Mastellone Hermanos S.A.
Consolidated Financial Statements
for the six-month period ended
June 30, 2017

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY
AS OF JUNE 30, 2017
(in thousands of Argentine pesos)

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

Two key drivers impacted on the financial results of Mastellone Hermanos S.A. for the first half of 2017: consumption of dairy products and production of raw milk.

According to market research, there was a drop of 10% in general consumption of dairy products during such period as compared to the same period of the preceding year. Such situation plus a persistent excess supply of dairy products, impacted on the Company´s sales. However, the decrease in our volumes was lower than the market average, given the fact that our market share increased practically for all the families of products.

The Company continued its strategy of launching new products into the market, oriented to satisfy consumer needs. At the same time, several marketing actions were executed to promote such new products and the overall consumption of dairy products.

Raw milk production was affected by heavy rains especially during the first three months of the year, impacting in the same geographic areas as in the previous year, causing floods and damaging roads to access to dairy farms. Due to a betterment of weather conditions, the production improved from April to June partially offsetting the drop of the first quarter.

The decrease in raw milk production affected the availability of inventories destined to exports, which were reduced to the deliveries to Leitesol Ltda., our Brazilian subsidiary, considering its positive economic and commercial performance.

We continued with all the actions included into the "Plan Mas leche" ("More milk plan"), through training courses, financing and coaching on the application of sexing semen, financial support to investments on equipment for dairy farms, etc.

Regarding labor cost, it is important to highlight the agreement signed between the Ministry of Labor, the chambers representing the dairy industries (CIL and Appymel) and the dairy worker's union (ATILRA). All parties agreed on a reduction of the extraordinary contribution that the Union receives from the Companies to support its social care system. Also, during 2017 negotiations started to change the labor collective agreement. The goal of such negotiation is the improvement of the productivity of the dairy industries. As a result of the above, the Company was temporarily the subject of certain Union´s actions that affected the normal development of its activities. Currently the situation is totally normalized.

Finally, as we mentioned in our previous review, the Company increased its capital stock as a result of the contribution of U$S 35 million received from our shareholders Arcor S.A.I.C. and Bagley Argentina S.A. early this year. The cash received is being applied on the execution of the strategic growth plan, which we consider vital for the improvement of the productivity and the Company´s business sustainability.

2. CONSOLIDATED FINANCIAL POSITION

	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
	(in thousand pesos)				
Current assets	4,838,561	3,501,793	2,345,925	2,225,897	1,851,791
Non-current assets	5,809,589	4,764,311	3,867,054	1,736,555	1,647,127
TOTAL ASSETS	**10,648,150**	**8,266,104**	**6,212,979**	**3,962,452**	**3,498,918**
Current liabilities	2,841,864	2,366,413	2,277,179	2,253,873	1,641,679
Non-current liabilities	4,097,847	3,614,968	2,446,710	1,218,361	1,086,149
TOTAL LIABILITIES	**6,939,711**	**5,981,381**	**4,723,889**	**3,472,234**	**2,727,828**
Equity attributable to owners of the Company	**3,708,393**	**2,284,697**	**1,489,069**	**490,201**	**771,080**
Non-controlling interests	**46**	**26**	**21**	**17**	**10**
TOTAL EQUITY	**3,708,439**	**2,284,723**	**1,489,090**	**490,218**	**771,090**
TOTAL LIABILITIES AND EQUITY	**10,648,150**	**8,266,104**	**6,212,979**	**3,962,452**	**3,498,918**

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

	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
	(in thousand pesos)				
Continuing operations:					
Operational results – income (loss)	378,239	430,450	(5,510)	198,002	116,966
Investment income, finance cost and foreign exchange differences	(290,296)	(537,658)	(302,131)	(455,150)	(148,469)
Other gains and losses	12,871	1,166	3,278	(2,335)	110,329
Income (loss) before taxes	**100,814**	**(106,042)**	**(304,363)**	**(259,483)**	**78,826**
Income tax and alternative minimum income tax	5,483	55,214	122,595	79,028	(606)
Net income (loss) for the period from continuing operations	**106,297**	**(50,828)**	**(181,768)**	**(180,455)**	**78,220**
Discontinued operations				**(19,392)**	
Net income (loss) for the period	**106,297**	**(50,828)**	**(181,768)**	**(199,847)**	**78,220**
Other comprehensive (loss) income	**5,457**	**46,807**	**(8,680)**	**36,395**	**1,453**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**111,754**	**(4,021)**	**(190,448)**	**(163,452)**	**79,673**
Net income (loss) attributable to:					
Owners of the company	111,751	(4,015)	(190,450)	(163,451)	79,673
Non-controlling interests	3	(6)	2	(1)	
Total comprehensive income (loss):	**111,754**	**(4,021)**	**(190,448)**	**(163,452)**	**79,673**

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
	(in thousand pesos)				
Cash flows provided by operating activities	795,708	448,541	395,891	311,206	264,710
Cash flows (used in) provided by investing activities	(154,709)	(170,887)	(14,916)	(82,142)	3,319
Cash flows provided by (used in) financing activities	245,962	(378,470)	(228,804)	(149,413)	(176,498)
Cash and cash equivalents provided (used) in the period	**886,961**	**(100,816)**	**152,171**	**79,651**	**91,531**

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES				
	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
	(in thousand liters of milk)				
Domestic market	695,059	661,750	740,184	770,438	782,568
Foreign market	85,745	147,850	136,337	102,983	99,677
Total	**780,804**	**809,600**	**876,521**	**873,421**	**882,245**

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

6. RATIOS

	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Current assets to current liabilities	1.70	1.48	1.03	0.99	1.13
Equity attributable to owners of the Company to total liabilities	0.53	0.38	0.32	0.14	0.28
Non-current assets to total assets	0.55	0.58	0.62	0.44	0.47

7. OUTLOOK (*)

We will continue with the implementation of the Company´s strategic growth plan, executing the investments on projects directed to increase the Company´s productivity. This is the main factor to ensure the sustainability of our business.

