,894</b>	<b>43,313</b>	<b>5,321</b>	<b>8,104</b>		<b>76,729</b>	<b>1,662,527</b>	<b>1,474,446</b>
<b>Other:</b>															
Trays	94,578			44,950			139,528	37,089				33	30,070	67,159	72,369
<b>Carrying amount as of September 30, 2014</b>	<b>3,224,022</b>	<b>90,373</b>	<b>8,699</b>	<b>149,839</b>	<b>-</b>	<b>15,686</b>	<b>3,276,501</b>	<b>1,668,983</b>	<b>43,313</b>	<b>5,321</b>	<b>8,104</b>		<b>106,799</b>	<b>1,729,686</b>	<b>1,546,815</b>

(1) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 23,091 as of September 30, 2014.

	12/31/2013													
	Cost or deemed cost						Depreciation							Net value at the end of the year
	Value at the beginning of the year	Foreign currency exchange differences	Acquisitions	Transfers and balances of acquired subsidiary	Retirement and disposal	Value at the end of the year	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Transfers and balances of acquired subsidiary	Retirement and disposal	Depreciation		Accumulated depreciation at the end of the year	
Rate %											Of the year			
Land and buildings	892,389	5,586	15,867	11,005	16,538	908,309	101,282	2,384	5,343	938	2, 2.5, 3,3 and 5	28,898	136,969	771,340
Olive plantations	50,166					50,166	13,485				2	1,980	15,465	34,701
Machinery and equipment, containers, tools and spare parts (1)	1,019,888	2,669	19,527	24,624	16,791	1,049,917	778,135	1,191	3,500	12,258	5 and 10	30,919	801,487	248,430
Fittings, laboratory equipment and furniture	784,064	1,133	30,624	15,767	48,088	783,500	593,071	570	2,398	44,850	5, 10, 25 and 33	24,024	575,213	208,287
Vehicles (2)	150,389	254	13,620	2,797	16,400	150,660	108,084	87	240	12,246	10 and 20	6,595	102,760	47,900
Work in progress	143,322		72,853	(33,559)	39	182,577								182,577
Advances to suppliers	3,763		5,438	(3,837)	1,049	4,315								4,315
<b>Subtotal</b>	<b>3,043,981</b>	<b>9,642</b>	<b>157,929</b>	<b>16,797</b>	<b>98,905</b>	<b>3,129,444</b>	<b>1,594,057</b>	<b>4,232</b>	<b>11,481</b>	<b>70,292</b>		<b>92,416</b>	<b>1,631,894</b>	<b>1,497,550</b>
<b>Other:</b>														
Trays	123,186		42,019		70,627	94,578	76,537			70,627	33	31,179	37,089	57,489
<b>Carrying amount as of December 31, 2013</b>	<b>3,167,167</b>	<b>9,642</b>	<b>199,948</b>	<b>16,797</b>	<b>169,532</b>	<b>3,224,022</b>	<b>1,670,594</b>	<b>4,232</b>	<b>11,481</b>	<b>140,919</b>		<b>123,595</b>	<b>1,668,983</b>	<b>1,555,039</b>

(1) Includes machinery operated by Promas S.A. with a net value of 9,780 as of December 31, 2013.

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 21,025 as of December 31, 2013.

## 8. TRADE PAYABLE - CURRENT

	<u>9/30/2014</u>	<u>12/31/2013</u>
Trade payables	820,108	674,427
Related parties (Note 19)	171,502	80,904
Note payables	191,816	173,626
Foreign suppliers	12,667	13,021
<b>Total</b>	<b><u>1,196,093</u></b>	<b><u>941,978</u></b>

## 9. BORROWINGS

	<u>9/30/2014</u>	<u>12/31/2013</u>
<u>Short-term debt</u>		
<b>Principal:</b>		
Senior notes and loan debt:		
Senior Notes:		
Series A, B and C – due 2018		47,302
Series D – final due 2015		19,563
Subtotal		<u>66,865</u>
Loan:		
Tranche A – final due 2015		65,442
Tranche B – final due 2018		4,700
Subtotal		<u>70,142</u>
<b>Subtotal – Senior Notes and loan debt</b>		<b>137,007</b>
Other financial debt:		
Unsecured debt	41,453	17,001
Unsecured debt – related parties (Note 19)		1,742
Secured debt	271,541	256,662
Secured debt – related parties (Note 19)	40,900	41,387
<b>Subtotal – Other financial debt</b>	<b><u>353,894</u></b>	<b><u>316,792</u></b>
<b>Total principal</b>	<b><u>353,894</u></b>	<b><u>453,799</u></b>
<b>Accrued interest:</b>		
Unsecured - related parties (Note 19)		113
Unsecured and secured debt	57,856	3,474
<b>Total accrued interest</b>	<b><u>57,856</u></b>	<b><u>3,587</u></b>
<b>Total</b>	<b><u>411,750</u></b>	<b><u>457,386</u></b>

