

Mastellone Hermanos S.A.
Consolidated Financial Statements
for the six-month period ended
June 30, 2016

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY

AS OF JUNE 30, 2016

(in thousands of Argentine pesos)

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

Our financial statements for the first half of 2016 show an improvement in results as compared with those of the preceding year. The actions taken by the Company to reduce costs and increase its productivity were the key factors for such improvement.

Among them, it should be pointed out the increase in sales price resulting from restricted discounts and the reduction in our short term debt.

Regarding the commercial context, the drop on consumption affected volumes sold. Additionally, as international prices for dairy products remained low, there was an oversupply in the domestic market.

Despite this scenario, and to provide support to our commercial activities, we launched a strong advertising campaign, under the motto "A tomar la leche", which has been successful not only in terms of strengthening the brand names but also to stress the positive aspects of the product. We believe that said commercial action will contribute to the recovery of sales volumes.

The raw milk production remains under a complicated situation. As a result adverse climatic conditions (heavy rains), the production declined drastically, as consequence of flooded fields, damaged roads among other problems. On top of that, continuing depressed international prices and other economic variables, affected the profitability and the investments on dairy farms. Under this scenario, we had to increase the price paid for the raw milk. These facts also emphasized the need of the plan "Mas Leche" ("More milk plan") oriented to increase in the medium term the country's production.

With regard the rest of the cost structure, the Company moved forward to enhance its productivity without affecting job positions or the quality of its products.

We continued with the execution of the Company's strategic investment plan. Such expansion plan was initially focused in the new plant to dry milk and whey of cheese, to start operation very soon. This production facility, located inside our production complex of Trenque Lauquen, will contribute to increase the Company's profitability through substantial cost savings.

2. CONSOLIDATED FINANCIAL POSITION

	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
	(in thousand pesos)				
Current assets	3,501,793	2,345,925	2,225,897	1,851,791	1,545,651
Non-current assets	4,764,311	3,867,054	1,736,555	1,647,127	1,531,566
TOTAL ASSETS	8,266,104	6,212,979	3,962,452	3,498,918	3,077,217
Current liabilities	2,366,413	2,277,179	2,253,873	1,641,679	1,399,638
Non-current liabilities	3,614,968	2,446,710	1,218,361	1,086,149	974,106
TOTAL LIABILITIES	5,981,381	4,723,889	3,472,234	2,727,828	2,373,744
Equity attributable to owners of the Company	2,284,697	1,489,069	490,201	771,080	703,463
Non-controlling interests	26	21	17	10	10
TOTAL EQUITY	2,284,723	1,489,090	490,218	771,090	703,473
TOTAL LIABILITIES AND EQUITY	8,266,104	6,212,979	3,962,452	3,498,918	3,077,217

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

	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
	(in thousand pesos)				
Continuing operations:					
Operational results – income (loss)	430,450	(5,510)	198,002	116,966	(8,070)
Investment income, finance cost and foreign exchange differences	(537,658)	(302,131)	(455,150)	(148,469)	(115,097)
Other gains and losses	1,166	3,278	(2,335)	110,329	8,232
(Loss) income before taxes	(106,042)	(304,363)	(259,483)	78,826	(114,935)
Income tax and alternative minimum income tax	55,214	122,595	79,028	(606)	19,258
Net (loss) income for the period from continuing operations	(50,828)	(181,768)	(180,455)	78,220	(95,677)
Discontinued operations			(19,392)		
Net (loss) income for the period	(50,828)	(181,768)	(199,847)	78,220	(95,677)
Other comprehensive (loss) income	46,807	(8,680)	36,395	1,453	(2,498)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(4,021)	(190,448)	(163,452)	79,673	(98,175)
Net (loss) income attributable to:					
Owners of the company	(4,015)	(190,450)	(163,451)	79,673	(98,175)
Non-controlling interests	(6)	2	(1)		
Total comprehensive (loss) income:	(4,021)	(190,448)	(163,452)	79,673	(98,175)

