

**Mastellone Hermanos S.A.**  
Consolidated Financial Statements  
for the six-month period ended  
June 30, 2015

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**

**CONSOLIDATED INFORMATIVE SUMMARY**

**AS OF JUNE 30, 2015**

(in thousands of Argentine pesos)

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

During the six-month period ended June 30, 2015, there was a decrease in the net loss trend, a positive step for our efforts to improve profitability. We continue working on the same goal, recognizing that, until a full recovery in profitability is achieved, we should continue controlling carefully the main drivers that have impact on Company's results.

As mentioned in our last informative summary, we continued with the forecasted delivery of powdered milk exports, which totaled approximately 9,500 tons. International prices remain very depressed; however, our exports were negotiated at a slightly higher price. Moreover, Leitesol, our Brazilian subsidiary continued with its usual business levels.

In the domestic market, our sales level remained lower as compared with the same period of the preceding year. However, we had a partial recovery in the last months, due to the success of our commercial strategy as well as the strength of brands, products, sales force and logistics, combined with a slight increase in consumption.

Regarding costs, we continued with the review of the whole structure of expenses which started during the first quarter of the year with positive results. This process will continue along the rest of the year.

Finally, we want to highlight the effects from the change in our price policy for raw milk, due to the sharp drop in international price of powdered milk and its negative trend for the rest of the year together with the favorable weather conditions that allowed an increase in domestic production. Taking into consideration that reality, we have been forced to reduce the production cost of our products in order to keep the sustainability of our business.

**2. CONSOLIDATED FINANCIAL POSITION**

	<b>6/30/2015</b>	<b>6/30/2014</b>	<b>6/30/2013</b>	<b>6/30/2012</b>	<b>6/30/2011</b>
	(in thousand pesos)				
Current assets	2,345,925	2,225,897	1,851,791	1,545,651	1,300,200
Non-current assets	3,867,054	1,736,555	1,647,127	1,531,566	1,476,292
<b>TOTAL ASSETS</b>	<b>6,212,979</b>	<b>3,962,452</b>	<b>3,498,918</b>	<b>3,077,217</b>	<b>2,776,492</b>
Current liabilities	2,277,179	2,253,873	1,641,679	1,399,638	908,927
Non-current liabilities	2,446,710	1,218,361	1,086,149	974,106	1,072,952
<b>TOTAL LIABILITIES</b>	<b>4,723,889</b>	<b>3,472,234</b>	<b>2,727,828</b>	<b>2,373,744</b>	<b>1,981,879</b>
<b>Equity attributable to owners of the Company</b>	<b>1,489,069</b>	<b>490,201</b>	<b>771,080</b>	<b>703,463</b>	<b>794,603</b>
<b>Non-controlling interests</b>	<b>21</b>	<b>17</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>TOTAL EQUITY</b>	<b>1,489,090</b>	<b>490,218</b>	<b>771,090</b>	<b>703,473</b>	<b>794,613</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,212,979</b>	<b>3,962,452</b>	<b>3,498,918</b>	<b>3,077,217</b>	<b>2,776,492</b>

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

	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011
	(in thousand pesos)				
<b>Continuing operations:</b>					
Operational results – (loss) income	(5,510)	198,002	116,966	(8,070)	53,497
Investment income, finance cost and foreign exchange differences	(302,131)	(455,150)	(148,469)	(115,097)	(84,223)
Other gains and losses	3,278	(2,335)	110,329	8,232	1,127
<b>(Loss) income before taxes</b>	<b>(304,363)</b>	<b>(259,483)</b>	<b>78,826</b>	<b>(114,935)</b>	<b>(29,599)</b>
Income tax and alternative minimum income tax	122,595	79,028	(606)	19,258	784
<b>Net (loss) income for the period from continuing operations</b>	<b>(181,768)</b>	<b>(180,455)</b>	<b>78,220</b>	<b>(95,677)</b>	<b>(28,815)</b>
<b>Discontinued operations</b>		<b>(19,392)</b>			
<b>Net (loss) income for the period</b>	<b>(181,768)</b>	<b>(199,847)</b>	<b>78,220</b>	<b>(95,677)</b>	<b>(28,815)</b>
<b>Other comprehensive (loss) income</b>	<b>(8,680)</b>	<b>36,395</b>	<b>1,453</b>	<b>(2,498)</b>	<b>9,781</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(190,448)</b>	<b>(163,452)</b>	<b>79,673</b>	<b>(98,175)</b>	<b>(19,034)</b>
<b>Net loss attributable to:</b>					
Owners of the company	(190,450)	(163,451)	79,673	(98,175)	(19,034)
Non-controlling interests	2	(1)			
<b>Total comprehensive loss:</b>	<b>(190,448)</b>	<b>(163,452)</b>	<b>79,673</b>	<b>(98,175)</b>	<b>(19,034)</b>

