

**Mastellone Hermanos S.A.**  
Consolidated Financial Statements  
for the three-month period ended  
March 31, 2018

## **MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**

### **CONSOLIDATED INFORMATIVE SUMMARY** **AS OF MARCH 31, 2018**

(in thousands of Argentine pesos)

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

The Company's activities during the first quarter of 2018 were negatively affected by a drop in consumption of dairy products in the domestic market, versus the situation of other comparable products

Additionally, there was an oversupply of dairy products with different quality and price levels, continuing a trend seen during 2017. Under this scenario, the Company was forced to apply a more aggressive commercial policy in order to preserve its sales volumes.

In the export market, there was a strong demand for whole milk powder, at prices that remained stable. Although the devaluation of the peso seen during the quarter had a positive impact on the Company's competitiveness, the profitability in this segment remains in a low level. However, that gives the chance to export excess milk supply due to the aforementioned situation in the domestic market.

There was a substantial increase in raw milk supply during the quarter, as compared with the levels of the preceding year. The Company maintained its strategy of inducing an increase in raw milk production with its pricing policy for raw milk as well as the Plan More Milk.

During the quarter, the Company continued – at a higher speed – with the execution of the investment plan defined two years ago, focused to increase its productivity.

#### **2. CONSOLIDATED FINANCIAL POSITION**

	<b><u>3/31/2018</u></b>	<b><u>3/31/2017</u></b>	<b><u>3/31/2016</u></b>	<b><u>3/31/2015</u></b>	<b><u>3/31/2014</u></b>
	(in thousand pesos)				
Current assets	5,808,323	4,406,099	3,161,719	2,400,139	2,268,109
Non-current assets	6,817,930	5,870,775	4,804,153	3,911,678	1,735,704
<b>TOTAL ASSETS</b>	<b><u>12,626,253</u></b>	<b><u>10,276,874</u></b>	<b><u>7,965,872</u></b>	<b><u>6,311,817</u></b>	<b><u>4,003,813</u></b>
Current liabilities	3,220,862	2,728,602	2,272,673	2,349,935	2,183,315
Non-current liabilities	4,745,584	3,905,321	3,545,041	2,465,701	1,297,608
<b>TOTAL LIABILITIES</b>	<b><u>7,966,446</u></b>	<b><u>6,633,923</u></b>	<b><u>5,817,714</u></b>	<b><u>4,815,636</u></b>	<b><u>3,480,923</u></b>
<b>Equity attributable to owners of the Company</b>	<b><u>4,659,735</u></b>	<b><u>3,642,905</u></b>	<b><u>2,148,127</u></b>	<b><u>1,496,162</u></b>	<b><u>522,871</u></b>
<b>Non-controlling interests</b>	<b><u>72</u></b>	<b><u>46</u></b>	<b><u>31</u></b>	<b><u>19</u></b>	<b><u>19</u></b>
<b>TOTAL EQUITY</b>	<b><u>4,659,807</u></b>	<b><u>3,642,951</u></b>	<b><u>2,148,158</u></b>	<b><u>1,496,181</u></b>	<b><u>522,890</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>12,626,253</u></b>	<b><u>10,276,874</u></b>	<b><u>7,965,872</u></b>	<b><u>6,311,817</u></b>	<b><u>4,003,813</u></b>

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

	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
	(in thousand pesos)				
<b>Continuing operations:</b>					
Operational results – income (loss)	202,428	52,679	120,787	(90,199)	121,460
Investment income, finance cost and foreign exchange differences	(334,820)	(1,274)	(395,975)	(159,296)	(365,881)
Other gains and losses	(1,949)	7,075	2,166	(2,275)	(686)
<b>(Loss) income before taxes</b>	<b>(134,341)</b>	<b>58,480</b>	<b>(273,022)</b>	<b>(251,770)</b>	<b>(245,107)</b>
Income tax and alternative minimum income tax	20,601	(10,177)	104,462	85,482	92,533
<b>Net (loss) income for the period from continuing operations</b>	<b>(113,740)</b>	<b>48,303</b>	<b>(168,560)</b>	<b>(166,288)</b>	<b>(152,574)</b>
<b>Discontinued operations</b>					<b>(7,681)</b>
<b>Net (loss) income for the period</b>	<b>(113,740)</b>	<b>48,303</b>	<b>(168,560)</b>	<b>(166,288)</b>	<b>(160,255)</b>
<b>Other comprehensive income (loss)</b>	<b>20,307</b>	<b>(2,037)</b>	<b>27,974</b>	<b>(17,069)</b>	<b>29,475</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>(93,433)</b>	<b>46,266</b>	<b>(140,586)</b>	<b>(183,357)</b>	<b>(130,780)</b>
<b>Net (loss) income attributable to:</b>					
Owners of the company	(93,434)	46,263	(140,585)	(183,357)	(130,781)
Non-controlling interests	1	3	(1)	-	1
<b>Total comprehensive (loss) income:</b>	<b>(93,433)</b>	<b>46,266</b>	<b>(140,586)</b>	<b>(183,357)</b>	<b>(130,780)</b>

### 4. CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
	(in thousand pesos)				
Cash flows provided by (used in) operating activities	120,071	55,685	20,484	(77,727)	96,852
Cash flows (used in) provided by investing activities	(211,408)	(59,473)	(116,505)	24,123	(37,303)
Cash flows (used in) provided by financing activities	(7,709)	456,653	(853)	73,471	37,997
<b>Cash and cash equivalents (used) provided in the period</b>	<b>(99,046)</b>	<b>452,865</b>	<b>(96,874)</b>	<b>19,867</b>	<b>97,546</b>

### 5. PRODUCTION AND SALES VOLUME (\*)

	<b>ACUMULATED SALES</b>				
	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
	(in thousand liters of milk)				
Domestic market	317,937	315,049	317,425	351,909	379,938
Foreign market	54,976	57,924	65,926	55,173	54,308
<b>Total</b>	<b>372,913</b>	<b>372,973</b>	<b>383,351</b>	<b>407,082</b>	<b>434,246</b>

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

### 6. RATIOS

	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Current assets to current liabilities	1.80	1.61	1.39	1.02	1.04
Equity attributable to owners of the Company to total liabilities	0.58	0.55	0.37	0.31	1.15
Non-current assets to total assets	0.54	0.57	0.60	0.62	0.43

## **7. OUTLOOK (\*)**

The situation of consumption of dairy products in the domestic market will be a central matter for the rest of the year, and will force us to apply dynamic commercial policies enabling us to capture its eventual recovery.

