

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY

AS OF SEPTEMBER 30, 2016

(in thousands of Argentine pesos)

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

Our financial statements for the nine month period ended September 30, show the continuous effort of the Company to recover our profitability.

In order to explain our results we need to analyze the main drivers and markets directly related to our economic and financial performance.

Production of raw milk remained below the level of 2015, resulting in a reduction of processed volumes during this period. Factors such as severe weather conditions and the economic scenario for the industry affected the availability of raw milk. Facing this situation, we increased the price paid to producers along with a reduction in payment's terms. Furthermore, we keep on developing and executing our plan "Mas Leche", oriented to increase the raw milk production of our dairy farmers.

Following the consumption negative trend, domestic volumes sold dropped during the period. Additionally, international prices remain depressed resulting in an excess supply in the domestic market, and ultimately in low prices (even under production costs) and poor quality products in that market.

We disagree with the aforesaid commercial strategy of some of our competitors due its negative impact on profitability and sustainability for the dairy sector in Argentina. We sustained our commercial policy with advertising campaigns focused on our product's quality, strengthening our brand names as well as stressing their contribution to consumer's health.

As for the international market, we normally executed deliveries to Leitesol. Our Brazilian subsidiary had an excellent commercial and financial performance. In spite of its low actual profitability, we increased exported volumes to third parties. We privileged the equilibrium and sustainability of the overall business of the Company by the execution of shipments to Argelia, Russia and China, among others.

In terms of the investments included in our expansion plan, we are completing the new drying facility in the Trenque Lauquen plant. The opening will take place before the end of this year.

Finally, we want to emphasize the negative impact on the whole dairy sector of informality of certain market participants and the resulting increase of tax evasion. Practically all the activities, from primary production through industrialization, distribution and marketing of products have been affected by such wrong practices. We will keep on informing and claiming for immediate measures to fight against those illegal uses, which represent inequality, loss of competitiveness plus more negative effects for the country's development.

2. CONSOLIDATED FINANCIAL POSITION

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2012</u>
	(in thousand pesos)				
Current assets	3,993,391	2,477,591	2,500,814	2,118,989	1,613,420
Non-current assets	4,763,832	3,823,369	1,674,421	1,667,218	1,582,230
TOTAL ASSETS	8,757,223	6,300,960	4,175,235	3,786,207	3,195,650
Current liabilities	2,721,570	2,419,636	2,066,607	1,902,572	1,505,730
Non-current liabilities	3,650,707	2,466,932	1,763,259	1,137,492	1,003,781
TOTAL LIABILITIES	6,372,277	4,886,568	3,829,866	3,040,064	2,509,511
Equity attributable to owners of the Company	2,384,906	1,414,368	345,350	746,128	686,129
Non-controlling interests	40	24	19	15	10
TOTAL EQUITY	2,384,946	1,414,392	345,369	746,143	686,139
TOTAL LIABILITIES AND EQUITY	8,757,223	6,300,960	4,175,235	3,786,207	3,195,650

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

	9/30/2016	9/30/2015	9/30/2014	9/30/2013	9/30/2012
	(in thousand pesos)				
Continuing operations:					
Operational results – income	667,324	77,867	295,809	204,189	33,064
Investment income, finance cost and foreign exchange differences	(641,529)	(469,876)	(637,558)	(266,599)	(183,595)
Other gains and losses	2,243	1,238	(4,861)	107,714	17,812
Income (loss) before taxes	28,038	(390,771)	(346,610)	45,304	(132,719)
Income tax and alternative minimum income tax	18,624	153,132	56,790	11,492	16,089
Net income (loss) for the period from continuing operations	46,662	(237,639)	(289,820)	56,796	(116,630)
Discontinued operations			(41,606)	(10,123)	
Net income (loss) for the period	46,662	(237,639)	(331,426)	46,673	(116,630)
Other comprehensive income (loss)	49,540	(27,507)	23,125	8,048	1,121
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	96,202	(265,146)	(308,301)	54,721	(115,509)
Net income (loss) attributable to:					
Owners of the company	96,194	(265,151)	(308,302)	54,721	(115,509)
Non-controlling interests	8	5	1		
Total comprehensive income (loss):	96,202	(265,146)	(308,301)	54,721	(115,509)