### 4. CONSOLIDATED STATEMENT OF CASH FLOWS

	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011
	(in thousand pesos)				
Cash flows provided by operating activities	395,891	311,206	264,710	200,882	146,053
Cash flows (used in) provided by investing activities	(14,916)	(82,142)	3,319	(91,554)	(52,423)
Cash flows used in financing activities	(228,804)	(149,413)	(176,498)	(73,138)	(33,605)
<b>Cash and cash equivalents provided in the period</b>	<b>152,171</b>	<b>79,651</b>	<b>91,531</b>	<b>36,190</b>	<b>60,025</b>

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

	ACUMULATED SALES				
	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011
	(in thousand liters of milk)				
Domestic market	740,184	770,438	782,568	817,105	739,979
Foreign market	136,337	102,983	99,677	117,057	100,490
<b>Total</b>	<b>876,521</b>	<b>873,421</b>	<b>882,245</b>	<b>934,162</b>	<b>840,469</b>

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

## 6. RATIOS

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
Current assets to current liabilities	1.03	0.99	1.13	1.10	1.43
Equity attributable to owners of the Company to total liabilities	0.32	0.14	0.28	0.30	0.40
Non-current assets to total assets	0.62	0.44	0.47	0.50	0.53

## 7. OUTLOOK (\*)

During the rest of the year we will continue with all the actions conducted to strengthen the Company both, economically and financially. We will be focused on the recovery of the negative results we had in the first semester of the year, and finally achieve sustainable growth.

It will be essential to continue keeping a close watch on the main drivers affecting our results, such as the international price for the powdered milk, price for raw milk, labor costs and sales prices, as well as the consequences on the economy of the presidential elections in Argentina.

(\*) Information not reviewed by the Auditors.

City of Buenos Aires, August 10, 2015

**JOSÉ A. MORENO**

President

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30,**  
**2015**

(in thousands of Argentine pesos)

	Notes	<u>6/30/2015</u>	<u>12/31/2014</u>
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents		321,989	169,818
Other financial assets	3 and 18	8,538	77,930
Trade accounts receivable	4 and 18	830,113	801,575
Tax credits	5	64,015	73,827
Other receivables	6 and 18	35,822	39,526
Inventories	7 and 18	1,085,448	1,312,816
<b>Total Current Assets</b>		<b><u>2,345,925</u></b>	<b><u>2,475,492</u></b>
<b><u>NON-CURRENT ASSETS</u></b>			
Other financial assets	3	10,053	9,328
Tax credits	5	27,709	27,538
Other receivables	6 and 18	57,815	56,017
Deferred tax assets	12	8,904	6,568
Property, plant and equipment, and others	8 and 18	3,732,400	3,821,752
Investment property		3,197	1,190
Goodwill		3,121	3,121
Intangible assets		16,272	24,005
Other assets		7,583	7,783
<b>Total Non-Current Assets</b>		<b><u>3,867,054</u></b>	<b><u>3,957,302</u></b>
<b>TOTAL ASSETS</b>		<b><u>6,212,979</u></b>	<b><u>6,432,794</u></b>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Trade payable	9	1,216,153	1,281,471
Borrowings	10 and 18	442,560	470,945
Accrued salaries, wages and payroll taxes	11	375,661	348,422
Taxes payable		148,461	110,735
Advance from customers		62,605	14,906
Provisions		793	1,522
Other liabilities		30,946	16,610
<b>Total Current Liabilities</b>		<b><u>2,277,179</u></b>	<b><u>2,244,611</u></b>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Trade payable		7,287	10,583
Borrowings	10 and 18	1,754,178	1,655,561
Taxes payable	18	35,380	39,431
Deferred tax liabilities	12	618,134	758,697
Provisions		18,938	22,494
Other liabilities		12,793	21,879
<b>Total Non-Current Liabilities</b>		<b><u>2,446,710</u></b>	<b><u>2,508,645</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>4,723,889</u></b>	<b><u>4,753,256</u></b>
<b><u>EQUITY</u></b>			
Common stock		457,547	457,547
Reserves		1,496,409	1,679,647
Accumulated deficit– including net result for the period or year		(464,887)	(457,675)
<b>Equity attributable to owners of the Company</b>		<b><u>1,489,069</u></b>	<b><u>1,679,519</u></b>
<b>Non-controlling interests</b>		<b><u>21</u></b>	<b><u>19</u></b>
<b>TOTAL EQUITY</b>		<b><u>1,489,090</u></b>	<b><u>1,679,538</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>6,212,979</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 SIX MONTH PERIOD ENDED JUNE 30, 2015**  
(in thousands of Argentine pesos)

