

**Mastellone Hermanos S.A.**  
Consolidated Financial Statements  
for the three-month period ended  
March 31, 2015

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**

**CONSOLIDATED INFORMATIVE SUMMARY**

**AS OF MARCH 31, 2015**

(in thousands of Argentine pesos)

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

The financial statements for the first quarter of 2015 reflect the contraction in the overall economic activity in Argentina in that period, and additionally have been affected by some factors impacting in our business and the dairy industry, such as: (i) international prices for milk powder, (ii) availability of raw milk, and (iii) the delay in the recovery of higher costs incurred during 2014 and the first quarter of 2015, not transferred to sales prices yet.

Although international prices for milk powder have shown some signs of recovery, currently they remain in the level of the last quarter of 2014. This volatility has led to a delay in the export's transactions. Despite this situation, our Company has closed export sales by approximately 8,000 tons of milk powder, with shipments starting in March and forecasted to be completed during the second quarter, at prices slightly higher than the current average, although below the minimum desired.

The volumes of raw milk received remain at the prior level, not showing yet clear signs of recovery. That situation has a negative impact on the Company's results in two ways: (i) limiting the volumes of activity for the whole portfolio of products, and (ii) with cost increases resulting from the low supply of raw milk to the market. However, we remain confident to recover, during the rest of the year, the historical levels of raw milk processed.

The increases in our sales prices, needed to compensate higher costs incurred the last year and during the first quarter of 2015, could only be applied in part and approximately by mid-March instead of at the beginning of the quarter.

Finally, consumption in Argentina remains stagnant, affecting our sales volumes during the quarter, on top of seasonal factors, usually negative for such period. We expect a better performance for the rest of the year, with a positive impact on our results.

**2. CONSOLIDATED FINANCIAL POSITION**

	<b>3/31/2015</b>	<b>3/31/2014</b>	<b>3/31/2013</b>	<b>3/31/2012</b>	<b>3/31/2011</b>
	(in thousand pesos)				
Current assets	2,400,139	2,268,109	1,720,676	1,478,072	1,214,545
Non-current assets	3,911,678	1,735,704	1,609,179	1,511,316	1,490,836
<b>TOTAL ASSETS</b>	<b>6,311,817</b>	<b>4,003,813</b>	<b>3,329,855</b>	<b>2,989,388</b>	<b>2,705,381</b>
Current liabilities	2,349,935	2,183,315	1,579,946	1,136,109	816,305
Non-current liabilities	2,465,701	1,297,608	1,069,788	1,078,648	1,103,474
<b>TOTAL LIABILITIES</b>	<b>4,815,636</b>	<b>3,480,923</b>	<b>2,649,734</b>	<b>2,214,757</b>	<b>1,919,779</b>
<b>Equity attributable to owners of the Company</b>	<b>1,496,162</b>	<b>522,871</b>	<b>680,111</b>	<b>774,621</b>	<b>785,592</b>
<b>Non-controlling interests</b>	<b>19</b>	<b>19</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>TOTAL EQUITY</b>	<b>1,496,181</b>	<b>522,890</b>	<b>680,121</b>	<b>774,631</b>	<b>785,602</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,311,817</b>	<b>4,003,813</b>	<b>3,329,855</b>	<b>2,989,388</b>	<b>2,705,381</b>

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

	3/31/2015	3/31/2014	3/31/2013	3/31/2012	3/31/2011
	(in thousand pesos)				
<b>Continuing operations:</b>					
Operational results – (loss) income	(90,199)	121,460	47,267	1,391	1,165
Investment income, finance cost and foreign exchange differences	(159,296)	(365,881)	(70,420)	(45,752)	(44,956)
Other gains and losses	(2,275)	(686)	(2,540)	5,490	422
<b>Loss before taxes</b>	<b>(251,770)</b>	<b>(245,107)</b>	<b>(25,693)</b>	<b>(38,871)</b>	<b>(43,369)</b>
Income tax and alternative minimum income tax	85,482	92,533	8,831	8,152	11,486
<b>Net loss for the period from continuing operations</b>	<b>(166,288)</b>	<b>(152,574)</b>	<b>(16,862)</b>	<b>(30,719)</b>	<b>(31,883)</b>
<b>Discontinued operations</b>		<b>(7,681)</b>			
<b>Net loss for the period</b>	<b>(166,288)</b>	<b>(160,255)</b>	<b>(16,862)</b>	<b>(30,719)</b>	<b>(31,883)</b>
<b>Other comprehensive (loss) income</b>	<b>(17,069)</b>	<b>29,475</b>	<b>5,566</b>	<b>3,702</b>	<b>3,838</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(183,357)</b>	<b>(130,780)</b>	<b>(11,296)</b>	<b>(27,017)</b>	<b>(28,045)</b>
<b>Net loss attributable to:</b>					
Owners of the company	(183,357)	(130,781)	(11,296)	(27,017)	(28,045)
Non-controlling interests	-	1	-	-	-
<b>Total comprehensive loss:</b>	<b>(183,357)</b>	<b>(130,780)</b>	<b>(11,296)</b>	<b>(27,017)</b>	<b>(28,045)</b>