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
	(in thousand pesos)				
Cash flows provided by operating activities	448,541	395,891	311,206	264,710	200,882
Cash flows (used in) provided by investing activities	(170,887)	(14,916)	(82,142)	3,319	(91,554)
Cash flows used in financing activities	(378,470)	(228,804)	(149,413)	(176,498)	(73,138)
Cash and cash equivalents (used) provided in the period	(100,816)	152,171	79,651	91,531	36,190

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES				
	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
	(in thousand liters of milk)				
Domestic market	661,750	740,184	770,438	782,568	817,105
Foreign market	147,850	136,337	102,983	99,677	117,057
Total	809,600	876,521	873,421	882,245	934,162

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

6. RATIOS

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
Current assets to current liabilities	1.48	1.03	0.99	1.13	1.10
Equity attributable to owners of the Company to total liabilities	0.38	0.32	0.14	0.28	0.30
Non-current assets to total assets	0.58	0.62	0.44	0.47	0.50

7. OUTLOOK (*)

Despite the actions taken during the last months, the weakness on consumption levels together with lower international prices will continue affecting the dairy sector. Although there are some more favorable projections, we consider that international prices will not contribute to the growth of dairy business during the second half of the year.

As for the consumption, we expect a gradual recovery in sales. We are optimistic regarding the impact of improvement in market conditions on our results, given our commercial strengths, brand names and superior quality of products. Those factors combined with promotional actions and the launch of new line of products would ensure such rebound.

Regarding labor cost, dairy industries reached an agreement with the union in terms of salary increases. Such hikes will affect the Company's cost structure due to its application during the second half.

Finally, we will go on with the execution of the strategic investment plan. The first step will be the coming opening of the dry plant of milk and whey of cheese in Trenque Lauquen.

(*) Information not reviewed by the Auditors.

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

JOSÉ A. MORENO

Chairman

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30,
2016

(in thousands of Argentine pesos)

	Notes	<u>6/30/2016</u>	<u>12/31/2015</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents		379,498	480,314
Other financial assets	4 and 19	54,447	61,099
Trade accounts receivable	5	1,499,416	846,615
Tax credits	6	78,597	101,668
Other receivables	7 and 19	41,101	34,729
Inventories	8 and 19	1,448,734	1,351,185
Total Current Assets		<u>3,501,793</u>	<u>2,875,610</u>
<u>NON-CURRENT ASSETS</u>			
Other financial assets	4	18,081	61,967
Tax credits	6	24,996	16,203
Other receivables	7 and 19	45,537	42,226
Deferred tax assets	13	21,125	17,238
Property, plant and equipment, and others	9 and 19	4,636,734	4,644,845
Investment property		4,887	5,191
Goodwill		3,121	3,121
Intangible assets		2,046	2,260
Other assets		7,784	7,900
Total Non-Current Assets		<u>4,764,311</u>	<u>4,800,951</u>
TOTAL ASSETS		<u>8,266,104</u>	<u>7,676,561</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Trade payable	10	1,625,201	1,256,772
Borrowings	11 and 19	19,717	168,043
Accrued salaries, wages and payroll taxes	12	462,296	442,106
Taxes payable		184,423	107,566
Advance from customers		9,999	2,253
Provisions		775	1,088
Contributions for future subscription of common stock			486,000
Other liabilities		64,002	20,757
Total Current Liabilities		<u>2,366,413</u>	<u>2,484,585</u>
<u>NON-CURRENT LIABILITIES</u>			
Trade payable		7,067	7,255
Borrowings	11 and 19	2,930,054	2,531,844
Taxes payable		21,936	24,088
Deferred tax liabilities	13	630,640	742,449
Provisions		22,457	19,827
Other liabilities		2,814	63,769
Total Non-Current Liabilities		<u>3,614,968</u>	<u>3,389,232</u>
TOTAL LIABILITIES		<u>5,981,381</u>	<u>5,873,817</u>
<u>EQUITY</u>			
Common stock and share premium		943,547	457,547
Reserves		2,014,489	2,058,338
Accumulated deficit– including net result for the period or year		(673,339)	(713,173)
Equity attributable to owners of the Company		<u>2,284,697</u>	<u>1,802,712</u>
Non-controlling interests		<u>26</u>	<u>32</u>
TOTAL EQUITY		<u>2,284,723</u>	<u>1,802,744</u>
TOTAL LIABILITIES AND EQUITY		<u>8,266,104</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 SIX MONTH PERIOD ENDED JUNE 30, 2016
(in thousands of Argentine pesos)