As part of such strategy, we will continue to launch new, higher value, products, the development of new channels of sales, and advertising and promotional campaigns stressing – as always – the quality, health benefits and diversity of our products.

In the export business, we expect to increase volumes in comparison of those of the pre-eding year. We will also continue with the development of markets in South America countries, marketing a wide product portfolio.

Finally, we stress that we will continue focused in increasing productivity, efficiency and sustainability of our businesses, at any level, including our investment plan, purchasing of raw milk and other supplies, and any operating aspects of the Company.

(\*) Information not reviewed by the Auditors.

General Rodriguez, Province of Buenos Aires, May 8, 2018.

**CARLOS AGOTE**  
Vice Chairman

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT MARCH**  
**31, 2018**

(in thousands of Argentine pesos)

	Notes	<u>3/31/2018</u>	<u>12/31/2017</u>
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents	3	872,300	947,095
Other financial assets		28,116	28,587
Trade accounts receivable	4	2,030,894	1,992,769
Tax credits	5	148,686	142,967
Other receivables	6 and 18	67,555	63,700
Inventories	7	2,636,823	2,529,794
Subtotal		<u>5,784,374</u>	<u>5,704,912</u>
Assets held for sale		23,949	4,157
<b>Total Current Assets</b>		<u><b>5,808,323</b></u>	<u><b>5,709,069</b></u>
<b><u>NON-CURRENT ASSETS</u></b>			
Tax credits	5	22,677	28,670
Other receivables	6 and 18	19,097	18,526
Deferred tax assets	12	21,032	23,407
Property, plant and equipment, and others	8 and 18	6,647,396	6,652,642
Investment property		74	77
Goodwill		3,121	3,121
Intangible assets		1,296	1,403
Other assets		103,237	42,398
<b>Total Non-Current Assets</b>		<u><b>6,817,930</b></u>	<u><b>6,770,244</b></u>
<b>TOTAL ASSETS</b>		<u><b>12,626,253</b></u>	<u><b>12,479,313</b></u>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Trade payable	9	2,136,378	2,178,275
Borrowings	10 and 18	127,992	9,269
Accrued salaries, wages and payroll taxes	11	608,181	654,722
Taxes payable		191,978	141,755
Advance from customers		140,310	242,811
Provisions		657	1,873
Other liabilities		15,366	14,674
<b>Total Current Liabilities</b>		<u><b>3,220,862</b></u>	<u><b>3,243,379</b></u>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Trade payable		6,648	7,121
Borrowings	10 and 18	3,954,231	3,653,894
Taxes payable		725	2,865
Deferred tax liabilities	12	760,111	796,659
Provisions		15,325	14,200
Other liabilities		8,544	7,955
<b>Total Non-Current Liabilities</b>		<u><b>4,745,584</b></u>	<u><b>4,482,694</b></u>
<b>TOTAL LIABILITIES</b>		<u><b>7,966,446</b></u>	<u><b>7,726,073</b></u>
<b><u>EQUITY</u></b>			
Common stock and share premium		1,499,347	1,499,347
Reserves		3,612,758	3,666,600
Accumulated deficit- including net result for the period or year		<u>(452,370)</u>	<u>(412,778)</u>
<b>Equity attributable to owners of the Company</b>		<u><b>4,659,735</b></u>	<u><b>4,753,169</b></u>
<b>Non-controlling interests</b>		<u><b>72</b></u>	<u><b>71</b></u>
<b>TOTAL EQUITY</b>		<u><b>4,659,807</b></u>	<u><b>4,753,240</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>12,626,253</b></u>	<u><b>12,479,313</b></u>

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

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018**  
(in thousands of Argentine pesos)

	<b>Notes</b>	<b><u>3/31/2018</u></b>	<b><u>3/31/2017</u></b>
Revenue	13	5,715,206	4,792,041
Cost of sales	14	<u>(3,842,744)</u>	<u>(3,288,095)</u>
<b>Gross profit</b>		<b>1,872,462</b>	<b>1,503,946</b>
Selling expenses	15	(1,430,343)	(1,256,617)
General and administrative expenses	15	(239,691)	(194,650)
Investment income		29,060	18,023
Finance cost	16	(128,867)	(108,299)
Foreign exchange losses (gain)		(235,013)	89,002
Other gains and losses		<u>(1,949)</u>	<u>7,075</u>
<b>(Loss) income before taxes</b>		<b>(134,341)</b>	<b>58,480</b>
Income tax and alternative minimum income tax	17	<u>20,601</u>	<u>(10,177)</u>
<b>NET (LOSS) INCOME FOR THE PERIOD</b>		<b><u>(113,740)</u></b>	<b><u>48,303</u></b>
<b>Other comprehensive income (loss)</b>			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		<u>20,307</u>	<u>(2,037)</u>
<b>Other comprehensive income (loss), net of income tax</b>		<b><u>20,307</u></b>	<b><u>(2,037)</u></b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		<b><u>(93,433)</u></b>	<b><u>46,266</u></b>
<b>Net (loss) income attributable to:</b>			
Owners of the Company		(113,741)	48,300
Non-controlling interests		<u>1</u>	<u>3</u>
<b>Net (loss) income for the period</b>		<b><u>(113,740)</u></b>	<b><u>48,303</u></b>
<b>Total comprehensive (loss) income attributable to:</b>			
Owners of the Company		(93,434)	46,263
Non-controlling interests		<u>1</u>	<u>3</u>
<b>Net comprehensive (loss) income for the period</b>		<b><u>(93,433)</u></b>	<b><u>46,266</u></b>