### 4. CONSOLIDATED STATEMENT OF CASH FLOWS

	3/31/2015	3/31/2014	3/31/2013	3/31/2012	3/31/2011
	(in thousand pesos)				
Cash flows (used in) provided by operating activities	(77,727)	96,852	49,044	50,547	54,743
Cash flows provided by (used in) investing activities	24,123	(37,303)	(29,435)	(44,879)	(22,952)
Cash flows provided by (used in) financing activities	73,471	37,997	(30)	3,734	33,873
<b>Cash and cash equivalents provided in the period</b>	<b>19,867</b>	<b>97,546</b>	<b>19,579</b>	<b>9,402</b>	<b>65,664</b>

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

	ACUMULATED SALES				
	3/31/2015	3/31/2014	3/31/2013	3/31/2012	3/31/2011
	(in thousand liters of milk)				
Domestic market	351,909	379,938	389,792	378,945	350,732
Foreign market	55,173	54,308	51,086	56,494	58,138
<b>Total</b>	<b>407,082</b>	<b>434,246</b>	<b>440,878</b>	<b>435,439</b>	<b>408,870</b>

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

## 6. RATIOS

	<u>3/31/2015</u>	<u>3/31/2014</u>	<u>3/31/2013</u>	<u>3/31/2012</u>	<u>3/31/2011</u>
Current assets to current liabilities	1.02	1.04	1.09	1.30	1.49
Equity attributable to owners of the Company to total liabilities	0.31	1.15	0.26	0.35	0.41
Non-current assets to total assets	0.62	0.43	0.48	0.51	0.55

## 7. OUTLOOK (\*)

We estimate that in the next few months domestic demand for our products will improve (due to both seasonal factors and real growth), with a positive impact on our sales, and consequently, on our results.

At the international level, during the upcoming quarter we will complete the shipments for the sales already agreed with our foreign customers, with destinations such as Mexico and Algeria. The volumes to export during the rest of the year will be subject to the availability of raw milk and the evolution of the international price of milk powder.

We will do our best efforts to reverse the negative results of the first quarter. Mastellone Hermanos S.A. has basic strengths that remain unaffected by the short-term developments. Based on that, we expect to improve substantially our economic results for the rest of the year. It should be pointed out also that the Company will continue with actions for further growth on a long-term basis, which will undoubtedly generate sustainable improvements in our economic performance in the medium and long term.

(\*) Information not reviewed by the Auditors.

City of Buenos Aires, May 8, 2015

**JOSÉ A. MORENO**

President

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT MARCH 31,**  
**2015**

(in thousands of Argentine pesos)

	Notes	<u>3/31/2015</u>	<u>12/31/2014</u>
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents		189,685	169,818
Other financial assets	3 and 18	8,376	77,930
Trade accounts receivable	4 and 18	864,367	801,575
Tax credits	5	54,864	73,827
Other receivables	6 and 18	41,621	39,526
Inventories	7 and 18	1,241,226	1,312,816
<b>Total Current Assets</b>		<b><u>2,400,139</u></b>	<b><u>2,475,492</u></b>
<b><u>NON-CURRENT ASSETS</u></b>			
Other financial assets	3	9,694	9,328
Tax credits	5	23,778	27,538
Other receivables	6 and 18	57,887	56,017
Deferred tax assets	12	9,417	6,568
Property, plant and equipment, and others	8 and 18	3,777,382	3,821,752
Investment property		1,819	1,190
Goodwill		3,121	3,121
Intangible assets		20,797	24,005
Other assets		7,783	7,783
<b>Total Non-Current Assets</b>		<b><u>3,911,678</u></b>	<b><u>3,957,302</u></b>
<b>TOTAL ASSETS</b>		<b><u>6,311,817</u></b>	<b><u>6,432,794</u></b>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Trade payable	9	1,175,216	1,281,471
Borrowings	10 and 18	643,440	470,945
Accrued salaries, wages and payroll taxes	11	358,020	348,422
Taxes payable		139,841	110,735
Advance from customers		10,704	14,906
Provisions		1,706	1,522
Other liabilities		21,008	16,610
<b>Total Current Liabilities</b>		<b><u>2,349,935</u></b>	<b><u>2,244,611</u></b>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Trade payable		10,185	10,583
Borrowings	10 and 18	1,704,801	1,655,561
Taxes payable	18	38,445	39,431
Deferred tax liabilities	12	667,051	758,697
Provisions		22,575	22,494
Other liabilities		22,644	21,879
<b>Total Non-Current Liabilities</b>		<b><u>2,465,701</u></b>	<b><u>2,508,645</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>4,815,636</u></b>	<b><u>4,753,256</u></b>
<b><u>EQUITY</u></b>			
Common stock		457,547	457,547
Reserves		1,662,578	1,679,647
Accumulated deficit– including net result for the period or year		(623,963)	(457,675)
<b>Equity attributable to owners of the Company</b>		<b><u>1,496,162</u></b>	<b><u>1,679,519</u></b>
<b>Non-controlling interests</b>		<b><u>19</u></b>	<b><u>19</u></b>
<b>TOTAL EQUITY</b>		<b><u>1,496,181</u></b>	<b><u>1,679,538</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>6,311,817</u></b>	<b><u>6,432,794</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 THREE MONTH PERIOD ENDED MARCH 31, 2015**  
(in thousands of Argentine pesos)