	Notes	6/30/2016 Six-months	6/30/2015 Six-months	6/30/2016 Three-months	6/30/2015 Three-months
Revenue	14	8,094,143	6,831,593	4,489,011	3,668,790
Cost of sales	15	(5,185,130)	(4,916,830)	(2,840,867)	(2,561,210)
Gross profit		2,909,013	1,914,763	1,648,144	1,107,580
Selling expenses	16	(2,119,168)	(1,662,760)	(1,165,329)	(885,807)
General and administrative expenses	16	(359,395)	(257,513)	(173,152)	(137,084)
Investment income		24,335	17,562	615	9,131
Finance cost	17	(202,099)	(185,675)	(99,032)	(92,056)
Foreign exchange losses		(359,894)	(134,018)	(43,266)	(59,910)
Other gains and losses		1,166	3,278	(1,000)	5,553
(Loss) gain before taxes		(106,042)	(304,363)	166,980	(52,593)
Income tax and alternative minimum income tax	18	55,214	122,595	(49,248)	37,113
NET (LOSS) GAIN FOR THE PERIOD		(50,828)	(181,768)	117,732	(15,480)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		47,884	(8,680)	19,910	8,389
Income tax		(1,077)		(1,077)	
Other comprehensive income (loss), net of income tax		46,807	(8,680)	18,833	8,389
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(4,021)	(190,448)	136,565	(7,091)
Net (loss) income attributable to:					
Owners of the Company		(50,822)	(181,770)	117,737	(15,482)
Non-controlling interests		(6)	2	(5)	2
Net (loss) income for the period		(50,828)	(181,768)	117,732	(15,480)
Total comprehensive (loss) income attributable to:					
Owners of the Company		(4,015)	(190,450)	136,570	(7,093)
Non-controlling interests		(6)	2	(5)	2
Net comprehensive (loss) income for the period		(4,021)	(190,448)	136,565	(7,091)

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, 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					(50,822)	(50,822)	(6)	(50,828)
Other comprehensive income for the period			46,807			46,807		46,807
Total comprehensive income (loss) for the period	-	-	46,807	-	(50,822)	(4,015)	(6)	(4,021)
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)				(90,656)	90,656			
Balance at June 30, 2016	573,089	370,458	85,840	1,928,649	(673,339)	2,284,697	26	2,284,723

(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 SIX-MONTH PERIOD ENDED JUNE 30, 2015
(in thousands of Argentine pesos)

	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							(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) income 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			
Balance at June 30, 2015	457,547	-	-	26,384	-	1,470,025	(464,887)	1,489,069	21	1,489,090

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, 2016

(in thousands of Argentine pesos)