We will carry on with our commercial strategy with focus on profitability and satisfying consumer needs through the widening of the portfolio of products. In addition, we are optimistic about the recovery of dairy products consumption, which undoubtedly will have a positive effect for the Company.

Regarding the negotiations between the Union and the dairy industries towards updating the Collective labor agreement, we look forward to possible changes that may result in better labor conditions.

For the second semester, the Company foresees an increase in raw milk production in comparison with 2016 but still far from previous years. In such sense, the actions taken through our “Plan Mas Leche” has become a key element for sustainable growth of the country´s production and also for Mastellone.

(*) Information not reviewed by the Auditors.

General Rodriguez, Province of Buenos Aires, August 8, 2017.

CARLOS M. AGOTE
Vice Chairman

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2017
(in thousands of Argentine pesos)

	Notes	6/30/2017	12/31/2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,085,268	214,024
Other financial assets	5	14,147	33,290
Trade accounts receivable	6	1,893,722	1,506,465
Tax credits	7	86,584	102,160
Other receivables	8 and 20	55,062	41,772
Inventories	9	1,703,778	2,008,748
Subtotal		4,838,561	3,906,459
Assets held for sale		-	4,502
Total Current Assets		**4,838,561**	**3,910,961**
NON-CURRENT ASSETS			
Other financial assets	5	20,361	19,228
Tax credits	7	17,743	17,747
Other receivables	8 and 20	37,482	35,253
Deferred tax assets	14	27,004	20,777
Property, plant and equipment, and others	10 and 20	5,659,306	5,811,972
Investment property		78	80
Goodwill		3,121	3,121
Intangible assets		1,618	1,832
Other assets		42,876	7,783
Total Non-Current Assets		**5,809,589**	**5,917,793**
TOTAL ASSETS		**10,648,150**	**9,828,754**
LIABILITIES			
CURRENT LIABILITIES			
Trade payable	11	1,942,652	1,866,116
Borrowings	12 and 20	9,972	93,684
Accrued salaries, wages and payroll taxes	13	612,371	607,756
Taxes payable		253,936	146,518
Advance from customers		9,126	2,833
Provisions		810	695
Other liabilities		12,997	37,623
Total Current Liabilities		**2,841,864**	**2,755,225**
NON-CURRENT LIABILITIES			
Trade payable		7,180	7,201
Borrowings	12 and 20	3,248,299	3,102,233
Taxes payable		11,192	13,911
Deferred tax liabilities	14	807,936	888,411
Provisions		16,085	17,969
Other liabilities		7,155	2,919
Total Non-Current Liabilities		**4,097,847**	**4,032,644**
TOTAL LIABILITIES		**6,939,711**	**6,787,869**
EQUITY			
Common stock and share premium		1,499,347	943,547
Reserves		2,612,279	2,724,396
Accumulated deficit– including net result for the period or year		(403,233)	(627,101)
Equity attributable to owners of the Company		**3,708,393**	**3,040,842**
Non-controlling interests		**46**	**43**
TOTAL EQUITY		**3,708,439**	**3,040,885**
TOTAL LIABILITIES AND EQUITY		**10,648,150**	**9,828,754**

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 AND THREE MONTH PERIODS ENDED JUNE 30, 2017
(in thousands of Argentine pesos)

	Notes	6/30/2017 Six-months	6/30/2016 Six-months	6/30/2017 Three-months	6/30/2016 Three-months
Revenue	15	10,654,305	8,094,143	5,862,264	4,489,011
Cost of sales	16	(7,057,353)	(5,185,130)	(3,769,258)	(2,840,867)
Gross profit		**3,596,952**	**2,909,013**	**2,093,006**	**1,648,144**
Selling expenses	17	(2,776,174)	(2,119,168)	(1,519,557)	(1,165,329)
General and administrative expenses	17	(442,539)	(359,395)	(247,889)	(173,152)
Investment income		60,234	24,335	42,211	615
Finance cost	18	(210,439)	(202,099)	(102,140)	(99,032)
Foreign exchange losses		(140,091)	(359,894)	(229,093)	(43,266)
Other gains and losses		12,871	1,166	5,796	(1,000)
Income (loss) before taxes		**100,814**	**(106,042)**	**42,334**	**166,980**
Income tax and alternative minimum income tax	19	5,483	55,214	15,660	(49,248)
NET INCOME (LOSS) FOR THE PERIOD		**106,297**	**(50,828)**	**57,994**	**117,732**
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on traslating foreign operations		5,856	47,884	7,893	19,910
Income tax		(399)	(1,077)	(399)	(1,077)
Other comprehensive income, net of income tax		**5,457**	**46,807**	**7,494**	**18,833**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**111,754**	**(4,021)**	**65,488**	**136,565**
Net income (loss) attributable to:					
Owners of the Company		106,294	(50,822)	57,994	117,737
Non-controlling interests		3	(6)		(5)
Net income (loss) for the period		**106,297**	**(50,828)**	**57,994**	**117,732**
Total comprehensive income (loss) attributable to:					
Owners of the Company		111,751	(4,015)	65,488	136,570
Non-controlling interests		3	(6)		(5)
Net comprehensive income (loss) for the period		**111,754**	**(4,021)**	**65,488**	**136,565**