	<u>9/30/2014</u>	<u>12/31/2013</u>
<u>Long-term debt</u>		
<b>Principal:</b>		
Senior Notes and loan debt:		
Senior Notes:		
Series F - due 2021 (net of issue costs and adjustment to amortized cost for 74,157)	1,609,259	
Series A, B and C – due 2018		786,806
Series D – final due 2015		26,084
Subtotal	<u>1,609,259</u>	<u>812,890</u>
Loan:		
Tranche A – final due 2015		87,256
Tranche B – final due 2018		79,900
Subtotal	<u>-</u>	<u>167,156</u>
<b>Subtotal – Senior Notes and loan debt</b>	<b><u>1,609,259</u></b>	<b><u>980,046</u></b>
Other financial debt:		
Unsecured debt	11,002	14,736
Secured debt	15,924	20,943
<b>Subtotal – Other financial debt</b>	<b><u>26,926</u></b>	<b><u>35,679</u></b>
<b>Total principal</b>	<b><u>1,636,185</u></b>	<b><u>1,015,725</u></b>
<b>Adjustment to amortized cost:</b>		
Senior Notes Series A, B and C – due 2018		(44,434)
Senior Notes Series D – final due 2015		(3,338)
Loan debt – tranche A – final due 2015		(11,190)
Loan debt – tranche B – final due 2018		(4,497)
<b>Total adjustment to amortized cost</b>	<b><u>-</u></b>	<b><u>(63,459)</u></b>
<b>Total</b>	<b><u>1,636,185</u></b>	<b><u>952,266</u></b>

## Main loans agreements

### 9.1 Senior Notes - Series F – due 2021

On July 3, 2014, the Company issued its Series F Senior Notes, under the Senior Notes Issuance Program for an amount up to U\$S 400,000,000 approved by the National Securities Commission on May 9, 2014.

The main characteristics of the new Senior Notes are as follows:

Amount:	U\$S 199,693,422
Issuing price:	100%
Maturity:	July 3, 2021
Payment:	Principal: 100% at maturity; interests: semi-annually on arrears
Annual interest rate:	12.625%
Use of proceeds (net amount of U\$S 113,733,744):	<ul style="list-style-type: none"> <li>• Repurchase of existing debt</li> <li>• Expenses related to the transaction (including taxes).</li> <li>• Payment of other short term debt.</li> <li>• Working capital</li> <li>• Capital expenditures in Argentina</li> </ul>

The issuance conditions of these Senior Notes contain certain covenants, including, among others, reporting requirements, and imposed certain limitations affecting the Company's

ability and the restricted subsidiaries' ability to: borrow money, pay dividends, redeem capital stock or redeem subordinated debt, make investments, sell capital stock of subsidiaries, guarantee other indebtedness, enter into agreements that restrict dividends or other distributions from restricted subsidiaries, enter into transactions with affiliates, create or assume certain liens, engage in mergers or consolidations, and enter into a sale of all or substantially all of the Company's assets.

Subsidiaries Con-Ser S.A., Compañía Puntana de Carnes Elaboradas S.A., Leitesol Industria e Comercio Ltda., Mastellone San Luis S.A. and Promas S.A. (until the sale of its holding) are jointly and severally liable for the Series F Senior Notes.

## **9.2 Payment of financial debt**

On June 4, 2014, the Company launched an offer (subject to obtaining the required financing resources) to all holders of Senior Notes issued by the Company (Series A, B, C and D) and to the holders of the floating rate loan debt final due 2015 and fixed rate loan debt final due 2018 ("the existing debt", which main characteristics are described in paragraph 9.3), to repurchase such debt for the equivalent of its 100% principal amount plus accrued and unpaid interest or, in the case of holders of Senior Notes Series A and C, to exchange at par for new Senior Notes to be issued by the Company, also informing the Company's intention to exercise the call option included in those debt agreements for the part of such debt which did not accept the exchange or repurchase. Total Debt under the refinancing process was – in thousands - U\$\$ 160,795.

Having obtained under the issuance of the above mentioned Series F Senior Notes, the financing resources required to execute the payment of the financial debt subject to offer, such offer was executed. Accordingly, the existing debt was totally paid through (i) an exchanged by the new Series F Senior Notes by thousands of U\$\$ 85,960, (ii) thousands of U\$\$ 53,289 were paid in cash to the holders who accepted the offer and (iii) thousands of U\$\$ 21,546 were cancelled exercising the above mentioned call option.

As of September 30, 2014, the Company has recognized a loss of 29,602 as a result of the debt refinancing, amount which is included in the statement of profit or loss.

## **9.3 Financial debt – final due 2015 and 2018**

The Senior Notes due in 2015 and 2018 (ON Series A, B, C and D) and the fixed rate loan debt and floating rate loan debt were refinanced in July 2014 (see previous paragraph) according to the following detail:

Debt	Amount in the original currency – in thousands of U\$\$			
	Refinanced amount	Exchanged for Series F Senior Notes	Cash payment	Call option
Senior Notes Series A, B and C – final due 2018	124,284	85,960	31,694	6,630
Senior Notes Series D – final due 2015	5,500		4,887	613
Loan debt – tranche A – final due 2015	18,398		4,095	14,303
Loan debt – tranche B – final due 2018	12,613		12,613	
	<b>160,795</b>	<b>85,960</b>	<b>53,289</b>	<b>21,546</b>

Senior Notes A, B and C, and loan debt tranche B final due 2018, had the right to semi-annual payments for amortization of principal, with final due in 2018 and accrued interest at a fixed rate plus a contingent interest rate. Senior Notes Series D and loan debt tranche A final due 2015 had the right to semi-annual payments for amortization of principal, with final due in

2015 and accrued variable interest (LIBO rate plus a spread of 2.5%) provided that such rate did not exceed 6% per annum. This debt had been refinanced in May 2010.