	<u>6/30/2016</u>	<u>6/30/2015</u>
<u>Cash flows from operating activities</u>		
Net loss for the period	(50,828)	(181,768)
Adjustments to reconcile net loss for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	(55,214)	(122,595)
Finance cost	202,099	185,675
Foreign exchange losses	413,327	123,420
Depreciation of property, plant and equipment, and others	227,085	169,933
Net additions (reversal) to provisions	18,110	(6,540)
Write-off of inventories	62,827	109,629
Depreciation of investment property	304	120
Amortization of intangible assets	214	7,733
Gain on sale of property, plant and equipment, and others	(3,249)	(843)
	<u>814,675</u>	<u>284,764</u>
Changes in working capital	(347,918)	124,621
Subtotal	<u>466,757</u>	<u>409,385</u>
Payments of income tax and alternative minimum income tax	(18,216)	(13,494)
Net cash generated by operating activities	<u>448,541</u>	<u>395,891</u>
<u>Cash flows used in investing activities</u>		
Payments for property, plant and equipment, and others	(213,047)	(83,935)
Payments for investment property		(2,127)
Proceeds from sale of other financial assets	52,251	68,486
Proceeds from disposal of property, plant and equipment, and others	5,061	2,460
Payments for purchase of subsidiary company	(15,152)	
Proceeds from other assets		200
Net cash used in investing activities	<u>(170,887)</u>	<u>(14,916)</u>
<u>Cash flows used in financing activities</u>		
Proceeds from borrowings	2,056	142,950
Repayment of borrowings	(174,041)	(206,144)
Payment of interests	(206,485)	(165,610)
Net cash used in financing activities	<u>(378,470)</u>	<u>(228,804)</u>
(Decrease) increase in cash and cash equivalents	(100,816)	152,171
Cash and cash equivalents at beginning of year	<u>480,314</u>	<u>169,818</u>
Cash and cash equivalents at end of period	<u>379,498</u>	<u>321,989</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, 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 Rodríguez, 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 six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 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		
			6/30/2016	12/31/2015	6/30/2015
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 June 30, 2016 and December 31, 2015 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, 2016 and 2015, were consolidated based on financial statements of the subsidiaries companies for the periods or years ended at such dates.

4. OTHER FINANCIAL ASSETS

	<u>6/30/2016</u>	<u>12/31/2015</u>
• <u>Current</u>		
Derivative financial instruments	41,250	25
Corporate bonds	7,514	7,517
Restricted investment funds (Note 19d)		43,928
Short-term investments – other	5,683	9,629
Total	<u>54,447</u>	<u>61,099</u>
• <u>Non-current</u>		
Derivative financial instruments		46,584
Long-term investments	18,081	15,383
Total	<u>18,081</u>	<u>61,967</u>

5. TRADE ACCOUNTS RECEIVABLE

	<u>6/30/2016</u>	<u>12/31/2015</u>
Third parties (domestic)	1,192,819	757,689
Related parties (Note 20)	254,451	85,147
Foreign receivables	55,007	7,237
Notes receivables	735	689
Tax incentives on exports	23,722	22,051
Subtotal	1,526,734	872,813
Allowance for doubtful accounts	(24,861)	(22,322)
Allowance for trade discounts and volume rebates	(2,457)	(3,876)
Total	1,499,416	846,615

6. TAX CREDITS

	<u>6/30/2016</u>	<u>12/31/2015</u>
• <u>Current</u>		
Net value added tax	32,972	59,911
Turnover tax credit	11,726	20,504
Income tax and alternative minimum income tax receivable	33,237	9,546
Other tax credits	662	11,707
Total	78,597	101,668
• <u>Non-current</u>		
Net value added tax	2,409	6,051
Turnover tax credit	20,469	9,880
Other tax credits	2,118	272
Total	24,996	16,203

7. OTHER RECEIVABLES

	<u>6/30/2016</u>	<u>12/31/2015</u>
• <u>Current</u>		
Prepaid expenses	11,285	10,488
Receivable from sale of subsidiary company	11,693	10,422
Advances to services suppliers	10,222	6,278
Receivable from sale of property, plant and equipment, and others	309	344
Insurance receivable	348	953
Guarantee deposits (Note 19c)	71	224
Receivables from customers in receivership and in bankruptcy	225	225
Related parties (Note 20)	198	
Other (Note 19c)	8,238	7,283
Subtotal	42,589	36,217
Allowance for doubtful accounts	(1,488)	(1,488)
Total	41,101	34,729

	<u>6/30/2016</u>	<u>12/31/2015</u>
• <u>Non-current</u>		
Receivables from customers in receivership and in bankruptcy	25,376	18,790
Receivable from sale of subsidiary company	21,584	19,278
Régime for the professionalization of transport (1)	13,381	13,381
Receivable from sale of property, plant and equipment	7,754	6,716
Guarantee deposits (Note 19c)	9	48
Other	2,454	1,818
Subtotal	70,558	60,031
Allowance for doubtful accounts	(25,021)	(17,805)
Total	45,537	42,226

(1) In litigation.