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, 2017
(in thousands of Argentine pesos)

	Common stock	Share premium	Irrevocable contributions for future subscription of common stock	Reserves		Retained earnings (Accumulated losses)	Equity attributable to:		Total
				Foreign currency translation reserve	Property, plant and equipment Revaluation reserve		Owners of the parents	Non controlling interest	
Balance at December 31, 2016	**573,089**	**370,458**	**-**	**98,986**	**2,625,410**	**(627,101)**	**3,040,842**	**43**	**3,040,885**
Net income for the period						106,294	106,294	3	106,297
Other comprehensive income for the period				5,457			5,457		5,457
Total comprehensive income for the period				5,457		106,294	111,751	3	111,754
Irrevocable contributions accepted by the Board of Directors on January 17, 2017 (Note 2.c)			555,800				555,800		555,800
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on April 7, 2017 (Note 2.g): Capital stock increase	80,880	474,920	(555,800)						
Transfer to accumulated losses (1)					(117,574)	117,574			
Balance at June 30, 2017	**653,969**	**845,378**	**-**	**104,443**	**2,507,836**	**(403,233)**	**3,708,393**	**46**	**3,708,439**

(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, 2016
(in thousands of Argentine pesos)

	Shareholders' contributions		Reserves		Retained	Equity attributable to:		Total
	Common stock	Share premium	Foreign currency translation reserve	Property, plant and equipment Revaluation reserve	earnings (Accumulated losses)	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 2.f):								
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 CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017
(in thousands of Argentine pesos)

	6/30/2017	6/30/2016
Cash flows from operating activities		
Net income (loss) for the period	106,297	(50,828)
Adjustments to reconcile net income (loss) for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	(5,483)	(55,214)
Finance cost	210,439	202,099
Foreign exchange losses	167,154	413,327
Depreciation of property, plant and equipment, and others	278,614	227,085
Net additions to provisions	28,805	18,110
Write-off of inventories	32,073	62,827
Depreciation of investment property	2	304
Amortization of intangible assets	214	214
Gain on sale of property, plant and equipment and other assets	(10,767)	(3,249)
	807,348	814,675
Changes in working capital	43,552	(347,918)
Subtotal	850,900	466,757
Payments of income tax and alternative minimum income tax	(55,192)	(18,216)
Net cash generated by operating activities	**795,708**	**448,541**
Cash flows used in investing activities		
Payments for property, plant and equipment, and others	(169,433)	(213,047)
Proceeds from net sale of other financial assets	31	52,251
Proceeds from disposal of property, plant and equipment and other assets	27,376	5,061
Payments for purchase of subsidiary company	(12,683)	(15,152)
Net cash used in investing activities	**(154,709)**	**(170,887)**
Cash flows generated by (used in) from financing activities		
Irrevocable contributions for future subscription of common stock	555,800	
Proceeds from borrowings	10,169	2,056
Repayment of borrowings	(104,373)	(174,041)
Payment of interests	(215,634)	(206,485)
Net cash generated by (used in) financing activities	**245,962**	**(378,470)**
Increase (decrease) in cash and cash equivalents	**886,961**	**(100,816)**
Cash and cash equivalents at beginning of year	**214,024**	**480,314**
Effects of changes in exchange rates on cash and cash equivalents held in foreign currency	**(15,717)**	
Cash and cash equivalents at end of period	**1,085,268**	**379,498**

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, 2017
(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 3.4.

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

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) Transfer of share ownership on December 3, 2015

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.

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

On December 3, 2015, 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.

The option was exercised by Arcor and Bagley on January 17, 2017. On such date, the Company received a cash contribution of 555,800, equivalent to US dollars 35 million (exercise price of the option), as irrevocable contributions for future subscription of shares. On the same day, the Company´s Board of Directors resolved the acceptance of the contribution. The subscription of the additional shares was subject to prior or concurrent compliance, among other terms, with the approval of Brazil´s authority of competition defense, which was obtained on February 24, 2017, in full force after 15 days subsequent to the public filling of such decision. To secure the contribution received and until the effective issuance of the corresponding shares, certain shareholders had pledged 97,055,482 shares representing 17% of the Company´s capital stock, which was cancelled on April 7, 2017.

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, on December 3, 2015, 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.

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.

g) Resolution of the Ordinary and Extraordinary Shareholders Meeting held on April 7, 2017: capital stock increase

The Ordinary and Extraordinary Shareholders Meeting held on April 7, 2017 decided the capital stock increase in $ 80,879,658, going from $ 573,089,509 to $ 653,969,077 represented by 80,879,658 common, nominative, non-endorsable shares, 1 (one) vote each, nominal value $1 per share, which have an additional paid-in capital of 5.8719457057431 per share, through the capitalization of the contribution received on January 17, 2017 from Arcor S.A.I.C. and Bagley Argentina S.A. totaling 555,800.

h) Transfer of share ownership on April 20, 2017

On April 20, 2017, certain shareholders informed that under the agreements mentioned in note 2.d), they have sold to Arcor S.A.I.C. And Bagley Argentina S.A. A total of 31,818,189 common, nominative, non-endorsable shares, 1 (one) vote each, nominal value $1 per share.

The initial shares, the additional shares and the shares described in paragraph b) and in the current paragraph, jointly represent 38.39% of the Company´s capital stock.

