

Mastellone Hermanos S.A.
Consolidated Financial Statements
for the three-month period ended
March 31, 2016

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY

AS OF MARCH 31, 2016

(in thousands of Argentine pesos)

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

During the first quarter of 2016, the financial performance was positively affected by the actions (commercial and cost reductions decisions) taken by the Company over the last months of the previous year.

The Company reaffirmed its participation on government's "Precios Cuidados" plan, through a redefinition of the products included in such program, and continued with the actions strengthening its brands and high quality products. In spite of that, volumes sold were negatively affected by a lower consumption in Argentina, as well as the usual seasonal impact of the first quarter.

International prices for dairy commodities remained depressed (in spite of a temporary improvement in the first weeks of 2016), with a negative impact on volumes and an increase in inventories. Nevertheless, we could close exports transactions (many of them to be delivered in the second quarter of 2016) at average prices higher than those for comparable transactions according to market sources.

The cost of the raw milk remained affected by the overall situation of domestic and international markets. Notwithstanding, we registered a slight increase in comparison with the average prices recorded during 2015's last quarter.

Throughout more than 85 years our Company has kept a proactive and a very good relationship with the Union that represents dairy workers. During this first quarter, we have been surprised by an internal environment full of tension and indiscipline, including a strike that impacted negatively on the Company's results.

Lastly, having received the approval of the Brazilian regulatory authorities, on February 23rd, the Company's Shareholders approved the issuance of shares to capitalize the irrevocable contribution received from Arcor SAIC and Bagley Argentina SA. As a result of that, the existing shareholders diluted their existing participations at the date of the aforesaid corporate action.

2. CONSOLIDATED FINANCIAL POSITION

	3/31/2016	3/31/2015	3/31/2014	3/31/2013	3/31/2012
	(in thousand pesos)				
Current assets	3,161,719	2,400,139	2,268,109	1,720,676	1,478,072
Non-current assets	4,804,153	3,911,678	1,735,704	1,609,179	1,511,316
TOTAL ASSETS	7,965,872	6,311,817	4,003,813	3,329,855	2,989,388
Current liabilities	2,272,673	2,349,935	2,183,315	1,579,946	1,136,109
Non-current liabilities	3,545,041	2,465,701	1,297,608	1,069,788	1,078,648
TOTAL LIABILITIES	5,817,714	4,815,636	3,480,923	2,649,734	2,214,757
Equity attributable to owners of the Company	2,148,127	1,496,162	522,871	680,111	774,621
Non-controlling interests	31	19	19	10	10
TOTAL EQUITY	2,148,158	1,496,181	522,890	680,121	774,631
TOTAL LIABILITIES AND EQUITY	7,965,872	6,311,817	4,003,813	3,329,855	2,989,388

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

	3/31/2016	3/31/2015	3/31/2014	3/31/2013	3/31/2012
	(in thousand pesos)				
Continuing operations:					
Operational results – income (loss)	120,787	(90,199)	121,460	47,267	1,391
Investment income, finance cost and foreign exchange differences	(395,975)	(159,296)	(365,881)	(70,420)	(45,752)
Other gains and losses	2,166	(2,275)	(686)	(2,540)	5,490
Loss before taxes	(273,022)	(251,770)	(245,107)	(25,693)	(38,871)
Income tax and alternative minimum income tax	104,462	85,482	92,533	8,831	8,152
Net loss for the period from continuing operations	(168,560)	(166,288)	(152,574)	(16,862)	(30,719)
Discontinued operations			(7,681)		
Net loss for the period	(168,560)	(166,288)	(160,255)	(16,862)	(30,719)
Other comprehensive income (loss)	27,974	(17,069)	29,475	5,566	3,702
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(140,586)	(183,357)	(130,780)	(11,296)	(27,017)
Net loss attributable to:					
Owners of the company	(140,585)	(183,357)	(130,781)	(11,296)	(27,017)
Non-controlling interests	(1)	-	1	-	-
Total comprehensive loss:	(140,586)	(183,357)	(130,780)	(11,296)	(27,017)

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	3/31/2016	3/31/2015	3/31/2014	3/31/2013	3/31/2012
	(in thousand pesos)				
Cash flows provided by (used in) operating activities	20,484	(77,727)	96,852	49,044	50,547
Cash flows (used in) provided by investing activities	(116,505)	24,123	(37,303)	(29,435)	(44,879)
Cash flows (used in) provided by financing activities	(853)	73,471	37,997	(30)	3,734
Cash and cash equivalents (used) provided in the period	(96,874)	19,867	97,546	19,579	9,402

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES				
	3/31/2016	3/31/2015	3/31/2014	3/31/2013	3/31/2012
	(in thousand liters of milk)				
Domestic market	317,425	351,909	379,938	389,792	378,945
Foreign market	65,926	55,173	54,308	51,086	56,494
Total	383,351	407,082	434,246	440,878	435,439

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

6. RATIOS

	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>	<u>3/31/2013</u>	<u>3/31/2012</u>
Current assets to current liabilities	1.39	1.02	1.04	1.09	1.30
Equity attributable to owners of the Company to total liabilities	0.37	0.31	1.15	0.26	0.35
Non-current assets to total assets	0.60	0.62	0.43	0.48	0.51

7. OUTLOOK (*)

Given the complex reality of the dairy sector, we will have a challenging situation for the rest of the year. An extended period of depressed international markets and the decrease in consumption impacted on the whole dairy industry.