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	9/30/2016	9/30/2015	9/30/2014	9/30/2013	9/30/2012
	(in thousand pesos)				
Cash flows provided by operating activities	890,350	607,580	245,782	389,374	321,316
Cash flows used in investing activities	(255,165)	(84,338)	(171,134)	(47,813)	(152,197)
Cash flows used in financing activities	(390,474)	(372,118)	(4,236)	(169,724)	(61,024)
Cash and cash equivalents provided in the period	244,711	151,124	70,412	171,837	108,095

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES				
	9/30/2016	9/30/2015	9/30/2014	9/30/2013	9/30/2012
	(in thousand liters of milk)				
Domestic market	1,014,756	1,118,240	1,165,644	1,190,561	1,235,896
Foreign market	243,843	194,318	52,399	190,511	224,543
Total	1,258,599	1,312,558	1,218,043	1,381,072	1,460,439

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

6. RATIOS

	9/30/2016	9/30/2015	9/30/2014	9/30/2013	9/30/2012
Current assets to current liabilities	1.47	1.02	1.21	1.11	1.07
Equity attributable to owners of the Company to total liabilities	0.37	0.29	0.09	0.25	0.27
Non-current assets to total assets	0.54	0.61	0.40	0.44	0.50

7. OUTLOOK (*)

Although we believe that consumption will have stronger recovery during next year, we do not discard to see signs of recovery on 2016's last quarter. For this reason, we will continue with our commercial strategy supplemented with the launch of new lines of products.

We will take all possible actions, in order to incentivize our dairy farmer's production and ensure the supply of raw milk for the first half on 2017

Regarding the cost structure, we will continue to seek for productivity improvements and hope that perceived inflation slowdown will contribute to that aim.

Finally, we foresee the opening of the drying plant in Trenque Lauquen by the end of November. Such facility will start with commercial production during the first days of the next year.

(*) Information not reviewed by the Auditors.

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

CARLOS AGOTE
Vice Chairman

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT
SEPTEMBER 30, 2016
(in thousands of Argentine pesos)

	Notes	<u>9/30/2016</u>	<u>12/31/2015</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents		725,025	480,314
Other financial assets	4 and 19	46,221	61,099
Trade accounts receivable	5	1,483,045	846,615
Tax credits	6	142,118	101,668
Other receivables	7 and 19	34,555	34,729
Inventories	8 and 19	1,562,427	1,351,185
Total Current Assets		<u>3,993,391</u>	<u>2,875,610</u>
<u>NON-CURRENT ASSETS</u>			
Other financial assets	4	18,445	61,967
Tax credits	6	26,825	16,203
Other receivables	7 and 19	44,015	42,226
Deferred tax assets	13	29,473	17,238
Property, plant and equipment, and others	9 and 19	4,627,498	4,644,845
Investment property		4,734	5,191
Goodwill		3,121	3,121
Intangible assets		1,938	2,260
Other assets		7,783	7,900
Total Non-Current Assets		<u>4,763,832</u>	<u>4,800,951</u>
TOTAL ASSETS		<u>8,757,223</u>	<u>7,676,561</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Trade payable	10	1,749,455	1,256,772
Borrowings	11 and 19	107,843	168,043
Accrued salaries, wages and payroll taxes	12	569,314	442,106
Taxes payable		233,716	107,566
Advance from customers		3,799	2,253
Provisions		929	1,088
Contributions for future subscription of common stock	2		486,000
Other liabilities		56,514	20,757
Total Current Liabilities		<u>2,721,570</u>	<u>2,484,585</u>
<u>NON-CURRENT LIABILITIES</u>			
Trade payable		7,226	7,255
Borrowings	11 and 19	2,985,560	2,531,844
Taxes payable		20,525	24,088
Deferred tax liabilities	13	611,530	742,449
Provisions		23,078	19,827
Other liabilities		2,788	63,769
Total Non-Current Liabilities		<u>3,650,707</u>	<u>3,389,232</u>
TOTAL LIABILITIES		<u>6,372,277</u>	<u>5,873,817</u>
<u>EQUITY</u>			
Common stock and share premium		943,547	457,547
Reserves		1,971,842	2,058,338
Accumulated deficit– including net result for the period or year		(530,483)	(713,173)
Equity attributable to owners of the Company		<u>2,384,906</u>	<u>1,802,712</u>
Non-controlling interests		<u>40</u>	<u>32</u>
TOTAL EQUITY		<u>2,384,946</u>	<u>1,802,744</u>
TOTAL LIABILITIES AND EQUITY		<u>8,757,223</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 NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016
(in thousands of Argentine pesos)

