Mastellone Hermanos S.A.

Consolidated Financial Statements
for the nine-month period ended
September 30, 2017

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

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

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

There was a recovery in our net results, as reported in our consolidated financial statements for the nine-month period ended September 30, 2017.

As we reported in our previous comments, we remained focused in our business profitability, in order to assure our sustainability.

Under such approach, and in spite of a drop in consumption of dairy products in comparison with the same period of 2016, combined with an increased offer of dairy products at low prices from our competitors, we could increase our sales volumes in physical terms when compared with those of the preceding year. Such performance was achieved on the basis of the quality, variety and availability of our products. At the same time, it should be pointed out that our pricing policy was aligned with the target of improving our profitability.

As for the export activities, the reduction in raw milk production, coupled with low international prices, set a limit to our possibilities to increase volumes, and, under such scenario, we gave priority to the supply to the markets of Brazil, Paraguay and Uruguay.

Finally, we inform that, under our strategic investments plan, the new drying plant for milk and whey is now operating. Such new facility is located adjacent to our cheese plant of Trenque Lauquen, enabling us to increase our overall efficiency. The industrial facilities of the existing cheese plant and the new drying plant received the name of "Victorio Mastellone Industrial Complex".

2. CONSOLIDATED FINANCIAL POSITION

	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
	(in thousand pesos)				
Current assets	5,467,415	3,993,391	2,477,591	2,500,814	2,118,989
Non-current assets	5,766,471	4,763,832	3,823,369	1,674,421	1,667,218
TOTAL ASSETS	**11,233,886**	**8,757,223**	**6,300,960**	**4,175,235**	**3,786,207**
Current liabilities	3,094,572	2,721,570	2,419,636	2,066,607	1,902,572
Non-current liabilities	4,238,760	3,650,707	2,466,932	1,763,259	1,137,492
TOTAL LIABILITIES	**7,333,332**	**6,372,277**	**4,886,568**	**3,829,866**	**3,040,064**
Equity attributable to owners of the Company	**3,900,508**	**2,384,906**	**1,414,368**	**345,350**	**746,128**
Non-controlling interests	**46**	**40**	**24**	**19**	**15**
TOTAL EQUITY	**3,900,554**	**2,384,946**	**1,414,392**	**345,369**	**746,143**
TOTAL LIABILITIES AND EQUITY	**11,233,886**	**8,757,223**	**6,300,960**	**4,175,235**	**3,786,207**

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

	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
	(in thousand pesos)				
Continuing operations:					
Operational results – income	742,568	667,324	77,867	295,809	204,189
Investment income, finance cost and foreign exchange differences	(442,703)	(641,529)	(469,876)	(637,558)	(266,599)
Other gains and losses	18,292	2,243	1,238	(4,861)	107,714
Income (loss) before taxes	**318,157**	**28,038**	**(390,771)**	**(346,610)**	**45,304**
Income tax and alternative minimum income tax	(40,135)	18,624	153,132	56,790	11,492
Net income (loss) for the period from continuing operations	**278,022**	**46,662**	**(237,639)**	**(289,820)**	**56,796**
Discontinued operations				**(41,606)**	**(10,123)**
Net income (loss) for the period	**278,022**	**46,662**	**(237,639)**	**(331,426)**	**46,673**
Other comprehensive (loss) income	**25,847**	**49,540**	**(27,507)**	**23,125**	**8,048**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**303,869**	**96,202**	**(265,146)**	**(308,301)**	**54,721**
Net income (loss) attributable to:					
Owners of the company	303,866	96,194	(265,151)	(308,302)	54,721
Non-controlling interests	3	8	5	1	
Total comprehensive income (loss):	**303,869**	**96,202**	**(265,146)**	**(308,301)**	**54,721**

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
	(in thousand pesos)				
Cash flows provided by operating activities	1,383,448	890,350	607,580	245,782	389,374
Cash flows used in investing activities	(267,548)	(255,165)	(84,338)	(171,134)	(47,813)
Cash flows provided by (used in) financing activities	241,807	(390,474)	(372,118)	(4,236)	(169,724)
Cash and cash equivalents provided in the period	**1,357,707**	**244,711**	**151,124**	**70,412**	**171,837**

