

Mastellone Hermanos S.A.
Condensed Consolidated Financial
Statements for the nine-month period
ended September 30, 2018

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY

AS OF SEPTEMBER 30, 2018

(in thousands of Argentine pesos)

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

The results of operations for the nine-month period were affected by a higher inflation as a result of the devaluation of the Peso and also an important drop of consumption. Due to such overall macroeconomic situation, the Company registered significant cost increases for the raw milk, packaging, energy tariffs, and the rest of raw materials.

The Company was not able to offset in full such higher costs through sale prices increases, given a domestic market affected by a declining demand and consumer's preferences aimed to low prices when deciding the purchase.

Regarding the export market, the Company registered volumes and FOB prices substantially higher than the previous year.

Finally, it is important to highlight that in spite of the economic circumstances described above, the Company continued with the execution of its strategic plan destined to generate productivities. Such plan, which began two years ago, include capital investments and several actions to ensure the Company's economic sustainability.

2. CONSOLIDATED FINANCIAL POSITION

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
	(in thousand pesos)				
Current assets	7,863,208	5,467,415	3,993,391	2,477,591	2,500,814
Non-current assets	7,149,919	5,766,471	4,763,832	3,823,369	1,674,421
TOTAL ASSETS	<u>15,013,127</u>	<u>11,233,886</u>	<u>8,757,223</u>	<u>6,300,960</u>	<u>4,175,235</u>
Current liabilities	4,249,932	3,094,572	2,721,570	2,419,636	2,066,607
Non-current liabilities	8,212,847	4,238,760	3,650,707	2,466,932	1,763,259
TOTAL LIABILITIES	<u>12,462,779</u>	<u>7,333,332</u>	<u>6,372,277</u>	<u>4,886,568</u>	<u>3,829,866</u>
Equity attributable to owners of the Company	<u>2,550,265</u>	<u>3,900,508</u>	<u>2,384,906</u>	<u>1,414,368</u>	<u>345,350</u>
Non-controlling interests	<u>83</u>	<u>46</u>	<u>40</u>	<u>24</u>	<u>19</u>
TOTAL EQUITY	<u>2,550,348</u>	<u>3,900,554</u>	<u>2,384,946</u>	<u>1,414,392</u>	<u>345,369</u>
TOTAL LIABILITIES AND EQUITY	<u>15,013,127</u>	<u>11,233,886</u>	<u>8,757,223</u>	<u>6,300,960</u>	<u>4,175,235</u>

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

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
	(in thousand pesos)				
Continuing operations:					
Operational results – income	920,154	742,568	667,324	77,867	295,809
Investment income, finance cost and foreign exchange differences	(4,034,895)	(442,703)	(641,529)	(469,876)	(637,558)
Other gains and losses	(9,678)	18,292	2,243	1,238	(4,861)
(Loss) income before taxes	(3,124,419)	318,157	28,038	(390,771)	(346,610)
Income tax and alternative minimum income tax	674,585	(40,135)	18,624	153,132	56,790
Net (loss) income for the period from continuing operations	(2,449,834)	278,022	46,662	(237,639)	(289,820)
Discontinued operations					(41,606)
Net (loss) income for the period	(2,449,834)	278,022	46,662	(237,639)	(331,426)
Other comprehensive income (loss)	246,942	25,847	49,540	(27,507)	23,125
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(2,202,892)	303,869	96,202	(265,146)	(308,301)
Net (loss) income attributable to:					
Owners of the company	(2,202,904)	303,866	96,194	(265,151)	(308,302)
Non-controlling interests	12	3	8	5	1
Total comprehensive (loss) income:	(2,202,892)	303,869	96,202	(265,146)	(308,301)

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
	(in thousand pesos)				
Cash flows provided by operating activities	1,341,333	1,383,448	890,350	607,580	245,782
Cash flows (used in) investing activities	(744,222)	(267,548)	(255,165)	(84,338)	(171,134)
Cash flows (used in) provided by financing activities	(363,685)	241,807	(390,474)	(372,118)	(4,236)
Cash and cash equivalents provided in the period	233,426	1,357,707	244,711	151,124	70,412

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES				
	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
	(in thousand liters of milk)				
Domestic market	1,001,927	1,047,156	1,014,756	1,118,240	1,165,644
Foreign market	182,877	123,204	243,843	194,318	52,399
Total	1,184,804	1,170,360	1,258,599	1,312,558	1,218,043

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

6. RATIOS

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Current assets to current liabilities	1.85	1.77	1.47	1.02	1.21
Equity attributable to owners of the Company to total liabilities	0.20	0.53	0.37	0.29	0.09
Non-current assets to total assets	0.48	0.51	0.54	0.61	0.40

7. OUTLOOK (*)

The evolution of the overall economic situation will continue in the center of attention. We hope to improve the profitability through a better trade-off between higher costs and sales prices avoiding negative impacts in volumes sold.

