

Mastellone Hermanos S.A.
Consolidated Financial Statements
for the six-month period ended
June 30, 2018

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY **AS OF JUNE 30, 2018**

(in thousands of Argentine pesos)

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

The results for the six-month period ended on June 30, 2018, were negatively affected by a sharp devaluation of the Peso and a reduction in domestic consumption of dairy products as compared with the demand of other comparable products.

The devaluation of the Peso impacted into net results due to exchange differences on Company's dollar denominated financial debt. Moreover, such devaluation put a growing pressure on raw materials costs.

A lower consumption of dairy products affected domestic volumes sold during the period. In spite of that, the Company maintained its traditional strong market share position for the whole portfolio of products, recording even slight increases on average.

Regarding the export market, exported volumes increased due to a higher availability of products, as a result of a lower domestic demand and the partial recovery of export profitability during the quarter. The international market remained stable, showing some signs of weakness by the end of the period. There was an increase in volumes of raw milk processed on a year-on-year basis. On the other hand, the price paid to the farmers increased in order to offset higher production cost due to the Peso devaluation.

It should be pointed out that operative results improved in comparison with the same period of the previous year, as a result of actions taken by the Company in order to increase productivity.

Finally, it has to be mentioned that the Company has continued with the execution of its strategic investment plan. Such plan's main objective is to increase the Company's productivity.

2. CONSOLIDATED FINANCIAL POSITION

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
	(in thousand pesos)				
Current assets	6,287,738	4,838,561	3,501,793	2,345,925	2,225,897
Non-current assets	7,002,962	5,809,589	4,764,311	3,867,054	1,736,555
TOTAL ASSETS	13,290,700	10,648,150	8,266,104	6,212,979	3,962,452
Current liabilities	3,290,927	2,841,864	2,366,413	2,277,179	2,253,873
Non-current liabilities	6,189,110	4,097,847	3,614,968	2,446,710	1,218,361
TOTAL LIABILITIES	9,480,037	6,939,711	5,981,381	4,723,889	3,472,234
Equity attributable to owners of the Company	3,810,584	3,708,393	2,284,697	1,489,069	490,201
Non-controlling interests	79	46	26	21	17
TOTAL EQUITY	3,810,663	3,708,439	2,284,723	1,489,090	490,218
TOTAL LIABILITIES AND EQUITY	13,290,700	10,648,150	8,266,104	6,212,979	3,962,452

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

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
	(in thousand pesos)				
Continuing operations:					
Operational results – income (loss)	544,822	378,239	430,450	(5,510)	198,002
Investment income, finance cost and foreign exchange differences	(1,861,987)	(290,296)	(537,658)	(302,131)	(455,150)
Other gains and losses	2,908	12,871	1,166	3,278	(2,335)
(Loss) income before taxes	(1,314,257)	100,814	(106,042)	(304,363)	(259,483)
Income tax and alternative minimum income tax	272,134	5,483	55,214	122,595	79,028
Net (loss) income for the period from continuing operations	(1,042,123)	106,297	(50,828)	(181,768)	(180,455)
Discontinued operations					(19,392)
Net (loss) income for the period	(1,042,123)	106,297	(50,828)	(181,768)	(199,847)
Other comprehensive income (loss)	99,546	5,457	46,807	(8,680)	36,395
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(942,577)	111,754	(4,021)	(190,448)	(163,452)
Net (loss) income attributable to:					
Owners of the company	(942,585)	111,751	(4,015)	(190,450)	(163,451)
Non-controlling interests	8	3	(6)	2	(1)
Total comprehensive (loss) income:	(942,577)	111,754	(4,021)	(190,448)	(163,452)

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
	(in thousand pesos)				
Cash flows provided by operating activities	664,970	795,708	448,541	395,891	311,206
Cash flows used in) investing activities	(480,900)	(154,709)	(170,887)	(14,916)	(82,142)
Cash flows (used in) provided by financing activities	(360,920)	245,962	(378,470)	(228,804)	(149,413)
Cash and cash equivalents (used) provided in the period	(176,850)	886,961	(100,816)	152,171	79,651

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES				
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
	(in thousand liters of milk)				
Domestic market	664,494	695,059	661,750	740,184	770,438
Foreign market	143,493	85,745	147,850	136,337	102,983
Total	807,987	780,804	809,600	876,521	873,421

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

6. RATIOS

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Current assets to current liabilities	1.91	1.70	1.48	1.03	0.99
Equity attributable to owners of the Company to total liabilities	0.40	0.53	0.38	0.32	0.14
Non-current assets to total assets	0.53	0.55	0.58	0.62	0.44

7. OUTLOOK (*)

Our attention is focused on the evolution of the global macroeconomic condition. We will continue watching closely the main variables impacting in our business. Among them, domestic consumption is our major concern, although we are optimistic about the recovery of volumes sold.