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

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**  
(in thousands of Argentine pesos)

	Common stock	Share premium	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	
<b>Balance at December 31, 2017</b>	<b>653,969</b>	<b>845,378</b>	<b>133,000</b>	<b>3,533,600</b>	<b>(412,778)</b>	<b>4,753,169</b>	<b>71</b>	<b>4,753,240</b>
Net loss for the period					(113,741)	(113,741)	1	(113,740)
Other comprehensive gain for the period			20,307			20,307		20,307
Total comprehensive gain (loss) for the period			20,307		(113,741)	(93,434)	1	(93,433)
Transfer to accumulated losses (1)				(74,149)	74,149			
<b>Balance at March 31, 2018</b>	<b>653,969</b>	<b>845,378</b>	<b>153,307</b>	<b>3,459,451</b>	<b>(452,370)</b>	<b>4,659,735</b>	<b>72</b>	<b>4,659,807</b>

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

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

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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	
<b>Balance at December 31, 2016</b>	<b>573,089</b>	<b>370,458</b>	-	<b>98,986</b>	<b>2,625,410</b>	<b>(627,101)</b>	<b>3,040,842</b>	<b>43</b>	<b>3,040,885</b>
Net income for the period						48,300	48,300	3	48,303
Other comprehensive loss for the period				(2,037)			(2,037)		(2,037)
Total comprehensive (loss) gain for the period				(2,037)		48,300	46,263	3	46,266
Irrevocable contributions accepted by the Board of Directors on January 17,2017			555,800				555,800		555,800
Transfer to accumulated losses (1)					(58,825)	58,825			
<b>Balance at March 31, 2017</b>	<b>573,089</b>	<b>370,458</b>	<b>555,800</b>	<b>96,949</b>	<b>2,566,585</b>	<b>(519,976)</b>	<b>3,642,905</b>	<b>46</b>	<b>3,642,951</b>

(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 THREE-**  
**MONTH PERIOD ENDED MARCH 31, 2018**

(in thousands of Argentine pesos)

	<b><u>3/31/2018</u></b>	<b><u>3/31/2017</u></b>
<b><u>Cash flows from operating activities</u></b>		
Net (loss) income for the period	(113,740)	48,303
Adjustments to reconcile net income (loss) for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	(20,601)	10,177
Finance cost	128,867	108,299
Foreign exchange losses	284,098	(92,233)
Depreciation of property, plant and equipment, and others	144,687	137,857
Net additions to provisions	27,693	22,386
Write-off of inventories	31,225	21,839
Depreciation of investment property	1	1
Amortization of intangible assets	107	107
Depreciation of other assets	430	-
Gain on sale of property, plant and equipment, and others	(2,231)	(11,167)
	<u>480,536</u>	<u>245,569</u>
Changes in working capital	(360,465)	(161,389)
Subtotal	120,071	84,180
Payments of income tax and alternative minimum income tax		(28,495)
<b>Net cash generated by operating activities</b>	<b><u>120,071</u></b>	<b><u>55,685</u></b>
<b><u>Cash flows used in investing activities</u></b>		
Payments for property, plant and equipment, and others	(220,641)	(77,042)
Proceeds from sale of other financial assets	3,828	1,556
Proceeds from disposal of property, plant and equipment, and others	5,405	16,013
<b>Net cash used in investing activities</b>	<b><u>(211,408)</u></b>	<b><u>(59,473)</u></b>
<b><u>Cash flows (used in) generated by from financing activities</u></b>		
Irrevocable contributions for future subscription of common stock		555,800
Proceeds from borrowings	3,759	34
Repayment of borrowings	(9,793)	(93,940)
Payment of interests	(1,675)	(5,241)
<b>Net cash (used in) generated by financing activities</b>	<b><u>(7,709)</u></b>	<b><u>456,653</u></b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(99,046)</b>	<b>452,865</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>947,095</b>	<b>214,024</b>
<b>Effects of changes in exchange rates on cash and cash equivalents held in foreign currency</b>	<b><u>24,251</u></b>	<b><u>(500)</u></b>
<b>Cash and cash equivalents at end of period</b>	<b><u>872,300</u></b>	<b><u>666,389</u></b>

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

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR**  
**THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**  
(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 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 2.3.

**2. BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 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 1<sup>st</sup>, Point b.1) of the rules issued by the Comisión Nacional de Valores ("CNV") (N.T. 2013), the Company chose the option to prepare condensed interim consolidated financial statements in conformity with International Accounting Standard ("IAS") N° 34, "Interim Financial Reporting".

Accordingly, the condensed interim consolidated financial statements for the three-month period ended March 31, 2018 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.

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, 2017 prepared under IFRS.

The figures and other information for the fiscal year ended December 31, 2017 and the three-month period ended March 31, 2017 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.

## **2.2 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, 2017, as described in those financial statements. The application of the new standards and interpretations adopted beginning current fiscal year, which are detailed below, did not significantly affect the amounts set out in relation to assets and liabilities of the Company.

IFRS 9 "Financial Instruments" 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.