8. INVENTORIES

	<u>6/30/2016</u>	<u>12/31/2015</u>
Resale goods	57,530	44,236
Finished goods	580,750	575,714
Work in progress	371,987	311,051
Raw materials, packaging and other materials	414,231	375,429
Goods in transit	20,024	40,303
Subtotal	1,444,522	1,346,733
Advances to suppliers	4,212	4,452
Total	1,448,734	1,351,185

9. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	6/30/2016						6/30/2016					Net value at the end of the period	
	Cost or revalued cost					Value at the end of the period	Depreciation			Accumulated depreciation at the end of the period			
	Value at the beginning of the year	Foreign currency exchange differences	Acquisitions	Transfers	Retirement and disposal		Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Retirement and disposal		Depreciation		
								Rate %	Of the Period				
Land and buildings (1)	2,223,131	11,673	1,601			2,236,405	34,699	6,718		2, 2.5, 2.86, 3.3, 4 and 5	33,335	74,752	2,161,653
Machinery and equipment (1)	1,512,420	5,822	5,186	9,760	848	1,532,340	164,017	4,134	796	5 and 10	103,578	270,933	1,261,407
Facilities and laboratory equipment (1)	907,401	2,675	5,501	3,329	50	918,856	147,906	1,945	50	5, 10 and 25	53,631	203,432	715,424
Furniture	56,465		4,270		1,097	59,638	47,661		1,062	10, 20, 25 and 33	2,075	48,674	10,964
Vehicles (2)	154,711	601	3,448	3,199	2,460	159,499	111,909	235	735	10 and 20	4,430	115,839	43,660
Work in progress	190,404		161,451	(6,679)		345,176							345,176
Advances to suppliers	8,232		4,110	(9,609)		2,733							2,733
Subtotal	5,052,764	20,771	185,567	-	4,455	5,254,647	506,192	13,032	2,643		197,049	713,630	4,541,017
Other:													
Trays	230,282		27,480			257,762	132,009			33	30,036	162,045	95,717
Carrying amount as of June 30, 2016	5,283,046	20,771	213,047	-	4,455	5,512,409	638,201	13,032	2,643		227,085	875,675	4,636,734

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

Land and buildings	695,800
Machinery and equipment	255,068
Facilities and laboratory equipments	204,995

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 24,064 as of June 30, 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>6/30/2016</u>	<u>12/31/2015</u>
Trade payables	1,024,016	778,645
Related parties (Note 20)	384,578	266,489
Note payables	192,409	201,616
Foreign suppliers	24,198	10,022
Total	<u>1,625,201</u>	<u>1,256,772</u>

11. BORROWINGS

	<u>6/30/2016</u>	<u>12/31/2015</u>
<u>Short-term debt</u>		
Principal:		
Financial debt:		
Unsecured debt	16,965	49,277
Secured debt	2,609	115,817
Total financial debt	<u>19,574</u>	<u>165,094</u>
Accrued interest:		
Unsecured and secured debt	143	2,949
Total accrued interest	<u>143</u>	<u>2,949</u>
Total	<u>19,717</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 80,768 and 79,815 as of 6/30/2016 and 12/31/2015, respectively)	2,922,621	2,524,187
Total – Senior Notes	<u>2,922,621</u>	<u>2,524,187</u>
Other financial debt:		
Unsecured debt	261	354
Secured debt	7,172	7,303
Total – Other financial debt	<u>7,433</u>	<u>7,657</u>
Total	<u>2,930,054</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):	<ul style="list-style-type: none"> • 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>6/30/2016</u>	<u>12/31/2015</u>
Payroll and bonus to management	282,863	280,561
Social security taxes	179,433	161,545
Total	<u>462,296</u>	<u>442,106</u>