The agreements contain certain commitments, including reporting requirements, and imposed certain limitations affecting the Company's ability and the restricted subsidiaries' ability to: borrow money, pay dividends, redeem capital stock or redeem subordinated debt, make investments, sell capital stock of subsidiaries, guarantee other indebtedness, enter into agreements that restrict dividends or other distributions from restricted subsidiaries, enter into transactions with unrestricted subsidiaries and affiliates outside the ordinary course of business, create or assume certain liens, engage in mergers or consolidations, and enter into a sale of all or substantially all of the Company's assets. Subsidiaries Con-Ser S.A., Compañía Puntana de Carnes Elaboradas S.A., Leitesol Industria e Comercio Ltda., Mastellone San Luis S.A. and Promas S.A. are jointly and severally liable for the Senior Notes and loan debt.

#### 10. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

	<u>9/30/2014</u>	<u>12/31/2013</u>
Payroll and bonus to management	220,218	177,805
Social security taxes	76,457	85,271
<b>Total</b>	<b><u>296,675</u></b>	<b><u>263,076</u></b>

#### 11. DEFERRED TAX

##### Deferred tax assets:

	<u>9/30/2014</u>	<u>12/31/2013</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	8,137	4,881
Inventories	1,210	6,453
Property, plant and equipment, and others	3	(2)
Tax loss carry-forwards		236
Alternative minimum income tax	45	65
<b>Total</b>	<b><u>9,395</u></b>	<b><u>11,633</u></b>

##### Deferred tax liabilities:

	<u>9/30/2014</u>	<u>12/31/2013</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	39,759	22,003
Inventories	42,432	40,107
Intangible assets	872	760
Other assets	(185)	(185)
Property, plant and equipment, and others	(299,156)	(314,027)
Borrowings	(26,322)	(22,512)
Tax loss carry-forwards	146,052	43,247
Alternative minimum income tax	78,151	104,835
<b>Total</b>	<b><u>(18,397)</u></b>	<b><u>(125,772)</u></b>

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of September 30, 2014 are as follows:

<b>Year of generation</b>	<b>Tax loss amount</b>	<b>Applicable tax rate</b>	<b>Credit due to tax loss carry-forward</b>	<b>Expiration – date for submission of tax returns fiscal years</b>
2012	140	35%	49	2017
2013	29,072	35%	10,175	2018
			<b>10,224</b>	
	Tax loss carry-forwards of the period		138,159	(1)
	Reduction of tax loss carry-forwards		(2,331)	(1)
			<b>146,052</b>	

(1) It corresponds to the tax income (loss) estimated for the nine-month period ended September 30, 2014, which will turn into a tax loss carry-forward or use arising from the tax return provided that the tax income (loss) remains at the end of fiscal year 2014.

The movement of temporary differences between book carrying amounts and tax basis of assets and liabilities and tax loss carry-forwards is as follows:

	Balance at the beginning of the year	Decrease due to discontinued operations	Reduction of tax loss carry-forwards	Charge for the period or year (1)	Balance at the end of the period or year
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(262,522)	9,988		19,284	(233,250)
Tax loss carry-forwards	43,483	(3,060)	(2,331)	107,960	146,052
<b>Total as of September 30, 2014</b>	<b>(219,039)</b>	<b>6,928</b>	<b>(2,331)</b>	<b>127,244</b>	<b>(87,198)</b>
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(308,893)			46,371	(262,522)
Tax loss carry-forwards	25,358		(216)	18,341	43,483
<b>Total as of December 31, 2013</b>	<b>(283,535)</b>		<b>(216)</b>	<b>64,712</b>	<b>(219,039)</b>

(1) Charged to income tax - in 2014, Note 17.

## 12. REVENUE

	<b>9/30/2014 Nine-month</b>	<b>9/30/2013 Nine-month</b>	<b>9/30/2014 Three-month</b>	<b>9/30/2013 Three-month</b>
Product sales	9,793,642	7,402,477	3,451,746	2,846,713
Services provided	250,118	158,836	82,964	58,879
Turnover tax	(277,623)	(201,307)	(100,146)	(75,524)
Sales discounts and volume rebates	(607,184)	(411,833)	(220,559)	(166,740)
Sales returns	(149,498)	(122,841)	(42,248)	(43,479)
<b>Total</b>	<b>9,009,455</b>	<b>6,825,332</b>	<b>3,171,757</b>	<b>2,619,849</b>