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, 2017 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, 2016 prepared under IFRS.

The figures and other information for the fiscal year ended December 31, 2016 and the six-month period ended June 30, 2016 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, 2016, as described in those financial statements. The application of the new standards and interpretations adopted beginning current fiscal year did not significantly affect the amounts set out in relation to assets and liabilities of the Company.

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 Standards and interpretations not yet adopted

The Company did not adopt the following standards, revision of standards and interpretations as per the application of the mentioned pronouncements are not required for the six-month period ended June, 2017.

Standard	Name
IFRS 9	Financial instruments[1]
IFRS 15	Revenue [1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IAS 40	Investment property[1]
Amendments to IFRSs (annual cycle 2014-2016)	Various IFRSs[1]

[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.

- IFRIC 22 (foreign currency transactions and advance consideration) addresses foreign currency transactions or parts of transactions where there is a consideration that is denominated or priced in a foreign currency, the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income and the prepayment asset or deferred liability is non-monetary. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred liability and if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

  IFRIC 22 is effective for annual reporting periods beginning on or after January 2018. The Company's Board of Directors has to evaluate the impact of such standard and anticipates that IFRIC 22 will be adopted in the financial statements on the Company for the fiscal year beginning January 1, 2018.

- IFRIC 23 (uncertainty over income tax treatments) clarifies the accounting for uncertainties in income taxes to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. An entity has to consider whether it is probable that the tax authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

  IFRIC 23 is effective for annual reporting periods beginning on or after January 2019. The Company's Board of Directors has to evaluate the impact of such standard and anticipates that IFRIC 23 will be adopted in the financial statements on the Company for the fiscal year beginning January 1, 2019.

- Amendments to IAS 40 (investment property) are: a) Paragraph 57 has been amended to state that an entity shall a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. b) The list of evidence in paragraph 57 (a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.

  The amendments to IAS 40 are effective for periods beginning on or after January 2018. Earlier application is permitted. The Company's Board of Directors has to evaluate the impact of such standard and anticipates that amendments to IAS 40 will be adopted in the financial statements on the Company for the fiscal year beginning January 1, 2018.

- The annual improvements to IFRSs (2014-2016 cycle) includes amendments to the following standards: IFRS 1 (First-time adoption of IFRS) deleted the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose and IAS 28 (Investment in associates and joint ventures) clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

  The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018. The Company's Board of Directors has to evaluate the impact of such standards and anticipates that will be adopted in the financial statements on the Company for the fiscal year beginning January 1, 2018.

3.4 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		
			6/30/2017	12/31/2016	6/30/2016
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 *Ser* and *La Serenísima*	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 June 30, 2017 and December 31, 2016 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, 2017 and 2016, were consolidated based on financial statements of the subsidiaries companies for the periods or years ended at such dates.

4. CASH AND CASH EQUIVALENTS

	6/30/2017	12/31/2016
Cash and bank accounts	130,147	111,732
Investment funds	872,377	7,543
Short-term investments	82,744	94,749
Total	**1,085,268**	**214,024**

5. OTHER FINANCIAL ASSETS

	6/30/2017	12/31/2016
• <u>Current</u>		
Corporate bonds	7,513	7,517
Derivative financial instruments		20,207
Short-term investments – other	6,634	5,566
Total	**14,147**	**33,290**
• <u>Non-current</u>		
Long-term investments	20,361	19,228
Total	**20,361**	**19,228**

6. TRADE ACCOUNTS RECEIVABLE

	6/30/2017	12/31/2016
Third parties (domestic)	1,588,442	1,247,592
Related parties (Note 21)	306,773	264,932
Foreign receivables	3,576	5,139
Notes receivables	941	844
Tax incentives on exports	30,518	27,625
Subtotal	**1,930,250**	**1,546,132**
Allowance for doubtful accounts	(26,095)	(25,815)
Allowance for trade discounts and volume rebates	(10,433)	(13,852)
Total	**1,893,722**	**1,506,465**

7. TAX CREDITS

	6/30/2017	12/31/2016
• Current		
Net value added tax	43,166	59,151
Turnover tax credit	33,459	32,601
Income tax and alternative minimum income tax receivable	4,331	6,834
Other tax credits	5,628	3,574
Total	**86,584**	**102,160**
• Non-current		
Turnover tax credit	11,647	14,467
Net value added tax	2,120	1,441
Other tax credits	3,976	1,839
Total	**17,743**	**17,747**

8. OTHER RECEIVABLES

	6/30/2017	12/31/2016
• Current		
Prepaid expenses	13,175	10,898
Receivable from sale of subsidiary company	13,032	12,183
Advances to services suppliers	14,878	7,545
Receivable from sale of property, plant and equipment, and others	755	331
Insurance receivable	1,634	532
Guarantee deposits (Note 20.b)	211	6
Receivables from customers in receivership and in bankruptcy	178	178
Related Parties (note 21)	8	144
Other (Note 20.b)	13,628	11,591
Subtotal	**57,499**	**43,408**
Allowance for doubtful accounts	(2,437)	(1,636)
Total	**55,062**	**41,772**
• Non-current		
Receivables from customers in receivership and in bankruptcy	23,189	20,047
Receivable from sale of subsidiary company	12,841	12,037
Régime for the professionalization of transport (1)	13,381	13,381
Receivable from sale of property, plant and equipment	8,631	8,195
Guarantee deposits (Note 20.b)	71	68
Other	3,141	1,336
Subtotal	**61,254**	**55,064**
Allowance for doubtful accounts	(23,772)	(19,811)
Total	**37,482**	**35,253**

(1) In litigation.