IFRS 15 is effective for the current reporting period. IFRS 15 replaces 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. This core principle is delivered in a five-step model framework that will be applied to all contracts with customers: 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.

IFRIC 22 (foreign currency transactions and advance consideration) was applied by the Company beginning the current fiscal year, adopting the option of prospective application since the beginning of the reporting period an entity first applies the interpretation.

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.

## **2.3 Basis of consolidation**

The condensed interim consolidated financial statements of Mastellone Hermanos S.A. include the stand-alone financial statements of the parent and its subsidiaries. Subsidiary companies are those where the Company has the control of the subsidiaries, which is based on the following three elements: power over an investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's return.

Total comprehensive result of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The financial statements of the non-Argentine subsidiaries used to prepare the consolidated financial statements were issued in accordance with IFRS. Assets, liabilities and equity accounts were converted into pesos considering the exchange rate prevailing at the date of these financial statements. The income and expenses accounts were converted into pesos according to the exchange rate prevailing at the end of each month.

The main consolidation adjustments are the followings:

- elimination of assets, liabilities, income and expenses of the parent with those of its subsidiaries, in order to disclose the balances maintained effectively with third parties; and
- offset the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

Detailed below are the subsidiaries whose financial statements have been included in these consolidated financial statements:

Company	Main activity	Country	% of direct and indirect participation in capital stock and votes		
			3/31/2018	12/31/2017	3/31/2017
Con-Ser S.A.	Transportation services, services for vehicle, sale of parts and distribution of cooling equipments	Argentina	100.00	100.00	100.00
Leitesol Industria e Comercio S.A.	Production and distribution of dairy products	Brazil	100.00	100.00	100.00
Marca 4 S.A.	Ownership, administration and legal defense of trademarks <i>Ser</i> and <i>La Serenísima</i>	Argentina	99.99	99.99	99.99
Marca 5 Asesores en Seguros S.A.	Insurance broker	Argentina	99.99	99.99	99.99
Mastellone de Paraguay S.A.	Import and distribution of dairy products	Paraguay	100.00	100.00	100.00
Mastellone Hermanos do Brasil Comercial e Industrial Ltda.	Inactive	Brazil	100.00	100.00	100.00
Mastellone San Luis S.A.	Manufacturer of dairy products	Argentina	99.99	99.99	99.99

The financial position statements of Mastellone Hermanos Sociedad Anónima as of March 31, 2018 and December 31, 2017 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2018 and 2017, were consolidated based on financial statements of the subsidiaries companies for the periods or years ended at such dates, with the exception as of March 31, 2018 and 2017 of Marca 4 S.A., Mastellone de Paraguay S.A. and Mastellone Hermanos do Brasil Comercial e Industrial Ltda. The financial statements of such companies used for the preparation of the consolidated financial statements were those as of December 31 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.

### 3. CASH AND CASH EQUIVALENTS

	<u>3/31/2018</u>	<u>12/31/2017</u>
Cash and bank accounts	315,457	239,509
Investment funds	534,453	674,372
Short-term investments	22,390	33,214
<b>Total</b>	<b><u>872,300</u></b>	<b><u>947,095</u></b>

### 4. TRADE ACCOUNTS RECEIVABLE

	<u>3/31/2018</u>	<u>12/31/2017</u>
Third parties (domestic)	1,561,569	1,617,623
Related parties (Note 19)	411,440	366,546
Foreign receivables	69,833	17,521
Notes receivables	877	848
Tax incentives on exports	30,458	23,406
<b>Subtotal</b>	<b><u>2,074,177</u></b>	<b><u>2,025,944</u></b>
Allowance for doubtful accounts	(23,054)	(22,203)
Allowance for trade discounts and volume rebates	(20,229)	(10,972)
<b>Total</b>	<b><u>2,030,894</u></b>	<b><u>1,992,769</u></b>

## 5. TAX CREDITS

	<u>3/31/2018</u>	<u>12/31/2017</u>
• <u>Current</u>		
Net value added tax	66,442	63,920
Turnover tax credit	31,891	27,704
Income tax and alternative minimum income tax receivable	47,327	49,334
Other tax credits	3,026	2,009
<b>Total</b>	<b><u>148,686</u></b>	<b><u>142,967</u></b>
• <u>Non-current</u>		
Turnover tax credit	12,440	16,947
Net value added tax	6,597	7,077
Other tax credits	3,640	4,646
<b>Total</b>	<b><u>22,677</u></b>	<b><u>28,670</u></b>

## 6. OTHER RECEIVABLES

	<u>3/31/2018</u>	<u>12/31/2017</u>
• <u>Current</u>		
Prepaid expenses	18,639	16,794
Receivable from sale of subsidiary company	14,140	13,622
Advances to services suppliers	3,664	6,116
Receivable from sale of property, plant and equipment, and others	10,611	10,142
Insurance receivable	923	632
Loans to personnel	11,281	11,137
Other (Note 18.b)	9,867	7,947
<b>Subtotal</b>	<b><u>69,125</u></b>	<b><u>66,390</u></b>
Allowance for doubtful accounts	(1,570)	(2,690)
<b>Total</b>	<b><u>67,555</u></b>	<b><u>63,700</u></b>
• <u>Non-current</u>		
Receivables from customers in receivership and in bankruptcy	30,122	31,975
Régime for the professionalization of transport (1)	13,463	13,381
Guarantee deposits (Note 18.b)	79	79
Other	5,761	5,272
<b>Subtotal</b>	<b><u>49,425</u></b>	<b><u>50,707</u></b>
Allowance for doubtful accounts	(30,328)	(32,181)
<b>Total</b>	<b><u>19,097</u></b>	<b><u>18,526</u></b>

(1) In litigation.