	Notes	9/30/2016 Nine-months	9/30/2015 Nine-months	9/30/2016 Three-months	9/30/2015 Three-months
Revenue	14	13,016,726	10,422,656	4,922,583	3,591,063
Cost of sales	15	(8,436,935)	(7,336,564)	(3,251,805)	(2,419,734)
Gross profit		4,579,791	3,086,092	1,670,778	1,171,329
Selling expenses	16	(3,350,708)	(2,598,019)	(1,231,540)	(935,259)
General and administrative expenses	16	(561,759)	(410,206)	(202,364)	(152,693)
Investment income		54,223	32,013	29,888	14,451
Finance cost	17	(287,074)	(278,517)	(84,975)	(92,842)
Foreign exchange losses		(408,678)	(223,372)	(48,784)	(89,354)
Other gains and losses		2,243	1,238	1,077	(2,040)
Gain (loss) before taxes		28,038	(390,771)	134,080	(86,408)
Income tax and alternative minimum income tax	18	18,624	153,132	(36,590)	30,537
NET GAIN (LOSS) FOR THE PERIOD		46,662	(237,639)	97,490	(55,871)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		50,617	(27,507)	2,733	(18,827)
Income tax		(1,077)			
Other comprehensive income (loss), net of income tax		49,540	(27,507)	2,733	(18,827)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		96,202	(265,146)	100,223	(74,698)
Net income (loss) attributable to:					
Owners of the Company		46,654	(237,644)	97,476	(55,874)
Non-controlling interests		8	5	14	3
Net income (loss) for the period		46,662	(237,639)	97,490	(55,871)
Total comprehensive income (loss) attributable to:					
Owners of the Company		96,194	(265,151)	100,209	(74,701)
Non-controlling interests		8	5	14	3
Net comprehensive income (loss) for the period		96,202	(265,146)	100,223	(74,698)

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 income for the period					46,654	46,654	8	46,662
Other comprehensive income for the period			49,540			49,540		49,540
Total comprehensive income for the period	-	-	49,540		46,654	96,194	8	96,202
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)				(136,036)	136,036			
Balance at September 30, 2016	573,089	370,458	88,573	1,883,269	(530,483)	2,384,906	40	2,384,946

(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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015
(in thousands of Argentine pesos)

	Shareholders' contributions	Reserves					Retained earnings (Accumulated losses)	Equity attributable to:		Total
	Common stock	Legal reserve	Facultative reserve	Foreign currency translation reserve	Special reserve established by General Resolution N° 609/12 of the CNV	Property, plant and equipment Revaluation reserve		Owners of the parents	Non controlling interest	
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							(237,644)	(237,644)	5	(237,639)
Other comprehensive loss for the period, net of income tax				(27,507)				(27,507)		(27,507)
Total comprehensive loss for the period	-	-	-	(27,507)	-		(237,644)	(265,151)	5	(265,146)
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			
Transfer to accumulated losses (1)						(97,396)	97,396			
Balance at September 30, 2015	457,547	-	-	7,557	-	1,372,629	(423,365)	1,414,368	24	1,414,392

(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 CASH FLOWS FOR THE NINE-
MONTH PERIOD ENDED SEPTEMBER 30, 2016

(in thousands of Argentine pesos)

	<u>9/30/2016</u>	<u>9/30/2015</u>
<u>Cash flows from operating activities</u>		
Net income (loss) for the period	46,662	(237,639)
Adjustments to reconcile net income (loss) for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	(18,624)	(153,132)
Finance cost	287,074	278,517
Foreign exchange losses	467,166	209,067
Depreciation of property, plant and equipment, and others	342,211	257,069
Net additions (reversal) to provisions	25,289	(2,657)
Write-off of inventories	96,177	190,480
Depreciation of investment property	458	256
Amortization of intangible assets	322	9,632
Gain on sale of property, plant and equipment, and others	(3,249)	(843)
	<u>1,243,486</u>	<u>550,750</u>
Changes in working capital	(288,456)	78,128
Subtotal	<u>955,030</u>	<u>628,878</u>
Payments of income tax and alternative minimum income tax	(64,680)	(21,298)
Net cash generated by operating activities	<u>890,350</u>	<u>607,580</u>
<u>Cash flows used in investing activities</u>		
Payments for property, plant and equipment, and others	(302,121)	(125,343)
Payments for investment property		(4,410)
Proceeds from sale of other financial assets	51,704	49,243
Proceeds from sale of subsidiary company	4,500	6,200
Proceeds from disposal of property, plant and equipment, and others	5,904	3,102
Payments for purchase of subsidiary company	(15,152)	(13,128)
Payments for other assets		(2)
Net cash used in investing activities	<u>(255,165)</u>	<u>(84,338)</u>
<u>Cash flows used in financing activities</u>		
Proceeds from borrowings		82,417
Repayment of borrowings	(179,353)	(241,211)
Payment of interests	(211,121)	(213,324)
Net cash used in financing activities	<u>(390,474)</u>	<u>(372,118)</u>
Increase in cash and cash equivalents	<u>244,711</u>	<u>151,124</u>
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>725,025</u>	<u>320,942</u>