	Notes	<b>6/30/2015</b> <b>Six-months</b>	<b>6/30/2014</b> <b>Six-months</b>	<b>6/30/2015</b> <b>Three-months</b>	<b>6/30/2014</b> <b>Three-months</b>
<b><u>Continuing operations</u></b>					
Revenue	13	6,831,593	5,837,698	3,668,790	3,055,333
Cost of sales	14	(4,916,830)	(4,146,828)	(2,561,210)	(2,176,204)
<b>Gross profit</b>		<b>1,914,763</b>	<b>1,690,870</b>	<b>1,107,580</b>	<b>879,129</b>
Selling expenses	15	(1,662,760)	(1,285,525)	(885,807)	(691,702)
General and administrative expenses	15	(257,513)	(207,343)	(137,084)	(110,885)
Investment income		17,562	10,683	9,131	4,080
Finance cost	16	(185,675)	(117,228)	(92,056)	(67,889)
Foreign exchange losses		(134,018)	(348,605)	(59,910)	(25,460)
Other gains and losses		3,278	(2,335)	5,553	(1,649)
<b>Loss before taxes</b>		<b>(304,363)</b>	<b>(259,483)</b>	<b>(52,593)</b>	<b>(14,376)</b>
Income tax and alternative minimum income tax	17	122,595	79,028	37,113	(13,505)
<b>Net loss for the period from continuing operations</b>		<b>(181,768)</b>	<b>(180,455)</b>	<b>(15,480)</b>	<b>(27,881)</b>
<b><u>Discontinued operations</u></b>					
<b>Net loss for the period from discontinued operations</b>	23		(19,392)		(11,711)
<b>NET LOSS FOR THE PERIOD</b>		<b>(181,768)</b>	<b>(199,847)</b>	<b>(15,480)</b>	<b>(39,592)</b>
<b>Other Comprehensive (loss) income</b>					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		(8,680)	36,395	8,389	6,920
<b>Other comprehensive (loss) income, net of income tax</b>		<b>(8,680)</b>	<b>36,395</b>	<b>8,389</b>	<b>6,920</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(190,448)</b>	<b>(163,452)</b>	<b>(7,091)</b>	<b>(32,672)</b>
<b>Net loss attributable to:</b>					
Owners of the Company		(181,770)	(199,846)	(15,482)	(39,590)
Non-controlling interests		2	(1)	2	(2)
<b>Net loss for the period</b>		<b>(181,768)</b>	<b>(199,847)</b>	<b>(15,480)</b>	<b>(39,592)</b>
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		(190,450)	(163,451)	(7,093)	(32,670)
Non-controlling interests		2	(1)	2	(2)
<b>Net comprehensive loss for the period</b>		<b>(190,448)</b>	<b>(163,452)</b>	<b>(7,091)</b>	<b>(32,672)</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 SIX-MONTH PERIOD ENDED JUNE 30, 2015**  
(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	Property, plant and equipment Revaluation reserve		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							(181,770)	(181,770)	2	(181,768)
Other comprehensive loss for the period, net of income tax				(8,680)				(8,680)		(8,680)
Total comprehensive loss for the period	-	-	-	(8,680)	-	-	(181,770)	(190,450)	2	(190,448)
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on April 8, 2015: Absorption of accumulated losses		(15,273)	(30,682)		(128,603)		174,558			
<b>Balance at June 30, 2015</b>	<b>457,547</b>	<b>-</b>	<b>-</b>	<b>26,384</b>	<b>-</b>	<b>1,470,025</b>	<b>(464,887)</b>	<b>1,489,069</b>	<b>21</b>	<b>1,489,090</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 SIX-MONTH PERIOD ENDED JUNE 30, 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						(199,846)	(199,846)	(1)	(199,847)
Other comprehensive income for the period				36,395			36,395		36,395
Total comprehensive income (loss) for the period	-	-	-	36,395	-	(199,846)	(163,451)	(1)	(163,452)
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on April 10, 2014: Absorption of accumulated losses					(57,813)	57,813			
<b>Balance at June 30, 2014</b>	<b>457,547</b>	<b>15,273</b>	<b>30,682</b>	<b>57,942</b>	<b>128,603</b>	<b>(199,846)</b>	<b>490,201</b>	<b>17</b>	<b>490,218</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 SIX-**  
**MONTH PERIOD ENDED JUNE 30, 2015**

(in thousands of Argentine pesos)