Regarding the export activities, we keep our positive expectations for the rest of the year. We will continue with the execution of scheduled shipments and also including new products and markets destined to increase our export business.

(*) Information not reviewed by the Auditors.

General Rodriguez, Province of Buenos Aires, November 6, 2018.

JOSE A. MORENO
Chairman

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT
SEPTEMBER 30, 2018
(in thousands of Argentine pesos)

	Notes	<u>9/30/2018</u>	<u>12/31/2017</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	3	1,788,901	947,095
Other financial assets		38,812	28,587
Trade accounts receivable	4	2,698,519	1,992,769
Tax credits	5	230,360	142,967
Other receivables	6 and 18	91,775	63,700
Inventories	7	3,014,841	2,529,794
Subtotal		<u>7,863,208</u>	<u>5,704,912</u>
Assets held for sale			4,157
Total Current Assets		<u>7,863,208</u>	<u>5,709,069</u>
<u>NON-CURRENT ASSETS</u>			
Tax credits	5	23,941	28,670
Other receivables	6 and 18	19,202	18,526
Deferred tax assets	12	55,884	23,407
Property, plant and equipment, and others	8 and 18	6,944,796	6,652,642
Investment property		72	77
Goodwill		3,121	3,121
Intangible assets		1,082	1,403
Other assets		101,821	42,398
Total Non-Current Assets		<u>7,149,919</u>	<u>6,770,244</u>
TOTAL ASSETS		<u>15,013,127</u>	<u>12,479,313</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Trade payable	9	2,970,627	2,178,275
Borrowings	10 and 18	254,533	9,269
Accrued salaries, wages and payroll taxes	11	786,479	654,722
Taxes payable		180,815	141,755
Advance from customers		31,155	242,811
Provisions		383	1,873
Other liabilities		25,940	14,674
Total Current Liabilities		<u>4,249,932</u>	<u>3,243,379</u>
<u>NON-CURRENT LIABILITIES</u>			
Trade payable		10,476	7,121
Borrowings	10 and 18	8,136,439	3,653,894
Taxes payable		2,865	2,865
Deferred tax liabilities	12	38,799	796,659
Provisions		20,109	14,200
Other liabilities		7,024	7,955
Total Non-Current Liabilities		<u>8,212,847</u>	<u>4,482,694</u>
TOTAL LIABILITIES		<u>12,462,779</u>	<u>7,726,073</u>
<u>EQUITY</u>			
Common stock and share premium		1,499,347	1,499,347
Reserves		3,724,231	3,666,600
Accumulated deficit- including net result for the period or year		<u>(2,673,313)</u>	<u>(412,778)</u>
Equity attributable to owners of the Company		<u>2,550,265</u>	<u>4,753,169</u>
Non-controlling interests		<u>83</u>	<u>71</u>
TOTAL EQUITY		<u>2,550,348</u>	<u>4,753,240</u>
TOTAL LIABILITIES AND EQUITY		<u>15,013,127</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 NINE AND THREE MONTH PERIODS ENDED
SEPTEMBER 30, 2018

(in thousands of Argentine pesos)

	Notes	9/30/2018 Nine-months	9/30/2017 Nine-months	9/30/2018 Three-months	9/30/2017 Three-months
Revenue	13	19,807,294	16,556,615	7,279,103	5,902,310
Cost of sales	14	<u>(13,106,070)</u>	<u>(10,848,769)</u>	<u>(4,722,595)</u>	<u>(3,791,416)</u>
Gross profit		6,701,224	5,707,846	2,556,508	2,110,894
Selling expenses	15	(4,979,093)	(4,274,552)	(1,883,472)	(1,498,378)
General and administrative expenses	15	(801,977)	(690,726)	(297,704)	(248,187)
Investment income		85,629	130,820	32,576	70,586
Finance cost	16	(470,009)	(322,911)	(206,890)	(112,472)
Foreign exchange losses (gain)		(3,650,515)	(250,612)	(1,998,594)	(110,521)
Other gains and losses		<u>(9,678)</u>	<u>18,292</u>	<u>(12,586)</u>	<u>5,421</u>
(Loss) income before taxes		(3,124,419)	318,157	(1,810,162)	217,343
Income tax and alternative minimum income tax	17	674,585	(40,135)	402,451	(45,618)
NET (LOSS) INCOME FOR THE PERIOD		<u>(2,449,834)</u>	<u>278,022</u>	<u>(1,407,711)</u>	<u>171,725</u>
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on traslating foreign operations		246,942	26,246	147,396	20,390
Income tax			<u>(399)</u>		
Other comprehensive income, net of income tax		<u>246,942</u>	<u>25,847</u>	<u>147,396</u>	<u>20,390</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		<u>(2,202,892)</u>	<u>303,869</u>	<u>(1,260,315)</u>	<u>192,115</u>
Net (loss) income attributable to:					
Owners of the Company		(2,449,846)	278,019	(1,407,715)	171,725
Non-controlling interests		<u>12</u>	<u>3</u>	<u>4</u>	
Net (loss) income for the period		<u>(2,449,834)</u>	<u>278,022</u>	<u>(1,407,711)</u>	<u>171,725</u>
Total comprehensive (loss) income attributable to:					
Owners of the Company		(2,202,904)	303,866	(1,260,319)	192,115
Non-controlling interests		<u>12</u>	<u>3</u>	<u>4</u>	
Net comprehensive (loss) income for the period		<u>(2,202,892)</u>	<u>303,869</u>	<u>(1,260,315)</u>	<u>192,115</u>