13. DEFERRED TAX

Deferred tax assets:

	<u>6/30/2016</u>	<u>12/31/2015</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	20,605	15,163
Inventories	1,541	1,301
Property, plant and equipment, and others	(8,420)	(8,261)
Tax loss carry-forwards	2,444	4,644
Alternative minimum income tax	4,955	4,391
Total	<u>21,125</u>	<u>17,238</u>

Deferred tax liabilities:

	<u>6/30/2016</u>	<u>12/31/2015</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	28,448	35,537
Inventories	51,870	34,736
Intangible assets	1,135	1,060
Cash and cash equivalents	(161)	(2,209)
Other assets	(185)	(185)
Property, plant and equipment, and others	(1,297,917)	(1,354,036)
Borrowings	(27,801)	(26,790)
Tax loss carry-forwards	478,743	453,561
Alternative minimum income tax	135,228	115,877
Total	<u>(630,640)</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 June 30, 2016 are as follows:

Year of generation	Tax loss amount	Applicable tax rate	Credit due to tax loss carry-forward	Expiration – date for submission of tax returns fiscal years
2013	23,864	35%	8,352	2018
2014	510,726	35%	178,754	2019
2015	781,275	35%	273,446	2020
Tax loss carry-forwards of the period			20,635	(1)
			<u>481,187</u>	

(1) It corresponds to the tax loss estimated for the six-month period ended June 30, 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:

	Balance at the beginning of the year	Reduction of tax loss carry-forwards	Charge to loss for the period or year	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	(1,303,684)		72,799		(1,230,885)
Tax loss carry-forwards	458,205	(3,314)	27,373	(1,077)	481,187
Total as of June 30, 2016	<u>(845,479)</u>	<u>(3,314)</u>	<u>100,172</u>	<u>(1,077)</u>	<u>(749,698)</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

	6/30/2016	6/30/2015	6/30/2016	6/30/2015
	Six-months	Six-months	Three-months	Three-months
Product sales	9,148,844	7,527,202	4,963,627	4,050,521
Services provided	235,064	174,971	127,234	90,080
Turnover tax	(191,744)	(198,225)	(107,300)	(106,355)
Sales discounts and volume rebates	(930,743)	(555,498)	(402,201)	(308,395)
Sales returns	(167,278)	(116,857)	(92,349)	(57,061)
Total	8,094,143	6,831,593	4,489,011	3,668,790

15. COST OF SALES

	6/30/2016	6/30/2015	6/30/2016	6/30/2015
	Six-months	Six-months	Three-months	Three-months
<u>Cost of goods sold</u>				
Inventories at the beginning of the year	1,346,733	1,297,745	1,457,842	1,230,023
Purchases	3,281,236	3,073,269	1,803,249	1,530,996
Production expenses (Note 16)	1,844,862	1,454,302	965,861	765,032
Write-off of inventories	62,827	109,629	14,695	76,239
Re-measurement of foreign subsidiaries inventories	48,895	(10,127)	20,169	6,467
Benefits from industrial promotion	(77,169)	(20,172)	(36,041)	(16,686)
Inventories at the end of the period	(1,444,522)	(1,076,952)	(1,444,522)	(1,076,952)
Subtotal - cost of goods sold	5,062,862	4,827,694	2,781,253	2,515,119
<u>Cost of services rendered</u>				
Purchases	16,796	13,619	7,230	6,683
Production expenses (Note 16)	105,472	75,517	52,384	39,408
Subtotal - cost of services rendered	122,268	89,136	59,614	46,091
Total cost of sales	5,185,130	4,916,830	2,840,867	2,561,210