We will also keep on watching the developments on international dairy markets, especially taking into consideration a virtual slowdown on prices. Also, we continue monitoring the performance on regional markets such as Brazil, Paraguay, Uruguay and proximately Bolivia,

It will remain receiving our main attention, the trends of inflation and raw milk production. Regarding the last one, we will continue supporting the producers through all the actions that takes part of the plan "Mas leche".

Finally, as we mentioned, we will move forward with the execution of investments and other actions destined to increase productivity, efficiency and sustainability of Company´s business.

(*) Information not reviewed by the Auditors.

General Rodriguez, Province of Buenos Aires, August 7, 2018.

JOSE A. MORENO
Chairman

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30,
2018

(in thousands of Argentine pesos)

	Notes	<u>6/30/2018</u>	<u>12/31/2017</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	3	1,046,990	947,095
Other financial assets		38,967	28,587
Trade accounts receivable	4	2,495,681	1,992,769
Tax credits	5	162,239	142,967
Other receivables	6 and 18	91,347	63,700
Inventories	7	2,452,514	2,529,794
Subtotal		<u>6,287,738</u>	<u>5,704,912</u>
Assets held for sale			4,157
Total Current Assets		<u>6,287,738</u>	<u>5,709,069</u>
<u>NON-CURRENT ASSETS</u>			
Tax credits	5	19,130	28,670
Other receivables	6 and 18	19,129	18,526
Deferred tax assets	12	37,373	23,407
Property, plant and equipment, and others	8 and 18	6,820,423	6,652,642
Investment property		74	77
Goodwill		3,121	3,121
Intangible assets		1,189	1,403
Other assets		102,523	42,398
Total Non-Current Assets		<u>7,002,962</u>	<u>6,770,244</u>
TOTAL ASSETS		<u>13,290,700</u>	<u>12,479,313</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Trade payable	9	2,331,744	2,178,275
Borrowings	10 and 18	47	9,269
Accrued salaries, wages and payroll taxes	11	689,405	654,722
Taxes payable		211,612	141,755
Advance from customers		36,918	242,811
Provisions		328	1,873
Other liabilities		20,873	14,674
Total Current Liabilities		<u>3,290,927</u>	<u>3,243,379</u>
<u>NON-CURRENT LIABILITIES</u>			
Trade payable		7,081	7,121
Borrowings	10 and 18	5,678,138	3,653,894
Taxes payable			2,865
Deferred tax liabilities	12	481,949	796,659
Provisions		16,975	14,200
Other liabilities		4,967	7,955
Total Non-Current Liabilities		<u>6,189,110</u>	<u>4,482,694</u>
TOTAL LIABILITIES		<u>9,480,037</u>	<u>7,726,073</u>
<u>EQUITY</u>			
Common stock and share premium		1,499,347	1,499,347
Reserves		3,640,278	3,666,600
Accumulated deficit- including net result for the period or year		(1,329,041)	(412,778)
Equity attributable to owners of the Company		<u>3,810,584</u>	<u>4,753,169</u>
Non-controlling interests		<u>79</u>	<u>71</u>
TOTAL EQUITY		<u>3,810,663</u>	<u>4,753,240</u>
TOTAL LIABILITIES AND EQUITY		<u>13,290,700</u>	<u>12,479,313</u>

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SIX AND THREE MONTH PERIODS ENDED JUNE 30,
2018

(in thousands of Argentine pesos)