9. INVENTORIES

	6/30/2017	12/31/2016
Resale goods	52,455	57,983
Finished goods	696,116	891,913
Work in progress	353,726	444,502
Raw materials, packaging and other materials	521,075	549,889
Goods in transit	68,068	63,002
Subtotal	**1,691,440**	**2,007,289**
Advances to suppliers	12,338	1,459
Total	**1,703,778**	**2,008,748**

10. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	6/30/2017														
	Cost or revalued cost							Depreciation							Net value at the end of the period
	Value at the beginning of the year	Foreign currency exchange differences	Acquisi-tions	Transfers	Retire-ment and disposal	Transfers to Other assets	Value at the end of the period	Accumu-lated depreciation at the beginning of the year	Foreign currency exchange diffe-rences	Retire-ment and disposal	Transfers to Other assets	Depreciation Rate %	Depreciation Of the period	Accumulated depreciation at the end of the period	
Land and buildings (1)	2,770,874	1,355	735	162,016	8,862	(32,308)	2,893,810	46,119	739	1	(406)	2, 2.5, 2.86, 3.3, 4 and 5	45,239	91,690	2,802,120
Machinery and equipment (1)	1,787,626	888	12,035	97,574	568		1,897,555	174,061	490	568		5 and 10	136,098	310,081	1,587,474
Facilities and laboratory equipment (1)	1,019,053	343	1,523	98,331	701	(3,359)	1,115,190	164,855	246	94	(168)	5, 10 and 25	55,491	220,330	894,860
Furniture	62,166		3,463		5		65,624	50,782		5		10, 20, 25 and 33	2,260	53,037	12,587
Vehicles (2)	158,344	104	1,397		6,081		153,764	117,714	53	3,442		10 and 20	4,143	118,468	35,296
Work in progress	442,264		87,155	(350,167)			179,252								179,252
Advances to suppliers	17,986		14,843	(7,754)			25,075								25,075
Subtotal	**6,258,313**	**2,690**	**121,151**	**-**	**16,217**	**(35,667)**	**6,330,270**	**553,531**	**1,528**	**4,110**	**(574)**		**243,231**	**793,606**	**5,536,664**
Other:															
Trays	279,537		50,835				330,372	172,347				33	35,383	207,730	122,642
Carrying amount as of June 30, 2017	**6,537,850**	**2,690**	**171,986**	**-**	**16,217**	**(35,667)**	**6,660,642**	**725,878**	**1,528**	**4,110**	**(574)**		**278,614**	**1,001,336**	**5,659,306**

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

Land and buildings	826,700
Machinery and equipment	337,949
Facilities and laboratory equipments	283,772

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 22,857 as of June 30, 2017.

	12/31/2016														
	Cost or revalued cost							Depreciation							Net value at the end of the year
	Value at the beginning of the year	Foreign currency exchange differences	Acquisi-tions	Transfers	Retire-ment and disposal	Revaluation increase	Value at the end of the year	Accumu-lated depreciation at the beginning of the year	Foreign currency exchange differences	Retire-ment and disposal	Depreciation Rate %	Depreciation Of the year	Eliminated on revaluation	Accumulated depreciation at the end of the year	
Land and buildings (1)	2,223,131	13,346	2,356		6	532,047	2,770,874	34,699	7,630		2, 2.5, 2.86, 3.3, 4 and 5	67,467	63,677	46,119	2,724,755
Machinery and equipment (1)	1,512,420	6,605	13,718	17,412	918	238,389	1,787,626	164,017	4,778	175	5 and 10	213,928	208,487	174,061	1,613,565
Facilities and laboratory equipment (1)	907,401	3,085	13,680	13,142	50	81,795	1,019,053	147,906	2,247	50	5, 10 and 25	102,064	87,312	164,855	854,198
Furniture	56,465		6,640	266	1,205		62,166	47,661		1,156	10, 20, 25 and 33	4,277		50,782	11,384
Vehicles (2)	154,711	672	3,448	5,979	6,466		158,344	111,909	288	2,932	10 and 20	8,449		117,714	40,630
Work in progress	190,404		275,546	(23,686)			442,264								442,264
Advances to suppliers	8,232		22,867	(13,113)			17,986								17,986
Subtotal	**5,052,764**	**23,708**	**338,255**	**-**	**8,645**	**852,231**	**6,258,313**	**506,192**	**14,943**	**4,313**		**396,185**	**359,476**	**553,531**	**5,704,782**
Other:															
Trays	230,282		71,999		22,744		279,537	132,009		22,744	33	63,082		172,347	107,190
Carrying amount as of December 31, 2016	**5,283,046**	**23,708**	**410,254**	**-**	**31,389**	**852,231**	**6,537,850**	**638,201**	**14,943**	**27,057**		**459,267**	**359,476**	**725,878**	**5,811,972**

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

Land and buildings	683,821
Machinery and equipment	250,356
Facilities and laboratory equipments	203,784

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 24,791 as of December 31, 2016.