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES				
	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
	(in thousand liters of milk)				
Domestic market	1,047,156	1,014,756	1,118,240	1,165,644	1,190,561
Foreign market	123,204	243,843	194,318	52,399	190,511
Total	**1,170,360**	**1,258,599**	**1,312,558**	**1,218,043**	**1,381,072**

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

6. RATIOS

	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Current assets to current liabilities	1.77	1.47	1.02	1.21	1.11
Equity attributable to owners of the Company to total liabilities	0.53	0.37	0.29	0.09	0.25
Non-current assets to total assets	0.51	0.54	0.61	0.40	0.44

7. OUTLOOK (*)

Despite the fact that consumption of dairy products remains below its usual level of the last years, some signs of a recovery were seen during September 2017. Those are positive news for us, as we are prepared to increase volumes following the resulting market trends. At the same time, such improvement in market conditions should also be in line with our policy of launching new, higher added value, products. From the strategic point of view, we will remain focused to preserve and improve the profitability of our sales.

Raw milk production reaches its peak during the last quarter of the year. Market and climatic conditions makes us to believe that during the last quarter of 2017 raw milk production will increase as compared with the same period of 2016. That would be also positive for us, as we will be able to cover our domestic demand (including its eventual increase) and increase exports with a special focus on the Mercosur.

On the industrial aspects, we will continue with our strategic Investments plan as well as other actions to improve our efficiency in order to assure our sustainability.

Additionally, we expect that the update of labor conditions for the dairy activities (currently under review between the union and the industry) will bring efficiency improvements for us, as a key aspect to compete in our markets.

(*) Information not reviewed by the Auditors.

General Rodriguez, Province of Buenos Aires, November 7, 2017.

JOSÉ A. MORENO
Chairman

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

	Notes	9/30/2017	12/31/2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,544,928	214,024
Other financial assets	5	55,916	33,290
Trade accounts receivable	6	1,842,377	1,506,465
Tax credits	7	100,215	102,160
Other receivables	8 and 20	56,688	41,772
Inventories	9	1,867,291	2,008,748
Subtotal		5,467,415	3,906,459
Assets held for sale		-	4,502
Total Current Assets		**5,467,415**	**3,910,961**
NON-CURRENT ASSETS			
Other financial assets	5	21,143	19,228
Tax credits	7	26,537	17,747
Other receivables	8 and 20	40,361	35,253
Deferred tax assets	14	30,069	20,777
Property, plant and equipment, and others	10 and 20	5,601,063	5,811,972
Investment property		77	80
Goodwill		3,121	3,121
Intangible assets		1,511	1,832
Other assets		42,589	7,783
Total Non-Current Assets		**5,766,471**	**5,917,793**
TOTAL ASSETS		**11,233,886**	**9,828,754**
LIABILITIES			
CURRENT LIABILITIES			
Trade payable	11	2,066,450	1,866,116
Borrowings	12 and 20	115,497	93,684
Accrued salaries, wages and payroll taxes	13	659,066	607,756
Taxes payable		223,449	146,518
Advance from customers		11,444	2,833
Provisions		2,755	695
Other liabilities		15,911	37,623
Total Current Liabilities		**3,094,572**	**2,755,225**
NON-CURRENT LIABILITIES			
Trade payable		7,139	7,201
Borrowings	12 and 20	3,385,964	3,102,233
Taxes payable		9,162	13,911
Deferred tax liabilities	14	814,655	888,411
Provisions		14,425	17,969
Other liabilities		7,415	2,919
Total Non-Current Liabilities		**4,238,760**	**4,032,644**
TOTAL LIABILITIES		**7,333,332**	**6,787,869**
EQUITY			
Common stock and share premium		1,499,347	943,547
Reserves		2,556,851	2,724,396
Accumulated deficit– including net result for the period or year		(155,690)	(627,101)
Equity attributable to owners of the Company		**3,900,508**	**3,040,842**
Non-controlling interests		**46**	**43**
TOTAL EQUITY		**3,900,554**	**3,040,885**
TOTAL LIABILITIES AND EQUITY		**11,233,886**	**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 NINE AND THREE MONTH PERIODS ENDED SEPTEMBER 30, 2017
(in thousands of Argentine pesos)