A recovery of the international markets is expected, especially for the second half of the year, resulting in higher prices than those of the last fifteen months. Such improvement will allow an increase in exports and therefore a reduction of inventories and also could impact over the excess offer of dairy products in the domestic market.

As for the consumption, we are positive about a marginal improvement of the country's overall macroeconomic situation, especially for the second half of the year. Nevertheless, our projections are conservative taking into consideration the process of adjustment over the different variables of the economy.

Regarding the relationship with the Union, we hope that reason and dialogue will rule for the rest of the year. This will help to avoid worsening the complex situation of the whole dairy sector.

Finally, the Company will continue with the execution of the strategic plan which includes investments that will contribute to improve sustainably the Company's profitability. Also, we will carry on analyzing all synergies that might exist with the new group of shareholders.

(*) Information not reviewed by the Auditors.

General Rodriguez, Province of Buenos Aires, May 9, 2016

JOSÉ A. MORENO

Chairman

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT MARCH 31,
2016

(in thousands of Argentine pesos)

	Notes	<u>3/31/2016</u>	<u>12/31/2015</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents		383,440	480,314
Other financial assets	4 and 19	86,269	61,099
Trade accounts receivable	5	1,121,761	846,615
Tax credits	6	65,500	101,668
Other receivables	7 and 19	43,689	34,729
Inventories	8 and 19	1,461,060	1,351,185
Total Current Assets		<u>3,161,719</u>	<u>2,875,610</u>
<u>NON-CURRENT ASSETS</u>			
Other financial assets	4	17,622	61,967
Tax credits	6	28,230	16,203
Other receivables	7 and 19	43,809	42,226
Deferred tax assets	13	18,350	17,238
Property, plant and equipment, and others	9 and 19	4,678,046	4,644,845
Investment property		5,039	5,191
Goodwill		3,121	3,121
Intangible assets		2,153	2,260
Other assets		7,783	7,900
Total Non-Current Assets		<u>4,804,153</u>	<u>4,800,951</u>
TOTAL ASSETS		<u>7,965,872</u>	<u>7,676,561</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Trade payable	10	1,307,354	1,256,772
Borrowings	11 and 19	295,588	168,043
Accrued salaries, wages and payroll taxes	12	477,231	442,106
Taxes payable		105,289	107,566
Advance from customers		13,030	2,253
Provisions		1,206	1,088
Contributions for future subscription of common stock			486,000
Other liabilities		72,975	20,757
Total Current Liabilities		<u>2,272,673</u>	<u>2,484,585</u>
<u>NON-CURRENT LIABILITIES</u>			
Trade payable		7,153	7,255
Borrowings	11 and 19	2,860,958	2,531,844
Taxes payable		22,382	24,088
Deferred tax liabilities	13	616,177	742,449
Provisions		20,897	19,827
Other liabilities		17,474	63,769
Total Non-Current Liabilities		<u>3,545,041</u>	<u>3,389,232</u>
TOTAL LIABILITIES		<u>5,817,714</u>	<u>5,873,817</u>
<u>EQUITY</u>			
Common stock and share premium		943,547	457,547
Reserves		2,040,988	2,058,338
Accumulated deficit– including net result for the period or year		(836,408)	(713,173)
Equity attributable to owners of the Company		<u>2,148,127</u>	<u>1,802,712</u>
Non-controlling interests		<u>31</u>	<u>32</u>
TOTAL EQUITY		<u>2,148,158</u>	<u>1,802,744</u>
TOTAL LIABILITIES AND EQUITY		<u>7,965,872</u>	<u>7,676,561</u>

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, 2016
(in thousands of Argentine pesos)

	Notes	<u>3/31/2016</u>	<u>3/31/2015</u>
Revenue	14	3,605,132	3,162,803
Cost of sales	15	(2,344,263)	(2,355,620)
Gross profit		1,260,869	807,183
Selling expenses	16	(953,839)	(776,953)
General and administrative expenses	16	(186,243)	(120,429)
Investment income		23,720	8,431
Finance cost	17	(103,067)	(93,619)
Foreign exchange losses		(316,628)	(74,108)
Other gains and losses		2,166	(2,275)
Loss before taxes		(273,022)	(251,770)
Income tax and alternative minimum income tax	18	104,462	85,482
NET LOSS FOR THE PERIOD		<u>(168,560)</u>	<u>(166,288)</u>
Other comprehensive income (loss)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		27,974	(17,069)
Other comprehensive income (loss), net of income tax		<u>27,974</u>	<u>(17,069)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(140,586)</u>	<u>(183,357)</u>
Net loss attributable to:			
Owners of the Company		(168,559)	(166,288)
Non-controlling interests		(1)	
Net loss for the period		<u>(168,560)</u>	<u>(166,288)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(140,585)	(183,357)
Non-controlling interests		(1)	
Net comprehensive loss for the period		<u>(140,586)</u>	<u>(183,357)</u>