### 13. COST OF SALES

	<u>9/30/2014</u> <u>Nine-month</u>	<u>9/30/2013</u> <u>Nine-month</u>	<u>9/30/2014</u> <u>Three-month</u>	<u>9/30/2013</u> <u>Three-month</u>
<u>Cost of goods sold:</u>				
Inventories at the beginning of the year				
Resale goods	45,638	27,886	54,034	40,356
Finished goods	356,657	290,625	382,745	321,814
Work in progress	252,245	177,717	241,024	228,822
Raw materials, packaging and other materials	238,228	190,044	307,465	193,835
Goods in transit	66,720	20,618	44,286	37,249
	<u>959,488</u>	<u>706,890</u>	<u>1,029,554</u>	<u>822,076</u>
Decrease due to discontinued operations	(11,158)			
Purchases	4,781,118	3,549,823	1,722,730	1,377,227
Production expenses (Note 14)	1,688,612	1,305,919	612,324	485,773
Write-off of spare parts		748		748
Re-measurement of foreign subsidiaries inventories	30,739	5,284	(12,089)	4,545
Benefits from industrial promotion	(32,966)	(12,950)	(4,722)	(1,535)
Inventories at the end of the period				
Resale goods	(51,049)	(46,590)	(51,049)	(46,590)
Finished goods	(501,395)	(312,452)	(501,395)	(312,452)
Work in progress	(239,445)	(208,708)	(239,445)	(208,708)
Raw materials, packaging and other materials	(328,223)	(220,864)	(328,223)	(220,864)
Goods in transit	(36,333)	(49,724)	(36,333)	(49,724)
	<u>(1,156,445)</u>	<u>(838,338)</u>	<u>(1,156,445)</u>	<u>(838,338)</u>
<b>Subtotal - cost of goods sold</b>	<b><u>6,259,388</u></b>	<b><u>4,717,376</u></b>	<b><u>2,191,352</u></b>	<b><u>1,850,496</u></b>
<u>Cost of services rendered:</u>				
Purchases	21,089	20,520	7,884	7,584
Production expenses (Note 14)	98,822	93,352	33,235	33,053
<b>Subtotal - cost of services rendered</b>	<b><u>119,911</u></b>	<b><u>113,872</u></b>	<b><u>41,119</u></b>	<b><u>40,637</u></b>
<b>Total cost of sales</b>	<b><u>6,379,299</u></b>	<b><u>4,831,248</u></b>	<b><u>2,232,471</u></b>	<b><u>1,891,133</u></b>



**14. INFORMATION REQUIRED BY ART. 64 OF ARGENTINA CORPORATE LAW  
N°19,550 – BREAKDOWN OF EXPENSES**

	<b>9/30/2014 (nine-month)</b>				Total
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				21,827	21,827
Fees and compensation for services	181,554	193	388,569	35,711	606,027
Payroll, bonus and social security charges	755,649	59,014	271,440	170,874	1,256,977
Depreciation of property, plant and equipment, and others	91,911	4,214	7,083	3,591	106,799
Amortization of intangible assets	26,469				26,469
Provision for bad debts			4,779		4,779
Freights	360,822		1,044,913		1,405,735
Maintenance and repair	52,445	2,672	8,959	449	64,525
Office and communication	1,017	110	408	1,664	3,199
Fuel, gas and energy	114,726	14,854	8,460	43	138,083
Vehicles expenses	13,150		7,397	1,147	21,694
Publicity and advertising			222,752		222,752
Taxes, rates and contributions	41,876	4,609	2,206	86,884	135,575
Insurance	25,988	292	8,441	2,234	36,955
Travelling	873		2,028	381	3,282
Export and import			16,565	256	16,821
Miscellaneous	22,132	12,864	5,125	10,161	50,282
<b>Total</b>	<b>1,688,612</b>	<b>98,822</b>	<b>1,999,125</b>	<b>335,222</b>	<b>4,121,781</b>

	<b>9/30/2013 (nine-month)</b>				Total
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				17,019	17,019
Fees and compensation for services	136,438	471	328,637	29,402	494,948
Payroll, bonus and social security charges	583,721	54,087	213,299	122,029	973,136
Depreciation of property, plant and equipment, and others	71,378	6,826	5,288	6,205	89,697
Amortization of intangible assets	282			43	325
Provision for bad debts			4,456		4,456
Freights	289,869		758,262	14	1,048,145
Maintenance and repair	50,062	2,136	9,551	287	62,036
Office and communication	888	103	329	1,100	2,420
Fuel, gas and energy	92,085	11,864	6,495	48	110,492
Vehicles expenses	12,679		6,092	1,009	19,780
Publicity and advertising			162,705		162,705
Taxes, rates and contributions	40,364	7,302	1,642	70,115	119,423
Insurance	16,615	163	5,470	2,758	25,006
Travelling	770		1,647	413	2,830
Export and import			18,327	213	18,540
Miscellaneous	10,768	10,400	6,347	10,693	38,208
<b>Total</b>	<b>1,305,919</b>	<b>93,352</b>	<b>1,528,547</b>	<b>261,348</b>	<b>3,189,166</b>