	Notes	<u>3/31/2015</u>	<u>3/31/2014</u>
<b><u>Continuing operations</u></b>			
Revenue	13	3,162,803	2,782,365
Cost of sales	14	(2,355,620)	(1,970,624)
<b>Gross profit</b>		<b>807,183</b>	<b>811,741</b>
Selling expenses	15	(776,953)	(593,823)
General and administrative expenses	15	(120,429)	(96,458)
Investment income		8,431	6,603
Finance cost	16	(93,619)	(49,339)
Foreign exchange losses		(74,108)	(323,145)
Other gains and losses		(2,275)	(686)
<b>Loss before taxes</b>		<b>(251,770)</b>	<b>(245,107)</b>
Income tax and alternative minimum income tax	17	85,482	92,533
<b>Net loss for the period from continuing operations</b>		<b>(166,288)</b>	<b>(152,574)</b>
<b><u>Discontinued operations</u></b>			
<b>Net loss for the period from discontinued operations</b>	23	-	(7,681)
<b>NET LOSS FOR THE PERIOD</b>		<b>(166,288)</b>	<b>(160,255)</b>
<b>Other Comprehensive (loss) income</b>			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		(17,069)	29,475
<b>Other comprehensive (loss) income, net of income tax</b>		<b>(17,069)</b>	<b>29,475</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(183,357)</b>	<b>(130,780)</b>
<b>Net loss attributable to:</b>			
Owners of the Company		(166,288)	(160,256)
Non-controlling interests		-	1
<b>Net loss for the period</b>		<b>(166,288)</b>	<b>(160,255)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(183,357)	(130,781)
Non-controlling interests		-	1
<b>Net comprehensive loss for the period</b>		<b>(183,357)</b>	<b>(130,780)</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 THREE-MONTH PERIOD ENDED MARCH 31, 2015**  
(in thousands of Argentine pesos)

	Shareholders' contributions	Reserves				Property, plant and equipment Revaluation reserve	Retained earnings (Accumulated 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, 2014</b>	<b>457,547</b>	<b>15,273</b>	<b>30,682</b>	<b>35,064</b>	<b>128,603</b>	<b>1,470,025</b>	<b>(457,675)</b>	<b>1,679,519</b>	<b>19</b>	<b>1,679,538</b>
Net loss for the period							(166,288)	(166,288)		(166,288)
Other comprehensive loss for the period, net of income tax				(17,069)				(17,069)		(17,069)
Total comprehensive loss for the period				(17,069)			(166,288)	(183,357)		(183,357)
<b>Balance at March 31, 2015</b>	<b>457,547</b>	<b>15,273</b>	<b>30,682</b>	<b>17,995</b>	<b>128,603</b>	<b>1,470,025</b>	<b>(623,963)</b>	<b>1,496,162</b>	<b>19</b>	<b>1,496,181</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 THREE-MONTH PERIOD ENDED MARCH 31, 2014**

(in thousands of Argentine pesos)

	Shareholders' contributions	Reserves			Retained earnings (Accumulated 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						(160,256)	(160,256)	1	(160,255)
Other comprehensive income for the period				29,475			29,475		29,475
Total comprehensive income (loss) for the period				29,475		(160,256)	(130,781)	1	(130,780)
<b>Balance at March 31, 2014</b>	<b>457,547</b>	<b>15,273</b>	<b>30,682</b>	<b>51,022</b>	<b>186,416</b>	<b>(218,069)</b>	<b>522,871</b>	<b>19</b>	<b>522,890</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 THREE-**  
**MONTH PERIOD ENDED MARCH 31, 2015**

(in thousands of Argentine pesos)

	<u>3/31/2015</u>	<u>3/31/2014</u>
<b><u>Cash flows (used in) from operating activities</u></b>		
Net loss for the period	(166,288)	(160,255)
Adjustments to reconcile net loss for the period to net cash (used in) provided by operating activities:		
Income tax and alternative minimum income tax accrued	(85,482)	(91,777)
Finance cost	93,619	49,339
Foreign exchange losses	73,066	315,996
Depreciation of property, plant and equipment, and others	84,714	34,235
Net (reversal) additions to provisions	(4,269)	1,237
Write-off of inventories	33,390	
Depreciation of investment property	49	43
Amortization of intangible assets	3,208	9,974
Gain on sale of property, plant and equipment, and others	(843)	(1,005)
	<b>31,164</b>	<b>157,787</b>
Changes in working capital	(102,847)	(53,209)
Subtotal	<b>(71,683)</b>	<b>104,578</b>
Payments of income tax and alternative minimum income tax	(6,044)	(7,726)
<b>Net cash (used in) generated by operating activities</b>	<b>(77,727)</b>	<b>96,852</b>
<b><u>Cash flows from (used in) investing activities</u></b>		
Payments for property, plant and equipment, and others	(43,223)	(48,210)
Payments for investment property	(678)	
Proceeds from sale of other financial assets	66,928	2,679
Proceeds from sale of subsidiary company		6,347
Proceeds from disposal of property, plant and equipment, and others	1,096	1,131
Proceeds from other assets		750
<b>Net cash generated by (used in) investing activities</b>	<b>24,123</b>	<b>(37,303)</b>
<b><u>Cash flows from financing activities</u></b>		
Proceeds from borrowings	134,724	50,619
Repayment of borrowings	(30,695)	(3,035)
Payment of interests	(30,558)	(9,587)
<b>Net cash generated by financing activities</b>	<b>73,471</b>	<b>37,997</b>
<b>Increase in cash and cash equivalents</b>	<b>19,867</b>	<b>97,546</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>169,818</b>	<b>115,288</b>
<b>Cash and cash equivalents at end of period</b>	<b>189,685</b>	<b>212,834</b>

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 THREE-MONTH PERIOD ENDED MARCH 31, 2015**  
(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 INTERIM 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 three-month period ended March 31, 2015 have been prepared in conformity with IAS N° 34. The adoption of such standard and the entire set of International Financial Reporting Standards, as issued by the International Accounting Standard 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 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, 2014 prepared under IFRS.