	Notes	9/30/2017 Nine-months	9/30/2016 Nine-months	9/30/2017 Three-months	9/30/2016 Three-months
Revenue	15	16,556,615	13,016,726	5,902,310	4,922,583
Cost of sales	16	(10,848,769)	(8,436,935)	(3,791,416)	(3,251,805)
Gross profit		**5,707,846**	**4,579,791**	**2,110,894**	**1,670,778**
Selling expenses	17	(4,274,552)	(3,350,708)	(1,498,378)	(1,231,540)
General and administrative expenses	17	(690,726)	(561,759)	(248,187)	(202,364)
Investment income		130,820	54,223	70,586	29,888
Finance cost	18	(322,911)	(287,074)	(112,472)	(84,975)
Foreign exchange losses		(250,612)	(408,678)	(110,521)	(48,784)
Other gains and losses		18,292	2,243	5,421	1,077
Income before taxes		**318,157**	**28,038**	**217,343**	**134,080**
Income tax and alternative minimum income tax	19	(40,135)	18,624	(45,618)	(36,590)
NET INCOME FOR THE PERIOD		**278,022**	**46,662**	**171,725**	**97,490**
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on traslating foreign operations		26,246	50,617	20,390	2,733
Income tax		(399)	(1,077)		
Other comprehensive income, net of income tax		**25,847**	**49,540**	**20,390**	**2,733**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**303,869**	**96,202**	**192,115**	**100,223**
Net income attributable to:					
Owners of the Company		278,019	46,654	171,725	97,476
Non-controlling interests		3	8		14
Net income for the period		**278,022**	**46,662**	**171,725**	**97,490**
Total comprehensive income attributable to:					
Owners of the Company		303,866	96,194	192,115	100,209
Non-controlling interests		3	8		14
Net comprehensive income for the period		**303,869**	**96,202**	**192,115**	**100,223**

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, 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						278,019	278,019	3	278,022
Other comprehensive income for the period				25,847			25,847		25,847
Total comprehensive income for the period				25,847		278,019	303,866	3	303,869
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)					(193,392)	193,392			
Balance at September 30, 2017	**653,969**	**845,378**	**-**	**124,833**	**2,432,018**	**(155,690)**	**3,900,508**	**46**	**3,900,554**

(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, 2016
(in thousands of Argentine pesos)

	Shareholders' contributions		Reserves		Retained earnings (Accumulated losses)	Equity attributable to:		Total
	Common stock	Share premium	Foreign currency translation reserve	Property, plant and equipment Revaluation reserve		Owners of the parents	Non controlling interest	
Balance at December 31, 2015	**457,547**	**-**	**39,033**	**2,019,305**	**(713,173)**	**1,802,712**	**32**	**1,802,744**
Net loss for the period					46,654	46,654	8	46,662
Other comprehensive income for the period			49,540			49,540		49,540
Total comprehensive income (loss) 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 2.f):								
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 CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017
(in thousands of Argentine pesos)

	9/30/2017	9/30/2016
Cash flows from operating activities		
Net income for the period	278,022	46,662
Adjustments to reconcile net income for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	40,135	(18,624)
Finance cost	322,911	287,074
Foreign exchange losses	302,423	467,166
Depreciation of property, plant and equipment, and others	425,165	342,211
Net additions to provisions	40,783	25,289
Write-off of inventories	89,129	96,177
Depreciation of investment property	3	458
Amortization of intangible assets	321	322
Depreciation of other assets	287	
Gain on sale of property, plant and equipment and other assets	(18,146)	(3,249)
	1,481,033	1,243,486
Changes in working capital	(33,788)	(288,456)
Subtotal	1,447,245	955,030
Payments of income tax and alternative minimum income tax	(63,797)	(64,680)
Net cash generated by operating activities	**1,383,448**	**890,350**
Cash flows used in investing activities		
Payments for property, plant and equipment, and others	(259,308)	(302,121)
(Payments) proceeds for (purchase) net sale of other financial assets	(40,384)	51,704
Proceeds from sale of subsidiary company	4,550	4,500
Proceeds from disposal of property, plant and equipment and other assets	40,277	5,904
Payments for purchase of subsidiary company	(12,683)	(15,152)
Net cash used in investing activities	**(267,548)**	**(255,165)**
Cash flows generated by (used in) from financing activities		
Irrevocable contributions for future subscription of common stock	555,800	
Proceeds from borrowings	9,379	
Repayment of borrowings	(105,877)	(179,353)
Payment of interests	(217,495)	(211,121)
Net cash generated by (used in) financing activities	**241,807**	**(390,474)**
Increase in cash and cash equivalents	**1,357,707**	**244,711**
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	**(26,803)**	
Cash and cash equivalents at end of period	**1,544,928**	**725,025**