## 7. INVENTORIES

	<u>3/31/2018</u>	<u>12/31/2017</u>
Resale goods	89,874	80,469
Finished goods	1,333,064	1,256,469
Work in progress	446,671	475,946
Raw materials, packaging and other materials	628,481	587,259
Goods in transit	109,020	111,815
<b>Subtotal</b>	<b><u>2,607,110</u></b>	<b><u>2,511,958</u></b>
Advances to suppliers	29,713	17,836
<b>Total</b>	<b><u>2,636,823</u></b>	<b><u>2,529,794</u></b>

## 8. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	3/31/2018														
	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	Transfers to other assets	Retirement and disposal	Value at the end of the period	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Transfers to other assets	Retirement and disposal	Rate %		Of the period	Accumulated depreciation at the end of the period
Land and buildings (1)	2,937,595	3,769	406	669	(81,709)		2,860,730	52,052	2,373	(3,269)		2, 2.5, 2.86, 3.3, 4 & 5	19,700	70,856	2,789,874
Machinery and equipment (1)	2,525,208	2,650	2,287	20,015		1,049	2,549,111	191,506	1,434		178	5 y 10	70,919	263,681	2,285,430
Facilities and laboratory equipment (1)	1,210,416	1,048	1,120	6,862	(2,688)	2,202	1,214,556	175,323	718	(67)	11	5, 10 & 25	27,898	203,861	1,010,695
Furniture	68,900		1,086	130		519	69,597	55,498			516	25 & 33	1,575	56,557	13,040
Vehicles (2)	157,031	226	516			721	157,052	117,195	133		612	10 & 20	2,022	118,738	38,314
Work in progress	164,070		115,089	(26,823)			252,336								252,336
Advances to suppliers	29,768		73,602	(853)			102,517								102,517
<b>Subtotal</b>	<b>7,092,988</b>	<b>7,693</b>	<b>194,106</b>	<b>-</b>	<b>(84,397)</b>	<b>4,491</b>	<b>7,205,899</b>	<b>591,574</b>	<b>4,658</b>	<b>(3,336)</b>	<b>1,317</b>		<b>122,114</b>	<b>713,693</b>	<b>6,492,206</b>
<b>Other:</b>															
Trays	297,821		26,535				324,356	146,593				33	22,573	169,166	155,190
<b>Carrying amount as of March 31, 2018</b>	<b>7,390,809</b>	<b>7,693</b>	<b>220,641</b>	<b>-</b>	<b>(84,397)</b>	<b>4,491</b>	<b>7,530,255</b>	<b>738,167</b>	<b>4,658</b>	<b>(3,336)</b>	<b>1,317</b>		<b>144,687</b>	<b>882,859</b>	<b>6,647,396</b>

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

Land and buildings	779,526
Machinery and equipment	412,437
Facilities and laboratory equipments	291,632

(2) It includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 32,274 as of March 31, 2018.

	<b>12/31/2017</b>																
	Cost or revalued cost								Depreciation							Net value at the end of the year	
	Value at the beginning of the year	Foreign currency exchange differences	Acquisitions	Transfers	Transfers to other assets	Retirement and disposal	Revaluation increase	Value at the end of the year	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Transfers to other assets	Retirement and disposal	Depreciation		Eliminated on revaluation		Accumulated depreciation at the end of the year
													Rate %	Of the year			
Land and buildings (1)	2,770,874	6,759	612	174,444	(38,669)	8,862	32,437	2,937,595	46,119	4,161	(2,610)	1	2, 2.5, 2.86, 3.3, 4 & 5	91,190	(86,807)	52,052	2,885,543
Machinery and equipment (1)	1,787,626	4,628	21,135	185,882		9,273	535,210	2,525,208	174,061	2,495		1,423	5 & 10	275,829	(259,456)	191,506	2,333,702
Facilities and laboratory equipment (1)	1,019,053	1,802	3,888	129,472	(3,359)	1,897	61,457	1,210,416	164,855	1,244	(168)	1,101	5, 10 & 25	113,520	(103,027)	175,323	1,035,093
Furniture	62,166		5,228	1,599		93		68,900	50,782			93	25 & 33	4,809		55,498	13,402
Vehicles (2)	158,344	401	7,006	9,873		18,593		157,031	117,714	191		11,444	10 & 20	10,734		117,195	39,836
Work in progress	442,264		200,068	(478,262)				164,070									164,070
Advances to suppliers	17,986		34,790	(23,008)				29,768									29,768
<b>Subtotal</b>	<b>6,258,313</b>	<b>13,590</b>	<b>272,727</b>	<b>-</b>	<b>(42,028)</b>	<b>38,718</b>	<b>629,104</b>	<b>7,092,988</b>	<b>553,531</b>	<b>8,091</b>	<b>(2,778)</b>	<b>14,062</b>		<b>496,082</b>	<b>(449,290)</b>	<b>591,574</b>	<b>6,501,414</b>
<b>Other:</b>																	
Trays	279,537		120,541			102,257		297,821	172,347				33	76,503		146,593	151,228
<b>Carrying amount as of December 31, 2017</b>	<b>6,537,850</b>	<b>13,590</b>	<b>393,268</b>	<b>-</b>	<b>(42,028)</b>	<b>140,975</b>	<b>629,104</b>	<b>7,390,809</b>	<b>725,878</b>	<b>8,091</b>	<b>(2,778)</b>	<b>116,319</b>		<b>572,585</b>	<b>(449,290)</b>	<b>738,167</b>	<b>6,652,642</b>

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

Land and buildings	822,318
Machinery and equipment	403,312
Facilities and laboratory equipments	294,961

(2) It includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísimá S.A. with a net value of 33,523 as of December 31, 2017.