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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					(2,449,846)	(2,449,846)	12	(2,449,834)
Other comprehensive gain for the period			246,942			246,942		246,942
Total comprehensive gain (loss) for the period			246,942		(2,449,846)	(2,202,904)	12	(2,202,892)
Transfer to accumulated losses (1)				(189,311)	189,311			
Balance at September 30, 2018	653,969	845,378	379,942	3,344,289	(2,673,313)	2,550,265	83	2,550,348

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

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

(in thousands of Argentine pesos)

	Common stock	Share premium	Irrevocable contributions for future subscription of common stock	Reserves		Retained earnings (Accumulated losses)	Equity attributable to:		Total
				Foreign currency translation reserve	Property, plant and equipment Revaluation reserve		Owners of the parents	Non controlling interest	
Balance at December 31, 2016	573,089	370,458	-	98,986	2,625,410	(627,101)	3,040,842	43	3,040,885
Net income for the period						278,019	278,019	3	278,022
Other comprehensive gain for the period				25,847			25,847		25,847
Total comprehensive gain for the period				25,847		278,019	303,866	3	303,869
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)					(193,392)	193,392			
Balance at September 30, 2017	653,969	845,378	-	124,833	2,432,018	(155,690)	3,900,508	46	3,900,554

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

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

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

	<u>9/30/2018</u>	<u>9/30/2017</u>
<u>Cash flows from operating activities</u>		
Net (loss) income for the period	(2,449,834)	278,022
Adjustments to reconcile net (loss) income for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	(674,585)	40,135
Finance cost	470,009	322,911
Foreign exchange losses	3,660,383	302,423
Depreciation of property, plant and equipment, and others	445,582	425,165
Net additions to provisions	91,434	40,783
Write-off of inventories	43,841	89,129
Depreciation of investment property	5	3
Amortization of intangible assets	321	321
Depreciation of other assets	1,717	287
Gain on sale of property, plant and equipment, and others	(676)	(18,146)
	<u>1,588,197</u>	<u>1,481,033</u>
Changes in working capital	(246,864)	(33,788)
Subtotal	1,341,333	1,447,245
Payments of income tax and alternative minimum income tax		(63,797)
Net cash generated by operating activities	<u>1,341,333</u>	<u>1,383,448</u>
<u>Cash flows used in investing activities</u>		
Payments for property, plant and equipment, and others	(758,207)	(259,308)
Proceeds from sale of other financial assets	5,275	(40,384)
Proceeds from sale of subsidiary company		4,550
Proceeds from disposal of property, plant and equipment, and others	8,710	40,277
Payments for purchase of subsidiary company		(12,683)
Net cash used in investing activities	<u>(744,222)</u>	<u>(267,548)</u>
<u>Cash flows (used in) generated by financing activities</u>		
Irrevocable contributions for future subscription of common stock		555,800
Proceeds from borrowings		9,379
Repayment of borrowings	(9,534)	(105,877)
Payment of interests	(354,151)	(217,495)
Net cash (used in) generated by financing activities	<u>(363,685)</u>	<u>241,807</u>
Increase in cash and cash equivalents	233,426	1,357,707
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	608,380	(26,803)
Cash and cash equivalents at end of period	<u>1,788,901</u>	<u>1,544,928</u>

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 2.4.

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

2.1 Basis of preparation

According to Title IV, Informative Periodic Regime, Chapter I, Informative Regime, Section I, General Regulations, Article 1st, Point b.1) of the rules issued by the National Securities Commission (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") 34, "Interim Financial Reporting".