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, 2016
(in thousands of Argentine pesos)

	Shareholders' contributions		Reserves		Retained earnings (Accumulated losses)	Equity attributable to:		Total
	Common stock	Share premium	Foreign currency translation reserve	Property, plant and equipment Revaluation reserve		Owners of the parents	Non controlling interest	
Balance at December 31, 2015	457,547	-	39,033	2,019,305	(713,173)	1,802,712	32	1,802,744
Net loss for the period					(168,559)	(168,559)	(1)	(168,560)
Other comprehensive income for the period			27,974			27,974		27,974
Total comprehensive gain (loss) for the period			27,974		(168,559)	(140,585)	(1)	(140,586)
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on February 23, 2016: (Note 2f)								
Capital stock increase	115,542	370,458				486,000		486,000
Transfer to accumulated losses (1)				(45,324)	45,324			
Balance at March 31, 2016	573,089	370,458	67,007	1,973,981	(836,408)	2,148,127	31	2,148,158

(1) It corresponds to depreciation and disposals for the period of revalued assets, net of deferred tax.

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)

	<u>Shareholders' contributions</u>	<u>Reserves</u>					Retained earnings (Accumulated losses)	<u>Equity attributable to</u>		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	
Balance at December 31, 2014	457,547	15,273	30,682	35,064	128,603	1,470,025	(457,675)	1,679,519	19	1,679,538
Net loss for the period							(166,288)	(166,288)		(166,288)
Other comprehensive loss for the period				(17,069)				(17,069)		(17,069)
Total comprehensive loss for the period				(17,069)			(166,288)	(183,357)		(183,357)
Balance at March 31, 2015	457,547	15,273	30,682	17,995	128,603	1,470,025	(623,963)	1,496,162	19	1,496,181

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, 2016

(in thousands of Argentine pesos)

	<u>3/31/2016</u>	<u>3/31/2015</u>
<u>Cash flows from (used in) operating activities</u>		
Net loss for the period	(168,560)	(166,288)
Adjustments to reconcile net loss for the period to net cash provided by (used in) operating activities:		
Income tax and alternative minimum income tax accrued	(104,462)	(85,482)
Finance cost	103,067	93,619
Foreign exchange losses	349,644	73,066
Depreciation of property, plant and equipment, and others	112,851	84,714
Net additions (reversal) to provisions	8,132	(4,269)
Write-off of inventories	48,132	33,390
Depreciation of investment property	153	49
Amortization of intangible assets	107	3,208
Gain on sale of property, plant and equipment, and others	(1,631)	(843)
	347,433	31,164
Changes in working capital	(318,665)	(102,847)
Subtotal	28,768	(71,683)
Payments of income tax and alternative minimum income tax	(8,284)	(6,044)
Net cash generated by (used in) operating activities	20,484	(77,727)
<u>Cash flows (used in) from investing activities</u>		
Payments for property, plant and equipment, and others	(143,034)	(43,223)
Payments for investment property		(678)
Proceeds from sale of other financial assets	23,320	66,928
Proceeds from disposal of property, plant and equipment, and others	3,209	1,096
Net cash (used in) generated by investing activities	(116,505)	24,123
<u>Cash flows (used in) from financing activities</u>		
Proceeds from borrowings	20,857	134,724
Repayment of borrowings	(14,662)	(30,695)
Payment of interests	(7,048)	(30,558)
Net cash (used in) generated by financing activities	(853)	73,471
(Decrease) increase in cash and cash equivalents	(96,874)	19,867
Cash and cash equivalents at beginning of year	480,314	169,818
Cash and cash equivalents at end of period	383,440	189,685

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, 2016
(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 Almirante Brown 957, General Rodriguez, Province 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 3.5.

**2. AGREEMENTS WITH ARCOR S.A.I.C. AND BAGLEY ARGENTINA S.A. –
SUBSCRIPTION OF SHARES AND CAPITAL STOCK INCREASE**

a) Initial subscription of shares (the “Initial Subscription”)

On December 3, 2015, the Company and its shareholders offered Arcor S.A.I.C. (“Arcor”) and its subsidiary Bagley Argentina S.A. (“Bagley”), the subscription of shares to be issued (“initial shares”) by the Company amounting to 115,542,240 common, nominative, non-endorsable shares, 1 (one) vote each, nominal value \$1 per share, representing after the subscription, 20.16% of the capital stock and voting rights of the Company, so Arcor and Bagley would subscribe and pay-in 50% of the shares each for a price equivalent to US dollars 50 million which was paid by Arcor and Bagley on December 4, 2015, as an irrevocable contribution for future subscription of shares.