	Notes	6/30/2018 Six-months	6/30/2017 Six-months	6/30/2018 Three-months	6/30/2017 Three-months
Revenue	13	12,528,191	10,654,305	6,812,985	5,862,264
Cost of sales	14	(8,383,475)	(7,057,353)	(4,540,731)	(3,769,258)
Gross profit		4,144,716	3,596,952	2,272,254	2,093,006
Selling expenses	15	(3,095,621)	(2,776,174)	(1,665,278)	(1,519,557)
General and administrative expenses	15	(504,273)	(442,539)	(264,582)	(247,889)
Investment income		53,053	60,234	23,993	42,211
Finance cost	16	(263,119)	(210,439)	(134,252)	(102,140)
Foreign exchange losses (gain)		(1,651,921)	(140,091)	(1,416,908)	(229,093)
Other gains and losses		2,908	12,871	4,857	5,796
(Loss) income before taxes		(1,314,257)	100,814	(1,179,916)	42,334
Income tax and alternative minimum income tax	17	272,134	5,483	251,533	15,660
NET (LOSS) INCOME FOR THE PERIOD		(1,042,123)	106,297	(928,383)	57,994
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		99,546	5,856	79,239	7,893
Income tax			(399)		(399)
Other comprehensive income, net of income tax		99,546	5,457	79,239	7,494
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(942,577)	111,754	(849,144)	65,488
Net (loss) income attributable to:					
Owners of the Company		(1,042,131)	106,294	(928,390)	57,994
Non-controlling interests		8	3	7	
Net (loss) income for the period		(1,042,123)	106,297	(928,383)	57,994
Total comprehensive (loss) income attributable to:					
Owners of the Company		(942,585)	111,751	(849,151)	65,488
Non-controlling interests		8	3	7	
Net comprehensive (loss) income for the period		(942,577)	111,754	(849,144)	65,488

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 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	
Balance at December 31, 2017	653,969	845,378	133,000	3,533,600	(412,778)	4,753,169	71	4,753,240
Net loss for the period					(1,042,131)	(1,042,131)	8	(1,042,123)
Other comprehensive gain for the period			99,546			99,546		99,546
Total comprehensive gain (loss) for the period			99,546		(1,042,131)	(942,585)	8	(942,577)
Transfer to accumulated losses (1)				(125,868)	125,868			
Balance at June 30, 2018	653,969	845,378	232,546	3,407,732	(1,329,041)	3,810,584	79	3,810,663

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

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

(in thousands of Argentine pesos)

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

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

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-
MONTH PERIOD ENDED JUNE 30, 2018
(in thousands of Argentine pesos)

	<u>6/30/2018</u>	<u>6/30/2017</u>
<u>Cash flows from operating activities</u>		
Net (loss) income for the period	(1,042,123)	106,297
Adjustments to reconcile net (loss) income for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	(272,134)	(5,483)
Finance cost	263,119	210,439
Foreign exchange losses	1,642,041	167,154
Depreciation of property, plant and equipment, and others	292,261	278,614
Net additions to provisions	59,921	28,805
Write-off of inventories	41,625	32,073
Depreciation of investment property	3	2
Amortization of intangible assets	214	214
Depreciation of other assets	1,003	
Gain on sale of property, plant and equipment, and others	(2,231)	(10,767)
	<u>983,699</u>	<u>807,348</u>
Changes in working capital	(318,729)	43,552
Subtotal	664,970	850,900
Payments of income tax and alternative minimum income tax	-	(55,192)
Net cash generated by operating activities	<u>664,970</u>	<u>795,708</u>
<u>Cash flows used in investing activities</u>		
Payments for property, plant and equipment, and others	(494,987)	(169,433)
Proceeds from sale of other financial assets	9,229	31
Proceeds from disposal of property, plant and equipment, and others	4,858	27,376
Payments for purchase of subsidiary company		(12,683)
Net cash used in investing activities	<u>(480,900)</u>	<u>(154,709)</u>
<u>Cash flows (used in) generated by from financing activities</u>		
Irrevocable contributions for future subscription of common stock		555,800
Proceeds from borrowings		10,169
Repayment of borrowings	(9,805)	(104,373)
Payment of interests	(351,115)	(215,634)
Net cash (used in) generated by financing activities	<u>(360,920)</u>	<u>245,962</u>
(Decrease) increase in cash and cash equivalents	(176,850)	886,961
Cash and cash equivalents at beginning of year	947,095	214,024
Effects of changes in exchange rates on cash and cash equivalents held in foreign currency	<u>276,745</u>	<u>(15,717)</u>
Cash and cash equivalents at end of period	<u>1,046,990</u>	<u>1,085,268</u>

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR
THE SIX-MONTH PERIOD ENDED JUNE 30, 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 1st, Point b.1) of the rules issued by the Comisión Nacional de Valores ("CNV") (N.T. 2013), the Company chose the option to prepare condensed interim consolidated financial statements in conformity with International Accounting Standard ("IAS") N° 34, "Interim Financial Reporting".