	<b>9/30/2014 (three-month)</b>				
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				5,679	5,679
Fees and compensation for services	60,563	60	132,535	11,088	204,246
Payroll, bonus and social security charges	268,345	19,403	96,037	72,721	456,506
Depreciation of property, plant and equipment, and others	34,138	1,461	2,286	1,207	39,092
Amortization of intangible assets	7,102				7,102
Provision for bad debts			547		547
Freights	131,447		382,224		513,671
Maintenance and repair	18,984	890	3,074	151	23,099
Office and communication	311	41	133	689	1,174
Fuel, gas and energy	44,259	5,586	3,069	9	52,923
Vehicles expenses	5,328		2,525	407	8,260
Publicity and advertising			79,226		79,226
Taxes, rates and contributions	17,193	212	713	31,487	49,605
Insurance	9,835	100	3,143	829	13,907
Travelling	272		705	131	1,108
Export and import			5,241	91	5,332
Miscellaneous	14,547	5,482	2,142	3,390	25,561
<b>Total</b>	<b>612,324</b>	<b>33,235</b>	<b>713,600</b>	<b>127,879</b>	<b>1,487,038</b>

	<b>9/30/2013 (three-month)</b>				
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				5,030	5,030
Fees and compensation for services	57,743	223	100,393	10,431	168,790
Payroll, bonus and social security charges	203,374	18,507	75,098	46,845	343,824
Depreciation of property, plant and equipment, and others	24,447	2,044	554	4,042	31,087
Amortization of intangible assets	101			2	103
Provision for bad debts			608		608
Freights	107,600		275,329	14	382,943
Maintenance and repair	18,085	935	2,966	73	22,059
Office and communication	338	47	115	398	898
Fuel, gas and energy	39,335	4,741	2,433	16	46,525
Vehicles expenses	5,974		1,165	448	7,587
Publicity and advertising			72,070		72,070
Taxes, rates and contributions	17,721	2,775	584	26,496	47,576
Insurance	5,408	96	1,953	956	8,413
Travelling	293		574	104	971
Export and import			10,457	81	10,538
Miscellaneous	5,354	3,685	2,959	4,114	16,112
<b>Total</b>	<b>485,773</b>	<b>33,053</b>	<b>547,258</b>	<b>99,050</b>	<b>1,165,134</b>

## 15. FINANCE COST

	<u>9/30/2014</u> <u>Nine-month</u>	<u>9/30/2013</u> <u>Nine-month</u>	<u>9/30/2014</u> <u>Three-month</u>	<u>9/30/2013</u> <u>Three-month</u>
Senior Notes and long-term loans interest (1)	122,678	81,072	45,346	26,605
Other loans interest	59,983	34,196	23,508	11,919
Other interests	5,529	3,804	2,107	1,538
<b>Total</b>	<b><u>188,190</u></b>	<b><u>119,072</u></b>	<b><u>70,961</u></b>	<b><u>40,062</u></b>

(1) Includes 2,540 and 13,802 for the nine-month periods ended September 30, 2014 and 2013, respectively, related to adjustments to amortized cost of debt.

## 16. OTHER GAINS AND LOSSES

	<u>9/30/2014</u> <u>Nine-month</u>	<u>9/30/2013</u> <u>Nine-month</u>	<u>9/30/2014</u> <u>Three-month</u>	<u>9/30/2013</u> <u>Three-month</u>
Gain on sale of trademarks (1)		39,922		
Gain on sale of property, plant and equipment, and others (2)	4,750	29,726	1,657	973
Gain on sale of investments in other companies (3)		25,077		
Gain on acquisition of subsidiary (note 2.5)		22,776		
Charges to freighters	1,399	2,186	754	395
Insurance recovery	1,487	1,154		413
Provision for litigation and other expenses	(7,343)	(6,216)	(2,158)	1,782
Moratorium	(902)	(5,472)	(238)	(5,472)
Donations	(1,193)	(968)	(839)	(365)
Depreciation of investment property	(127)	(127)	(42)	(42)
Miscellaneous	(2,932)	(344)	(1,105)	(70)
<b>Total</b>	<b><u>(4,861)</u></b>	<b><u>107,714</u></b>	<b><u>(1,971)</u></b>	<b><u>(2,386)</u></b>

(1) Sales performed to Danone Group, including several trademarks of special milks and powdered juice.

(2) Includes as of September 30, 2013, 25,983 corresponding to the sale to Danone Argentina S.A. of a raw milk sorting plant for third parties, together with the equipment, vehicles and software related to such plant.

(3) Corresponds to the gain obtained by the sale of the 0.273% holding of Danone Argentina S.A.'s shares to Dairy Latam S.L.

## 17. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	<u>9/30/2014</u> <u>Nine-month</u>	<u>9/30/2013</u> <u>Nine-month</u>	<u>9/30/2014</u> <u>Three-month</u>	<u>9/30/2013</u> <u>Three-month</u>
Current income tax	(19,841)	(22,332)	(4,918)	(8,349)
Tax loss carry-forwards for the period	107,960	11,724	8,714	10,906
Net change in temporary differences	19,284	23,178	5,370	9,582
Alternative minimum income tax	(50,613)	(1,078)	(31,404)	109
<b>Total</b>	<b><u>56,790</u></b>	<b><u>11,492</u></b>	<b><u>(22,238)</u></b>	<b><u>12,248</u></b>

The reconciliation of income tax expense to the amount derived by applying the applicable statutory income tax rate to result before income tax and alternative minimum income tax for the period is as follows:

	<u>9/30/2014</u> <u>Nine-month</u>	<u>9/30/2013</u> <u>Nine-month</u>	<u>9/30/2014</u> <u>Three-month</u>	<u>9/30/2013</u> <u>Three-month</u>
Net (loss) income before taxes	(346,610)	45,304	(86,571)	(38,108)
Statutory income tax rate	35%	35%	35%	35%
<b>Income tax at statutory income tax rate</b>	<b>121,314</b>	<b>(15,856)</b>	<b>30,300</b>	<b>13,338</b>
Permanent differences	(64,524)	27,348	(52,538)	(1,090)
<b>Total</b>	<b><u>56,790</u></b>	<b><u>11,492</u></b>	<b><u>(22,238)</u></b>	<b><u>12,248</u></b>

## 18. PLEDGED AND RESTRICTED ASSETS

- a) Certain assets owned by the Company are pledged as collateral for bank and financial liabilities, tax debt (tax régime for promoted activities) and other liabilities for a total amount of 83,840 as of September 2014 (106,900 as of December 31, 2013). Detail of pledged assets is as follows:

	<u>9/30/2014</u>	<u>3/31/2013</u>
Trade accounts receivable	40,900	46,245
Property, plant and equipment, and others	3,294	3,689
Equity value of holding in subsidiary company Promas S.A.		40,213
Equity value of holding in subsidiary Compañía Puntana de Carnes Elaboradas S.A.	98,257	104,125

- b) The Company also has pre-export credit lines in order to finance exports, which have as collateral, according to each case, a trust set up over the collections obtained from sales to the domestic retail market, inventories (of the parent Company and its subsidiary company Mastellone San Luis S.A.) and the assignment of purchase orders of the subsidiary company Leitesol I.C.S.A. As of September 30, 2014, inventories were collateralized for an amount of 174,015 (191,742 as of December 31, 2013). The outstanding balance of the debt amounts to 217,583 as of September 30, 2014 and 219,944 as of December 31, 2013.
- c) Additionally, as of September 30, 2014 there were other receivables – guarantee deposits (current and non-current) for an amount of 1,128 (1,052 as of December 31, 2013) in guarantee of financial and commercial transactions and restricted assets disclosed in caption

“other receivables – other” (current) for 809 as of September 30, 2014 (579 as of December 31, 2013).

- d) There are financial assets – investment funds by 8,399 of restricted availability as of September 30, 2014 (9,554 as of December 31, 2013), to secure transactions to purchase foreign currency forwards.
- e) The subsidiary company Con-ser S.A. held certain properties encumbered with privilege of first grade for a net value of 5,566 as of September 30, 2014 (5,664 as of December 31, 2013), in guarantee of the business relationship with YPF S.A. and Oil Combustibles S.A., for an indefinite period while the commercial relationship between the parties is maintained. The guarantee amounts to US\$ 2,400 thousand as of September 30, 2014 and December 31, 2013.
- f) As of September 30, 2014, tax payable amounting to 22,894 is secured by property owned by the subsidiary company Promas S.A., which is disclosed as assets held for sale.
- g) See also commitments for the financial debt described in Note 9.

## 19. RELATED PARTIES OUTSTANDING BALANCES

Company	Other financial assets	Trade account receivable		Other receivables
	(current)	(current)		(current)
	12/31/2013	9/30/2014	12/31/2013	12/31/2013
Afianzar S.G.R.		4	3	
Fideicomiso Formu			102	
Frigorífico Nueva Generación S.A.		405	611	
Logística La Serenísima S.A.		83,102	61,704	
Los Toldos S.A.	1,029	329	225	41
<b>TOTAL</b>	<b>1,029</b>	<b>83,840</b>	<b>62,645</b>	<b>41</b>

Company	Trade payable		Borrowings		Advances from customers	
	(current)		(current)		(current)	
	9/30/2014	12/31/2013	9/30/2014	12/31/2013	9/30/2014	12/31/2013
Afianzar S.G.R.	20	12				
Fideicomiso Formu			40,900	41,387		
Frigorífico Nueva Generación S.A.	86					
Juan Rocca S.R.L.				1,855		
Logística La Serenísima S.A.	171,396	80,892			6	6
<b>TOTAL</b>	<b>171,502</b>	<b>80,904</b>	<b>40,900</b>	<b>43,242</b>	<b>6</b>	<b>6</b>

## 20. RELATED PARTIES OPERATIONS

Transactions with related parties for the nine-month periods ended September 30, 2014 and 2013 were as follows:

	<u>9/30/2014</u>	<u>9/30/2013</u>
<u>Revenues</u>		
Afianzar S.G.R.	5	3
Danone Argentina S.A.		219,155
Fideicomiso Formu	823	635
Frigorífico Nueva Generación S.A.	220	183
Antonio Mastellone	8	
José Mastellone	23	
Logística La Serenísima S.A.	24,668	19,009
Los Toldos S.A.	370	610
<u>Purchase of goods and services</u>		
Afianzar S.G.R.		62
Danone Argentina S.A.		60,978
Logística La Serenísima S.A.	527,822	407,065
Los Toldos S.A.	3,571	2,798
Masleb S.R.L.		457
<u>Investment income</u>		
Danone Argentina S.A.		890
Frigorífico Nueva Generación S.A.		1
Logística La Serenísima S.A.	2,615	
Los Toldos S.A.	77	72
<u>Finance cost</u>		
Fideicomiso Formu	9,649	6,169
Juan Rocca S.R.L.		32
<u>Other gains and losses</u>		
Danone Argentina S.A. and related parties – sale of trademarks		39,922
Danone Argentina S.A. – sale of property, plant and equipment		50,550
Logística La Serenísima S.A.	307	346

During the nine-month periods ended September 30, 2014 and 2013, the Company paid a total of 39,378 and 30,807, respectively, in concept of remuneration and fees to members of the Board of Directors and executive officers. The Company does not provide its Directors or executive officers with any type of pension, retirement or similar benefits.