The figures and other information for the fiscal year ended December 31, 2014 and the three-month period ended March 31, 2014 are an integral part of these 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 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 IFRS 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 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 IFRS.

## **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, 2014, 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>, 2015 which are material to the Company**

- 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 application of these improvements did not affect significantly the amounts set out in relation to assets and liabilities of the Company.
- 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 application of these improvements 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, revision of standards and interpretations as per the application of the mentioned pronouncements are not required for the three-month period ended March 31, 2015.

Standard	Name
IFRS 9	Financial instruments <sup>1</sup>
IFRS 15	Revenue <sup>2</sup>
Amendments to IFRSs (annual cycle 2012-2014)	Various IFRSs <sup>3</sup>
Amendments to IAS 27	Separate Financial Statements <sup>3</sup>
Amendments to IAS 16 and 38	Property, plant and equipment and Intangible assets <sup>3</sup>
Amendments to IFRS 10, 12 and IAS 28	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Investments in Associates and Joint Ventures <sup>3</sup>
Amendments to IAS 1	Presentation of Financial Statements <sup>3</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 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 (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.

- The improvements to IAS 16 and IAS 38 were issued by the IASB to clarify when a depreciation method that is based on revenue that is generated by an activity may be appropriate. The improvement to IAS 16 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. Also, the improvement to IAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. This presumption may be rebutted only under limited circumstances set forth in the standard.

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 IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” to address issues that have arisen in the context of applying the consolidation exception for investment entities.

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 1 “Presentation of Financial Statements” to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that the order of the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

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 disclosures in the financial statements of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

## **2.5 Basis of consolidation**

The condensed interim consolidated financial statements of Mastellone Hermanos S.A. include the 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 non-Argentine subsidiaries used to prepare the 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		
			3/31/2015	12/31/2014	3/31/2014
Compañía Puntana de Carnes Elaboradas S.A.	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.	Production and distribution of dairy products	Brazil	100.00	100.00	100.00
Marca 4 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. (1)	Agricultural exploitation	Argentina			100.00

(1) Company sold in 2014 fiscal year. See Note 23.

The financial position statements of Mastellone Hermanos Sociedad Anónima as of March 31, 2015 and December 31, 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2015 and 2014, were consolidated based on financial statements of the subsidiaries companies for the periods or years ended at such dates, with the exception as of March 31, 2015 and 2014 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 December 31, 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.

### 3. OTHER FINANCIAL ASSETS

	<u>3/31/2015</u>	<u>12/31/2014</u>
• <u>Current</u>		
Government bonds		60,689
Restricted investment funds (Note 18d)		8,872
Corporate bonds	7,515	7,513
Short-term investments - other	861	856
<b>Total</b>	<b><u>8,376</u></b>	<b><u>77,930</u></b>
• <u>Non-current</u>		
Long-term investments	9,694	9,328
<b>Total</b>	<b><u>9,694</u></b>	<b><u>9,328</u></b>

### 4. TRADE ACCOUNTS RECEIVABLE

	<u>3/31/2015</u>	<u>12/31/2014</u>
Third parties (domestic)	730,472	709,052
Related parties (Note 19)	47,448	89,188
Foreign receivables	81,125	11,066
Notes receivables	562	420
Tax incentives on exports	22,740	20,566
<b>Subtotal</b>	<b><u>882,347</u></b>	<b><u>830,292</u></b>
Allowance for doubtful accounts	(17,980)	(17,127)
Allowance for trade discounts and volume rebates	-	(11,590)
<b>Total</b>	<b><u>864,367</u></b>	<b><u>801,575</u></b>

### 5. TAX CREDITS

	<u>3/31/2015</u>	<u>12/31/2014</u>
• <u>Current</u>		
Net value added tax	27,452	37,401
Turnover tax credit	6,734	13,893
Income tax and alternative minimum income tax receivable	6,675	7,329
Other tax credits	14,003	15,204
<b>Total</b>	<b><u>54,864</u></b>	<b><u>73,827</u></b>
• <u>Non-current</u>		
Net value added tax	21,304	24,948
Turnover tax credit	495	491
Other tax credits	1,979	2,099
<b>Total</b>	<b><u>23,778</u></b>	<b><u>27,538</u></b>

## 6. OTHER RECEIVABLES

	<u>3/31/2015</u>	<u>12/31/2014</u>
• <u>Current</u>		
Prepaid expenses	15,292	9,283
Receivable from sale of subsidiary company	10,600	10,300
Receivable from sale of property, plant and equipment, and others	328	413
Advances to services suppliers	3,937	4,618
Recovery of decrees N° 7290/67 and 9038/78		3,992
Insurance receivable	1,385	1,542
Guarantee deposits (Note 18c)	164	165
Receivables from customers in receivership and in bankruptcy	225	225
Other (Note 18c)	10,548	9,846
<b>Subtotal</b>	<b>42,479</b>	<b>40,384</b>
Allowance for doubtful accounts	(858)	(858)
<b>Total</b>	<b>41,621</b>	<b>39,526</b>
• <u>Non-current</u>		
Receivable from sale of subsidiary company	31,764	30,882
Régime for the professionalization of transport (1)	17,567	17,567
Receivables from customers in receivership and in bankruptcy	16,691	16,530
Receivable from sale of property, plant and equipment	6,033	5,845
Guarantee deposits (Note 18c)	341	338
Other	105	119
<b>Subtotal</b>	<b>72,501</b>	<b>71,281</b>
Allowance for doubtful accounts	(14,614)	(15,264)
<b>Total</b>	<b>57,887</b>	<b>56,017</b>

(1) In litigation.