Accordingly, the condensed interim consolidated financial statements of Mastellone Hermanos S.A. for the nine-month period ended September 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 (Federación Argentina de Consejos Profesionales de Ciencias Económicas - FACPCE). The IFRS were adopted by the CNV (N.T. 2013), with the only exception of IAS 29. "Financial reporting in hyperinflationary economies", which cannot be applied due to the fact that the Decree N° 664/03 issued by the National Executive Power does not allow inflation adjusted financial statements from being filed with the regulatory bodies depending on it, resolution which is adopted by Paragraph 1, Section 3, Chapter III, "Standards related to the disclosure and valuation criteria of the financial statements", of Title IV, "Informative Periodic Regime", of the revised text of the CNV standards.

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 nine-month period ended September 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 the financial reporting framework of the CNV, and, in particular, with IAS 34. The effects of the differences

between such 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 applied the financial reporting framework of the CNV.

2.2 FINANCIAL INFORMATION ADJUSTED FOR INFLATION

In accordance with the accounting standards applicable before the adoption of IFRS, the Company recognized the effects of changes in the purchasing power of the currency until August 31, 1995 and between January 1, 2002 and February 28, 2003, following the adjustment for inflation methodology established by Technical Resolution N° 6 issued by the FACPCE. Beginning March 1, 2003 and in compliance with Decree N° 664/03 of the National Executive Power, the Company discontinued the adjustment for inflation.

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, having accumulating an inflation rate over the past three years that has exceeded 100%, without expectations of a significant decrease in the short term. Likewise, the presence of certain qualitative factors and recent circumstances, such as the Argentine peso devaluation, which lead to the conclusion that the adjustment for inflation for fiscal years or interim financial statements corresponding to fiscal years or periods ending as from July 1, 2018 should be resumed, in accordance with the guidelines established in IAS 29. However, the Company has not restated these condensed consolidated interim financial statements since, as of the closing date of the current period and as of the date of their issuance, Decree N° 664/03 mentioned in section 2.1 above is still in force.

According to IAS 29, 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. From the recognition of the adjustment for inflation in the Company's financial statements, it is expected, mainly, an increase in the value of the non-monetary items (inventories and property, plant and equipment that is not valued at fair value) up to the limit of their recoverable value, with its consequent effect on the deferred income tax, with impact on the total of equity and an increase in common stock and share premium. In relation to the results of the period, in addition to the restatement of income, costs, expenses and other gains or losses and the determination of actual financial costs and exchange differences, it is expected the inclusion of the net monetary position result in a separate line. Furthermore, the figures corresponding to preceding fiscal years or periods presented for comparative purposes should be restated, without this fact modifying the decisions based on the accounting information corresponding to the prior fiscal year.

As of the date of issuance of these condensed consolidated financial statements, the Company's Board and Management are analyzing and computing the effects of applying IAS 29 on its financial information. Although the Company's Management has not completed the quantification of such effects, it is estimated that they could be significant. This situation should be considered by the users of these condensed interim consolidated financial statements.

2.3 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.

2.4 Basis of consolidation

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

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

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

The main consolidation adjustments are the followings:

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

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

Company	Main activity	Country	% of direct and indirect participation in capital stock and votes		
			9/30/2018	12/31/2017	9/30/2017
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 Serenísima</i>	Argentina	99.99	99.99	99.99
Marca 5 Asesores en Seguros S.A.	Insurance broker	Argentina	99.99	99.99	99.99
Mastellone de Paraguay S.A.	Import and distribution of dairy products	Paraguay	100.00	100.00	100.00
Mastellone Hermanos do Brasil Comercial e Industrial Ltda.	Inactive	Brazil	100.00	100.00	100.00
Mastellone San Luis S.A.	Manufacturer of dairy products	Argentina	99.99	99.99	99.99

The financial position statements of Mastellone Hermanos Sociedad Anónima as of September 30, 2018 and December 31, 2017 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month periods ended September 30, 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 September 30, 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 June 30 2018 and 2017, 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>9/30/2018</u>	<u>12/31/2017</u>
Cash and bank accounts	1,321,785	239,509
Investment funds	256,425	674,372
Short-term investments	210,691	33,214
Total	<u>1,788,901</u>	<u>947,095</u>

4. TRADE ACCOUNTS RECEIVABLE

	<u>9/30/2018</u>	<u>12/31/2017</u>
Third parties (domestic)	2,124,298	1,617,623
Related parties (Note 19)	576,572	366,546
Foreign receivables	32,833	17,521
Notes receivables	923	848
Tax incentives on exports	63,820	23,406
Subtotal	<u>2,798,446</u>	<u>2,025,944</u>
Allowance for doubtful accounts	(38,532)	(22,203)
Allowance for trade discounts and volume rebates	(61,395)	(10,972)
Total	<u>2,698,519</u>	<u>1,992,769</u>