## 21. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports regarding components of the Company that are regularly reviewed by the Board of Directors in order to allocate resources to the segments and to assess their performance.

The accounting policies used for the preparation of the information for the segments that are reported are the same that the Company's accounting policies described in Note 2.

The Company's reportable segments under IFRS 8 are as follows:

- **Dairy products:** Includes the sales of products manufactured with the raw milk purchased by the Company directly to dairy farmers located in Argentina and, to a lower extent, to other dairy companies. Such sales are made in the Argentine domestic market (mainly retailers and public agencies), in the Brazilian domestic market (retailers) and the international markets (exports to third parties).
- **Other:** Includes principally services related to the transportation of raw milk and other associated to the coordination of such transport (purchases and sales of trucks, spare parts, etc.).

Operations related to the olive segment was discontinued in the current fiscal year (see Note 23), and, accordingly, such operations were not included in the following information.

Information	9/30/2014		
	Dairy	Other	Total
Revenue from external customers	8,597,919	411,536	9,009,455
Intersegment revenue	1,068	334,934	336,002
Net (loss) income for the period	(293,903)	4,083	(289,820)
Assets allocated to the business lines	3,935,874	169,128	4,105,002
Liabilities allocated to the business lines	3,698,912	119,166	3,818,078
Additions to property, plant and equipment, and others	146,817	3,022	149,839
Depreciation of property, plant and equipment, and others	102,525	4,274	106,799
Amortization of intangible assets	26,469		26,469
Depreciation of investment property	127		127
Net domestic revenue	7,593,614	411,536	8,005,150
	9/30/2013		
	Dairy	Other	Total
Revenue from external customers	6,531,101	294,231	6,825,332
Intersegment revenue	1,169	268,813	269,982
Net (loss) income for the period	63,226	(6,430)	56,796
Assets allocated to the business lines	3,543,239	150,816	3,694,055
Liabilities allocated to the business lines	2,922,540	106,561	3,029,101
Additions to property, plant and equipment, and others	122,556	6,462	129,018
Depreciation of property, plant and equipment, and others	84,616	5,081	89,697
Additions of intangible assets	680		680
Amortization of intangible assets	325		325
Depreciation of investment property	127		127
Net domestic revenue	5,741,492	294,231	6,035,723

Additionally, the Board of Directors reviews the information based on the following geographical segments:

Period	Revenue			Total
	Domestic market	Exports		
		Brazil and Paraguay	Other countries	
9/30/2014	8,005,150	292,520	711,785	9,009,455
9/30/2013	6,035,723	423,396	366,213	6,825,332

## 22. KEEPING OF SUPPORTING DOCUMENTATION OF THE COMPANY'S TRANSACTIONS

In compliance with General Resolution N° 629 issued by the CNV, we hereby report that the Company's corporate books (namely, the Book of Minutes of Shareholders' Meetings, the Book of Minutes of Board of Directors' Meetings, the Share Deposit Book, the Book of Attendance to Shareholders' Meetings and the Minutes of the Statutory Auditing Committee) and statutory accounting books (namely, the Journal, the Inventory and Financial Statements Book and the Subsidiary Journals) that are currently in use are kept at the Company's legal address located at Juana Manso Street N° 555, 3<sup>rd</sup> Floor, Suite "A", City of Buenos Aires, whereas the completed corporate and statutory accounting books are kept at the Company's main administrative offices located at Almirante Brown Street N° 957, General Rodriguez, Province of Buenos Aires.

We further report that the supporting documentation of the Company's transactions are kept both at its main administrative offices and at the warehouses of the Company's and its subsidiaries' production facilities, whereas the completed documentation is kept at a property owned by the subsidiary Con-Ser S.A., located at Acceso Oeste, Km. 56.5, General Rodriguez, Province of Buenos Aires.

## 23. SUBSEQUENTS EVENTS

On October 1, 2014, the Company entered into a share purchase agreement with Forcam S.A., whereby the Company sold its wholly owned equity interest in the subsidiary Promas S.A. for a total amount of 60,760, to be paid as follows: 10,780 upon the execution of the agreement; 10,780, on November 1, 2014 free from any interest or adjustment whatsoever; and 39,200, accruing compensatory interest at a 12% annual rate as from the agreement execution date, payable in 4 annual installments of 9,800 each. The first installment is due on October 1, 2015 and the following installments are due on the same date the following years, with the fourth installment being payable on October 1, 2018. Furthermore, as guarantee of payment of the price, Forcam S.A. granted a security interest over the shares in favor of the Company.