11. TRADE PAYABLE - CURRENT

	6/30/2017	12/31/2016
Trade payables	1,124,503	1,237,764
Related parties (Note 21)	484,629	413,313
Note payables	319,725	198,567
Foreign suppliers	13,795	16,472
Total	**1,942,652**	**1,866,116**

12. BORROWINGS

	6/30/2017	12/31/2016
Short-term debt		
Principal:		
Financial debt:		
Unsecured debt	1,828	90,778
Secured debt	8,144	2,891
Total financial debt	**9,972**	**93,669**
Accrued interest:		
Unsecured and secured debt		15
Total accrued interest	**-**	**15**
Total	**9,972**	**93,684**
Long-term debt		
Principal:		
Senior Notes - Series F - due 2021 (net of issue costs and adjustment to amortized cost for 72,633 and 77,243 as of 3/31/2017 and 12/31/2016, respectively)	3,248,269	3,095,885
Total – Senior Notes	**3,248,269**	**3,095,885**
Other financial debt:		
Secured debt	30	6,348
Total – Other financial debt	**30**	**6,348**
Total	**3,248,299**	**3,102,233**

Main loans agreements

Senior Notes – Series F – due 2021

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

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

Amount:	U$S 199,693,422
Issuing price:	100%
Maturity:	July 3, 2021
Payment:	Principal: 100% at maturity; interests: semi-annually on arrears
Annual interest rate:	12.625%
Use of proceeds (net amount of U$S 113,733,744):	• Repurchase of existing debt • Expenses related to the transaction (including taxes) • Payment of other short term debt • Working capital • Capital expenditures in Argentina

The issuance conditions of these Senior Notes contain certain covenants, including, among others, reporting requirements, and imposed certain limitations affecting the Company's ability and the restricted subsidiaries' ability to: borrow money, pay dividends, redeem capital stock or redeem subordinated debt, make investments, sell capital stock of subsidiaries, guarantee other indebtedness, enter into agreements that restrict dividends or other distributions from restricted subsidiaries, enter into transactions with affiliates, create or assume certain liens, engage in mergers or consolidations, and enter into a sale of all or substantially all of the Company's assets.

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

13. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

	6/30/2017	12/31/2016
Payroll and bonus to management	398,706	393,484
Social security taxes	213,665	214,272
Total	**612,371**	**607,756**

14. DEFERRED TAX

Deferred tax assets:

	6/30/2017	12/31/2016
Temporary differences:		
Provisions and other non-deductible accrued expenses	22,145	15,938
Inventories	1,668	1,442
Property, plant and equipment, and others	(8,801)	(8,610)
Tax loss carry-forwards	6,415	6,385
Alternative minimum income tax	5,577	5,622
Total	**27,004**	**20,777**

<u>Deferred tax liabilities</u>:

	6/30/2017	12/31/2016
Temporary differences:		
Provisions and other non-deductible accrued expenses	27,385	35,430
Inventories	76,032	56,926
Intangible assets	1,285	1,208
Cash and cash equivalents	(6,994)	(271)
Other assets	(11,516)	(185)
Property, plant and equipment, and others	(1,598,487)	(1,681,783)
Borrowings	(24,629)	(26,091)
Tax loss carry-forwards	538,767	569,029
Alternative minimum income tax	190,221	157,326
Total	**(807,936)**	**(888,411)**

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of June 30, 2017 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	510,729	35%	178,755		2019
2015	781,275	35%	273,446		2020
2016	328,173	35%	114,861		2021
Tax loss carry-forwards of the period			30	(1)	
Tax loss carry-forwards used in the period			(26,625)	(1)	
			545,182		

(1) It corresponds to the tax loss (income tax) estimated for the six-month period ended June 30, 2017.

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	(1,605,996)		84,084		(1,521,912)
Tax loss carry-forwards	575,414	(29,863)	30	(399)	545,182
Total as of June 30, 2017	**(1,030,582)**	**(29,863)**	**84,114**	**(399)**	**(976,730)**
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(1,303,684)		121,786	(424,098)	(1,605,996)
Tax loss carry-forwards	458,205	(3,314)	122,059	(1,536)	575,414
Total as of December 31, 2016	**(845,479)**	**(3,314)**	**243,845**	**(425,634)**	**(1,030,582)**

15. REVENUE

	6/30/2017 Six-months	6/30/2016 Six-months	6/30/2017 Three-months	6/30/2016 Three-months
Product sales	11,915,135	9,148,844	6,534,586	4,963,627
Services provided	277,945	235,064	130,572	127,234
Turnover tax	(267,136)	(191,744)	(147,494)	(107,300)
Sales discounts and volume rebates	(1,088,760)	(930,743)	(574,666)	(402,201)
Sales returns	(182,879)	(167,278)	(80,734)	(92,349)
Total	**10,654,305**	**8,094,143**	**5,862,264**	**4,489,011**

16. COST OF SALES

	6/30/2017 Six-months	6/30/2016 Six-months	6/30/2017 Three-months	6/30/2016 Three-months
Cost of goods sold				
Inventories at the beginning of the year	2,007,289	1,346,733	1,992,806	1,457,842
Purchases	4,379,990	3,281,236	2,271,793	1,803,249
Production expenses (Note 17)	2,338,726	1,844,862	1,207,025	965,861
Write-off of inventories	32,073	62,827	10,234	14,695
Re-measurement of foreign subsidiaries inventories	6,307	48,895	7,101	20,169
Benefits from industrial promotion (1)	(167,831)	(77,169)	(98,153)	(36,041)
Inventories at the end of the period	(1,691,440)	(1,444,522)	(1,691,440)	(1,444,522)
Subtotal - cost of goods sold	**6,905,114**	**5,062,862**	**3,699,366**	**2,781,253**
Cost of services rendered				
Purchases	20,302	16,796	8,937	7,230
Production expenses (Note 17)	131,937	105,472	60,955	52,384
Subtotal - cost of services rendered	**152,239**	**122,268**	**69,892**	**59,614**
Total cost of sales	**7,057,353**	**5,185,130**	**3,769,258**	**2,840,867**

(1) Industrial promotion scheme applicable to the subsidiary company Mastellone San Luis S.A.