The subscription of the initial shares was subject to the prior or concurrent compliance, among other terms, with the approval of Brazil’s authority of competition defense which was obtained on January 26, 2016, in full force after 15 days subsequent to the public filing of such decision. In order to guarantee the issuance of the Company’s initial issuance of shares in favor of Arcor and Bagley and in guarantee of possible adjustments for issues prior to the agreements, the Company’s shareholders established a first degree privilege security on 173,313,359 shares, representing 30% of the Company’s capital stock. After the issuance of shares, the quantity of pledge shares was reduced to 34,662,672 shares representing 6% of the Company’s capital stock.

b) Additional subscription of shares (the “Additional Subscription”)

The Company and its shareholders also granted Arcor and Bagley an irrevocable option for one time only to require the Company to issue 80,879,568 shares (“additional shares”) common, nominative, non-endorsable, 1 (one) vote each, nominal value \$1 per share, representing after the initial subscription of 12.37% of the capital stock and voting rights of the Company paying-in each 50% of the additional shares.

Both the initial and the additional shares, in case the above-mentioned option is exercised, would jointly represent 30.04% of the Company's capital stock.

The exercise price of the option for the additional shares is an amount equivalent to US dollars 35 million, and it will be able to be exercised by Arcor and Bagley once and for all the additional shares, at any time during January 2017.

If, once the additional subscription term has matured, Arcor and Bagley have not exercised the above-mentioned subscription, such companies grant the Company an irrevocable option for one time only to require Arcor and Bagley to make the additional subscription. Such right in favor of the Company can be exercised by the Company during a 30 days-term as from January 31, 2017.

c) Transfer of share ownership

On the other hand, certain shareholders informed the Company that on December 3, 2015 they had sold part of their Company shareholding to Arcor and Bagley and that, the day after, such companies paid to them the purchase price for a total of shares representing 4.99% of the capital and voting rights of the Company.

d) Options granted by the Company's shareholders

On December 3, 2015, the Company's shareholders reported as well they had offered Arcor, Bagley and Bagley Latinoamericana S.A. an agreement establishing purchase-options in favor of such companies and sale-options in favor of the Company's shareholders, which price calculation is defined in the proposal (i) up to year 2020 and in several transactions up to 49% of the capital stock and voting rights of the Company, and (ii) as from year 2020 up to year 2025, for the balance of shares which were not previously transferred and that Arcor and Bagley had accepted the shareholders proposal, the same being fully in force at present.

e) Shareholders agreement

Also, the Company shareholders and Arcor and Bagley have entered into a shareholders agreement with effect from the above-mentioned subscription of initial shares. Such agreement rules certain aspects of the transference of shares to third parties and the administration and management of the Company, granting rights to Arcor and Bagley on certain Company strategic decisions.

f) Resolution of the Ordinary and Extraordinary Shareholders Meeting held on February 23, 2016, capital stock increase and modification of the bylaws

The Ordinary and Extraordinary Shareholders Meeting held on February 23, 2016 decided the capital stock increase in \$ 115,542,240, going from \$ 457,547,269 to \$ 573,089,509 represented by 115,542,240 common, nominative, non-endorsable shares, 1 (one) vote each, nominal value \$1 per share, which have an additional paid-in capital of 3.20625392064 per share, through the capitalization of the contribution received on December 4, 2015 from Arcor S.A.I.C. and Bagley Argentina S.A. totaling 486,000. As of December 31, 2015, such contribution was disclosed in the statement of financial position in the caption "Contributions for future subscription of common stock" of current liabilities, because at such year-end, the authorization of Brazil's authority of competition defense mentioned in paragraph a) had not yet been obtained.

The Shareholders Meeting also decided to modify sections five, eight, nine, eleven, thirteen and fifteen of the bylaws, approve the management of the Board and Supervisory Committee up to the date of the Meeting, approve the increase of directors members establishing 7 principal and 7 substitutes, approve the increase of the Supervisory Committee members establishing 5 principals and 5 substitutes and approve the text amended of the bylaws.

3. BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3.1 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 1st, 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, 2016 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 1st 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, 2015 prepared under IFRS.

The figures and other information for the fiscal year ended December 31, 2015 and the three-month period ended March 31, 2015 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.

3.2 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, 2015, 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.

3.3 New standards and interpretations effective from fiscal year beginning on January 1st, 2016 which are material to the Company

- 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 application of these improvements did not affect the amounts set out in relation to assets and liabilities of the Company.
- 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 application of this amendment had not have effect on the separate financial statements of the Company, given that subsidiaries are valued according to the equity method.
- 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 application of these improvements did not affect the disclosures in the financial statements of the Company.

3.4 Standards and interpretations not yet adopted

The Company did not adopt the following standards as per the application of the mentioned pronouncements are not required for the three-month period ended March 31, 2016.

Standard	Name
IFRS 9	Financial instruments ¹
IFRS 15	Revenue ¹
IFRS 16	Leases ²

¹ Effective for fiscal years beginning on or after January 1st, 2018.