## 9. TRADE PAYABLE - CURRENT

	<u>3/31/2018</u>	<u>12/31/2017</u>
Trade payables	1,351,865	1,332,018
Related parties (Note 19)	465,598	505,560
Note payables	284,542	313,297
Foreign suppliers	34,373	27,400
<b>Total</b>	<b><u>2,136,378</u></b>	<b><u>2,178,275</u></b>

## 10. BORROWINGS

	<u>3/31/2018</u>	<u>12/31/2017</u>
<u>Short-term debt</u>		
<b>Principal:</b>		
Financial debt:		
Unsecured debt	3,759	1,891
Secured debt	59	7,378
<b>Total financial debt</b>	<b><u>3,818</u></b>	<b><u>9,269</u></b>
<b>Accrued interest:</b>		
Unsecured and secured debt	124,174	-
<b>Total accrued interest</b>	<b><u>124,174</u></b>	<b><u>-</u></b>
<b>Total</b>	<b><u>127,992</u></b>	<b><u>9,269</u></b>
<u>Long-term debt</u>		
<b>Principal:</b>		
Senior Notes - Series F - due 2021 (net of issue costs and adjustment to amortized cost for 69,392 and 70,188 as of 3/31/2018 and 12/31/2017, respectively)	3,954,231	3,653,894
<b>Total</b>	<b><u>3,954,231</u></b>	<b><u>3,653,894</u></b>

### Main loans agreements

#### Senior Notes – Series F – due 2021

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

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

Amount:	U\$S 199,693,422
Issuing price:	100%
Maturity:	July 3, 2021
Payment:	Principal: 100% at maturity; interests: semi-annually on arrears
Annual interest rate:	12.625%
Use of proceeds (net amount of U\$S 113,733,744):	<ul style="list-style-type: none"> <li>• Repurchase of existing debt</li> <li>• Expenses related to the transaction (including taxes)</li> <li>• Payment of other short term debt</li> <li>• Working capital</li> <li>• Capital expenditures in Argentina</li> </ul>

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.



## **Global program for issuing Senior Notes**

The General Ordinary and Extraordinary Shareholder's Meeting held on October 17, 2017, resolved the creation of a global program for issuing Senior Notes for up to US\$ 500,000,000 (US dollars five hundred million). The Board of Directors approved on November 7, 2017 the terms and conditions of such program, which was approved by the CNV on February 15, 2018 through its resolution N° 19362.

### **11. ACCRUED SALARIES, WAGES AND PAYROLL TAXES**

	<u>3/31/2018</u>	<u>12/31/2017</u>
Payroll and bonus to management	444,810	439,392
Social security taxes	163,371	215,330
<b>Total</b>	<b><u>608,181</u></b>	<b><u>654,722</u></b>

### **12. DEFERRED TAX**

#### **Deferred tax assets:**

	<u>3/31/2018</u>	<u>12/31/2017</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	15,746	17,147
Cash and cash equivalents	(25)	(2)
Inventories	1,449	1,618
Property, plant and equipment, and others	(4,440)	(5,065)
Tax loss carry-forwards	583	3,927
Alternative minimum income tax	7,719	5,782
<b>Total</b>	<b><u>21,032</u></b>	<b><u>23,407</u></b>

#### **Deferred tax liabilities:**

Temporary differences:		
Provisions and other non-deductible accrued expenses	36,686	28,912
Cash and cash equivalents	(9,006)	(8,913)
Inventories	78,445	96,730
Intangible assets	1,009	1,014
Other assets	(22,404)	(7,539)
Property, plant and equipment, and others	(1,360,174)	(1,408,667)
Trade payables	(1,226)	(1,226)
Borrowings	(19,216)	(19,552)
Tax loss carry-forwards	310,877	305,899
Alternative minimum income tax	224,898	216,683
<b>Total</b>	<b><u>(760,111)</u></b>	<b><u>(796,659)</u></b>

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of March 31, 2018 are as follows:

<u>Year of generation</u>	<u>Tax loss amount</u>	<u>Applicable tax rate</u>	<u>Credit due to tax loss carry-forward</u>	<u>Expiration – date for submission of tax returns fiscal years</u>
2014	392,810	30%	117,843	2019
2015	371,335	25%	92,834	2020
2016	305,036	25% / 30%	76,355	2021
2018	97,712	25%	24,428 (1)	2023
			<b><u>311,460</u></b>	

(1) It corresponds to the tax loss estimated for the three-month period ended March 31, 2018.

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 income (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	(1,305,543)		22,387		(1,283,156)
Tax loss carry-forwards	309,826	(3,344)	4,978		311,460
<b>Total as of March 31, 2018</b>	<b>(995,717)</b>	<b>(3,344)</b>	<b>27,365</b>	<b>-</b>	<b>(971,696)</b>
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(1,605,996)		235,625	64,828	(1,305,543)
Tax loss carry-forwards	575,414	(48,730)	(215,371)	(1,487)	309,826
<b>Total as of December 31, 2017</b>	<b>(1,030,582)</b>	<b>(48,730)</b>	<b>20,254</b>	<b>63,341</b>	<b>(995,717)</b>

### 13. REVENUE

	<u>3/31/2018</u>	<u>3/31/2017</u>
Product sales	6,483,117	5,380,549
Services provided	162,892	147,373
Turnover tax	(130,306)	(119,642)
Sales discounts and volume rebates	(667,468)	(514,094)
Sales returns	(133,029)	(102,145)
<b>Total</b>	<b>5,715,206</b>	<b>4,792,041</b>