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

	6/30/2016 (six-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				46,914	46,914
Fees and compensation for services	198,657	461	479,390	49,511	728,019
Payroll, bonus and social security charges	857,255	56,949	317,576	179,985	1,411,765
Depreciation of property, plant and equipment, and others	201,976	7,859	14,044	3,206	227,085
Amortization of intangible assets	214				214
Provision for bad debts			5,092		5,092
Freights	309,686		1,063,365		1,373,051
Maintenance and repair	49,580	1,495	5,938	86	57,099
Office and communication	998	130	554	1,594	3,276
Fuel, gas and energy	133,758	24,093	14,224	1	172,076
Vehicles expenses	10,656		9,681	1,262	21,599
Publicity and advertising			167,032		167,032
Taxes, rates and contributions	23,674	647	1,580	63,795	89,696
Insurance	42,838	466	13,869	3,394	60,567
Travelling	898		1,641	356	2,895
Export and import			19,285	357	19,642
Miscellaneous	14,672	13,372	5,897	8,934	42,875
Total	1,844,862	105,472	2,119,168	359,395	4,428,897

	6/30/2015 (six-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				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
Total	1,454,302	75,517	1,662,760	257,513	3,450,092

	6/30/2016 (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				18,151	18,151
Fees and compensation for services	118,378	164	259,540	23,285	401,367
Payroll, bonus and social security charges	436,436	27,439	164,085	88,892	716,852
Depreciation of property, plant and equipment, and others	101,702	3,798	7,106	1,628	114,234
Amortization of intangible assets	107				107
Provision for bad debts			3,151		3,151
Freights	152,939		590,445		743,384
Maintenance and repair	25,972	619	3,611	34	30,236
Office and communication	422	70	299	811	1,602
Fuel, gas and energy	78,161	12,501	7,594	1	98,257
Vehicles expenses	6,061		5,302	748	12,111
Publicity and advertising			102,540		102,540
Taxes, rates and contributions	16,528	408	817	33,532	51,285
Insurance	21,377	328	6,893	1,599	30,197
Travelling	524		871	185	1,580
Export and import			10,166	149	10,315
Miscellaneous	7,254	7,057	2,909	4,137	21,357
Total	965,861	52,384	1,165,329	173,152	2,356,726

	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
Total	765,032	39,408	885,807	137,084	1,827,331

17. FINANCE COST

	<u>6/30/2016</u> <u>Six-months</u>	<u>6/30/2015</u> <u>Six-months</u>	<u>6/30/2016</u> <u>Three-months</u>	<u>6/30/2015</u> <u>Three-months</u>
Senior Notes	183,617	114,114	92,835	57,872
Other loans interest	14,062	68,318	4,095	33,024
Other interests	4,420	3,243	2,102	1,160
Total	<u>202,099</u>	<u>185,675</u>	<u>99,032</u>	<u>92,056</u>

18. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	<u>6/30/2016</u> <u>Six-months</u>	<u>6/30/2015</u> <u>Six-months</u>	<u>6/30/2016</u> <u>Three-months</u>	<u>6/30/2015</u> <u>Three-months</u>
Current income tax	(43,441)	(61)	(27,249)	(61)
Tax loss carry-forwards for the period	27,373	86,805	(21,245)	(5,084)
Net change in temporary differences	72,799	38,647	763	43,712
Alternative minimum income tax	(1,517)	(2,796)	(1,517)	(1,454)
Total – gain (loss)	<u>55,214</u>	<u>122,595</u>	<u>(49,248)</u>	<u>37,113</u>

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>6/30/2016</u> <u>Six-months</u>	<u>6/30/2015</u> <u>Six-months</u>	<u>6/30/2016</u> <u>Three-months</u>	<u>6/30/2015</u> <u>Three-months</u>
(Loss) income before income tax and alternative minimum income tax	(106,042)	(304,363)	166,980	(52,593)
Statutory income tax rate	35%	35%	35%	35%
Income tax at statutory income tax rate	37,115	106,527	(58,443)	18,408
Permanent differences	18,099	16,068	9,195	18,705
Total – gain (loss)	<u>55,214</u>	<u>122,595</u>	<u>(49,248)</u>	<u>37,113</u>

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 24,718 as of June 30, 2016 (35,919 as of December 31, 2015). Detail of pledged assets is as follows:

	<u>6/30/2016</u>	<u>12/31/2015</u>
Property, plant and equipment, and others	16,593	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) As of December 31, 2015, the Company also had pre-export credit lines in order to finance exports for an outstanding balance of the debt amounting to 89,089, which had as collateral inventories (of the parent Company and its subsidiary company Mastellone San Luis S.A.) for an amount of 115,062.
- c) Additionally, as of June 30, 2016 there were other receivables – guarantee deposits (current and non-current) for an amount of 80 (272 as of December 31, 2015) in guarantee of financial and commercial transactions and restricted assets disclosed in caption “other receivables – other” (current) for 357 as of June 30, 2016 and December 31, 2015).
- d) There were financial assets – investment funds by 43,928 of restricted availability 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 5,366 and 5,402 as of June 30, 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)		Other receivables (current)	Trade payable (current)		Advance from customers (current) 6/30/2016
	6/30/2016	12/31/2015		6/30/2016	12/31/2015	
Afianzar S.G.R.	2	4			8	
Arcor S.A.I.C.	19,707			913		
Cartocor S.A.				7,194		
Frigorífico Nueva Generación S.A.	654	485				
Logística La Serenísima S.A.	233,673	84,312		376,471	266,481	6
Los Toldos S.A.	415	346	198			
TOTAL	254,451	85,147	198	384,578	266,489	6

21. RELATED PARTIES OPERATIONS

Transactions with related parties for six-month periods ended June 30, 2016 and 2015 were as follows:

	<u>6/30/2016</u>	<u>6/30/2015</u>
<u>Revenues</u>		
Afianzar S.G.R.	10	5
Arcor S.A.I.C.	20,206	
Fideicomiso Formu	1,070	792
Frigorífico Nueva Generación S.A.	90	132
Logística La Serenísima S.A.	28,380	19,089
Los Toldos S.A.	177	224

	<u>6/30/2016</u>	<u>6/30/2015</u>
<u>Purchase of goods and services</u>		
Afianzar S.G.R.	21	
Arcor S.A.I.C.	2,226	
Cartocor S.A.	16,259	
Logística La Serenísima S.A.	732,923	487,835
Los Toldos S.A.	1,740	2,025
<u>Investment income</u>		
Logística La Serenísima S.A.	2,386	2,022
<u>Finance cost</u>		
Fideicomiso Formu		10,157
<u>Other gain and losses</u>		
Logística La Serenísima S.A.	753	785
<u>Purchases of property, plant, equipment and others</u>		
Logística La Serenísima S.A.	1,911	

During the six-month periods ended June 30, 2016 and 2015, the Company paid a total of 74,957 and 47,055, 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	6/30/2016		
	Dairy	Other	Total
Revenue from external customers	7,764,946	329,197	8,094,143
Intersegment revenue	955	48,298	49,253
Net loss for the period	(48,600)	(2,228)	(50,828)
Assets allocated to the business lines	8,112,329	153,775	8,266,104
Liabilities allocated to the business lines	5,877,930	103,451	5,981,381
Additions to property, plant and equipment, and others	210,354	2,693	213,047
Depreciation of property, plant and equipment, and others	224,024	3,061	227,085
Amortization of intangible assets	214		214
Depreciation of investment property	305		305
Net domestic revenue	6,866,554	329,197	7,195,751

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

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	
6/30/2016	7,195,751	570,637	327,755	8,094,143
6/30/2015	6,260,035	322,597	248,961	6,831,593

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 August 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, Province 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 3.5 to the condensed interim consolidated financial statements), which comprise the condensed consolidated statement of financial position as of June 30, 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 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, 2015 and for the six-month period ended June 30, 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 six-month period ended June 30, 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, August 9, 2016.

Deloitte & Co. S.A.

Carlos A. Lloveras
(Partner)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte Touche Tomatsu Limited is a private Company limited by guarantee incorporated in England & Wales under Company number 07271800, and its registered office is Hill House, 1 Little new Street, London, EC4a, 3TR, United Kindom.