² Effective for fiscal years beginning on or after January 1st, 2019.

- 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.

- IFRS 16 issued in January 2016 specifies how issuers recognize, measure and disclose the leases in the financial statements. The standard introduces a single lessee accounting model, eliminating distinction between financial and operating leases. The standard does not included significant changes to the requirement for accounting by lessors, maintaining the distinction between operating and financial leases.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019 and early adoption is permitted. However, the entity cannot adopt IFRS 16 before adopting IFRS 15, "Revenue". The Company's Board of Directors anticipates that IFRS 16 will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2019. 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.

3.5 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		
			3/31/2016	12/31/2015	3/31/2015
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
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

- (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 was approved by the companies' inspection bureau on September 21, 2015.

The financial position statements of Mastellone Hermanos Sociedad Anónima as of March 31, 2016 and December 31, 2015 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, 2016 and 2015, 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, 2016 and 2015 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, 2015 and 2014, 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.

4. OTHER FINANCIAL ASSETS

	<u>3/31/2016</u>	<u>12/31/2015</u>
• <u>Current</u>		
Restricted investment funds (Note 19d)	25,669	43,928
Corporate bonds	7,517	7,517
Derivative financial instruments	49,592	25
Short-term investments – other	3,491	9,629
Total	<u>86,269</u>	<u>61,099</u>
• <u>Non-current</u>		
Derivative financial instruments		46,584
Long-term investments	17,622	15,383
Total	<u>17,622</u>	<u>61,967</u>

5. TRADE ACCOUNTS RECEIVABLE

	<u>3/31/2016</u>	<u>12/31/2015</u>
Third parties (domestic)	882,382	757,689
Related parties (Note 20)	149,492	85,147
Foreign receivables	93,097	7,237
Notes receivables	767	689
Tax incentives on exports	24,134	22,051
Subtotal	1,149,872	872,813
Allowance for doubtful accounts	(24,985)	(22,322)
Allowance for trade discounts and volume rebates	(3,126)	(3,876)
Total	1,121,761	846,615

6. TAX CREDITS

	<u>3/31/2016</u>	<u>12/31/2015</u>
• <u>Current</u>		
Net value added tax	29,735	59,911
Turnover tax credit	14,964	20,504
Income tax and alternative minimum income tax receivable	9,653	9,546
Other tax credits	11,148	11,707
Total	65,500	101,668
• <u>Non-current</u>		
Net value added tax	4,324	6,051
Turnover tax credit	22,064	9,880
Other tax credits	1,842	272
Total	28,230	16,203

7. OTHER RECEIVABLES

	<u>3/31/2016</u>	<u>12/31/2015</u>
• <u>Current</u>		
Prepaid expenses	15,727	10,488
Receivable from sale of subsidiary company	11,040	10,422
Advances to services suppliers	10,256	6,278
Receivable from sale of property, plant and equipment, and others	354	344
Insurance receivable	377	953
Guarantee deposits (Note 19c)	437	224
Receivables from customers in receivership and in bankruptcy	225	225
Other (Note 19c)	6,761	7,283
Subtotal	45,177	36,217
Allowance for doubtful accounts	(1,488)	(1,488)
Total	43,689	34,729
• <u>Non-current</u>		
Receivables from customers in receivership and in bankruptcy	20,414	18,790
Receivable from sale of subsidiary company	20,398	19,278
Régime for the professionalization of transport (1)	13,381	13,381
Receivable from sale of property, plant and equipment	7,578	6,716
Guarantee deposits (Note 19c)	48	48
Other	1,814	1,818
Subtotal	63,633	60,031
Allowance for doubtful accounts	(19,824)	(17,805)
Total	43,809	42,226

(1) In litigation.

8. INVENTORIES

	<u>3/31/2016</u>	<u>12/31/2015</u>
Resale goods	54,420	44,236
Finished goods	634,284	575,714
Work in progress	310,816	311,051
Raw materials, packaging and other materials	412,985	375,429
Goods in transit	45,337	40,303
Subtotal	1,457,842	1,346,733
Advances to suppliers	3,218	4,452
Total	1,461,060	1,351,185

9. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	Cost or revalued cost					3/31/2016					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)	2,223,131	6,848	810			2,230,789	34,699	4,074		2, 2.5, 2.86, 3.3, 4 and 5	16,634	55,407	2,175,382
Machinery and equipment (1)	1,512,420	3,618	4,714	9,114	227	1,529,639	164,017	2,408	175	5 and 10	48,513	214,763	1,314,876
Facilities and laboratory equipment (1)	907,401	1,527	1,648	3,231	8	913,799	147,906	1,128	8	5, 10 and 25	29,737	178,763	735,036
Furniture	56,465		2,361		9	58,817	47,661		7	10, 20, 25 and 33	995	48,649	10,168
Vehicles (2)	154,711	327	1,249	1,025	2,049	155,263	111,909	114	525	10 and 20	2,190	113,688	41,575
Work in progress	190,404		115,172	(6,184)		299,392							299,392
Advances to suppliers	8,232		1,722	(7,186)		2,768							2,768
Subtotal	5,052,764	12,320	127,676	-	2,293	5,190,467	506,192	7,724	715		98,069	611,270	4,579,197
Other:													
Trays	230,282		15,358			245,640	132,009			33	14,782	146,791	98,849
Carrying amount as of March 31, 2016	5,283,046	12,320	143,034	-	2,293	5,436,107	638,201	7,724	715		112,851	758,061	4,678,046