	<u>6/30/2015</u>	<u>6/30/2014</u>
<b><u>Cash flows from operating activities</u></b>		
Net loss for the period	(181,768)	(199,847)
Adjustments to reconcile net loss for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	(122,595)	(78,866)
Finance cost	185,675	117,228
Foreign exchange losses	123,420	348,525
Depreciation of property, plant and equipment, and others	169,933	69,297
Net (reversal) additions to provisions	(6,540)	11,718
Write-off of inventories	109,629	
Depreciation of investment property	120	85
Amortization of intangible assets	7,733	19,367
Gain on sale of property, plant and equipment, and others	(843)	(3,229)
	<u>284,764</u>	<u>284,278</u>
Changes in working capital	124,621	47,827
Subtotal	<u>409,385</u>	<u>332,105</u>
Payments of income tax and alternative minimum income tax	(13,494)	(20,899)
<b>Net cash generated by operating activities</b>	<u><b>395,891</b></u>	<u><b>311,206</b></u>
<b><u>Cash flows used in investing activities</u></b>		
Payments for property, plant and equipment, and others	(83,935)	(91,789)
Payments for investment property	(2,127)	
Proceeds from sale of other financial assets	68,486	7,847
Proceeds from sale of subsidiary company		6,347
Proceeds from disposal of property, plant and equipment, and others	2,460	4,753
Payments for purchase of subsidiary company		(10,050)
Proceeds from other assets	200	750
<b>Net cash used in investing activities</b>	<u><b>(14,916)</b></u>	<u><b>(82,142)</b></u>
<b><u>Cash flows used in financing activities</u></b>		
Proceeds from borrowings	142,950	77,419
Repayment of borrowings	(206,144)	(126,524)
Payment of interests	(165,610)	(100,308)
<b>Net cash used in financing activities</b>	<u><b>(228,804)</b></u>	<u><b>(149,413)</b></u>
<b>Increase in cash and cash equivalents</b>	<b>152,171</b>	<b>79,651</b>
<b>Cash and cash equivalents at beginning of year</b>	<u><b>169,818</b></u>	<u><b>115,288</b></u>
<b>Cash and cash equivalents at end of period</b>	<u><b>321,989</b></u>	<u><b>194,939</b></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 SIX-MONTH PERIOD ENDED JUNE 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 2015:

Standard	Name
IFRS 9	Financial instruments <sup>1</sup>
IFRS 15	Revenue <sup>1</sup>
Amendments to IFRSs (annual cycle 2012-2014)	Various IFRSs <sup>2</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>2</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>2</sup>
Amendments to IAS 1	Presentation of Financial Statements <sup>2</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>, 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 2018 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, 2018.

- 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		
			6/30/2015	12/31/2014	6/30/2014
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.	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. (1)	Manufacturer of dairy products	Argentina	99.99	99.99	99.99
Promas S.A. (2)	Agricultural exploitation	Argentina			100.00

- (1) Shareholders' meetings of Compañía Puntana de Carnes Elaboradas S.A. and Mastellone San Luis S.A. held on June 23, 2015 approved the merger of such companies, being Mastellone San Luis S.A. the incorporating company and Compañía Puntana de Carnes Elaboradas S.A. the incorporated company. The merger was decided based on financial statements as of March 31, 2015, to be effective July 1, 2015. The merger is in process before the Companies' Inspection Bureau to the date of issuance of these financial statements.
- (2) Company sold in 2014 fiscal year. See Note 23.

The financial position statements of Mastellone Hermanos Sociedad Anónima as of June 30, 2015 and December 31, 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month periods ended June 30, 2015 and 2014, were consolidated based on financial statements of the subsidiaries companies for the periods or years ended at such dates.

### 3. OTHER FINANCIAL ASSETS

	<u>6/30/2015</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	1,023	856
<b>Total</b>	<b><u>8,538</u></b>	<b><u>77,930</u></b>
• <u>Non-current</u>		
Long-term investments	10,053	9,328
<b>Total</b>	<b><u>10,053</u></b>	<b><u>9,328</u></b>

### 4. TRADE ACCOUNTS RECEIVABLE

	<u>6/30/2015</u>	<u>12/31/2014</u>
Third parties (domestic)	734,256	709,052
Related parties (Note 19)	91,321	89,188
Foreign receivables	289	11,066
Notes receivables	530	420
Tax incentives on exports	24,106	20,566
<b>Subtotal</b>	<b><u>850,502</u></b>	<b><u>830,292</u></b>
Allowance for doubtful accounts	(20,389)	(17,127)
Allowance for trade discounts and volume rebates	-	(11,590)
<b>Total</b>	<b><u>830,113</u></b>	<b><u>801,575</u></b>

### 5. TAX CREDITS

	<u>6/30/2015</u>	<u>12/31/2014</u>
• <u>Current</u>		
Net value added tax	22,906	37,401
Turnover tax credit	12,250	13,893
Income tax and alternative minimum income tax receivable	6,394	7,329
Other tax credits	22,465	15,204
<b>Total</b>	<b><u>64,015</u></b>	<b><u>73,827</u></b>
• <u>Non-current</u>		
Net value added tax	22,778	24,948
Turnover tax credit	1,581	491
Other tax credits	3,350	2,099
<b>Total</b>	<b><u>27,709</u></b>	<b><u>27,538</u></b>

## 6. OTHER RECEIVABLES

	<u>6/30/2015</u>	<u>12/31/2014</u>
• <u>Current</u>		
Prepaid expenses	10,496	9,283
Receivable from sale of subsidiary company	10,900	10,300
Receivable from sale of property, plant and equipment, and others	433	413
Advances to services suppliers	2,822	4,618
Recovery of decrees N° 7290/67 and 9038/78		3,992
Insurance receivable	1,876	1,542
Guarantee deposits (Note 18c)	253	165
Receivables from customers in receivership and in bankruptcy	225	225
Other (Note 18c)	9,676	9,846
<b>Subtotal</b>	<b>36,681</b>	<b>40,384</b>
Allowance for doubtful accounts	(859)	(858)
<b>Total</b>	<b>35,822</b>	<b>39,526</b>
• <u>Non-current</u>		
Receivable from sale of subsidiary company	32,646	30,882
Régime for the professionalization of transport (1)	17,567	17,567
Receivables from customers in receivership and in bankruptcy	15,774	16,530
Receivable from sale of property, plant and equipment	6,217	5,845
Guarantee deposits (Note 18c)	192	338
Other	75	119
<b>Subtotal</b>	<b>72,471</b>	<b>71,281</b>
Allowance for doubtful accounts	(14,656)	(15,264)
<b>Total</b>	<b>57,815</b>	<b>56,017</b>

(1) In litigation.