## 7. INVENTORIES

	<u>3/31/2015</u>	<u>12/31/2014</u>
Resale goods	36,412	43,327
Finished goods	561,253	620,474
Work in progress	236,218	244,700
Raw materials, packaging and other materials	359,655	365,276
Goods in transit	36,485	23,968
<b>Subtotal</b>	<b>1,230,023</b>	<b>1,297,745</b>
Advances to suppliers	11,203	15,071
<b>Total</b>	<b>1,241,226</b>	<b>1,312,816</b>



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

	Cost or revalued cost					3/31/2015						Net value at the end of the period	
	Value at the beginning of the year	Foreign currency exchange differences	Acquisitions	Transfers	Retirement and disposal	Value at the end of the period	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Retirement and disposal	Depreciation			Accumulated depreciation at the end of the period
										Rate	Of the period		
Land and buildings (1)	1,867,007	(3,943)	475			1,863,539	31,246	(2,145)		2 to 6	13,341	42,442	1,821,097
Machinery and equipment (1)	1,186,844	(1,876)	4,897			1,189,865	153,715	(1,328)		3 to 25	38,814	191,201	998,664
Facilities and laboratory equipment (1)	749,559	(853)	1,414		119	750,001	140,763	(635)	119	2 to 33	17,275	157,284	592,717
Furniture	53,029		538		510	53,057	44,900		501	25	969	45,368	7,689
Vehicles (2)	157,837	(150)	144		302	157,529	106,764	(88)	233	10 to 20	2,034	108,477	49,052
Work in progress	203,105		19,591	2,330		225,026							225,026
Advances to suppliers	3,156			(2,330)	175	651							651
<b>Subtotal</b>	<b>4,220,537</b>	<b>(6,822)</b>	<b>27,059</b>	<b>-</b>	<b>1,106</b>	<b>4,239,668</b>	<b>477,388</b>	<b>(4,196)</b>	<b>853</b>		<b>72,433</b>	<b>544,772</b>	<b>3,694,896</b>
<b>Other:</b>													
Trays	157,261		16,164			173,425	78,658			33	12,281	90,939	82,486
<b>Carrying amount as of March 31, 2015</b>	<b>4,377,798</b>	<b>(6,822)</b>	<b>43,223</b>	<b>-</b>	<b>1,106</b>	<b>4,413,093</b>	<b>556,046</b>	<b>(4,196)</b>	<b>853</b>		<b>84,714</b>	<b>635,711</b>	<b>3,777,382</b>

(1) Had assets revalued been measured at deemed cost, the carrying amount would have been as follows:

Land and buildings	753,694
Machinery and equipment	255,507
Facilities and laboratory equipments	187,689

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 25,190 as of March 31, 2015.

	12/31/2014																
	Cost or revalued cost								Depreciation								Net value at the end of the year
	Value at the beginning of the year	Foreign currency exchange differences	Acquisi- tions	Transfers	Derecog- nised on disposal of a subsidiary	Retire- ment and disposal	Revaluation increase	Value at the end of the year	Accumu- lated depreciation at the beginning of the year	Foreign curren- cy exchan- ge differen- ces	Eliminated on disposal of a subsidiary	Retire- ment and disposal	Depreciation		Eliminated on revaluation	Accumulated depreciation at the end of the year	
												Rate %	Of the year				
Land and buildings (1)	908,309	3,266	2,708	21,060	7,741	100	939,505	1,867,007	136,969	1,716	2,382		2 to 5	28,942	133,999	31,246	1,835,761
Olive plantations	50,166				50,166				15,465		15,465		2				
Machinery and equipment (1)	1,049,917	1,665	10,589	41,320	17,821	9,667	110,841	1,186,844	801,487	1,119	15,281	3,929	5 to 10	33,001	662,682	153,715	1,033,129
Facilities and laboratory equipment (1)	733,129	632	10,308	16,467	10,717	3,465	3,205	749,559	534,241	524	8,633	2,437	5 to 33	28,413	411,345	140,763	608,796
Furniture	50,371		3,174	127		643		53,029	40,972			634	25	4,562		44,900	8,129
Vehicles (2)	150,660	171	11,836		1,589	3,241		157,837	102,760	73	1,552	2,210	10 to 20	7,693		106,764	51,073
Work in progress	182,577		87,246	(64,878)	1,840			203,105									203,105
Advances to suppliers	4,315		13,436	(14,096)	499			3,156									3,156
<b>Subtotal</b>	<b>3,129,444</b>	<b>5,734</b>	<b>139,297</b>	<b>-</b>	<b>90,373</b>	<b>17,116</b>	<b>1,053,551</b>	<b>4,220,537</b>	<b>1,631,894</b>	<b>3,432</b>	<b>43,313</b>	<b>9,210</b>		<b>102,611</b>	<b>1,208,026</b>	<b>477,388</b>	<b>3,743,149</b>
<b>Other:</b>																	
Trays	94,578		62,683					157,261	37,089				33	41,569		78,658	78,603
<b>Carrying amount as of December 31, 2014</b>	<b>3,224,022</b>	<b>5,734</b>	<b>201,980</b>	<b>-</b>	<b>90,373</b>	<b>17,116</b>	<b>1,053,551</b>	<b>4,377,798</b>	<b>1,668,983</b>	<b>3,432</b>	<b>43,313</b>	<b>9,210</b>		<b>144,180</b>	<b>1,208,026</b>	<b>556,046</b>	<b>3,821,752</b>

(1) Had assets revalued been measured at deemed cost, the carrying amount would have been as follows:

Land and buildings	762,257
Machinery and equipment	259,606
Facilities and laboratory equipments	194,246

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 26,072 as of December 31, 2014.