5. TAX CREDITS

	<u>9/30/2018</u>	<u>12/31/2017</u>
• <u>Current</u>		
Net value added tax	115,456	63,920
Turnover tax credit	38,736	27,704
Income tax and alternative minimum income tax receivable	68,733	49,334
Other tax credits	7,435	2,009
Total	<u>230,360</u>	<u>142,967</u>
• <u>Non-current</u>		
Turnover tax credit	10,890	16,947
Net value added tax	4,968	7,077
Other tax credits	8,083	4,646
Total	<u>23,941</u>	<u>28,670</u>

6. OTHER RECEIVABLES

	<u>9/30/2018</u>	<u>12/31/2017</u>
• <u>Current</u>		
Prepaid expenses	26,149	16,794
Receivable from sale of subsidiary company	14,800	13,622
Guarantee deposits (Note 18.b)	34	
Advances to services suppliers	7,181	6,116
Receivable from sale of property, plant and equipment, and others	15,906	10,142
Insurance receivable	1,448	632
Loans to personnel	14,766	11,137
Other (Note 18.b)	13,061	7,947
Subtotal	<u>93,345</u>	<u>66,390</u>
Allowance for doubtful accounts	(1,570)	(2,690)
Total	<u>91,775</u>	<u>63,700</u>
• <u>Non-current</u>		
Receivables from customers in receivership and in bankruptcy	43,772	31,975
Régime for the professionalization of transport (1)	13,381	13,381
Guarantee deposits (Note 18.b)	124	79
Other	5,887	5,272
Subtotal	<u>63,164</u>	<u>50,707</u>
Allowance for doubtful accounts	(43,962)	(32,181)
Total	<u>19,202</u>	<u>18,526</u>

(1) In litigation.

7. INVENTORIES

	<u>9/30/2018</u>	<u>12/31/2017</u>
Resale goods	133,528	80,469
Finished goods	1,298,519	1,256,469
Work in progress	576,195	475,946
Raw materials, packaging and other materials	830,749	587,259
Goods in transit	147,509	111,815
Subtotal	<u>2,986,500</u>	<u>2,511,958</u>
Advances to suppliers	28,341	17,836
Total	<u>3,014,841</u>	<u>2,529,794</u>

8. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	9/30/2018														Net value at the end of the period
	Cost or revalued cost						Depreciation						Accumu- lated deprecia- tion at the end of the period		
	Value at the beginning of the year	Foreign currency exchange differences	Acqui- sitions	Transfers	Transfers to other assets	Retire- ment and disposal	Value at the end of the period	Accumu- lated deprecia- tion at the beginning of the year	Foreign currency exchange differences	Transfers (to) from other assets	Retire- ment and disposal	Rate %		Of the period	
Land and buildings (1)	2,937,595	41,384	3,327	7,094	(52,522)	263	2,936,615	52,052	26,866	1,840		2, 2.5, 2.86, 3.3, 4 & 5	59,878	140,636	2,795,979
Machinery and equipment (1)	2,525,208	30,518	21,783	143,758		6,824	2,714,443	191,506	17,639		1,215	5 & 10	216,937	424,867	2,289,576
Facilities and laboratory equipment (1)	1,210,416	12,161	7,150	39,169	(2,656)	1,626	1,264,614	175,323	8,242	(35)	48	5, 10 & 25	85,213	268,695	995,919
Furniture	68,900		5,704	1,723		773	75,554	55,498			766	25 & 33	5,069	59,801	15,753
Vehicles (2)	157,031	2,624	17,192	975	(33)	1,543	176,246	117,195	1,460	(33)	966	10 & 20	6,093	123,749	52,497
Work in progress	164,070		444,675	(187,951)			420,794								420,794
Advances to suppliers	29,768	502	157,621	(4,768)			183,123								183,123
Subtotal	7,092,988	87,189	657,452	-	(55,211)	11,029	7,771,389	591,574	54,207	1,772	2,995		373,190	1,017,748	6,753,641
Other:															
Trays	297,821		112,319				410,140	146,593				33	72,392	218,985	191,155
Carrying amount as of September 30, 2018	7,390,809	87,189	769,771	-	(55,211)	11,029	8,181,529	738,167	54,207	1,772	2,995		445,582	1,236,733	6,944,796

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

Land and buildings	810,191
Machinery and equipment	534,790
Facilities and laboratory equipments	309,763