## 7. INVENTORIES

	<u>6/30/2015</u>	<u>12/31/2014</u>
Resale goods	45,643	43,327
Finished goods	431,056	620,474
Work in progress	254,905	244,700
Raw materials, packaging and other materials	327,793	365,276
Goods in transit	17,555	23,968
<b>Subtotal</b>	<b>1,076,952</b>	<b>1,297,745</b>
Advances to suppliers	8,496	15,071
<b>Total</b>	<b>1,085,448</b>	<b>1,312,816</b>



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

	Cost or revalued cost					6/30/2015						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	(2,464)	931	181		1,865,655	31,246	(1,240)		2 to 6	26,413	56,419	1,809,236
Machinery and equipment (1)	1,186,844	(1,155)	5,844	3,263	20	1,194,776	153,715	(810)	2	3 to 25	77,975	230,878	963,898
Facilities and laboratory equipment (1)	749,559	(525)	2,389	3,354	2,483	752,294	140,763	(388)	1,143	2 to 33	34,533	173,765	578,529
Furniture	53,029		932	34	522	53,473	44,900		513	25	1,906	46,293	7,180
Vehicles (2)	157,837	(95)	692	170	880	157,724	106,764	(64)	805	10 to 20	3,795	109,690	48,034
Work in progress	203,105		38,543	(4,501)		237,147					75	75	237,072
Advances to suppliers	3,156		598	(2,501)	175	1,078							1,078
<b>Subtotal</b>	<b>4,220,537</b>	<b>(4,239)</b>	<b>49,929</b>	<b>-</b>	<b>4,080</b>	<b>4,262,147</b>	<b>477,388</b>	<b>(2,502)</b>	<b>2,463</b>		<b>144,697</b>	<b>617,120</b>	<b>3,645,027</b>
<b>Other:</b>													
Trays	157,261		34,006			191,267	78,658			33	25,236	103,894	87,373
<b>Carrying amount as of June 30, 2015</b>	<b>4,377,798</b>	<b>(4,239)</b>	<b>83,935</b>	<b>-</b>	<b>4,080</b>	<b>4,453,414</b>	<b>556,046</b>	<b>(2,502)</b>	<b>2,463</b>		<b>169,933</b>	<b>721,014</b>	<b>3,732,400</b>

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

Land and buildings	747,947
Machinery and equipment	250,965
Facilities and laboratory equipments	183,400

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 24,238 as of June 30, 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	Acquisitions	Transfers	Derecognised on disposal of a subsidiary	Retirement and disposal	Revaluation increase	Value at the end of the year	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Eliminated on disposal of a subsidiary	Retirement 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>6/30/2015</u>	<u>12/31/2014</u>
Trade payables	779,186	835,123
Related parties (Note 19)	232,288	204,255
Note payables	192,204	232,646
Foreign suppliers	12,475	9,447
<b>Total</b>	<b><u>1,216,153</u></b>	<b><u>1,281,471</u></b>

## 10. BORROWINGS

	<u>6/30/2015</u>	<u>12/31/2014</u>
<u>Short-term debt</u>		
<b>Principal:</b>		
Financial debt:		
Unsecured debt	35,822	42,431
Secured debt	309,061	385,697
Secured debt – related parties (Note 19)	76,200	41,200
<b>Total financial debt</b>	<b><u>421,083</u></b>	<b><u>469,328</u></b>
<b>Accrued interest:</b>		
Unsecured and secured debt	21,477	1,617
<b>Total accrued interest</b>	<b><u>21,477</u></b>	<b><u>1,617</u></b>
<b>Total</b>	<b><u>442,560</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 71,135 and 72,910 as of 6/30/2015 and 12/31/2014, respectively)	1,743,679	1,634,669
<b>Total – Senior Notes</b>	<b><u>1,743,679</u></b>	<b><u>1,634,669</u></b>
Other financial debt:		
Unsecured debt	4,686	8,919
Secured debt	5,813	11,973
<b>Total – Other financial debt</b>	<b><u>10,499</u></b>	<b><u>20,892</u></b>
<b>Total principal</b>	<b><u>1,754,178</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. (until its merger into Mastellone San Luis 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>6/30/2015</u>	<u>12/31/2014</u>
Payroll and bonus to management	231,257	241,209
Social security taxes	144,404	107,213
<b>Total</b>	<b><u>375,661</u></b>	<b><u>348,422</u></b>