Therefore, as of September 30, 2014, the assets and liabilities of Promas S.A. have been classified as held for sale. The carrying amount of the assets and liabilities exceeds the price of sale, accordingly, an impairment loss on the reclassification of assets and liabilities held for sale was recognized by 8.815. Main items of the assets and liabilities of Promas S.A. as of September 30, 2014 are as follows:

Cash and cash equivalents	131
Trade accounts receivable	854
Inventories	10,895
Other receivables	12,939
Property, plant and equipment	54,229
Subtotal	<u>79,048</u>
Impairment loss	<u>(8,815)</u>
Assets of Promas S.A. classified as held for sale	<u><b>70,233</b></u>
Trade payable	2,765
Accrued salaries, wages and payroll taxes	1,334
Provisions	1,087
Deferred tax liabilities	6,602
Liabilities of Promas S.A. related with assets classified as held for sale	<u><b>11,788</b></u>
Net assets of Promas S.A. classified as held for sale	<u><b>58,445</b></u>



The results of Promas S.A. for the nine- month periods as of September 30 2014 and 2013, has been disclosed in the statement of profit or loss and other comprehensive income as discontinued operations.

Discontinued operations included in the profit or loss statement are as follows:

	<u>9/30/2014</u>	<u>9/30/2013</u>
Revenue	8,544	41,344
Cost of sales	(21,978)	(49,426)
Expenses	(1,919)	(2,332)
Other gains and losses	(17,763)	
Loss before taxes	<u>(33,116)</u>	<u>(10,414)</u>
Income tax	325	291
Subtotal	<u>(32,791)</u>	<u>(10,123)</u>
Impairment loss	(8,815)	
<b>Loss of the period from discontinued operations</b>	<b><u>(41,606)</u></b>	<b><u>(10,123)</u></b>

#### **24. APPROVAL OF THESE FINANCIAL STATEMENTS**

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized to be issued on November 7, 2014.



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**INDEPENDENT AUDITORS' REVIEW REPORT**  
(on condensed interim consolidated financial statements)

To the Board of Directors of  
**Mastellone Hermanos Sociedad Anónima**  
Juana Manso N° 555 – 3<sup>rd</sup> Floor – Suite “A”  
City of Buenos Aires

**Report on the condensed interim consolidated financial statements**

**1. Identification of the condensed interim consolidated financial statements subject to review**

We have reviewed the accompanying condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima (hereinafter “Mastellone Hermanos Sociedad Anónima” or the “Company”) and its subsidiaries (detailed in Note 2.5 to the condensed interim consolidated financial statements), which comprise the condensed consolidated statement of financial position as of September 30, 2014, the condensed interim consolidated statement of profit or loss and other comprehensive income, the condensed interim consolidated statement of changes in equity, and the condensed interim consolidated statement of cash flows for the nine-month period then ended, and other selected explanatory information presented in Notes 1 to 24.

Amounts and other disclosures for the fiscal year ended December 31, 2013 and for the nine-month period ended September 30, 2013, are included as an integral part of the current period condensed interim financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current interim period.

**2. Board of Directors' responsibility for the condensed interim consolidated financial statements**

The Company's Board of Directors is responsible for the preparation and presentation of the accompanying condensed interim consolidated financial statements of the Company in accordance with International Financial Reporting Standards adopted by the Argentine Federation of Professional Councils in Economic Sciences as accounting standards, as they were approved by the International Accounting Standard Board (IASB), and incorporated by the National Securities Commission to its regulations, and, therefore is responsible for the preparation and presentation of the attached condensed interim consolidated financial statements, in accordance with International Accounting Standard N° 34, “Interim Financial Reporting” (IAS 34). In addition, the Company's Board of Directors is responsible for the internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement.

### **3. Auditors' responsibility**

Our responsibility is to issue a conclusion on the accompanying condensed interim consolidated financial statements based on our review. We conducted our review in accordance with International Standards on Review Engagements (ISRE), adopted by the Argentine Federation of Professional Councils in Economic Sciences through its Technical Resolution N° 33, as they were approved by the International Auditing Accounting Standard Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements.

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.

### **4. Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima for the nine-month period ended September 30, 2014, are not presented, in all material respects, in accordance with IAS 34.

### **Review of the Business Highlights**

As part of our work, the scope of which is described in the section 3 of this report, we have reviewed the Business Highlights required by National Securities Commission regulations and prepared by the Company's Board of Directors. We have no observations to report on this document in matters within our professional incumbency.

### **English translation of the condensed interim consolidated financial statements**

This report and the accompanying condensed interim consolidated financial statements referred to in section 1 above have been translated into English for the convenience of English-speaking readers. As further explained in Note 2.1 to the accompanying condensed interim consolidated financial statements, the financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with IAS 34. The effects of the differences between International Financial Reporting Standards and the accounting principles generally accepted in the countries in which these financial statements are to be used have not been quantified. Accordingly, the accompanying condensed interim consolidated financial statements are not intended to present the financial position, profit or loss and other comprehensive income, changes in stockholders' equity and cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements that have not adopted the International Financial Reporting Standards.

City of Buenos Aires, Argentina.

November 7, 2014

**DELOITTE S.C.**

**José E. Lema (Partner)**

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