Acts N° 22,021 and 22,702, as supplemented, Executive Orders N° 2054/92 and N° 804/96 issued by the National Executive Power, as duly supplemented and amended, as well as all executive orders and rulings issued by the Province of San Luis grant Mastellone San Luis S. A. (“MSL”) a tax relief for certain national taxes and allow the Company, as investor in MSL, to qualify for a tax deferral relief.

The National Executive Power issued Executive Order N° 699/10 which extended the benefits arising from promotion schemes covering eligible companies in San Luis, La Rioja, San Juan and Catamarca provinces for two years as from 2012. In relation to such extension, MSL requested an injunction in court, which was granted on January 29, 2013.

In June 2007, MSL filed with the Federal Court of San Luis a request for a declaratory judgment of unconstitutionality so that the subsequent credits to be made annually by the Federal Tax Collection Agency (“Administración Federal de Ingresos Públicos”, “AFIP”) in the computerized current account, which reflects the benefits granted under promotion schemes, be currency restated as set forth in ruling N° 1280/92 since and including 2002 until the effective use of the bonds. In addition, on June 20, 2007, the hearing judge granted the injunction requested by MSL, which injunction should remain in force until the judicial proceedings were resolved. In addition, the Court allowed the application of the above mentioned restatement. On November 15, 2012, the Federal Court of San Luis ordered AFIP to apply the currency restatement. The AFIP appealed the decision, but it was rejected by the Supreme Court on June 7, 2015.

Pursuant to the decision rendered by the Federal Court of San Luis on March 19, 2015, which granted the injunction requested by Compañía Puntana de Carnes Elaboradas S.A. (a company merged into MSL), the Court ordered AFIP to credit the benefits accrued under the promotion regime, as requested. On May 23, 2016 and October 27, 2016, the Federal Court of Appeals of Mendoza decided to reject the appeal and the extraordinary remedy filed, respectively, by AFIP. Concerning the substantive issue, on September 27, 2016, a favorable judgement was granted to MSL, which was subsequently appealed. On June 28, 2017 the Federal Court of Appeals of Mendoza decided to reject the appeal filed by the AFIP.

On March 31, 2015, the Federal Court of San Luis granted the injunction requested by MSL in relation to the recognition of benefits under the promotion regime for 15 years and ordered the AFIP to credit the promotional benefits for the reexpression provided in resolution N° ME 1280/92. Such accreditation took place in June 2015. On April 4, 2017, the Federal Court of Appeals of Mendoza granted the appeal filed by the AFIP, revoking the injunction requested. On April 21, 2017 MSL filed an extraordinary appeal with the Federal Court of Appeals. Concerning the substantive issue, on July 25, 2016, a favorable judgement was granted to MSL, which was subsequently appealed.

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

	6/30/2017 (six-months)				
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				24,910	24,910
Fees and compensation for services	224,281	459	646,097	59,733	930,570
Payroll, bonus and social security charges	1,165,104	70,725	434,217	246,367	1,916,413
Depreciation of property, plant and equipment, and others	249,006	8,392	16,905	4,311	278,614
Amortization of intangible assets	214				214
Provision for bad debts			9,326		9,326
Freights	357,273		1,403,624		1,760,897
Maintenance and repair	49,114	2,535	10,080	206	61,935
Office and communication	913	204	595	1,553	3,265
Fuel, gas and energy	143,543	32,803	17,861	35	194,242
Vehicles expenses	12,379		11,961	1,840	26,180
Publicity and advertising			183,385		183,385
Taxes, rates and contributions	65,083	803	2,207	88,446	156,539
Insurance	55,074	306	18,552	4,389	78,321
Travelling	1,906		1,901	241	4,048
Export and import	2		9,156	250	9,408
Miscellaneous	14,834	15,710	10,307	10,258	51,109
Total	**2,338,726**	**131,937**	**2,776,174**	**442,539**	**5,689,376**

	6/30/2016 (six-months)				
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				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**

	6/30/2017 (three-months)				
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				13,808	13,808
Fees and compensation for services	97,665	143	360,996	45,645	504,449
Payroll, bonus and social security charges	622,396	33,679	231,618	131,393	1,019,086
Depreciation of property, plant and equipment, and others	126,159	4,035	8,385	2,178	140,757
Amortization of intangible assets	107				107
Provision for bad debts			4,904		4,904
Freights	174,399		754,052		928,451
Maintenance and repair	26,738	1,417	6,722	124	35,001
Office and communication	528	127	337	662	1,654
Fuel, gas and energy	79,808	12,838	9,163	12	101,821
Vehicles expenses	6,411		6,431	990	13,832
Publicity and advertising			117,268		117,268
Taxes, rates and contributions	33,280	460	1,146	44,568	79,454
Insurance	28,591	195	9,686	2,251	40,723
Travelling	909		1,143	134	2,186
Export and import			3,657	140	3,797
Miscellaneous	10,034	8,061	4,049	5,984	28,128
Total	**1,207,025**	**60,955**	**1,519,557**	**247,889**	**3,035,426**

	6/30/2016 (three-months)				
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				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**