## 9. TRADE PAYABLE - CURRENT

	<u>3/31/2015</u>	<u>12/31/2014</u>
Trade payables	751,597	835,123
Related parties (Note 19)	217,876	204,255
Note payables	192,361	232,646
Foreign suppliers	13,382	9,447
<b>Total</b>	<b><u>1,175,216</u></b>	<b><u>1,281,471</u></b>

## 10. BORROWINGS

	<u>3/31/2015</u>	<u>12/31/2014</u>
<u>Short-term debt</u>		
<b>Principal:</b>		
Financial debt:		
Unsecured debt	39,904	42,431
Secured debt	463,552	385,697
Secured debt – related parties (Note 19)	76,200	41,200
<b>Total financial debt</b>	<b><u>579,656</u></b>	<b><u>469,328</u></b>
<b>Accrued interest:</b>		
Unsecured and secured debt	63,784	1,617
<b>Total accrued interest</b>	<b><u>63,784</u></b>	<b><u>1,617</u></b>
<b>Total</b>	<b><u>643,440</u></b>	<b><u>470,945</u></b>
 <u>Long-term debt</u>		
<b>Principal:</b>		
Senior Notes - Series F - due 2021 (net of issue costs and adjustment to amortized cost for 72,055 and 72,910 as of 3/31/2015 and 12/31/2014, respectively)	1,689,640	1,634,669
<b>Total – Senior Notes</b>	<b><u>1,689,640</u></b>	<b><u>1,634,669</u></b>
Other financial debt:		
Unsecured debt	6,884	8,919
Secured debt	8,277	11,973
<b>Total – Other financial debt</b>	<b><u>15,161</u></b>	<b><u>20,892</u></b>
<b>Total principal</b>	<b><u>1,704,801</u></b>	<b><u>1,655,561</u></b>

## **Main loans agreements**

### **10.1. 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 US\$ 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:	US\$ 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 US\$ 113,733,744):	<ul style="list-style-type: none"><li>• Repurchase of existing debt detailed in Note 10.2</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. and Mastellone San Luis S.A. are jointly and severally liable for the Series F Senior Notes.

### **10.2 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"), 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 - US\$ 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 with the new Series F Senior Notes by thousands of US\$ 85,960, (ii) thousands of US\$ 53,289 were paid in cash to the holders who accepted the offer and (iii) thousands of US\$ 21,546 were cancelled exercising the above mentioned call option.

## 11. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

	<u>3/31/2015</u>	<u>12/31/2014</u>
Payroll and bonus to management	245,573	241,209
Social security taxes	112,447	107,213
<b>Total</b>	<b><u>358,020</u></b>	<b><u>348,422</u></b>

## 12. DEFERRED TAX

### Deferred tax assets:

	<u>3/31/2015</u>	<u>12/31/2014</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	6,855	6,254
Inventories	28	285
Property, plant and equipment, and others	4	4
Tax loss carry-forwards	2,505	
Alternative minimum income tax	25	25
<b>Total</b>	<b><u>9,417</u></b>	<b><u>6,568</u></b>

### Deferred tax liabilities:

	<u>3/31/2015</u>	<u>12/31/2014</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	31,882	34,746
Inventories	41,181	63,658
Intangible assets	946	910
Other assets	(187)	(187)
Property, plant and equipment, and others	(1,072,064)	(1,091,764)
Borrowings	(25,687)	(25,883)
Tax loss carry-forwards	263,471	174,087
Alternative minimum income tax	93,407	85,736
<b>Total</b>	<b><u>(667,051)</u></b>	<b><u>(758,697)</u></b>

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of March 31, 2015 are as follows:

<u>Year of generation</u>	<u>Tax loss amount</u>	<u>Applicable tax rate</u>	<u>Credit due to tax loss carry-forward</u>	<u>Expiration – date for submission of tax returns fiscal years</u>
2013	22,554	35%	7,894	2018
2014	474,836	35%	166,193	2019
Tax loss carry-forwards of the period			91,889	(1)
			<b><u>265,976</u></b>	

(1) It corresponds to the tax income estimated for the three-month period ended March 31, 2015.