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

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 Finlandia, among others, 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) <u>Initial subscription of shares</u> (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) <u>Transfer of share ownership on December 3, 2015</u>

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 nine-month period ended September 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 nine-month period ended September 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 nine-month period ended September 30, 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]
Amendments to IFRS 9	Financial instruments[2]
Amendments to IAS 28	Investments in Associates and Joint Ventures [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.

- 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.

- Amendments to IFRS 9 (Financial Instruments) include changes that allow financial assets with a prepayment option that could result in the option´s holders receiving compensation for early termination of the contract, to be measured at amortized cost if certain criteria are met and clarifications regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability.

  The amendments to IFRS 9 are effective for annual periods beginning on or after January 1, 2019 with early application permitted. 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, 2019.

- Amendments to IAS 28 (Investments in Associates and Joint Ventures) clarify that IFRS 9, including its impairment requirements, applies to long-term interests in associates or joint ventures that form part of the net investment in these investees but to which the equity method is not applied.

  The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2019 with early application permitted. 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, 2019.

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:

			% of direct and indirect participation in capital stock and votes		
Company	**Main activity**	**Country**	**9/30/2017**	**12/31/2016**	**9/30/2016**
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 September 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 nine-month periods ended September 30, 2017 and 2016, 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, 2017 and 2016 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 2017 and 2016, respectively. No significant changes have occurred between both dates, which modified the financial position and results of the subsidiary companies and which were not considered.

4. CASH AND CASH EQUIVALENTS

	9/30/2017	**12/31/2016**
Cash and bank accounts	162,701	111,732
Investment funds	1,269,816	7,543
Short-term investments	112,411	94,749
Total	**1,544,928**	**214,024**

5. OTHER FINANCIAL ASSETS

	9/30/2017	12/31/2016
• Current		
Public bonds	41,462	
Corporate bonds	5,798	7,517
Derivative financial instruments		20,207
Short-term investments – other	8,656	5,566
Total	**55,916**	**33,290**
• Non-current		
Long-term investments	21,143	19,228
Total	**21,143**	**19,228**

6. TRADE ACCOUNTS RECEIVABLE

	9/30/2017	12/31/2016
Third parties (domestic)	1,533,066	1,247,592
Related parties (Note 21)	324,571	264,932
Foreign receivables	4,398	5,139
Notes receivables	876	844
Tax incentives on exports	21,986	27,625
Subtotal	**1,884,897**	**1,546,132**
Allowance for doubtful accounts	(26,524)	(25,815)
Allowance for trade discounts and volume rebates	(15,996)	(13,852)
Total	**1,842,377**	**1,506,465**

7. TAX CREDITS

	9/30/2017	12/31/2016
• Current		
Net value added tax	26,576	59,151
Turnover tax credit	47,624	32,601
Income tax and alternative minimum income tax receivable	20,622	6,834
Other tax credits	5,393	3,574
Total	**100,215**	**102,160**
• Non-current		
Turnover tax credit	19,940	14,467
Net value added tax	2,120	1,441
Other tax credits	4,477	1,839
Total	**26,537**	**17,747**

8. OTHER RECEIVABLES

	9/30/2017	12/31/2016
• Current		
Prepaid expenses	8,643	10,898
Receivable from sale of subsidiary company	9,044	12,183
Advances to services suppliers	20,822	7,545
Receivable from sale of property, plant and equipment, and others	641	331
Insurance receivable	1,958	532
Guarantee deposits (Note 20.b)	212	6
Receivables from customers in receivership and in bankruptcy	178	178
Related Parties (note 21)		144
Other (Note 20.b)	17,688	11,591
Subtotal	**59,186**	**43,408**
Allowance for doubtful accounts	(2,498)	(1,636)
Total	**56,688**	**41,772**
• Non-current		
Receivables from customers in receivership and in bankruptcy	25,692	20,047
Receivable from sale of subsidiary company	13,379	12,037
Régime for the professionalization of transport (1)	13,381	13,381
Receivable from sale of property, plant and equipment	8,932	8,195
Guarantee deposits (Note 20.b)	72	68
Other	5,173	1,336
Subtotal	**66,629**	**55,064**
Allowance for doubtful accounts	(26,268)	(19,811)
Total	**40,361**	**35,253**

(1) In litigation.