Accordingly, the condensed interim consolidated financial statements for the six-month period ended June 30, 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 six-month period ended June 30, 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 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.

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		
			6/30/2018	12/31/2017	6/30/2017
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 Serenisima</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 June 30, 2018 and December 31, 2017 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017, were consolidated based on financial statements of the subsidiaries companies for the periods or years ended at such dates.

3. CASH AND CASH EQUIVALENTS

	<u>6/30/2018</u>	<u>12/31/2017</u>
Cash and bank accounts	691,365	239,509
Investment funds	263,967	674,372
Short-term investments	91,658	33,214
Total	<u>1,046,990</u>	<u>947,095</u>

4. TRADE ACCOUNTS RECEIVABLE

	<u>6/30/2018</u>	<u>12/31/2017</u>
Third parties (domestic)	1,976,900	1,617,623
Related parties (Note 19)	420,748	366,546
Foreign receivables	116,388	17,521
Notes receivables	893	848
Tax incentives on exports	50,996	23,406
Subtotal	<u>2,565,925</u>	<u>2,025,944</u>
Allowance for doubtful accounts	(29,376)	(22,203)
Allowance for trade discounts and volume rebates	(40,868)	(10,972)
Total	<u>2,495,681</u>	<u>1,992,769</u>

5. TAX CREDITS

	<u>6/30/2018</u>	<u>12/31/2017</u>
• <u>Current</u>		
Net value added tax	72,068	63,920
Turnover tax credit	37,866	27,704
Income tax and alternative minimum income tax receivable	45,674	49,334
Other tax credits	6,631	2,009
Total	<u>162,239</u>	<u>142,967</u>
• <u>Non-current</u>		
Turnover tax credit	8,011	16,947
Net value added tax	4,968	7,077
Other tax credits	6,151	4,646
Total	<u>19,130</u>	<u>28,670</u>

6. OTHER RECEIVABLES

	<u>6/30/2018</u>	<u>12/31/2017</u>
• <u>Current</u>		
Prepaid expenses	24,887	16,794
Receivable from sale of subsidiary company	14,434	13,622
Advances to services suppliers	8,590	6,116
Receivable from sale of property, plant and equipment, and others	15,676	10,142
Insurance receivable	3,939	632
Loans to personnel	13,265	11,137
Other (Note 18.b)	12,126	7,947
Subtotal	<u>92,917</u>	<u>66,390</u>
Allowance for doubtful accounts	(1,570)	(2,690)
Total	<u>91,347</u>	<u>63,700</u>
• <u>Non-current</u>		
Receivables from customers in receivership and in bankruptcy	34,851	31,975
Régime for the professionalization of transport (1)	13,381	13,381
Guarantee deposits (Note 18.b)	109	79
Other	5,828	5,272
Subtotal	<u>54,169</u>	<u>50,707</u>
Allowance for doubtful accounts	(35,040)	(32,181)
Total	<u>19,129</u>	<u>18,526</u>

(1) In litigation.

7. INVENTORIES

	<u>6/30/2018</u>	<u>12/31/2017</u>
Resale goods	118,581	80,469
Finished goods	949,977	1,256,469
Work in progress	487,680	475,946
Raw materials, packaging and other materials	629,264	587,259
Goods in transit	241,082	111,815
Subtotal	<u>2,426,584</u>	<u>2,511,958</u>
Advances to suppliers	25,930	17,836
Total	<u>2,452,514</u>	<u>2,529,794</u>

8. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	6/30/2018														
	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) from other assets	Retirement and disposal	Rate %		Of the period	Accumulated depreciation at the end of the period
Land and buildings (1)	2,937,595	16,425	51	6,023	(52,527)		2,907,567	52,052	10,561	1,840		2, 2.5, 2.86, 3.3, 4 & 5	39,892	104,345	2,803,222
Machinery and equipment (1)	2,525,208	12,364	5,041	89,594		1,179	2,631,028	191,506	7,171		245	5 y 10	142,869	341,301	2,289,727
Facilities and laboratory equipment (1)	1,210,416	4,667	3,862	23,415	(2,688)	1,604	1,238,068	175,323	3,219	(67)	28	5, 10 & 25	56,195	234,642	1,003,426
Furniture	68,900		2,321	618		757	71,082	55,498			754	10, 20, 25 & 33	3,208	57,952	13,130
Vehicles (2)	157,031	1,040	7,044	12		740	164,387	117,195	557		626	10 & 20	3,662	120,788	43,599
Work in progress	164,070		282,100	(117,829)			328,341								328,341
Advances to suppliers	29,768	101	141,764	(1,833)			169,800								169,800
Subtotal	7,092,988	34,597	442,183	-	(55,215)	4,280	7,510,273	591,574	21,508	1,773	1,653		245,826	859,028	6,651,245
Other:															
Trays	297,821		64,385				362,206	146,593				33	46,435	193,028	169,178
Carrying amount as of June 30, 2018	7,390,809	34,597	506,568	-	(55,215)	4,280	7,872,479	738,167	21,508	1,773	1,653		292,261	1,052,056	6,820,423

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

Land and buildings	805,154
Machinery and equipment	473,691
Facilities and laboratory equipments	300,725

(2) It includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 35,524 as of June 30, 2018.

12/31/2017

	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 Rate %	Of the year		Eliminated on revaluation	Accumulated depreciation at the end 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				10, 20, 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
Subtotal	6,258,313	13,590	272,727	-	(42,028)	38,718	629,104	7,092,988	553,531	8,091	(2,778)	14,062		496,082	(449,290)	591,574	6,501,414
Other:																	
Trays	279,537		120,541			102,257		297,821	172,347				33	76,503		146,593	151,228
Carrying amount as of December 31, 2017	6,537,850	13,590	393,268	-	(42,028)	140,975	629,104	7,390,809	725,878	8,091	(2,778)	116,319		572,585	(449,290)	738,167	6,652,642

(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 Serenísima S.A. with a net value of 33,523 as of December 31, 2017.

9. TRADE PAYABLE - CURRENT

	<u>6/30/2018</u>	<u>12/31/2017</u>
Trade payables	1,428,528	1,332,018
Related parties (Note 19)	466,286	505,560
Note payables	365,817	313,297
Foreign suppliers	71,113	27,400
Total	<u>2,331,744</u>	<u>2,178,275</u>

10. BORROWINGS

	<u>6/30/2018</u>	<u>12/31/2017</u>
<u>Short-term debt</u>		
Principal:		
Financial debt:		
Unsecured debt	-	1,891
Secured debt	47	7,378
Total	<u>47</u>	<u>9,269</u>
<u>Long-term debt</u>		
Principal:		
Senior Notes - Series F - due 2021 (net of issue costs and adjustment to amortized cost for 83,016 and 70,188 as of 6/30/2018 and 12/31/2017, respectively)	5,678,138	3,653,894
Total	<u>5,678,138</u>	<u>3,653,894</u>

Main loans agreements

Senior Notes – Series F – due 2021

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

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

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

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

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

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>6/30/2018</u>	<u>12/31/2017</u>
Payroll and bonus to management	466,143	439,392
Social security taxes	223,262	215,330
Total	<u>689,405</u>	<u>654,722</u>

12. DEFERRED TAX

Deferred tax assets:

	<u>6/30/2018</u>	<u>12/31/2017</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	25,167	17,147
Cash and cash equivalents	(26)	(2)
Inventories	1,791	1,618
Property, plant and equipment, and others	4,659	(5,065)
Tax loss carry-forwards		3,927
Alternative minimum income tax	5,782	5,782
Total	<u>37,373</u>	<u>23,407</u>

Deferred tax liabilities:

Temporary differences:		
Provisions and other non-deductible accrued expenses	45,076	28,912
Cash and cash equivalents	(883)	(8,913)
Inventories	131,163	96,730
Intangible assets	1,046	1,014
Other assets	(21,769)	(7,539)
Property, plant and equipment, and others	(1,329,609)	(1,408,667)
Trade payables	(135)	(1,226)
Borrowings	(25,142)	(19,552)
Tax loss carry-forwards	465,461	305,899
Alternative minimum income tax	252,843	216,683
Total	<u>(481,949)</u>	<u>(796,659)</u>

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of June 30, 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	400,538	30%	120,162	2019
2015	379,293	25%	94,823	2020
2016	303,091	25%	75,773	2021
2018	698,813	25%	174,703 (1)	2023
			<u>465,461</u>	

(1) It corresponds to the tax loss estimated for the six-month period ended June 30, 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)		136,881		(1,168,662)
Tax loss carry-forwards	309,826	(3,927)	159,562		465,461
Total as of June 30, 2018	(995,717)	(3,927)	296,443		(703,201)
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
Total as of December 31, 2017	(1,030,582)	(48,730)	20,254	63,341	(995,717)

13. REVENUE

	6/30/2018 Six-months	6/30/2017 Six-months	6/30/2018 Three-months	6/30/2017 Three-months
Product sales	14,284,853	11,915,135	7,801,736	6,534,586
Services provided	334,320	277,945	171,428	130,572
Turnover tax	(286,181)	(267,136)	(155,875)	(147,494)
Sales discounts and volume rebates	(1,559,112)	(1,088,760)	(891,644)	(574,666)
Sales returns	(245,689)	(182,879)	(112,660)	(80,734)
Total	12,528,191	10,654,305	6,812,985	5,862,264

14. COST OF SALES

	6/30/2018 Six-months	6/30/2017 Six-months	6/30/2018 Three-months	6/30/2017 Three-months
<u>Cost of goods sold</u>				
Inventories at the beginning of the year	2,511,958	2,007,289	2,607,110	1,992,806
Purchases	5,469,442	4,379,990	2,846,899	2,271,793
Production expenses (Note 15)	2,673,702	2,338,726	1,425,136	1,207,025
Write-off of inventories	41,625	32,073	10,400	10,234
Re-measurement of foreign subsidiaries inventories	92,011	6,307	70,880	7,101
Benefits from industrial promotion (1)	(170,097)	(167,831)	(88,425)	(98,153)
Inventories at the end of the period	(2,426,584)	(1,691,440)	(2,426,584)	(1,691,440)
Subtotal - cost of goods sold	8,192,057	6,905,114	4,445,416	3,699,366
<u>Cost of services rendered</u>				
Purchases	22,055	20,302	9,246	8,937
Production expenses (Note 15)	169,363	131,937	86,069	60,955
Subtotal - cost of services rendered	191,418	152,239	95,315	69,892
Total cost of sales	8,383,475	7,057,353	4,540,731	3,769,258

(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

6/30/2018 (six-months)					
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				28,655	28,655
Fees and compensation for services	278,664	348	671,935	79,072	1,030,019
Payroll, bonus and social security charges	1,251,918	86,902	488,927	277,864	2,105,611
Depreciation of property, plant and equipment, and others	257,551	12,277	16,996	5,437	292,261
Amortization of intangible assets	214				214
Provision for bad debts			10,122		10,122
Freights	425,966		1,606,603	18	2,032,587
Maintenance and repair	66,666	3,373	9,772	407	80,218
Office and communication	841	135	1,246	1,889	4,111
Fuel, gas and energy	235,023	42,643	28,226	94	305,986
Vehicles expenses	16,519		14,217	1,991	32,727
Publicity and advertising			189,222		189,222
Taxes, rates and contributions	66,881	1,223	3,265	84,195	155,564
Insurance	50,196	555	17,384	4,706	72,841
Travelling	2,744		1,921	991	5,656
Export and import			23,570	154	23,724
Miscellaneous	20,519	21,907	12,215	18,800	73,441
Total	2,673,702	169,363	3,095,621	504,273	6,442,959