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

Land and buildings	699,207
Machinery and equipment	263,590
Facilities and laboratory equipments	210,134

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 22,560 as of March 31, 2016.

	12/31/2015														
	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	Retirement and disposal	Revaluation increase	Value at the end of the year	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Retirement and disposal	Depreciation		Eliminated on revaluation		Accumulated depreciation at the end of the year
Rate %											Of the year				
Land and buildings (1)	1,867,007	1,200	1,369	13,638	133,908	473,825	2,223,131	31,246	689		2, 2.5, 2.86, 3.3, 4 and 5	53,585	50,821	34,699	2,188,432
Machinery and equipment (1)	1,186,844	712	18,640	10,067	24	296,181	1,512,420	153,715	479	8	5 and 10	157,385	147,554	164,017	1,348,403
Facilities and laboratory equipment (1)	749,559	325	3,054	55,504	1,943	100,902	907,401	140,763	242	396	5, 10 and 25	70,068	62,771	147,906	759,495
Furniture	53,029		4,052	799	1,415		56,465	44,900		965	10, 20, 25 and 33	3,726		47,661	8,804
Vehicles (2)	157,837	132	1,351	115	4,724		154,711	106,764	56	2,583	10 and 20	7,672		111,909	42,802
Work in progress	203,105		62,695	(75,396)			190,404								190,404
Advances to suppliers	3,156		9,978	(4,727)	175		8,232								8,232
Subtotal	4,220,537	2,369	101,139	-	142,189	870,908	5,052,764	477,388	1,466	3,952		292,436	261,146	506,192	4,546,572
Other:															
Trays	157,261		73,021				230,282	78,658			33	53,351		132,009	98,273
Carrying amount as of December 31, 2015	4,377,798	2,369	174,160	-	142,189	870,908	5,283,046	556,046	1,466	3,952		345,787	261,146	638,201	4,644,845

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

Land and buildings	701,936
Machinery and equipment	252,177
Facilities and laboratory equipments	220,123

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 22,402 as of December 31, 2015.

10. TRADE PAYABLE - CURRENT

	<u>3/31/2016</u>	<u>12/31/2015</u>
Trade payables	762,798	778,645
Related parties (Note 20)	310,096	266,489
Note payables	221,379	201,616
Foreign suppliers	13,081	10,022
Total	<u>1,307,354</u>	<u>1,256,772</u>

11. BORROWINGS

	<u>3/31/2016</u>	<u>12/31/2015</u>
<u>Short-term debt</u>		
Principal:		
Financial debt:		
Unsecured debt	59,837	49,277
Secured debt	140,527	115,817
Total financial debt	<u>200,364</u>	<u>165,094</u>
Accrued interest:		
Unsecured and secured debt	95,224	2,949
Total accrued interest	<u>95,224</u>	<u>2,949</u>
Total	<u>295,588</u>	<u>168,043</u>
 <u>Long-term debt</u>		
Principal:		
Senior Notes - Series F - due 2021 (net of issue costs and adjustment to amortized cost for 82,472 and 79,815 as of 3/31/2016 and 12/31/2015, respectively)	2,853,021	2,524,187
Total – Senior Notes	<u>2,853,021</u>	<u>2,524,187</u>
Other financial debt:		
Unsecured debt	309	354
Secured debt	7,628	7,303
Total – Other financial debt	<u>7,937</u>	<u>7,657</u>
Total	<u>2,860,958</u>	<u>2,531,844</u>

Main loans agreements

Senior Notes – Series F – due 2021

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

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

Amount:	U\$S 199,693,422
Issuing price:	100%
Maturity:	July 3, 2021
Payment:	Principal: 100% at maturity; interests: semi-annually on arrears
Annual interest rate:	12.625%

- Use of proceeds (net amount of U\$S 113,733,744):
- Repurchase of existing debt
 - Expenses related to the transaction (including taxes).
 - Payment of other short term debt.
 - Working capital
 - Capital expenditures in Argentina

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., Leitesol Industria e Comercio Ltda. and Mastellone San Luis S.A. are jointly and severally liable for the Series F Senior Notes.

12. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

	<u>3/31/2016</u>	<u>12/31/2015</u>
Payroll and bonus to management	325,763	280,561
Social security taxes	151,468	161,545
Total	<u>477,231</u>	<u>442,106</u>

13. DEFERRED TAX

Deferred tax assets:

	<u>3/31/2016</u>	<u>12/31/2015</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	19,485	15,163
Inventories	1,482	1,301
Property, plant and equipment, and others	(8,640)	(8,261)
Tax loss carry-forwards	1,632	4,644
Alternative minimum income tax	4,391	4,391
Total	<u>18,350</u>	<u>17,238</u>

Deferred tax liabilities:

	<u>3/31/2016</u>	<u>12/31/2015</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	32,812	35,537
Inventories	76,058	34,736
Intangible assets	1,097	1,060
Cash and cash equivalents	(45)	(2,209)
Other assets	(185)	(185)
Property, plant and equipment, and others	(1,325,646)	(1,354,036)
Borrowings	(28,066)	(26,790)
Tax loss carry-forwards	501,877	453,561
Alternative minimum income tax	125,921	115,877
Total	<u>(616,177)</u>	<u>(742,449)</u>

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of March 31, 2016 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	23,864	35%	8,352	2018
2014	510,729	35%	178,755	2019
2015	765,093	35%	267,784	2020
Tax loss carry-forwards of the period			48,618 (1)	
			<u>503,509</u>	

(1) It corresponds to the tax loss estimated for the three-month period ended March 31, 2016.

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

	<u>Balance at the beginning of the year</u>	<u>Reduction of tax loss carry-forwards</u>	<u>Charge to loss for the period or year</u>	<u>Charge to Other comprehensive income</u>	<u>Balance at the end of the period or year</u>
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(1,303,684)		72,036		(1,231,648)
Tax loss carry-forwards	458,205	(3,314)	48,618		503,509
Total as of March 31, 2016	<u>(845,479)</u>	<u>(3,314)</u>	<u>120,654</u>	<u>-</u>	<u>(728,139)</u>
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(1,011,977)		104,514	(396,221)	(1,303,684)
Tax loss carry-forwards	174,087		286,534	(2,416)	458,205
Total as of December 31, 2015	<u>(837,890)</u>	<u>-</u>	<u>391,048</u>	<u>(398,637)</u>	<u>(845,479)</u>

14. REVENUE

	<u>3/31/2016</u>	<u>3/31/2015</u>
Product sales	4,185,217	3,476,681
Services provided	107,830	84,891
Turnover tax	(84,444)	(91,870)
Sales discounts and volume rebates	(528,542)	(247,103)
Sales returns	(74,929)	(59,796)
Total	<u>3,605,132</u>	<u>3,162,803</u>

15. COST OF SALES

	<u>3/31/2016</u>	<u>3/31/2015</u>
<u>Cost of goods sold</u>		
Inventories at the beginning of the year	1,346,733	1,297,745
Purchases	1,477,987	1,542,273
Production expenses (Note 16)	879,001	689,270
Write-off of inventories	48,132	33,390
Re-measurement of foreign subsidiaries inventories	28,726	(16,594)
Benefits from industrial promotion	(41,128)	(3,486)
Inventories at the end of the period	<u>(1,457,842)</u>	<u>(1,230,023)</u>
Subtotal - cost of goods sold	<u>2,281,609</u>	<u>2,312,575</u>
<u>Cost of services rendered</u>		
Purchases	9,566	6,936
Production expenses (Note 16)	<u>53,088</u>	<u>36,109</u>
Subtotal - cost of services rendered	<u>62,654</u>	<u>43,045</u>
Total cost of sales	<u>2,344,263</u>	<u>2,355,620</u>

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

	<u>3/31/2016</u>				
	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				28,763	28,763
Fees and compensation for services	80,279	297	219,850	26,226	326,652
Payroll, bonus and social security charges	420,819	29,510	153,491	91,093	694,913
Depreciation of property, plant and equipment, and others	100,274	4,061	6,938	1,578	112,851
Amortization of intangible assets	107				107
Provision for bad debts			1,941		1,941
Freights	156,747		472,920		629,667
Maintenance and repair	23,608	876	2,327	52	26,863
Office and communication	576	60	255	783	1,674
Fuel, gas and energy	55,597	11,592	6,630		73,819
Vehicles expenses	4,595		4,379	514	9,488
Publicity and advertising			64,492		64,492
Taxes, rates and contributions	7,146	239	763	30,263	38,411
Insurance	21,461	138	6,976	1,795	30,370
Travelling	374		770	171	1,315
Export and import			9,119	208	9,327
Miscellaneous	7,418	6,315	2,988	4,797	21,518
Total	<u>879,001</u>	<u>53,088</u>	<u>953,839</u>	<u>186,243</u>	<u>2,072,171</u>

	3/31/2015				
	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
Total	689,270	36,109	776,953	120,429	1,622,761

17. FINANCE COST

	<u>3/31/2016</u>	<u>3/31/2015</u>
Senior Notes interest	90,782	56,242
Other loans interest	9,967	35,294
Other interests	2,318	2,083
Total	103,067	93,619

18. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	<u>3/31/2016</u>	<u>3/31/2015</u>
Current income tax	(16,192)	
Tax loss carry-forwards for the period	48,618	91,889
Net change in temporary differences	72,036	(5,065)
Alternative minimum income tax		(1,342)
Total - gain	104,462	85,482

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>3/31/2016</u>	<u>3/31/2015</u>
Net loss before income tax and alternative minimum income tax	(273,022)	(251,770)
Statutory income tax rate	35%	35%
Income tax at statutory income tax rate	95,558	88,120
Permanent differences	8,904	(2,638)
Total - gain	104,462	85,482

19. PLEDGED AND RESTRICTED ASSETS

- a) Certain assets owned by the Company are pledged as collateral for bank, financial debt and other liabilities for a total amount of 40,255 as of March 31, 2016 (35,919 as of December 31, 2015). Detail of pledged assets is as follows:

	<u>3/31/2016</u>	<u>12/31/2015</u>
Property, plant and equipment, and others	16,342	2,635
Mastellone San Luis S.A. shares arising from the merger with Compañía Puntana de Carnes Elaboradas S.A.	3,239	3,255

- 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, 2016, inventories were collateralized for an amount of 120,724 (115,062 as of December 31, 2015). The outstanding balance of the debt amounts to 111,185 as of March 31, 2016 (89,089 as of December 31, 2015).
- c) Additionally, as of March 31, 2016 there were other receivables – guarantee deposits (current and non-current) for an amount of 485 (272 as of December 31, 2015) in guarantee of financial and commercial transactions and restricted assets disclosed in caption “other receivables – other” (current) for 842 as of March 31, 2016 (357 as of December 31, 2015).
- d) There were financial assets – investment funds by 25,669 of restricted availability as of March 31, 2016 (43,928 as of December 31, 2015), 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 5,369 and 5,402 as of March 31, 2016 and December 31, 2015, respectively, in guarantee of the business relationship with suppliers, 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 11.

20. RELATED PARTIES OUTSTANDING BALANCES

Company	Trade account receivables (current)		Trade payable (current)		Advances from customers (current)	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Afianzar S.G.R.	3	4			8	
Arcor S.A.I.C.			387			
Cartocor S.A.			6,337			
Fideicomiso Formu	13					
Frigorífico Nueva Generación S.A.	644	485				
Logística La Serenísima S.A.	148,407	84,312	303,372	266,481	1,683	6
Los Toldos S.A.	425	346				
TOTAL	149,492	85,147	310,096	266,489	1,683	6

21. RELATED PARTIES OPERATIONS

Transactions with related parties for three-month periods ended March 31, 2016 and 2015 were as follows:

	<u>3/31/2016</u>	<u>3/31/2015</u>
<u>Revenues</u>		
Afianzar S.G.R.	6	2
Fideicomiso Formu	510	387
Frigorífico Nueva Generación S.A.	90	64
Logística La Serenísima S.A.	13,790	5,266
Los Toldos S.A.	83	23
<u>Purchase of goods and services</u>		
Afianzar S.G.R.	3	
Arcor S.A.I.C.	387	
Cartocor S.A.	5,520	
Logística La Serenísima S.A.	315,852	207,847
Los Toldos S.A.	824	1,085
<u>Investment income</u>		
Logística La Serenísima S.A.	1,191	1,008
<u>Finance cost</u>		
Fideicomiso Formu		4,720
<u>Other gain and losses</u>		
Logística La Serenísima S.A.	642	723

During the three-month periods ended March 31, 2016 and 2015, the Company paid a total of 46,397 and 12,741, 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.

22. 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 3.

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	3/31/2016		
	Dairy	Other	Total
Revenue from external customers	3,445,228	159,904	3,605,132
Intersegment revenue	286	24,607	24,893
Net loss for the period	(166,823)	(1,737)	(168,560)
Assets allocated to the business lines	7,815,467	150,405	7,965,872
Liabilities allocated to the business lines	5,715,981	101,733	5,817,714
Additions to property, plant and equipment, and others	142,295	739	143,034
Depreciation of property, plant and equipment, and others	111,336	1,515	112,851
Amortization of intangible assets	107		107
Depreciation of investment property	153		153
Net domestic revenue	3,056,152	159,904	3,216,056

Information	3/31/2015		
	Dairy	Other	Total
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

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	
3/31/2016	3,216,056	254,476	134,600	3,605,132
3/31/2015	2,897,918	165,464	99,421	3,162,803

23. 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 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 legal address 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.

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 9, 2016.

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

To the Board of Directors of
Mastellone Hermanos Sociedad Anónima
Almirante Brown N° 957
General Rodriguez, Provincia de 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 3.5 to the condensed interim consolidated financial statements), which comprise the condensed consolidated statement of financial position as of March 31, 2016, 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, 2015 and for the three-month period ended March 31, 2015, 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, 2016, 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 3.1 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.

General Rodriguez, Province of Buenos Aires, May 9, 2016.

Deloitte & Co S.A.

Carlos A. Lloveras
(Partner)