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 of discontinued operations	Reduction of tax loss carry-forwards	Charge to loss for the period or year (Note 17 in 2015)	Charge to Other comprehensive income	Balance at the end of the period or year
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(1,011,977)			(5,065)		(1,017,042)
Tax loss carry-forwards	174,087			91,889		265,976
<b>Total as of March 31, 2015</b>	<b>(837,890)</b>	<b>-</b>	<b>-</b>	<b>86,824</b>	<b>-</b>	<b>(751,066)</b>
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(262,522)	9,988		32,109	(791,552)	(1,011,977)
Tax loss carry-forwards	43,483	(3,060)	(2,106)	136,833	(1,063)	174,087
<b>Total as of December 31, 2014</b>	<b>(219,039)</b>	<b>6,928</b>	<b>(2,106)</b>	<b>168,942</b>	<b>(792,615)</b>	<b>(837,890)</b>

### 13. REVENUE

	<u>3/31/2015</u>	<u>3/31/2014</u>
Product sales	3,476,681	3,019,772
Services provided	84,891	84,085
Turnover tax	(91,870)	(85,889)
Sales discounts and volume rebates	(247,103)	(175,754)
Sales returns	(59,796)	(59,849)
<b>Total</b>	<b>3,162,803</b>	<b>2,782,365</b>

### 14. COST OF SALES

	<u>3/31/2015</u>	<u>3/31/2014</u>
<u>Cost of goods sold</u>		
Inventories at the beginning of the year	1,297,745	948,330
Purchases	1,542,273	1,437,954
Production expenses (Note 15)	689,270	522,057
Re-measurement of foreign subsidiaries inventories	(16,594)	35,260
Benefits from industrial promotion	(3,486)	(14,703)
Write-off of inventories	33,390	
Inventories at the end of the period	(1,230,023)	(1,000,091)
<b>Subtotal - cost of goods sold</b>	<b>2,312,575</b>	<b>1,928,807</b>
<u>Cost of services rendered</u>		
Purchases	6,936	6,747
Production expenses (Note 15)	36,109	35,070
<b>Subtotal - cost of services rendered</b>	<b>43,045</b>	<b>41,817</b>
<b>Total cost of sales</b>	<b>2,355,620</b>	<b>1,970,624</b>

**15. INFORMATION REQUIRED BY ART. 64 SUBSECTION B OF ARGENTINA  
CORPORATE LAW N° 19,550 – BREAKDOWN OF EXPENSES BY NATURE**

	<b>3/31/2015</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				7,407	7,407
Fees and compensation for services	70,138	87	161,607	14,762	246,594
Payroll, bonus and social security charges	304,613	21,845	111,600	61,009	499,067
Depreciation of property, plant and equipment, and others	75,343	2,485	5,275	1,611	84,714
Amortization of intangible assets	3,208				3,208
Provision for bad debts			3,538		3,538
Freights	135,530		391,226		526,756
Maintenance and repair	17,917	595	2,476	95	21,083
Office and communication	421	53	119	619	1,212
Fuel, gas and energy	35,543	6,784	3,725	14	46,066
Vehicles expenses	4,946		3,553	434	8,933
Publicity and advertising			79,069		79,069
Taxes, rates and contributions	9,063	435	832	29,867	40,197
Insurance	11,357	39	3,505	795	15,696
Travelling	393		671	98	1,162
Export and import			6,620	75	6,695
Miscellaneous	20,798	3,786	3,137	3,643	31,364
<b>Total</b>	<b>689,270</b>	<b>36,109</b>	<b>776,953</b>	<b>120,429</b>	<b>1,622,761</b>

	<b>3/31/2014</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				7,495	7,495
Fees and compensation for services	57,976	49	114,258	10,515	182,798
Payroll, bonus and social security charges	230,024	20,943	83,321	46,916	381,204
Depreciation of property, plant and equipment, and others	28,513	1,328	2,432	1,171	33,444
Amortization of intangible assets	9,974				9,974
Provision for bad debts			249		249
Freights	115,951		306,145		422,096
Maintenance and repair	17,212	1,037	3,149	103	21,501
Office and communication	403	35	125	467	1,030
Fuel, gas and energy	29,153	4,684	2,266	21	36,124
Vehicles expenses	4,060		2,428	300	6,788
Publicity and advertising			66,809		66,809
Taxes, rates and contributions	16,777	3,079	867	25,152	45,875
Insurance	7,852	126	2,508	728	11,214
Travelling	262		614	67	943
Export and import			6,931	80	7,011
Miscellaneous	3,900	3,789	1,721	3,443	12,853
<b>Total</b>	<b>522,057</b>	<b>35,070</b>	<b>593,823</b>	<b>96,458</b>	<b>1,247,408</b>

## 16. FINANCE COST

	<u>3/31/2015</u>	<u>3/31/2014</u>
Senior Notes and long-term loans interest (1)	56,242	31,643
Other loans interest	35,294	16,313
Other interests	2,083	1,383
<b>Total</b>	<b><u>93,619</u></b>	<b><u>49,339</u></b>

(1) Includes 196 (gain) and 5,239 (gain) for the three-month periods ended March 31, 2015 and 2014, respectively, related to adjustments to amortized cost of debt.

## 17. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	<u>3/31/2015</u>	<u>3/31/2014</u>
Current income tax		(6,358)
Tax loss carry-forwards for the period	91,889	83,375
Net change in temporary differences	(5,065)	15,565
Alternative minimum income tax	(1,342)	(49)
<b>Total - gain</b>	<b><u>85,482</u></b>	<b><u>92,533</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>3/31/2015</u>	<u>3/31/2014</u>
Net loss before income tax and alternative minimum income tax	(251,770)	(245,107)
Statutory income tax rate	35%	35%
Income tax at statutory income tax rate	88,120	85,787
Permanent differences	(2,638)	6,746
<b>Total - gain</b>	<b><u>85,482</u></b>	<b><u>92,533</u></b>

## 18. PLEDGED AND RESTRICTED ASSETS

a) Certain assets owned by the Company are pledged as collateral for bank and financial debt, tax debt (tax régime for promoted activities) and other liabilities for a total amount of 176,087 as of March 31, 2015 (139,684 as of December 31, 2014). Detail of pledged assets is as follows:

	<u>3/31/2015</u>	<u>12/31/2014</u>
Trade accounts receivable	136,461	41,200
Property, plant and equipment, and others	3,031	3,162
Equity value of holding in subsidiary Compañía Puntana de Carnes Elaboradas S.A.	99,259	97,606

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 March 31, 2015, inventories were collateralized for an amount of 324,367 (195,623 as of December 31, 2014). The outstanding balance of the debt amounts to 373,753 as of March 31, 2015 (281,940 as of December 31, 2014).