9. INVENTORIES

	9/30/2017	12/31/2016
Resale goods	66,951	57,983
Finished goods	784,472	891,913
Work in progress	377,991	444,502
Raw materials, packaging and other materials	557,672	549,889
Goods in transit	72,818	63,002
Subtotal	**1,859,904**	**2,007,289**
Advances to suppliers	7,387	1,459
Total	**1,867,291**	**2,008,748**

10. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	9/30/2017														
	Cost or revalued cost							Depreciation							Net value at the end of the period
	Value at the beginning of the year	Foreign currency exchange differences	Acquisitions	Transfers	Retirement and disposal	Transfers to Other assets	Value at the end of the period	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Retirement 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	5,240	734	167,684	8,862	(32,308)	2,903,362	46,119	3,177	1	(406)	2, 2.5, 2.86, 3.33, 4 and 5	68,115	117,004	2,786,358
Machinery and equipment (1)	1,787,626	3,555	19,326	155,795	5,168		1,961,134	174,061	1,884	1,408		5 and 10	205,582	380,119	1,581,015
Facilities and laboratory equipment (1)	1,019,053	1,330	2,456	119,057	1,828	(3,359)	1,136,709	164,855	946	1,051	(168)	5, 10 and 25	84,200	248,782	887,927
Furniture	62,166		3,828		12		65,982	50,782		12		10, 20, 25 and 33	3,469	54,239	11,743
Vehicles (2)	158,344	316	7,581		11,375		154,866	117,714	144	7,144		10 and 20	8,938	119,652	35,214
Work in progress	442,264		123,733	(419,638)			146,359								146,359
Advances to suppliers	17,986		24,859	(22,898)			19,947								19,947
Subtotal	**6,258,313**	**10,441**	**182,517**	**-**	**27,245**	**(35,667)**	**6,388,359**	**553,531**	**6,151**	**9,616**	**(574)**		**370,304**	**919,796**	**5,468,563**
Other:															
Trays	279,537		80,171				359,708	172,347				33	54,861	227,208	132,500
Carrying amount as of September 30, 2017	**6,537,850**	**10,441**	**262,688**	**-**	**27,245**	**(35,667)**	**6,748,067**	**725,878**	**6,151**	**9,616**	**(574)**		**425,165**	**1,147,004**	**5,601,063**

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

Land and buildings	826,657
Machinery and equipment	388,359
Facilities and laboratory equipments	294,510

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 28,012 as of September 30, 2017.

	Cost or revalued cost							Depreciation							Net value at the end of the year
12/31/2016	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

	9/30/2017	12/31/2016
Trade payables	1,268,766	1,237,764
Related parties (Note 21)	480,535	413,313
Note payables	292,525	198,567
Foreign suppliers	24,624	16,472
Total	**2,066,450**	**1,866,116**

12. BORROWINGS

	9/30/2017	12/31/2016
Short-term debt		
Principal:		
Financial debt:		
Unsecured debt	1,119	90,778
Secured debt	7,701	2,891
Total financial debt	**8,820**	**93,669**
Accrued interest:		
Unsecured and secured debt	106,677	15
Total accrued interest	**106,677**	**15**
Total	**115,497**	**93,684**
Long-term debt		
Principal:		
Senior Notes - Series F - due 2021 (net of issue costs and adjustment to amortized cost for 70,729 and 77,243 as of 9/30/2017 and 12/31/2016, respectively)	3,385,964	3,095,885
Total – Senior Notes	**3,385,964**	**3,095,885**
Other financial debt:		
Secured debt		6,348
Total – Other financial debt	**-**	**6,348**
Total	**3,385,964**	**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

	9/30/2017	12/31/2016
Payroll and bonus to management	487,744	393,484
Social security taxes	171,322	214,272
Total	**659,066**	**607,756**