## 12. DEFERRED TAX

### Deferred tax assets:

	<u>6/30/2015</u>	<u>12/31/2014</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	6,592	6,254
Inventories	5	285
Property, plant and equipment, and others	4	4
Tax loss carry-forwards	2,303	
Alternative minimum income tax		25
<b>Total</b>	<b><u>8,904</u></b>	<b><u>6,568</u></b>

### Deferred tax liabilities:

	<u>6/30/2015</u>	<u>12/31/2014</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	30,321	34,746
Inventories	64,470	63,658
Intangible assets	984	910
Other assets	(187)	(187)
Property, plant and equipment, and others	(1,050,185)	(1,091,764)
Borrowings	(25,334)	(25,883)
Tax loss carry-forwards	258,589	174,087
Alternative minimum income tax	103,208	85,736
<b>Total</b>	<b><u>(618,134)</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 June 30, 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	511,787	35%	179,126	2019
	Tax loss carry-forwards of the period		73,872 (1)	
			<b><u>260,892</u></b>	

(1) It corresponds to the tax income estimated for the six-month period ended June 30, 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)			38,647		(973,330)
Tax loss carry-forwards	174,087			86,805		260,892
<b>Total as of June 30, 2015</b>	<b>(837,890)</b>	<b>-</b>	<b>-</b>	<b>125,452</b>	<b>-</b>	<b>(712,438)</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

	<b>6/30/2015</b> <b>Six-months</b>	<b>6/30/2014</b> <b>Six-months</b>	<b>6/30/2015</b> <b>Three-months</b>	<b>6/30/2014</b> <b>Three-months</b>
Product sales	7,527,202	6,341,896	4,050,521	3,322,124
Services provided	174,971	167,154	90,080	83,069
Turnover tax	(198,225)	(177,477)	(106,355)	(91,588)
Sales discounts and volume rebates	(555,498)	(386,625)	(308,395)	(210,871)
Sales returns	(116,857)	(107,250)	(57,061)	(47,401)
<b>Total</b>	<b>6,831,593</b>	<b>5,837,698</b>	<b>3,668,790</b>	<b>3,055,333</b>

### 14. COST OF SALES

	<b>6/30/2015</b> <b>Six-months</b>	<b>6/30/2014</b> <b>Six-month</b>	<b>6/30/2015</b> <b>Three-months</b>	<b>6/30/2014</b> <b>Three-months</b>
<u>Cost of goods sold</u>				
Inventories at the beginning of the year	1,297,745	948,330	1,230,023	1,000,091
Purchases	3,073,269	3,058,388	1,530,996	1,620,434
Production expenses (Note 15)	1,454,302	1,076,288	765,032	554,231
Re-measurement of foreign subsidiaries inventories	(10,127)	42,828	6,467	7,568
Benefits from industrial promotion	(20,172)	(28,244)	(16,686)	(13,541)
Write-off of inventories	109,629		76,239	
Inventories at the end of the period	(1,076,952)	(1,029,554)	(1,076,952)	(1,029,554)
<b>Subtotal - cost of goods sold</b>	<b>4,827,694</b>	<b>4,068,036</b>	<b>2,515,119</b>	<b>2,139,229</b>
<u>Cost of services rendered</u>				
Purchases	13,619	13,205	6,683	6,458
Production expenses (Note 15)	75,517	65,587	39,408	30,517
<b>Subtotal - cost of services rendered</b>	<b>89,136</b>	<b>78,792</b>	<b>46,091</b>	<b>36,975</b>
<b>Total cost of sales</b>	<b>4,916,830</b>	<b>4,146,828</b>	<b>2,561,210</b>	<b>2,176,204</b>

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

	<b>6/30/2015 (six-months)</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				24,511	24,511
Fees and compensation for services	157,459	123	350,263	30,760	538,605
Payroll, bonus and social security charges	651,074	45,217	245,259	125,087	1,066,637
Depreciation of property, plant and equipment, and others	150,715	5,967	10,224	3,027	169,933
Amortization of intangible assets	7,733				7,733
Provision for bad debts			5,846		5,846
Freights	261,041		825,081		1,086,122
Maintenance and repair	34,611	1,386	5,497	207	41,701
Office and communication	816	157	309	1,193	2,475
Fuel, gas and energy	78,335	13,930	7,405	23	99,693
Vehicles expenses	10,049		7,462	931	18,442
Publicity and advertising			173,644		173,644
Taxes, rates and contributions	28,711	814	1,581	62,815	93,921
Insurance	23,693	135	7,582	1,896	33,306
Travelling	773		1,412	255	2,440
Export and import			15,766	213	15,979
Miscellaneous	49,292	7,788	5,429	6,595	69,104
<b>Total</b>	<b>1,454,302</b>	<b>75,517</b>	<b>1,662,760</b>	<b>257,513</b>	<b>3,450,092</b>