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 nine-month period ended September 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 nine-month period ended September 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 nine-month period ended September 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		
			9/30/2016	12/31/2015	9/30/2015
Con-Ser S.A.	Transportation services, services for vehicle, sale of parts and distribution of cooling equipments	Argentina	100.00	100.00	100.00
Leitesol Industria e Comercio S.A.	Production and distribution of dairy products	Brazil	100.00	100.00	100.00
Marca 4 S.A.	Ownership, administration and legal defense of trademarks <i>Ser</i> and <i>La Serenísima</i>	Argentina	99.99	99.99	99.99
Marca 5 Asesores en Seguros S.A.	Insurance broker	Argentina	99.99	99.99	99.99
Mastellone de Paraguay S.A.	Import and distribution of dairy products	Paraguay	100.00	100.00	100.00
Mastellone Hermanos do Brasil Comercial e Industrial Ltda.	Inactive	Brazil	100.00	100.00	100.00
Mastellone San Luis S.A.	Manufacturer of dairy products	Argentina	99.99	99.99	99.99

The financial position statements of Mastellone Hermanos Sociedad Anónima as of September 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 nine-month periods ended September 30, 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 September 30, 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 June 30, 2016 and 2015, respectively. Between those dates there were no events, involving those subsidiaries, with a material effect on the financial position and results of operations, which has not been taken into account for the preparation of the consolidated financial statements.

4. OTHER FINANCIAL ASSETS

	9/30/2016	12/31/2015
• <u>Current</u>		
Derivative financial instruments	33,707	25
Corporate bonds	7,514	7,517
Restricted investment funds (Note 19d)		43,928
Short-term investments – other	5,000	9,629
Total	46,221	61,099
• <u>Non-current</u>		
Derivative financial instruments		46,584
Long-term investments	18,445	15,383
Total	18,445	61,967

5. TRADE ACCOUNTS RECEIVABLE

	<u>9/30/2016</u>	<u>12/31/2015</u>
Third parties (domestic)	1,270,853	757,689
Related parties (Note 20)	175,688	85,147
Foreign receivables	38,742	7,237
Notes receivables	831	689
Tax incentives on exports	25,627	22,051
Subtotal	1,511,741	872,813
Allowance for doubtful accounts	(25,142)	(22,322)
Allowance for trade discounts and volume rebates	(3,554)	(3,876)
Total	1,483,045	846,615

6. TAX CREDITS

	<u>9/30/2016</u>	<u>12/31/2015</u>
• <u>Current</u>		
Income tax and alternative minimum income tax receivable	74,703	9,546
Net value added tax	41,208	59,911
Turnover tax credit	24,365	20,504
Other tax credits	1,842	11,707
Total	142,118	101,668
• <u>Non-current</u>		
Net value added tax	1,818	6,051
Turnover tax credit	22,501	9,880
Other tax credits	2,506	272
Total	26,825	16,203

7. OTHER RECEIVABLES

	<u>9/30/2016</u>	<u>12/31/2015</u>
• <u>Current</u>		
Advances to services suppliers	9,392	6,278
Receivable from sale of subsidiary company	7,694	10,422
Prepaid expenses	7,406	10,488
Insurance receivable	1,110	953
Receivable from sale of property, plant and equipment, and others	391	344
Guarantee deposits (Note 19c)	71	224
Receivables from customers in receivership and in bankruptcy	178	225
Related parties (Note 20)	183	
Other (Note 19c)	9,365	7,283
Subtotal	35,790	36,217
Allowance for doubtful accounts	(1,235)	(1,488)
Total	34,555	34,729

	<u>9/30/2016</u>	<u>12/31/2015</u>
• <u>Non-current</u>		
Receivable from sale of subsidiary company	20,901	19,278
Receivables from customers in receivership and in bankruptcy	17,823	18,790
Régime for the professionalization of transport (1)	13,381	13,381
Receivable from sale of property, plant and equipment	7,894	6,716
Guarantee deposits (Note 19c)	9	48
Other	1,442	1,818
Subtotal	61,450	60,031
Allowance for doubtful accounts	(17,435)	(17,805)
Total	44,015	42,226

(1) In litigation.