14. DEFERRED TAX

Deferred tax assets:

	9/30/2017	12/31/2016
Temporary differences:		
Provisions and other non-deductible accrued expenses	23,569	15,938
Cash and cash equivalents	(33)	
Inventories	1,761	1,442
Property, plant and equipment, and others	(7,198)	(8,610)
Tax loss carry-forwards	6,393	6,385
Alternative minimum income tax	5,577	5,622
Total	**30,069**	**20,777**

Deferred tax liabilities:

	9/30/2017	12/31/2016
Temporary differences:		
Provisions and other non-deductible accrued expenses	29,538	35,430
Inventories	90,769	56,926
Intangible assets	1,322	1,208
Cash and cash equivalents	(8,449)	(271)
Other assets	(11,516)	(185)
Property, plant and equipment, and others	(1,569,484)	(1,681,783)
Borrowings	(24,274)	(26,091)
Tax loss carry-forwards	460,942	569,029
Alternative minimum income tax	216,497	157,326
Total	**(814,655)**	**(888,411)**

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of September 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%	111,224		2021
Tax loss carry-forwards of the period			8	(1)	
Tax loss carry-forwards used in the period			(104,450)	(1)	
			467,335		

(1) It corresponds to the tax loss (income tax) estimated for the nine-month period ended September 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)		132,001		(1,473,995)
Tax loss carry-forwards	575,414	(107,688)	8	(399)	467,335
Total as of September 30, 2017	**(1,030,582)**	**(107,688)**	**132,009**	**(399)**	**(1,006,660)**
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

	9/30/2017 Nine-months	9/30/2016 Nine-months	9/30/2017 Three-months	9/30/2016 Three-months
Product sales	18,506,307	14,620,874	6,591,172	5,472,030
Services provided	418,880	364,362	140,935	129,298
Turnover tax	(417,106)	(311,847)	(149,970)	(120,103)
Sales discounts and volume rebates	(1,683,447)	(1,405,793)	(594,687)	(475,050)
Sales returns	(268,019)	(250,870)	(85,140)	(83,592)
Total	**16,556,615**	**13,016,726**	**5,902,310**	**4,922,583**

16. COST OF SALES

	9/30/2017 Nine-months	9/30/2016 Nine-months	9/30/2017 Three-months	9/30/2016 Three-months
Cost of goods sold				
Inventories at the beginning of the year	2,007,289	1,346,733	1,691,440	1,444,522
Purchases	6,998,599	5,502,986	2,618,609	2,221,750
Production expenses (Note 17)	3,615,140	2,930,806	1,276,414	1,085,944
Write-off of inventories	89,129	96,177	57,056	33,350
Re-measurement of foreign subsidiaries inventories	24,414	50,023	18,107	1,128
Benefits from industrial promotion (1)	(256,690)	(118,092)	(88,859)	(40,923)
Inventories at the end of the period	(1,859,904)	(1,560,457)	(1,859,904)	(1,560,457)
Subtotal - cost of goods sold	**10,617,977**	**8,248,176**	**3,712,863**	**3,185,314**
Cost of services rendered				
Purchases	30,040	26,151	9,738	9,355
Production expenses (Note 17)	200,752	162,608	68,815	57,136
Subtotal - cost of services rendered	**230,792**	**188,759**	**78,553**	**66,491**
Total cost of sales	**10,848,769**	**8,436,935**	**3,791,416**	**3,251,805**

(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 September 27, 2017 the Federal Court of Appeals of Mendoza decided to reject the extraordinary remedy 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. On September 27, 2017, the Federal Court of Appeals accepted the extraordinary appeal filed by MSL. Concerning the substantive issue, on July 25, 2016, a favorable judgement was granted to MSL, which was subsequently appealed. On September 27, 2017, the Federal Court of Appeals of Mendoza decided to reject the appeal filed by the AFIP.