	<b>6/30/2014 (six-months)</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				16,148	16,148
Fees and compensation for services	120,991	133	256,034	24,623	401,781
Payroll, bonus and social security charges	487,304	39,611	175,403	98,153	800,471
Depreciation of property, plant and equipment, and others	57,773	2,753	4,797	2,384	67,707
Amortization of intangible assets	19,367				19,367
Provision for bad debts			4,232		4,232
Freights	229,375		662,689		892,064
Maintenance and repair	33,461	1,782	5,885	298	41,426
Office and communication	706	69	275	975	2,025
Fuel, gas and energy	70,467	9,268	5,391	34	85,160
Vehicles expenses	7,822		4,872	740	13,434
Publicity and advertising		108	143,526		143,634
Taxes, rates and contributions	24,683	4,397	1,493	55,397	85,970
Insurance	16,153	192	5,298	1,405	23,048
Travelling	601		1,323	250	2,174
Export and import			11,324	165	11,489
Miscellaneous	7,585	7,274	2,983	6,771	24,613
<b>Total</b>	<b>1,076,288</b>	<b>65,587</b>	<b>1,285,525</b>	<b>207,343</b>	<b>2,634,743</b>

	6/30/2015 (three-months)				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				17,104	17,104
Fees and compensation for services	87,321	36	188,656	15,998	292,011
Payroll, bonus and social security charges	346,461	23,372	133,659	64,078	567,570
Depreciation of property, plant and equipment, and others	75,362	3,482	4,949	1,416	85,209
Amortization of intangible assets	4,525				4,525
Provision for bad debts			2,308		2,308
Freights	125,511		433,855		559,366
Maintenance and repair	16,694	791	3,021	112	20,618
Office and communication	395	104	190	574	1,263
Fuel, gas and energy	42,792	7,146	3,680	9	53,627
Vehicles expenses	5,103		3,909	497	9,509
Publicity and advertising			94,575		94,575
Taxes, rates and contributions	19,648	379	749	32,948	53,724
Insurance	12,336	96	4,077	1,101	17,610
Travelling	380		741	157	1,278
Export and import			9,146	138	9,284
Miscellaneous	28,504	4,002	2,292	2,952	37,750
<b>Total</b>	<b>765,032</b>	<b>39,408</b>	<b>885,807</b>	<b>137,084</b>	<b>1,827,331</b>

	6/30/2014 (three-months)				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				8,653	8,653
Fees and compensation for services	63,015	84	141,776	14,108	218,983
Payroll, bonus and social security charges	257,280	18,668	92,082	51,237	419,267
Depreciation of property, plant and equipment, and others	29,260	1,425	2,365	1,213	34,263
Amortization of intangible assets	9,393				9,393
Provision for bad debts			3,983		3,983
Freights	113,424		356,544		469,968
Maintenance and repair	16,249	745	2,736	195	19,925
Office and communication	303	34	150	508	995
Fuel, gas and energy	41,314	4,584	3,125	13	49,036
Vehicles expenses	3,762		2,444	440	6,646
Publicity and advertising		108	76,717		76,825
Taxes, rates and contributions	7,906	1,318	626	30,245	40,095
Insurance	8,301	66	2,790	677	11,834
Travelling	339		709	183	1,231
Export and import			4,393	85	4,478
Miscellaneous	3,685	3,485	1,262	3,328	11,760
<b>Total</b>	<b>554,231</b>	<b>30,517</b>	<b>691,702</b>	<b>110,885</b>	<b>1,387,335</b>



## 16. FINANCE COST

	<u>6/30/2015</u> <u>Six-months</u>	<u>6/30/2014</u> <u>Six-months</u>	<u>6/30/2015</u> <u>Three-months</u>	<u>6/30/2014</u> <u>Three-months</u>
Senior Notes and long-term loans interest (1)	114,114	77,332	57,872	45,689
Other loans interest	68,318	36,475	33,024	20,162
Other interests	3,243	3,421	1,160	2,038
<b>Total</b>	<b><u>185,675</u></b>	<b><u>117,228</u></b>	<b><u>92,056</u></b>	<b><u>67,889</u></b>

(1) Includes 326 (gain) and 2,964 (gain) for the six-month periods ended June 30, 2015 and 2014, respectively, related to adjustments to amortized cost of debt.

## 17. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	<u>6/30/2015</u> <u>Six-months</u>	<u>6/30/2014</u> <u>Six-months</u>	<u>6/30/2015</u> <u>Three-months</u>	<u>6/30/2014</u> <u>Three-months</u>
Current income tax	(61)	(14,923)	(61)	(8,565)
Tax loss carry-forwards for the period	86,805	99,246	(5,084)	15,871
Net change in temporary differences	38,647	13,914	43,712	(1,651)
Alternative minimum income tax	(2,796)	(19,209)	(1,454)	(19,160)
<b>Total – gain (loss)</b>	<b><u>122,595</u></b>	<b><u>79,028</u></b>	<b><u>37,113</u></b>	<b><u>(13,505)</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>6/30/2015</u> <u>Six-months</u>	<u>6/30/2014</u> <u>Six-months</u>	<u>6/30/2015</u> <u>Three-months</u>	<u>6/30/2014</u> <u>Three-months</u>
Net loss before income tax and alternative minimum income tax	(304,363)	(259,483)	(52,593)	(14,376)
Statutory income tax rate	35%	35%	35%	35%
Income tax at statutory income tax rate	106,527	90,819	18,408	5,033
Permanent differences	16,068	(11,791)	18,705	(18,538)
<b>Total – gain (loss)</b>	<b><u>122,595</u></b>	<b><u>79,028</u></b>	<b><u>37,113</u></b>	<b><u>(13,505)</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 118,150 as of June 30, 2015 (139,684 as of December 31, 2014). Detail of pledged assets is as follows:

	<u>6/30/2015</u>	<u>12/31/2014</u>
Trade accounts receivable	76,200	41,200
Property, plant and equipment, and others	2,899	3,162
Equity value of holding in subsidiary Compañía Puntana de Carnes Elaboradas S.A.	101,734	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 June 30, 2015, inventories were collateralized for an amount of 221,507 (195,623 as of December 31, 2014). The outstanding balance of the debt amounts to 280,083 as of June 30, 2015 (281,940 as of December 31, 2014).
- c) Additionally, as of June 30, 2015 there were other receivables – guarantee deposits (current and non-current) for an amount of 445 (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 June 30, 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 5,467 and 5,599 as of June 30, 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)	
	6/30/2015	12/31/2014	6/30/2015	12/31/2014
Afianzar S.G.R.	5	3	4	9
Frigorífico Nueva Generación S.A.	473	364		
Logística La Serenísima S.A.	90,546	88,350	232,284	204,246
Los Toldos S.A.	297	471		
<b>TOTAL</b>	<b>91,321</b>	<b>89,188</b>	<b>232,288</b>	<b>204,255</b>

Company	Borrowings (current)		Advances from customers (current)
	6/30/2015	12/31/2014	6/30/2015
Fideicomiso Formu	76,200	41,200	
Logística La Serenísima S.A.			6
<b>TOTAL</b>	<b>76,200</b>	<b>41,200</b>	<b>6</b>

## 20. RELATED PARTIES OPERATIONS

Transactions with related parties for six-month periods ended June 30, 2015 and 2014 were as follows:

	<u>6/30/2015</u>	<u>6/30/2014</u>
<u>Revenues</u>		
Afianzar S.G.R.	5	3
Antonio Mastellone		8
Fideicomiso Formu	792	533
Frigorífico Nueva Generación S.A.	132	128
José Mastellone		23
Logística La Serenísima S.A.	19,089	15,844
Los Toldos S.A.	224	279
<u>Purchase of goods and services</u>		
Logística La Serenísima S.A.	487,835	340,548
Los Toldos S.A.	2,025	2,048
<u>Investment income</u>		
Logística La Serenísima S.A.	2,022	1,644
Los Toldos S.A.		66
<u>Finance cost</u>		
Fideicomiso Formu	10,157	6,592
<u>Other gain and losses</u>		
Logística La Serenisima S.A.	785	69

During the six-month periods ended June 30, 2015 and 2014, the Company paid a total of 42,751 and 29,571, 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.).

Information	6/30/2015		
	Dairy	Other	Total
Revenue from external customers	6,542,367	289,226	6,831,593
Intersegment revenue	1,246	178,725	179,971
Net (loss) income for the period	(183,136)	1,368	(181,768)
Assets allocated to the business lines	6,046,732	166,247	6,212,979
Liabilities allocated to the business lines	4,623,537	100,352	4,723,889
Additions to property, plant and equipment, and others	83,384	551	83,935
Depreciation of property, plant and equipment, and others	167,404	2,529	169,933
Amortization of intangible assets	7,733		7,733
Depreciation of investment property	120		120
Net domestic revenue	5,970,809	289,226	6,260,035

Information	6/30/2014		
	Dairy	Other	Total
Revenue from external customers	5,568,926	268,772	5,837,698
Intersegment revenue	1,062	211,093	212,155
Net (loss) income for the period	(183,567)	3,112	(180,455)
Assets allocated to the business lines	3,708,783	170,129	3,878,912
Liabilities allocated to the business lines	3,355,788	105,793	3,461,581
Additions to property, plant and equipment, and others	89,488	1,012	90,500
Depreciation of property, plant and equipment, and others	64,864	2,843	67,707
Amortization of intangible assets	19,367		19,367
Depreciation of investment property	85		85
Net domestic revenue	4,897,188	268,772	5,165,960

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

Period	Revenue			Total
	Domestic market	Brazil and Paraguay	Other countries	
6/30/2015	6,260,035	322,597	248,961	6,831,593
6/30/2014	5,165,960	407,238	264,500	5,837,698

## 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 six-month period ended as of June 30 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 August 10, 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 June 30, 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 six-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 six-month period ended June 30, 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 six-month period ended June 30, 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, August 10, 2015.

**Deloitte S.C.**

**Gustavo A. Nachón**  
**(Partner)**