(2) It includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 42,840 as of September 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			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
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>9/30/2018</u>	<u>12/31/2017</u>
Trade payables	1,865,064	1,332,018
Related parties (Note 19)	577,222	505,560
Note payables	458,391	313,297
Foreign suppliers	69,950	27,400
Total	<u>2,970,627</u>	<u>2,178,275</u>

10. BORROWINGS

	<u>9/30/2018</u>	<u>12/31/2017</u>
<u>Short-term debt</u>		
Principal:		
Financial debt:		
Unsecured debt	319	1,891
Secured debt		7,378
Total financial debt	<u>319</u>	<u>9,269</u>
Accrued interest:		
Unsecured debt	254,214	
Total accrued interest	<u>254,214</u>	<u>-</u>
Total	<u>254,533</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 100,915 and 70,188 as of 9/30/2018 and 12/31/2017, respectively)	8,136,439	3,653,894
Total	<u>8,136,439</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>9/30/2018</u>	<u>12/31/2017</u>
Payroll and bonus to management	595,492	439,392
Social security taxes	190,987	215,330
Total	<u>786,479</u>	<u>654,722</u>

12. DEFERRED TAX

Deferred tax assets:

	<u>9/30/2018</u>	<u>12/31/2017</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	38,936	17,147
Cash and cash equivalents	(9)	(2)
Inventories	3,019	1,618
Property, plant and equipment, and others	7,256	(5,065)
Tax loss carry-forwards	898	3,927
Alternative minimum income tax	5,784	5,782
Total	<u>55,884</u>	<u>23,407</u>

Deferred tax liabilities:

Temporary differences:		
Provisions and other non-deductible accrued expenses	60,912	28,912
Cash and cash equivalents	(1,295)	(8,913)
Inventories	190,499	96,730
Intangible assets	1,084	1,014
Other assets	(21,596)	(7,539)
Property, plant and equipment, and others	(1,327,402)	(1,408,667)
Trade payables	(135)	(1,226)
Borrowings	(30,989)	(19,552)
Tax loss carry-forwards	871,179	305,899
Alternative minimum income tax	218,944	216,683
Total	<u>(38,799)</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 September 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	469,993	30%	140,998	2019
2015	778,456	25%/30%	208,572	2020
2016	306,084	25%/30%	76,670	2021
2018	1,783,299	25%/30%	445,837	2023
			<u>872,077</u>	

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	Exchange differences on traslating foreign operations	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)	10,362		215,461		(1,079,720)
Tax loss carry-forwards	309,826		(3,029)	565,280		872,077
Total as of September 30, 2018	(995,717)	10,362	(3,029)	780,741	-	(207,643)
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)

In addition to the accumulated losses recorded as of September 30, 2018, there are approximately 903,942 of tax loss carry-forwards (tax base) corresponding to the controlling company, which year of expiration is 2023 and 97,635 of tax loss carry-forwards (tax base) of subsidiaries which dates of expiration are between 2019 and 2023, which have not been recognized as assets for considering that at the date of issuance of these financial statements, there is no evidence for the recoverability of such assets.

13. REVENUE

	9/30/2018 Nine-months	9/30/2017 Nine-months	9/30/2018 Three-months	9/30/2017 Three-months
Product sales	22,723,266	18,506,307	8,438,413	6,591,172
Services provided	528,531	418,880	194,211	140,935
Turnover tax	(465,484)	(417,106)	(179,303)	(149,970)
Sales discounts and volume rebates	(2,607,464)	(1,683,447)	(1,048,352)	(594,687)
Sales returns	(371,555)	(268,019)	(125,866)	(85,140)
Total	19,807,294	16,556,615	7,279,103	5,902,310

14. COST OF SALES

	9/30/2018 Nine-months	9/30/2017 Nine-months	9/30/2018 Three-months	9/30/2017 Three-months
<u>Cost of goods sold</u>				
Inventories at the beginning of the year	2,511,958	2,007,289	2,426,584	1,691,440
Purchases	9,084,443	6,998,599	3,615,001	2,618,609
Production expenses (Note 15)	4,231,450	3,615,140	1,557,748	1,276,414
Write-off of inventories	43,841	89,129	2,216	57,056
Re-measurement of foreign subsidiaries inventories	231,159	24,414	139,148	18,107
Benefits from industrial promotion (1)	(275,139)	(256,690)	(105,042)	(88,859)
Inventories at the end of the period	(2,986,500)	(1,859,904)	(2,986,500)	(1,859,904)
Subtotal - cost of goods sold	12,841,212	10,617,977	4,649,155	3,712,863
<u>Cost of services rendered</u>				
Purchases	26,607	30,040	4,552	9,738
Production expenses (Note 15)	238,251	200,752	68,888	68,815
Subtotal - cost of services rendered	264,858	230,792	73,440	78,553
Total cost of sales	13,106,070	10,848,769	4,722,595	3,791,416