8. INVENTORIES

	<u>9/30/2016</u>	<u>12/31/2015</u>
Resale goods	54,564	44,236
Finished goods	580,961	575,714
Work in progress	419,715	311,051
Raw materials, packaging and other materials	427,724	375,429
Goods in transit	77,493	40,303
Subtotal	1,560,457	1,346,733
Advances to suppliers	1,970	4,452
Total	1,562,427	1,351,185

9. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	Cost or revalued cost					9/30/2016							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	11,948	2,005			2,237,084	34,699	6,828		2, 2.5, 2.86, 3.3, 4 and 5	50,169	91,696	2,145,388
Machinery and equipment (1)	1,512,420	5,930	9,964	10,875	917	1,538,272	164,017	4,233	867	5 and 10	158,490	325,873	1,212,399
Facilities and laboratory equipment (1)	907,401	2,742	10,184	4,259	50	924,536	147,906	2,019	50	5, 10 and 25	77,761	227,636	696,900
Furniture	56,465		4,943	266	1,097	60,577	47,661		1,062	10, 20, 25 and 33	3,170	49,769	10,808
Vehicles (2)	154,711	617	3,450	3,199	4,450	157,527	111,909	242	1,880	10 and 20	6,483	116,754	40,773
Work in progress	190,404		227,259	(8,266)		409,397							409,397
Advances to suppliers	8,232		12,672	(10,333)		10,571							10,571
Subtotal	5,052,764	21,237	270,477	-	6,514	5,337,964	506,192	13,322	3,859		296,073	811,728	4,526,236
Other:													
Trays	230,282		49,127			279,409	132,009			33	46,138	178,147	101,262
Carrying amount as of September 30, 2016	5,283,046	21,237	319,604	-	6,514	5,617,373	638,201	13,322	3,859		342,211	989,875	4,627,498

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

Land and buildings	689,856
Machinery and equipment	251,044
Facilities and laboratory equipments	200,984

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenisima S.A. with a net value of 22,963 as of September 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>9/30/2016</u>	<u>12/31/2015</u>
Trade payables	1,165,139	778,645
Related parties (Note 20)	396,667	266,489
Note payables	168,702	201,616
Foreign suppliers	18,947	10,022
Total	<u>1,749,455</u>	<u>1,256,772</u>

11. BORROWINGS

	<u>9/30/2016</u>	<u>12/31/2015</u>
<u>Short-term debt</u>		
Principal:		
Financial debt:		
Unsecured debt	10,676	49,277
Secured debt	2,721	115,817
Total financial debt	<u>13,397</u>	<u>165,094</u>
Accrued interest:		
Unsecured and secured debt	94,446	2,949
Total accrued interest	<u>94,446</u>	<u>2,949</u>
Total	<u>107,843</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 78,598 and 79,815 as of 9/30/2016 and 12/31/2015, respectively)	2,978,708	2,524,187
Total – Senior Notes	<u>2,978,708</u>	<u>2,524,187</u>
Other financial debt:		
Unsecured debt	210	354
Secured debt	6,642	7,303
Total – Other financial debt	<u>6,852</u>	<u>7,657</u>
Total	<u>2,985,560</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>9/30/2016</u>	<u>12/31/2015</u>
Payroll and bonus to management	398,687	280,561
Social security taxes	170,627	161,545
Total	<u>569,314</u>	<u>442,106</u>

13. DEFERRED TAX

Deferred tax assets:

	<u>9/30/2016</u>	<u>12/31/2015</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	26,884	15,163
Inventories	1,597	1,301
Property, plant and equipment, and others	(7,873)	(8,261)
Tax loss carry-forwards	3,594	4,644
Alternative minimum income tax	5,271	4,391
Total	<u>29,473</u>	<u>17,238</u>

Deferred tax liabilities:

	<u>9/30/2016</u>	<u>12/31/2015</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	27,892	35,537
Inventories	48,700	34,736
Intangible assets	1,169	1,060
Cash and cash equivalents	(195)	(2,209)
Other assets	(185)	(185)
Property, plant and equipment, and others	(1,277,675)	(1,354,036)
Borrowings	(26,663)	(26,790)
Tax loss carry-forwards	467,272	453,561
Alternative minimum income tax	148,155	115,877
Total	<u>(611,530)</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 September 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			10,314	(1)
			<u>470,866</u>	

(1) It corresponds to the tax loss estimated for the nine-month period ended September 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)		97,335		(1,206,349)
Tax loss carry-forwards	458,205	(3,314)	17,052	(1,077)	470,866
Total as of September 30, 2016	<u>(845,479)</u>	<u>(3,314)</u>	<u>114,387</u>	<u>(1,077)</u>	<u>(735,483)</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

	9/30/2016	9/30/2015	9/30/2016	9/30/2015
	Nine-months	Nine-months	Three-months	Three-months
Product sales	14,620,874	11,531,785	5,472,030	4,004,583
Services provided	364,362	273,971	129,298	99,000
Turnover tax	(311,847)	(310,296)	(120,103)	(112,071)
Sales discounts and volume rebates	(1,405,793)	(895,527)	(475,050)	(340,029)
Sales returns	(250,870)	(177,277)	(83,592)	(60,420)
Total	13,016,726	10,422,656	4,922,583	3,591,063

15. COST OF SALES

	9/30/2016	9/30/2015	9/30/2016	9/30/2015
	Nine-months	Nine-months	Three-months	Three-months
<u>Cost of goods sold</u>				
Inventories at the beginning of the year or period	1,346,733	1,297,745	1,444,522	1,076,952
Purchases	5,502,986	4,694,571	2,221,750	1,621,302
Production expenses (Note 16)	2,930,806	2,284,093	1,085,944	829,791
Write-off of inventories	96,177	190,480	33,350	80,851
Re-measurement of foreign subsidiaries inventories	50,023	(29,868)	1,128	(19,741)
Benefits from industrial promotion	(118,092)	(111,732)	(40,923)	(91,560)
Inventories at the end of the period	(1,560,457)	(1,130,351)	(1,560,457)	(1,130,351)
Subtotal - cost of goods sold	8,248,176	7,194,938	3,185,314	2,367,244
<u>Cost of services rendered</u>				
Purchases	26,151	21,278	9,355	7,659
Production expenses (Note 16)	162,608	120,348	57,136	44,831
Subtotal - cost of services rendered	188,759	141,626	66,491	52,490
Total cost of sales	8,436,935	7,336,564	3,251,805	2,419,734

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

	9/30/2016 (nine-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				60,572	60,572
Fees and compensation for services	323,022	517	753,798	71,768	1,149,105
Payroll, bonus and social security charges	1,369,038	87,912	513,714	296,648	2,267,312
Depreciation of property, plant and equipment, and others	304,658	11,474	21,121	4,958	342,211
Amortization of intangible assets	322				322
Provision for bad debts			7,295		7,295
Freights	485,296		1,692,666		2,177,962
Maintenance and repair	78,709	2,336	9,195	320	90,560
Office and communication	1,410	253	795	2,343	4,801
Fuel, gas and energy	204,944	38,389	21,959	3	265,295
Vehicles expenses	16,496		15,090	2,115	33,701
Publicity and advertising			246,667		246,667
Taxes, rates and contributions	50,407	988	2,550	102,500	156,445
Insurance	67,113	690	21,666	5,276	94,745
Travelling	1,496		2,493	610	4,599
Export and import			31,739	434	32,173
Miscellaneous	27,895	20,049	9,960	14,212	72,116
Total	2,930,806	162,608	3,350,708	561,759	7,005,881