### 14. COST OF SALES

	<u>3/31/2018</u>	<u>3/31/2017</u>
<u>Cost of goods sold</u>		
Inventories at the beginning of the year	2,511,958	2,007,289
Purchases	2,622,543	2,108,197
Production expenses (Note 15)	1,248,566	1,131,701
Write-off of inventories	31,225	21,839
Re-measurement of foreign subsidiaries inventories	21,131	(794)
Benefits from industrial promotion (1)	(81,672)	(69,678)
Inventories at the end of the period	(2,607,110)	(1,992,806)
<b>Subtotal - cost of goods sold</b>	<b>3,746,641</b>	<b>3,205,748</b>
<u>Cost of services rendered</u>		
Purchases	12,809	11,365
Production expenses (Note 15)	83,294	70,982
<b>Subtotal - cost of services rendered</b>	<b>96,103</b>	<b>82,347</b>
<b>Total cost of sales</b>	<b>3,842,744</b>	<b>3,288,095</b>

#### **(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.

Such injunction was appealed by the AFIP and rejected by the Federal Court of Appeals of Mendoza in November 2017.

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. The AFIP filed an extraordinary remedy which was admitted by the Federal Court of Appeals of Mendoza on March 27, 2018. It is configured the federal issue that enables the Supreme Court of Justice instance.

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

	<b>3/31/2018</b>				
	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				13,634	13,634
Fees and compensation for services	131,624	168	350,720	32,888	515,400
Payroll, bonus and social security charges	567,623	40,792	215,835	128,152	952,402
Depreciation of property, plant and equipment, and others	127,596	6,062	8,693	2,336	144,687
Amortization of intangible assets	107				107
Provision for bad debts			4,864		4,864
Freights	210,649		748,330	16	958,995
Maintenance and repair	30,563	2,010	4,977	106	37,656
Office and communication	398	64	489	886	1,837
Fuel, gas and energy	107,281	21,784	13,200	55	142,320
Vehicles expenses	7,995		6,817	769	15,581
Publicity and advertising			50,964		50,964
Taxes, rates and contributions	34,903	554	1,562	50,013	87,032
Insurance	23,888	261	8,287	2,173	34,609
Travelling	985		792	379	2,156
Export and import			7,370	73	7,443
Miscellaneous	4,954	11,599	7,443	8,211	32,207
<b>Total</b>	<b>1,248,566</b>	<b>83,294</b>	<b>1,430,343</b>	<b>239,691</b>	<b>3,001,894</b>

	<b>3/31/2017</b>				
	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				11,102	11,102
Fees and compensation for services	126,616	316	285,101	14,088	426,121
Payroll, bonus and social security charges	542,708	37,046	202,599	114,974	897,327
Depreciation of property, plant and equipment, and others	122,847	4,357	8,520	2,133	137,857
Amortization of intangible assets	107				107
Provision for bad debts			4,422		4,422
Freights	182,874		649,572		832,446
Maintenance and repair	22,376	1,118	3,358	82	26,934
Office and communication	385	77	258	891	1,611
Fuel, gas and energy	63,735	19,965	8,698	23	92,421
Vehicles expenses	5,968		5,530	850	12,348
Publicity and advertising			66,117		66,117
Taxes, rates and contributions	31,803	343	1,061	43,878	77,085
Insurance	26,483	111	8,866	2,138	37,598
Travelling	997		758	107	1,862
Export and import	2		5,499	110	5,611
Miscellaneous	4,800	7,649	6,258	4,274	22,981
<b>Total</b>	<b>1,131,701</b>	<b>70,982</b>	<b>1,256,617</b>	<b>194,650</b>	<b>2,653,950</b>

#### 16. FINANCE COST

	<b>3/31/2018</b>	<b>3/31/2017</b>
Senior Notes interest	127,164	102,868
Other loans interest	105	3,865
Other interests	1,598	1,566
<b>Total</b>	<b>128,867</b>	<b>108,299</b>

#### 17. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	<b>3/31/2018</b>	<b>3/31/2017</b>
Current income tax	(5,333)	(50,169)
Tax loss carry-forwards for the period	4,978	1,130
Net change in temporary differences	22,387	40,004
Alternative minimum income tax	(1,431)	(1,142)
<b>Total- gain (loss)</b>	<b>20,601</b>	<b>(10,177)</b>

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:

	<b>3/31/2018</b>	<b>3/31/2017</b>
(Loss) income before income tax and alternative minimum income tax	(134,341)	58,480
Statutory income tax rate	30%	35%
Income tax at statutory income tax rate	40,302	(20,468)
Permanent differences	(19,701)	10,291
<b>Total - gain (loss)</b>	<b>20,601</b>	<b>(10,177)</b>

## 18. 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 8,193 as of March 31, 2018 (11,932 as of December 31, 2017). Detail of pledged assets is as follows:

	<u>3/31/2018</u>	<u>12/31/2017</u>
Property, plant and equipment, and others	247	20,620
Mastellone San Luis S.A. shares arising from the merger with Compañía Puntana de Carnes Elaboradas S.A.	7,717	10,009

- b) Additionally, as of March 31, 2018 there were other receivables – guarantee deposits (non-current) for an amount of 79 (79 as of December 31, 2017) in guarantee of financial and commercial transactions and restricted assets disclosed in caption “other receivables – other” (current) for 230 as of March 31, 2018 (230 as of December 31, 2017).
- c) The subsidiary company Con-ser S.A. held certain properties encumbered with privilege of first grade for a net value of 5,677 and 5,719 as of March 31, 2018 and December 31, 2017, 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 10.