- c) Additionally, as of March 31, 2015 there were other receivables – guarantee deposits (current and non-current) for an amount of 505 (503 as of December 31, 2014) in guarantee of financial and commercial transactions and restricted assets disclosed in caption “other receivables – other” (current) for 1,328 as of March 31, 2015 (1,328 as of December 31, 2014).
- d) There were financial assets – investment funds by 8,872 of restricted availability as of December 31, 2014, 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 5,533 and 5,599 as of March 31, 2015 and December 31, 2014, respectively, 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\$ 3,262 thousand.
- f) See also commitments for the financial debt described in Note 10.

## 19. RELATED PARTIES OUTSTANDING BALANCES

Company	Trade account receivables (current)		Trade payable (current)	
	3/31/2015	12/31/2014	3/31/2015	12/31/2014
Afianzar S.G.R.	2	3	20	9
Frigorífico Nueva Generación S.A.	557	364	1	
Logística La Serenísima S.A.	46,564	88,350	217,855	204,246
Los Toldos S.A.	325	471		
<b>TOTAL</b>	<b>47,448</b>	<b>89,188</b>	<b>217,876</b>	<b>204,255</b>

Company	Borrowings (current)		Advances from customers (current)
	3/31/2015	12/31/2014	3/31/2015
Fideicomiso Formu	76,200	41,200	
Logística La Serenísima S.A.			1,496
<b>TOTAL</b>	<b>76,200</b>	<b>41,200</b>	<b>1,496</b>

## 20. RELATED PARTIES OPERATIONS

Transactions with related parties for three-month periods ended March 31, 2015 and 2014 were as follows:

	<u>3/31/2015</u>	<u>3/31/2014</u>
<u>Revenues</u>		
Afianzar S.G.R.	2	
Fideicomiso Formu	387	257
Frigorífico Nueva Generación S.A.	64	65
José Mastellone		23
Logística La Serenísima S.A.	5,266	7,005
Los Toldos S.A.	23	197
<u>Purchase of goods and services</u>		
Logística La Serenísima S.A.	207,847	161,661
Los Toldos S.A.	1,085	957
<u>Investment income</u>		
Logística La Serenísima S.A.	1,008	926

	<u>3/31/2015</u>	<u>3/31/2014</u>
<u>Finance cost</u>		
Fideicomiso Formu	4,720	3,155
<u>Other gain and losses</u>		
Logística La Serenisima S.A.	723	69

During the three-month periods ended March 31, 2015 and 2014, the Company paid a total of 12,741 and 17,947, 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.).

<u>Information</u>	<u>3/31/2015</u>		
	<u>Dairy</u>	<u>Other</u>	<u>Total</u>
Revenue from external customers	3,021,684	141,119	3,162,803
Intersegment revenue	558	122,577	123,135
Net loss for the period	(165,227)	(1,061)	(166,288)
Assets allocated to the business lines	6,133,654	178,163	6,311,817
Liabilities allocated to the business lines	4,695,843	119,793	4,815,636
Additions to property, plant and equipment, and others	42,801	422	43,223
Depreciation of property, plant and equipment, and others	83,196	1,518	84,714
Amortization of intangible assets	3,208		3,208
Depreciation of investment property	49		49
Net domestic revenue	2,756,799	141,119	2,897,918

Information	3/31/2014		
	Dairy	Other	Total
Revenue from external customers	2,655,845	126,520	2,782,365
Intersegment revenue	664	106,614	107,278
Net (loss) income for the period	(153,778)	1,204	(152,574)
Assets allocated to the business lines	3,742,241	171,492	3,913,733
Liabilities allocated to the business lines	3,360,443	110,366	3,470,809
Additions to property, plant and equipment, and others	47,088	80	47,168
Depreciation of property, plant and equipment, and others	32,013	1,431	33,444
Amortization of intangible assets	9,974		9,974
Depreciation of investment property	43		43
Net domestic revenue	2,285,089	126,520	2,411,609

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	
3/31/2015	2,897,918	165,464	99,421	3,162,803
3/31/2014	2,411,609	189,231	181,525	2,782,365

## 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 Book of 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 complete 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 older 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. SALE OF SUBSIDIARY COMPANY PROMAS S.A.

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.

The results of Promas S.A. for the three-month period ended as of March 31 2014 have been included in the loss for the period from discontinued operations.

#### **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 May 8, 2015.

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**Mastellone Hermanos Sociedad Anónima**  
Juana Manso N° 555 – 3rd 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 March 31, 2015, 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 three-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, 2014 and for the three-month period ended March 31, 2014, 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 three-month period ended March 31, 2015, are not presented, in all material respects, in accordance with IAS 34.

### **Review of the Informative Summary**

As part of our work, the scope of which is described in the section 3 of this report, we have reviewed the Informative Summary 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 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, May 8, 2015.

**Deloitte S.C.**

**Gustavo A. Nachón**  
**(Partner)**