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

	9/30/2017 (nine-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				38,221	38,221
Fees and compensation for services	348,901	697	980,397	90,778	1,420,773
Payroll, bonus and social security charges	1,771,551	106,328	656,630	385,310	2,919,819
Depreciation of property, plant and equipment, and others	377,721	12,865	27,942	6,637	425,165
Amortization of intangible assets	321				321
Provision for bad debts			10,826		10,826
Freights	569,857		2,144,865		2,714,722
Maintenance and repair	80,881	3,830	14,191	395	99,297
Office and communication	1,086	319	922	2,321	4,648
Fuel, gas and energy	234,348	48,714	26,912	67	310,041
Vehicles expenses	21,051		18,639	2,940	42,630
Publicity and advertising			329,948		329,948
Taxes, rates and contributions	97,122	1,297	3,406	138,531	240,356
Insurance	81,932	605	27,391	6,514	116,442
Travelling	3,140		3,074	512	6,726
Export and import	2		13,890	464	14,356
Miscellaneous	27,227	26,097	15,519	18,036	86,879
Total	**3,615,140**	**200,752**	**4,274,552**	**690,726**	**8,781,170**

	9/30/2016 (nine-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				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**

	9/30/2017 (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				13,311	13,311
Fees and compensation for services	124,620	238	334,300	31,045	490,203
Payroll, bonus and social security charges	606,447	35,603	222,413	138,943	1,003,406
Depreciation of property, plant and equipment, and others	128,715	4,473	11,037	2,326	146,551
Amortization of intangible assets	107				107
Provision for bad debts			1,500		1,500
Freights	212,584		741,241		953,825
Maintenance and repair	31,767	1,295	4,111	189	37,362
Office and communication	173	115	327	768	1,383
Fuel, gas and energy	90,805	15,911	9,051	32	115,799
Vehicles expenses	8,672		6,678	1,100	16,450
Publicity and advertising			146,563		146,563
Taxes, rates and contributions	32,039	494	1,199	50,085	83,817
Insurance	26,858	299	8,839	2,125	38,121
Travelling	1,234		1,173	271	2,678
Export and import			4,734	214	4,948
Miscellaneous	12,393	10,387	5,212	7,778	35,770
Total	**1,276,414**	**68,815**	**1,498,378**	**248,187**	**3,091,794**

	9/30/2016 (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				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**

18. FINANCE COST

	9/30/2017 Nine-months	9/30/2016 Nine-months	9/30/2017 Three-months	9/30/2016 Three-months
Senior Notes	312,309	264,667	110,504	81,050
Other loans interest	2,634	15,332	228	1,270
Other interests	7,968	7,075	1,740	2,655
Total	**322,911**	**287,074**	**112,472**	**84,975**

19. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	9/30/2017 Nine-months	9/30/2016 Nine-months	9/30/2017 Three-months	9/30/2016 Three-months
Current income tax	(166,486)	(92,777)	(91,561)	(49,336)
Tax loss carry-forwards for the period	8	17,052	(22)	(10,321)
Net change in temporary differences	132,001	97,335	47,917	24,536
Alternative minimum income tax	(5,658)	(2,986)	(1,952)	(1,469)
Total – (loss) gain	**(40,135)**	**18,624**	**(45,618)**	**(36,590)**

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:

	9/30/2017 Nine-months	9/30/2016 Nine-months	9/30/2017 Three-months	9/30/2016 Three-months
Income before income tax and alternative minimum income tax	318,157	28,038	217,343	134,080
Statutory income tax rate	35%	35%	35%	35%
Income tax at statutory income tax rate	(111,355)	(9,813)	(76,070)	(46,928)
Permanent differences	71,220	28,437	30,452	10,338
Total – (loss) gain	**(40,135)**	**18,624**	**(45,618)**	**(36,590)**

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 12,955 as of September 30, 2017 (25,151 as of December 31, 2016). Detail of pledged assets is as follows:

	9/30/2017	12/31/2016
Property, plant and equipment, and others	21,044	15,967
Mastellone San Luis S.A. shares arising from the merger with Compañía Puntana de Carnes Elaboradas S.A.	9,046	6,375

b) Additionally, as of September 30, 2017 there were other receivables – guarantee deposits (current and non-current) for an amount of 284 (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 September 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 5,014 and 5,112 as of September 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)	
	9/30/2017	12/31/2016	12/31/2016	9/30/2017	12/31/2016	9/30/2017	12/31/2016
Afianzar S.G.R.	2	2			18		
Arcorpar S.A.	4,207	3,242		784	279		
Arcor S.A.I.C.				1,571	1,417		
Cartocor S.A.				7,987	8,473		
Frigorífico Nueva Generación S.A.	82	120					
Logística La Serenísima S.A.	320,027	261,442		469,830	403,011	8,236	717
Los Toldos S.A.	253	126	144	363	115		
TOTAL	**324,571**	**264,932**	**144**	**480,535**	**413,313**	**8,236**	**717**