## 19. RELATED PARTIES OUTSTANDING BALANCES

Company	Trade account receivables (current)		Trade payable (current)		Advances from customers (current)	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Afianzar S.G.R.	2	2				
Arcorpar S.A.	7,105	7,105	989	989		
Arcor S.A.I.C.	15,068		3,048	2,234		
Bagley S.A.	1,127	323				
Cartocor S.A.			9,584	6,689		
Frigorífico Nueva Generación S.A.	7	41				
Logística La Serenísima S.A.	388,047	358,940	451,722	495,401	14,349	5,060
Los Toldos S.A.	84	135	255	247		
<b>TOTAL</b>	<b>411,440</b>	<b>366,546</b>	<b>465,598</b>	<b>505,560</b>	<b>14,349</b>	<b>5,060</b>

## 20. RELATED PARTIES OPERATIONS

Transactions with related parties for three-month periods ended March 31, 2018 and 2017 were as follows:

	<u>3/31/2018</u>	<u>3/31/2017</u>
<u>Revenues</u>		
Afianzar S.G.R.		8
Arcor S.A.I.C.	14,894	
Bagley Argentina S.A.	915	
Fideicomiso Formu	795	726
Frigorífico Nueva Generación S.A.		4
Logística La Serenísima S.A.	16,773	21,870
Los Toldos S.A.		99

	<u>3/31/2018</u>	<u>3/31/2017</u>
<u>Purchase of goods and services</u>		
Arcor S.A.I.C.	3,883	2,934
Cartocor S.A.	14,543	9,866
Logística La Serenísima S.A.	410,371	373,692
Los Toldos S.A.	1,104	1,067
 <u>Investment income</u>		
Logística La Serenísima S.A.	1,945	2,039
 <u>Other gain and losses</u>		
Logística La Serenísima S.A.	1,704	467

During the three-month periods ended March 31, 2018 and 2017, the Company paid a total of 37,892 and 29,021, 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.

## 21. 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 2.

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.).

<b>Information</b>	<b>3/31/2018</b>		
	<b>Dairy</b>	<b>Other</b>	<b>Total</b>
Revenue from external customers	5,505,128	210,078	5,715,206
Intersegment revenue	1,005	21,437	22,442
Net income (loss) for the period	(123,743)	10,003	(113,740)
Assets allocated to the business lines	12,453,402	172,851	12,626,253
Liabilities allocated to the business lines	7,826,136	140,310	7,966,446
Additions to property, plant and equipment, and others	220,566	75	220,641
Depreciation of property, plant and equipment, and others	144,262	425	144,687
Amortization of intangible assets	107		107
Depreciation of investment property	1		1
Depreciation of other assets	289	141	430
Net domestic revenue	4,935,318	210,078	5,145,396

Information	3/31/2017		
	Dairy	Other	Total
Revenue from external customers	4,611,680	180,361	4,792,041
Intersegment revenue	617	20,286	20,903
Net income (loss) for the period	46,893	1,410	48,303
Assets allocated to the business lines	10,105,131	171,743	10,276,874
Liabilities allocated to the business lines	6,509,874	124,049	6,633,923
Additions to property, plant and equipment, and others	77,062	174	77,236
Depreciation of property, plant and equipment, and others	136,467	1,390	137,857
Amortization of intangible assets	107		107
Depreciation of investment property	1		1
Net domestic revenue	4,192,495	180,361	4,372,856

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

Period	Revenue			Total
	Domestic market	Exports		
		Brazil and Paraguay	Other countries	
3/31/2018	5,145,396	407,773	162,036	5,715,205
3/31/2017	4,372,856	338,019	81,166	4,792,041

## 22. 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.

## 23. APPROVAL OF THESE FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized to be issued on May 8, 2018.

## **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 2.3 to the condensed interim consolidated financial statements), which comprise the condensed consolidated statement of financial position as of March 31, 2018, the condensed interim consolidated statement of profit or loss and other comprehensive income, the condensed interim consolidated statement of changes in equity, and the condensed interim consolidated statement of cash flows for the three-month period then ended, and other selected explanatory information presented in Notes 1 to 23.

Amounts and other disclosures for the fiscal year ended December 31, 2017 and for the three-month period ended March 31, 2017, are included as an integral part of the current period condensed interim financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current interim period.

#### **2. Board of Directors' responsibility for the condensed interim consolidated financial statements**

The Company's Board of Directors is responsible for the preparation and presentation of the accompanying condensed interim consolidated financial statements of the Company in accordance with International Financial Reporting Standards adopted by the Argentine Federation of Professional Councils in Economic Sciences as accounting standards, as they were approved by the International Accounting Standard Board (IASB), and incorporated by the National Securities Commission to its regulations, and, therefore is responsible for the preparation and presentation of the attached condensed interim consolidated financial statements, in accordance with International Accounting Standard N° 34, "Interim Financial Reporting" (IAS 34). In addition, the Company's Board of Directors is responsible for the internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement.

#### **3. Auditors' responsibility**

Our responsibility is to issue a conclusion on the accompanying condensed interim consolidated financial statements based on our review. We conducted our review in accordance with International Standards on Review Engagements (ISRE), adopted by the Argentine Federation of Professional Councils in Economic Sciences through its Technical Resolution N° 33, as they were approved by the International Auditing Accounting Standard Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements.



A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **4. Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima for the three-month period ended March 31, 2018, 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 1 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 2.1 to the accompanying condensed interim consolidated financial statements, the financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with IAS 34. The effects of the differences between International Financial Reporting Standards and the accounting principles generally accepted in the countries in which these financial statements are to be used have not been quantified. Accordingly, the accompanying condensed interim consolidated financial statements are not intended to present the financial position, profit or loss and other comprehensive income, changes in equity and cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements that have not adopted the International Financial Reporting Standards.

General Rodriguez, Province of Buenos Aires, May 8, 2018.

**Deloitte & Co. S.A.**

**Alberto López Carnabucci  
(Partner)**

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