(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

	9/30/2018 (nine-months)				Total
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				40,908	40,908
Fees and compensation for services	438,914	477	1,073,471	119,027	1,631,889
Payroll, bonus and social security charges	1,926,549	120,655	755,653	448,229	3,251,086
Depreciation of property, plant and equipment, and others	393,522	17,816	25,665	8,579	445,582
Amortization of intangible assets	321				321
Provision for bad debts			14,779		14,779
Freights	690,016		2,598,273	18	3,288,307
Maintenance and repair	104,835	5,812	16,684	555	127,886
Office and communication	1,282	410	2,184	2,896	6,772
Fuel, gas and energy	416,869	59,701	45,202	115	521,887
Vehicles expenses	24,481		21,987	3,579	50,047
Publicity and advertising			333,803		333,803
Taxes, rates and contributions	110,807	2,144	5,022	133,187	251,160
Insurance	80,081	1,197	27,414	7,361	116,053
Travelling	5,602		3,286	1,865	10,753
Export and import	59		35,037	253	35,349
Miscellaneous	38,112	30,039	20,633	35,405	124,189
Total	4,231,450	238,251	4,979,093	801,977	10,250,771

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

	9/30/2018 (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				12,253	12,253
Fees and compensation for services	160,250	129	401,536	39,955	601,870
Payroll, bonus and social security charges	674,631	33,753	266,726	170,365	1,145,475
Depreciation of property, plant and equipment, and others	135,971	5,539	8,669	3,142	153,321
Amortization of intangible assets	107				107
Provision for bad debts			4,657		4,657
Freights	264,050		991,670		1,255,720
Maintenance and repair	38,169	2,439	6,912	148	47,668
Office and communication	441	275	938	1,007	2,661
Fuel, gas and energy	181,846	17,058	16,976	21	215,901
Vehicles expenses	7,962		7,770	1,588	17,320
Publicity and advertising			144,581		144,581
Taxes, rates and contributions	43,926	921	1,757	48,992	95,596
Insurance	29,885	642	10,030	2,655	43,212
Travelling	2,858		1,365	874	5,097
Export and import	59		11,467	99	11,625
Miscellaneous	17,593	8,132	8,418	16,605	50,748
Total	1,557,748	68,888	1,883,472	297,704	3,807,812

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

16. FINANCE COST

	9/30/2018 Nine-months	9/30/2017 Nine-months	9/30/2018 Three-months	9/30/2017 Three-months
Senior Notes	462,909	312,309	204,279	110,504
Other loans interest	868	2,634	518	228
Other interests	6,232	7,968	2,093	1,740
Total	470,009	322,911	206,890	112,472

17. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	<u>9/30/2018</u> <u>Nine-months</u>	<u>9/30/2017</u> <u>Nine-months</u>	<u>9/30/2018</u> <u>Three-months</u>	<u>9/30/2017</u> <u>Three-months</u>
Current income tax	(45,286)	(166,486)	(24,432)	(91,561)
Tax loss carry-forwards recognized	565,280	8	405,718	(22)
Net change in temporary differences	215,461	132,001	78,580	47,917
Alternative minimum income tax	(60,870)	(5,658)	(57,415)	(1,952)
Total – gain (loss)	<u>674,585</u>	<u>(40,135)</u>	<u>402,451</u>	<u>(45,618)</u>

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

	<u>9/30/2018</u> <u>Nine-months</u>	<u>9/30/2017</u> <u>Nine-months</u>	<u>9/30/2018</u> <u>Three-months</u>	<u>9/30/2017</u> <u>Three-months</u>
(Loss) income before income tax and alternative minimum income tax	(3,124,419)	318,157	(1,810,162)	217,343
Statutory income tax rate	30%	35%	30%	35%
Income tax at statutory income tax rate	937,326	(111,355)	543,049	(76,070)
Permanent differences	(262,741)	71,220	(140,598)	30,452
Total – gain (loss)	<u>674,585</u>	<u>(40,135)</u>	<u>402,451</u>	<u>(45,618)</u>

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 9,878 as of September 30, 2018 (11,932 as of December 31, 2017). Detail of pledged assets is as follows:

	<u>9/30/2018</u>	<u>12/31/2017</u>
Property, plant and equipment, and others	-	20,620
Mastellone San Luis S.A. shares arising from the merger with Compañía Puntana de Carnes Elaboradas S.A.	9,576	10,009