22. RELATED PARTIES OPERATIONS

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

	9/30/2017	9/30/2016
Revenues		
Afianzar S.G.R.	12	15
Arcor S.A.I.C.	33,763	33,878
Arcorpar S.A.	18,194	
Bagley Argentina S.A.	3,524	665
Fideicomiso Formu	2,376	1,670
Frigorífico Nueva Generación S.A.	9	100
Logística La Serenísima S.A.	60,865	43,935
Los Toldos S.A.	135	196
Purchase of goods and services		
Afianzar S.G.R.		26
Arcor S.A.I.C.	10,819	2,226
Cartocor S.A.	32,431	28,540
Logística La Serenísima S.A.	1,243,498	1,033,498
Los Toldos S.A.	3,778	3,032
Investment income		
Logística La Serenísima S.A.	5,898	3,736
Other gain and losses		
Logística La Serenisima S.A.	1,180	1,175
Purchases of property, plant, equipment and others		
Logística La Serenisima S.A.		1,911

During the nine-month periods ended September 30, 2017 and 2016, the Company paid a total of 98,497 and 105,138, 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	9/30/2017		
	Dairy	Other	Total
Revenue from external customers	16,024,481	532,134	16,556,615
Intersegment revenue	2,051	62,673	64,724
Net income (loss) for the period	281,924	(3,902)	278,022
Assets allocated to the business lines	11,064,751	169,135	11,233,886
Liabilities allocated to the business lines	7,199,653	133,679	7,333,332
Additions to property, plant and equipment, and others	262,118	570	262,688
Depreciation of property, plant and equipment, and others	418,696	6,469	425,165
Amortization of intangible assets	321		321
Depreciation of investment property	3		3
Depreciation of other assets	287		287
Net domestic revenue	14,789,331	532,134	15,321,465

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

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	
9/30/2017	15,321,465	1,108,772	126,378	16,556,615
9/30/2016	11,540,973	943,570	532,183	13,016,726

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. SUBSEQUENT EVENTS

The General Ordinary and Extraordinary Shareholder´s Meeting held on October 17, 2017, resolved the creation of a global program for issuing short, medium or long term, simple not convertible into shares Senior Notes, with a repayment period of each class and/or series and/or reissue that will be indicated in the respective price supplement in conformity with the rules of Law Nº 23,576 modified by Law Nº 23,962 ("Senior Notes Law"), and other applicable regulations, subordinated or not subordinated, unsecured or with common, special, floating and/or other guarantee including third-party guarantees, with fixed or variable or mixed interest, and to be denominated in pesos, US dollars or in any other currency, to be placed in domestic or international markets, for up to a maximum nominal amount in circulation at any time during the term of the program up to US$ 500,000,000 (US dollars five hundred million) or its equivalent in other currencies, as determined by the Board of Directors, with a maximum term of five years starting from the authorization of the program by the CNV or any longer term that would be approved in general in accordance with the regulations in force (the "Program").

Funds arising from the placement of each of the Series issued under the Program will be allocated in the country, as appropriate to (i) investments in physical assets located in Argentina, (ii) for working capital needs to be used by the Company in the country, (iii) to refinance debt, at its original maturity or before its maturity, and (iv) for capital contributions to subsidiaries or affiliates, provided that such capital contributions are used for the same purposes as specified in points (i), (ii) or (iii) above, or to any other purpose in compliance with Section 36 of the Senior Notes Law, which will be determined by the Board of Directors on behalf of the Shareholder´s Meeting.

26. 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 7, 2017.

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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 September 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 nine-month period then ended, and other selected explanatory information presented in Notes 1 to 26.

Amounts and other disclosures for the fiscal year ended December 31, 2016 and for the nine-month period ended September 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 nine-month period ended September 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, November 7, 2017.

Deloitte & Co. S.A.

Alberto López Carnabucci
(Partner)