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

	6/30/2018 (three-months)				Total
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				15,021	15,021
Fees and compensation for services	147,040	180	321,215	46,184	514,619
Payroll, bonus and social security charges	684,295	46,110	273,092	149,712	1,153,209
Depreciation of property, plant and equipment, and others	129,955	6,215	8,303	3,101	147,574
Amortization of intangible assets	107				107
Provision for bad debts			5,258		5,258
Freights	215,317		858,273	2	1,073,592
Maintenance and repair	36,103	1,363	4,795	301	42,562
Office and communication	443	71	757	1,003	2,274
Fuel, gas and energy	127,742	20,859	15,026	39	163,666
Vehicles expenses	8,524		7,400	1,222	17,146
Publicity and advertising			138,258		138,258
Taxes, rates and contributions	31,978	669	1,703	34,182	68,532
Insurance	26,308	294	9,097	2,533	38,232
Travelling	1,759		1,129	612	3,500
Export and import			16,200	81	16,281
Miscellaneous	15,565	10,308	4,772	10,589	41,234
Total	1,425,136	86,069	1,665,278	264,582	3,441,065

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

16. FINANCE COST

	6/30/2018	6/30/2017	6/30/2018	6/30/2017
	Six-months	Six-months	Three-months	Three-months
Senior Notes	258,630	201,848	131,466	98,980
Other loans interest	350	5,542	245	1,677
Other interests	4,139	3,049	2,541	1,483
Total	263,119	210,439	134,252	102,140

17. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	6/30/2018	6/30/2017	6/30/2018	6/30/2018
	Six-months	Six-months	Three-months	Three-months
Current income tax	(20,854)	(74,925)	(15,521)	(24,756)
Tax loss carry-forwards for the period	159,562	30	154,584	(1,100)
Net change in temporary differences	136,881	84,084	114,494	44,080
Alternative minimum income tax	(3,455)	(3,706)	(2,024)	(2,564)
Total – gain	272,134	5,483	251,533	15,660

The reconciliation of income tax expense to the amount derived by applying the applicable statutory income tax rate to result before income tax and alternative minimum income tax for the period is as follows:

	6/30/2018	6/30/2017	6/30/2018	6/30/2017
	Six-months	Six-months	Three-months	Three-months
(Loss) income before income tax and alternative minimum income tax	(1,314,257)	100,814	(1,179,916)	42,334
Statutory income tax rate	30%	35%	30%	35%
Income tax at statutory income tax rate	394,277	(35,285)	353,975	(14,817)
Permanent differences	(122,143)	40,768	(102,442)	30,477
Total – gain	272,134	5,483	251,533	15,660

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 9,463 as of June 30, 2018 (11,932 as of December 31, 2017). Detail of pledged assets is as follows:

	6/30/2018	12/31/2017
Property, plant and equipment, and others	221	20,620
Mastellone San Luis S.A. shares arising from the merger with Compañía Puntana de Carnes Elaboradas S.A.	8,989	10,009

- b) Additionally, as of June 30, 2018 there were other receivables – guarantee deposits (non-current) for an amount of 109 (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 June 30, 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 1,549 and 5,719 as of June 30, 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\$ 1,395 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)	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Afianzar S.G.R.		2				
Arcor S.A.I.C.	11,031		2,201	2,234		
Arcopar S.A.	6,421	7,105	1,373	989		
Bagley Argentina S.A.	820	323				
Cartocor S.A.			10,233	6,689		
Fideicomiso Formu	387					
Frigorífico Nueva Generación S.A.	17	41				
Logística La Serenísima S.A.	401,948	358,940	452,479	495,401	12,183	5,060
Los Toldos S.A.	124	135		247		
TOTAL	420,748	366,546	466,286	505,560	12,183	5,060

20. RELATED PARTIES OPERATIONS

Transactions with related parties for six-month periods ended June 30, 2018 and 2017 were as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>
<u>Revenues</u>		
Afianzar S.G.R.		12
Arcor S.A.I.C.	38,635	33,763
Arcopar S.A.	29,658	18,194
Bagley Argentina S.A.	2,947	2,464
Fideicomiso Formu	1,803	1,581
Frigorífico Nueva Generación S.A.		9
Logística La Serenísima S.A.	52,109	38,884
Los Toldos S.A.	12	95
<u>Purchase of goods and services</u>		
Arcor S.A.I.C.	8,667	6,971
Cartocor S.A.	33,736	21,422
Logística La Serenísima S.A.	899,994	809,207
Los Toldos S.A.	1,624	2,321
<u>Investment income</u>		
Logística La Serenísima S.A.	4,152	4,076
<u>Other gain and losses</u>		
Logística La Serenísima S.A.	2,206	839

During the six-month periods ended June 30, 2018 and 2017, the Company paid a total of 76,901 and 64,500, 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.).