18. FINANCE COST

	6/30/2017 Six-months	6/30/2016 Six-months	6/30/2017 Three-months	6/30/2016 Three-months
Senior Notes	201,848	183,617	98,980	92,835
Other loans interest	5,542	14,062	1,677	4,095
Other interests	3,049	4,420	1,483	2,102
Total	**210,439**	**202,099**	**102,140**	**99,032**

19. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	6/30/2017 Six-months	6/30/2016 Six-months	6/30/2017 Three-months	6/30/2016 Three-months
Current income tax	(74,925)	(43,441)	(24,756)	(27,249)
Tax loss carry-forwards for the period	30	27,373	(1,100)	(21,245)
Net change in temporary differences	84,084	72,799	44,080	763
Alternative minimum income tax	(3,706)	(1,517)	(2,564)	(1,517)
Total – gain (loss)	**5,483**	**55,214**	**15,660**	**(49,248)**

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:

	6/30/2017 Six-months	6/30/2016 Six-months	6/30/2017 Three-months	6/30/2016 Three-months
Income (loss) before income tax and alternative minimum income tax	100,814	(106,042)	42,334	166,980
Statutory income tax rate	35%	35%	35%	35%
Income tax at statutory income tax rate	(35,285)	37,115	(14,817)	(58,443)
Permanent differences	40,768	18,099	30,477	9,195
Total – gain (loss)	**5,483**	**55,214**	**15,660**	**(49,248)**

20. 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 27,349 as of June 30, 2017 (25,151 as of December 31, 2016). Detail of pledged assets is as follows:

	6/30/2017	12/31/2016
Property, plant and equipment, and others	21,549	15,967
Mastellone San Luis S.A. shares arising from the merger with Compañía Puntana de Carnes Elaboradas S.A.	7,935	6,375

b) Additionally, as of June 30, 2017 there were other receivables – guarantee deposits (current and non-current) for an amount of 282 (74 as of December 31, 2016) in guarantee of financial and commercial transactions and restricted assets disclosed in caption “other receivables – other” (current) for 357 as of June 30, 2017 (1,792 as of December 31, 2016).

c) The subsidiary company Con-ser S.A. held certain properties encumbered with privilege of first grade for a net value of 5,047 and 5,112 as of June 30, 2017 and December 31, 2016, 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$ 3,150 thousand.

d) See also commitments for the financial debt described in Note 12.

21. RELATED PARTIES OUTSTANDING BALANCES

Company	Trade account receivables (current)		Other receivables (current)		Trade payable (current)		Advances from customers (current)	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Afianzar S.G.R.	2	2			11	18		
Arcorpar S.A.	4,207	3,242			784	279		
Arcor S.A.I.C.	20,661				1,363	1,417		
Bagley Argentina S.A.	1,535							
Cartocor S.A.					7,038	8,473		
Frigorífico Nueva Generación S.A.	103	120						
Logística La Serenísima S.A.	280,064	261,442			475,323	403,011	6,950	717
Los Toldos S.A.	201	126	8	144	110	115		
TOTAL	**306,773**	**264,932**	**8**	**144**	**484,629**	**413,313**	**6,950**	**717**

22. RELATED PARTIES OPERATIONS

Transactions with related parties for six-month periods ended June 30, 2017 and 2016 were as follows:

	6/30/2017	6/30/2016
Revenues		
Afianzar S.G.R.	12	10
Arcor S.A.I.C.	33,763	20,206
Bagley Argentina S.A.	2,464	
Fideicomiso Formu	1,581	1,070
Frigorífico Nueva Generación S.A.	9	90
Logística La Serenísima S.A.	38,884	28,380
Los Toldos S.A.	95	177
Purchase of goods and services		
Afianzar S.G.R.		21
Arcor S.A.I.C.	6,971	2,226
Cartocor S.A.	21,422	16,259
Logística La Serenísima S.A.	809,207	732,923
Los Toldos S.A.	2,321	1,740
Investment income		
Logística La Serenísima S.A.	4,076	2,386
Other gain and losses		
Logística La Serenisima S.A.	839	753
Purchases of property, plant, equipment and others		
Logística La Serenisima S.A.		1,911

During the six-month periods ended June 30, 2017 and 2016, the Company paid a total of 64,500 and 74,957, 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.

23. 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	6/30/2017		
	Dairy	Other	Total
Revenue from external customers	10,304,813	349,492	10,654,305
Intersegment revenue	1,164	41,348	42,512
Net income (loss) for the period	107,388	(1,091)	106,297
Assets allocated to the business lines	10,485,677	162,473	10,648,150
Liabilities allocated to the business lines	6,815,566	124,145	6,939,711
Additions to property, plant and equipment, and others	171,461	525	171,986
Depreciation of property, plant and equipment, and others	276,019	2,595	278,614
Amortization of intangible assets	214		214
Depreciation of investment property	2		2
Net domestic revenue	9,493,226	349,492	9,842,718

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	304		304
Net domestic revenue	6,866,554	329,197	7,195,751

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

Period	Revenue			
	Domestic market	Exports		Total
		Brazil and Paraguay	Other countries	
6/30/2017	9,842,718	711,459	100,128	10,654,305
6/30/2016	7,195,751	570,637	327,755	8,094,143

24. 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.

25. 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 8, 2017.

Deloitte.

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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 3.4 to the condensed interim consolidated financial statements), which comprise the condensed consolidated statement of financial position as of June 30, 2017, 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 25.

Amounts and other disclosures for the fiscal year ended December 31, 2016 and for the six-month period ended June 30, 2016, 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, 2017, 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 8, 2017.

Deloitte & Co. S.A.

Alberto López Carnabucci
(Partner)