- b) Additionally, as of September 30, 2018 there were other receivables – guarantee deposits (current and non-current) for an amount of 158 (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 September 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 1,541 and 5,719 as of September 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)	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Afianzar S.G.R.		2				
Arcor S.A.I.C.	9,839		2,318	2,234		
Arcopar S.A.	6,421	7,105	1,373	989		
Arcor Alimentos Bolivia S.A.	13,452					
Bagley Argentina S.A.	462	323				
Cartocor S.A.			13,565	6,689		
Frigorífico Nueva Generación S.A.	4	41				
Logística La Serenísima S.A.	546,380	358,940	559,557	495,401	14,880	5,060
Los Toldos S.A.	14	135	409	247		
TOTAL	576,572	366,546	577,222	505,560	14,880	5,060

20. RELATED PARTIES OPERATIONS

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

	<u>9/30/2018</u>	<u>9/30/2017</u>
<u>Revenues</u>		
Afianzar S.G.R.		12
Arcor S.A.I.C.	66,700	33,763
Arcopar S.A.	29,658	18,194
Arcor Alimentos Bolivia S.A.	10,627	
Bagley Argentina S.A.	3,574	3,524
Fideicomiso Formu	2,778	2,376
Frigorífico Nueva Generación S.A.		9
Logística La Serenísima S.A.	81,644	60,865
Los Toldos S.A.	12	135
<u>Purchase of goods and services</u>		
Arcor S.A.I.C.	13,708	10,819
Cartocor S.A.	55,324	32,431
Logística La Serenísima S.A.	1,429,659	1,243,498
Los Toldos S.A.	2,463	3,778
<u>Investment income</u>		
Logística La Serenísima S.A.	6,518	5,898
<u>Other gain and losses</u>		
Logística La Serenísima S.A.	2,642	1,180

During the nine-month periods ended September 30, 2018 and 2017, the Company paid a total of 118,760 and 98,497, 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	9/30/2018		
	Dairy	Other	Total
Revenue from external customers	19,130,677	676,617	19,807,294
Intersegment revenue	2,417	55,820	58,237
Net (loss) income for the period	(2,456,335)	6,501	(2,449,834)
Assets allocated to the business lines	14,818,179	194,948	15,013,127
Liabilities allocated to the business lines	12,310,648	152,131	12,462,779
Additions to property, plant and equipment, and others	766,844	2,927	769,771
Depreciation of property, plant and equipment, and others	443,840	1,742	445,582
Amortization of intangible assets	321		321
Depreciation of investment property	5		5
Depreciation of other assets	1,717		1,717
Net domestic revenue	16,643,413	676,617	17,320,030

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

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

Period	Revenue			Total
	Domestic market	Exports		
		Brazil and Paraguay	Other countries	
9/30/2018	17,320,030	1,697,684	789,580	19,807,294
9/30/2017	15,321,465	1,108,772	126,378	16,556,615

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 November 6, 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 2.4 to the condensed interim consolidated financial statements), which comprise the condensed consolidated statement of financial position as of September 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 nine-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 nine-month period ended September 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 the financial reporting framework established by the National Securities Commission (CNV) and, in particular, with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34). As indicated in note 2.1 to the accompanying interim condensed consolidated financial statements, such financial reporting framework is based on the application of the International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils of Economic Sciences (FACPCE) as accounting standards, as they were approved by the International Accounting Standard Board (IASB), with the sole exception of the restatement of the financial information provided in International Accounting Standard 29, "Financial reporting in hyperinflationary economies", which cannot be applied because Decree N° 664/03 of the National Executive Power does not allow the regulatory agencies that depend on it to receive information adjusted for inflation. In addition, the Company's Board of Directors is responsible for the internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement.

3. Auditors' responsibility

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

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

4. Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima for the nine-month period ended September 30, 2018, are not prepared, in all material respects, in accordance with the financial reporting framework established by the CNV, and, in particular, with IAS 34.

5. Emphasis on financial reporting framework

Without modifying our conclusion, we would like to emphasize what is mentioned in note 2.1 to the condensed interim consolidated financial statements, which indicates that they have been prepared in accordance with the financial reporting framework established by the CNV which, in accordance with the provisions of the Decree N° 664/03 of the National Executive Power, does not allow the filing of financial information restated for inflation. Likewise, in note 2.2 to the aforementioned condensed interim financial statements, the effects of the restatement in such statements are described qualitatively. Although the Company's Management has not completed the quantification of such effects, it is estimated that they could be significant. This situation should be considered by the users of the accompanying condensed interim consolidated financial statements.

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 the financial reporting framework of the CNV, and, in particular, with IAS 34. The effects of the differences between such 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 applied the financial reporting framework of the CNV.

General Rodriguez, Province of Buenos Aires, November 6, 2018.

Deloitte & Co. S.A.

**Alberto López Carnabucci
(Partner)**

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