Information	6/30/2018		
	Dairy	Other	Total
Revenue from external customers	12,094,939	433,252	12,528,191
Intersegment revenue	1,559	41,808	43,367
Net (loss) income for the period	(1,057,221)	15,098	(1,042,123)
Assets allocated to the business lines	13,092,887	197,813	13,290,700
Liabilities allocated to the business lines	9,333,452	146,585	9,480,037
Additions to property, plant and equipment, and others	504,716	1,852	506,568
Depreciation of property, plant and equipment, and others	291,121	1,140	292,261
Amortization of intangible assets	214		214
Depreciation of investment property	3		3
Depreciation of other assets	1,003		1,003
Net domestic revenue	10,585,772	433,252	11,019,024

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

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

Period	Revenue			Total
	Domestic market	Brazil and Paraguay	Other countries	
6/30/2018	11,019,024	948,453	560,714	12,528,191
6/30/2017	9,842,718	711,459	100,128	10,654,305

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. SUBSEQUENT EVENTS

IAS 29, "Financial reporting in hyperinflationary economies", requires the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy to be stated in terms of the measuring current unit at the end of the period that is being reported. The standard lists a set of quantitative and qualitative characteristics to be taken into account in order to determine whether an economy is considered hyperinflationary. Over the past years, inflation levels in Argentina have been high, with a significant increase in May and June 2018; as a result, the cumulative inflation rate over the past three years to June 30, 2018 exceed 100%, as measured by different possible combinations of indices available as of the date of issuance of these financial statements. In addition, there are certain qualitative factors and recent circumstances, such as the Argentine Peso devaluation, which lead to the conclusion that the Argentine economy has high inflation levels, as per the guidelines established by IAS 29. However, this conclusion is based on data which were made available at mid June 2018, with the decision still pending on which of the several indices should be deemed adequate to reflect changes in the purchasing power of the currency. IAS 29 highlights the need for consistency in applying the adjustment for inflation across the different entities that operate in a hyperinflationary economy, as regards the date on which such standard should start to be applied and the use of the same index. Given the practical inconveniences that were raised, the application of the adjustment for inflation is not required for the period ended as of June 30, 2018.

However, given the current levels of inflation, which are not expected to decline significantly in the short run, the comprehensive adjustment for inflation is deemed necessary for the annual or interim financial statements ended as from July 1, 2018. Therefore, the financial statements of the Company for the period ending on September 30, 2018, should be presented adjusted for inflation. However, it should be noted that, as of the date of issuance of these financial statements, Executive Order 664/03 issued by the National Executive Power is still in force and forbids inflation adjusted financial statements from being filed with the Argentine Securities Exchange Commission and other regulatory entities.

To resume the application of the inflation adjustment, the last financial statements date when the Company last adjusted its financial statements for inflation should be taken as the basis. In general terms, to such end, non-monetary assets and liabilities should compute the inflation accrued from the date they were acquired or incorporated to the Company's equity, or else from the asset revaluation date, as applicable. Should monetary assets exceed monetary liabilities, the entity will lose purchasing power, on the contrary, should monetary liabilities exceed monetary assets, the entity will gain its purchasing power, provided that such items are not subject to other clause of adjustment. Furthermore, the figures corresponding to preceding fiscal years or periods presented for comparative purposes should be restated, without this fact modifying the decisions made on the basis of the accounting information corresponding to the prior fiscal year.

As of the date of issuance of these financial statements, the Company's Board and Management are analyzing and computing the effects of applying IAS 29.

24. APPROVAL OF THESE FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized to be issued on August 7, 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 June 30, 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 six-month period then ended, and other selected explanatory information presented in Notes 1 to 24.

Amounts and other disclosures for the fiscal year ended December 31, 2017 and for the six-month period ended June 30, 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 six-month period ended June 30, 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, August 7, 2018.

Deloitte & Co. S.A.

**Alberto López Carnabucci
(Partner)**

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