	9/30/2015 (nine-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				35,097	35,097
Fees and compensation for services	252,702	263	534,395	42,935	830,295
Payroll, bonus and social security charges	1,042,350	70,638	392,335	213,586	1,718,909
Depreciation of property, plant and equipment, and others	227,018	9,793	15,504	4,754	257,069
Amortization of intangible assets	9,632				9,632
Provision for bad debts			8,849		8,849
Freights	404,564		1,291,540		1,696,104
Maintenance and repair	52,158	4,770	8,215	346	65,489
Office and communication	1,203	188	516	1,738	3,645
Fuel, gas and energy	128,125	21,061	10,951	29	160,166
Vehicles expenses	15,409		12,026	1,526	28,961
Publicity and advertising			277,044		277,044
Taxes, rates and contributions	41,082	1,067	2,457	95,742	140,348
Insurance	43,523	259	14,481	3,575	61,838
Travelling	1,404		2,156	433	3,993
Export and import			19,975	295	20,270
Miscellaneous	64,923	12,309	7,575	10,150	94,957
Total	2,284,093	120,348	2,598,019	410,206	5,412,666

	9/30/2016 (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				13,658	13,658
Fees and compensation for services	124,365	56	274,408	22,257	421,086
Payroll, bonus and social security charges	511,783	30,963	196,138	116,663	855,547
Depreciation of property, plant and equipment, and others	102,682	3,615	7,077	1,752	115,126
Amortization of intangible assets	108				108
Provision for bad debts			2,203		2,203
Freights	175,610		629,301		804,911
Maintenance and repair	29,129	841	3,257	234	33,461
Office and communication	412	123	241	749	1,525
Fuel, gas and energy	71,186	14,296	7,735	2	93,219
Vehicles expenses	5,840		5,409	853	12,102
Publicity and advertising			79,635		79,635
Taxes, rates and contributions	26,733	341	970	38,705	66,749
Insurance	24,275	224	7,797	1,882	34,178
Travelling	598		852	254	1,704
Export and import			12,454	77	12,531
Miscellaneous	13,223	6,677	4,063	5,278	29,241
Total	1,085,944	57,136	1,231,540	202,364	2,576,984

	9/30/2015 (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				10,586	10,586
Fees and compensation for services	95,243	140	184,132	12,175	291,690
Payroll, bonus and social security charges	391,276	25,421	147,076	88,499	652,272
Depreciation of property, plant and equipment, and others	76,303	3,826	5,280	1,727	87,136
Amortization of intangible assets	1,899				1,899
Provision for bad debts			3,003		3,003
Freights	143,523		466,459		609,982
Maintenance and repair	17,547	3,384	2,718	139	23,788
Office and communication	387	31	207	545	1,170
Fuel, gas and energy	49,790	7,131	3,546	6	60,473
Vehicles expenses	5,360		4,564	595	10,519
Publicity and advertising			103,400		103,400
Taxes, rates and contributions	12,371	253	876	32,927	46,427
Insurance	19,830	124	6,899	1,679	28,532
Travelling	631		744	178	1,553
Export and import			4,209	82	4,291
Miscellaneous	15,631	4,521	2,146	3,555	25,853
Total	829,791	44,831	935,259	152,693	1,962,574

17. FINANCE COST

	<u>9/30/2016</u> <u>Nine-months</u>	<u>9/30/2015</u> <u>Nine-months</u>	<u>9/30/2016</u> <u>Three-months</u>	<u>9/30/2015</u> <u>Three-months</u>
Senior Notes	264,667	168,878	81,050	59,441
Other loans interest	15,332	106,053	1,270	33,058
Other interests	7,075	3,586	2,655	343
Total	<u>287,074</u>	<u>278,517</u>	<u>84,975</u>	<u>92,842</u>

18. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	<u>9/30/2016</u> <u>Nine-months</u>	<u>9/30/2015</u> <u>Nine-months</u>	<u>9/30/2016</u> <u>Three-months</u>	<u>9/30/2015</u> <u>Three-months</u>
Current income tax	(92,777)	(250)	(49,336)	(189)
Tax loss carry-forwards for the period	17,052	107,979	(10,321)	21,174
Net change in temporary differences	97,335	51,856	24,536	13,209
Alternative minimum income tax	(2,986)	(6,453)	(1,469)	(3,657)
Total – gain (loss)	<u>18,624</u>	<u>153,132</u>	<u>(36,590)</u>	<u>30,537</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>9/30/2016</u> <u>Nine-months</u>	<u>9/30/2015</u> <u>Nine-months</u>	<u>9/30/2016</u> <u>Three-months</u>	<u>9/30/2015</u> <u>Three-months</u>
Income (loss) before income tax and alternative minimum income tax	28,038	(390,771)	134,080	(86,408)
Statutory income tax rate	35%	35%	35%	35%
Income tax at statutory income tax rate	(9,813)	136,770	(46,928)	30,243
Permanent differences	28,437	16,362	10,338	294
Total – gain (loss)	<u>18,624</u>	<u>153,132</u>	<u>(36,590)</u>	<u>30,537</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 24,703 as of September 30, 2016 (35,919 as of December 31, 2015). Detail of pledged assets is as follows:

	<u>9/30/2016</u>	<u>12/31/2015</u>
Property, plant and equipment, and others	16,280	2,635
Mastellone San Luis S.A. shares arising from the merger with Compañía Puntana de Carnes Elaboradas S.A.	4,668	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 September 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 September 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 5,572 and 5,402 as of September 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)	
	9/30/2016	12/31/2015	9/30/2016	9/30/2016	12/31/2015	9/30/2016	12/31/2015
Afianzar S.G.R.	3	4		9	8		
Arcor S.A.I.C.	5,810			1,024			
Bagley Argentina S.A.	830						
Cartocor S.A.				8,349			
Frigorífico Nueva Generación S.A.	63	485					
Logística La Serenísima S.A.	168,933	84,312		387,285	266,481	624	6
Los Toldos S.A.	49	346	183				
TOTAL	175,688	85,147	183	396,667	266,489	624	6

21. RELATED PARTIES OPERATIONS

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

	<u>9/30/2016</u>	<u>9/30/2015</u>
<u>Revenues</u>		
Afianzar S.G.R.	15	6
Arcor S.A.I.C.	33,878	
Bagley Argentina S.A.	665	
Fideicomiso Formu	1,670	1,197
Frigorífico Nueva Generación S.A.	100	204
Logística La Serenísima S.A.	43,935	28,734
Los Toldos S.A.	196	290

	<u>9/30/2016</u>	<u>9/30/2015</u>
<u>Purchase of goods and services</u>		
Afianzar S.G.R.	26	
Arcor S.A.I.C.	2,226	
Cartocor S.A.	28,540	
Logística La Serenísima S.A.	1,033,498	727,389
Los Toldos S.A.	3,032	3,096
<u>Investment income</u>		
Logística La Serenísima S.A.	3,736	3,054
<u>Finance cost</u>		
Fideicomiso Formu		14,831
<u>Other gain and losses</u>		
Logística La Serenísima S.A.	1,175	1,403
<u>Purchases of property, plant, equipment and others</u>		
Logística La Serenísima S.A.	1,911	

During the nine-month periods ended September 30, 2016 and 2015, the Company paid a total of 105,138 and 66,994, 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	9/30/2016		
	Dairy	Other	Total
Revenue from external customers	12,507,272	509,454	13,016,726
Intersegment revenue	1,279	70,810	72,089
Net income (loss) for the period	52,178	(5,516)	46,662
Assets allocated to the business lines	8,598,242	158,981	8,757,223
Liabilities allocated to the business lines	6,259,281	112,996	6,372,277
Additions to property, plant and equipment, and others	316,494	3,110	319,604
Depreciation of property, plant and equipment, and others	337,662	4,549	342,211
Amortization of intangible assets	322		322
Depreciation of investment property	458		458
Net domestic revenue	11,031,519	509,454	11,540,973

Information	9/30/2015		
	Dairy	Other	Total
Revenue from external customers	9,978,992	443,664	10,422,656
Intersegment revenue	1,693	204,322	206,015
Net (loss) income for the period	(237,811)	172	(237,639)
Assets allocated to the business lines	6,144,113	156,847	6,300,960
Liabilities allocated to the business lines	4,783,175	103,393	4,886,568
Additions to property, plant and equipment, and others	124,570	773	125,343
Depreciation of property, plant and equipment, and others	252,912	4,157	257,069
Amortization of intangible assets	9,632		9,632
Depreciation of investment property	256		256
Net domestic revenue	9,191,750	443,664	9,635,414

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

Period	Revenue			Total
	Domestic market	Exports		
		Brazil and Paraguay	Other countries	
9/30/2016	11,540,973	943,570	532,183	13,016,726
9/30/2015	9,635,414	477,638	309,604	10,422,656

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 November 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 September 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 nine-month period then ended, and other selected explanatory information presented in Notes 1 to 24.

Amounts and other disclosures for the fiscal year ended December 31, 2015 and for the nine-month period ended September 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 nine-month period ended September 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, November 9, 2016.

Deloitte & Co. S.A.

Alberto López Carnabucci
(Partner)

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