

Mastellone Hermanos S.A.
Consolidated Financial Statements
for the three-month period ended
March 31, 2019

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY **AS OF MARCH 31, 2019**

(in thousands of Argentine pesos)

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

The Company's activities during the three-month period ended March 31st, 2019, were negatively affected by the drop of raw milk production in Argentina. Such situation impacted in volumes processed and sold by the Company and enforced us to redefine our business plan for the first half of the year.

Such reduction of the raw milk production was the result of the combination of extreme weather conditions and the behavior of the economic variables. Regarding weather conditions, severe high temperatures registered during first months of the period, even above the historical average values for comparable months, impacted on the production of raw milk. Such situation generated a "heat stress", affecting cows normal diet with a direct impact in their individual production.

Moreover, as a consequence of this event, there was a reduction of productive herds due to the anticipation of the cattle's drying cycle. On the other hand, heavy rains registered in northern Santa Fe area also impacted on the level of production due to flooding conditions on some dairy farms, although with a moderate impact for Mastellone.

As for economic variables, the carry-over effect of the sharp devaluation of the Peso registered during 2018's second half represented an increase of herd feeding cost. As a result of this, producers introduced changes on diets affecting the individual productivity of dairy cows.

Considering the situation described before, the raw milk production of Argentina declined 20% during the first half of the quarter with a slow recovering by the end of the period representing an accumulative drop of 10%/12% approximately.

All dairy industries were affected by such a drop, and the immediate consequence was a higher cost for the raw milk. In order to ensure the provision of raw milk, the Company increased the price paid to producers, even above the inflation of the period. We also registered higher costs of packaging, raw materials, energy, etc., due to the behavior of economic variables. For such reasons, we passed those higher costs to sales prices and also increased net sales prices through lower amounts of allowances and discounts granted to our clients.

As we mentioned in the first paragraph, we changed our business plan for the first half of the year due to the causes described previously. We prioritized the domestic market supply rather than export business, therefore we suspended the execution of deliveries to Brazil among other international destinies projected for the next months.

Regarding our marketing strategy, we will renew our portfolio of products in its entirety along the present year. During the first quarter, we began such process through the reformulation of our lines of fresh milk. We released the milks denominated "3, 2, 1 & 0" (such numbers represents its fat content) marketed under La Serenísima brand name.

Such strategic plan is destined to ensure the Company's business sustainability.

2. CONSOLIDATED FINANCIAL POSITION

	<u>3/31/2019</u>	<u>3/31/2018</u>
	(in thousand pesos - as restated to reflect the effects of inflation)	
Current assets	8,647,256	9,211,272
Non-current assets	15,075,687	11,857,178
TOTAL ASSETS	23,722,943	21,068,450
Current liabilities	5,158,466	4,971,266
Non-current liabilities	10,534,140	7,669,590
TOTAL LIABILITIES	15,692,606	12,640,856
Equity attributable to owners of the Company	8,030,211	8,427,468
Non-controlling interests	126	126
TOTAL EQUITY	8,030,337	8,427,594
TOTAL LIABILITIES AND EQUITY	23,722,943	21,068,450

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

	<u>3/31/2019</u>	<u>3/31/2018</u>
	(in thousand pesos - as restated to reflect the effects of inflation)	
Operational results – income	83,614	36,612
Investment income, finance cost, foreign exchange differences and gain arising on net monetary position	(539,304)	(178,818)
Other gains and losses	(1,738)	(4,882)
Loss before taxes	(457,428)	(147,088)
Income tax and alternative minimum income tax	(7,918)	(10,394)
Net loss for the year	(465,346)	(157,482)
Other comprehensive income	20,271	4,094
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(445,075)	(153,388)
Net loss attributable to:		
Owners of the company	(445,086)	(153,391)
Non-controlling interests	11	3
Total comprehensive loss	(445,075)	(153,388)

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>3/31/2019</u>	<u>3/31/2018</u>
	(in thousand pesos - as restated to reflect the effects of inflation)	
Cash flows provided by operating activities	393,641	167,615
Cash flows used in investing activities	(250,209)	(343,224)
Cash flows used in financing activities	(20,391)	(6,637)
Cash and cash equivalents provided by (used in) the year	123,041	(182,246)

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES	
	<u>3/31/2019</u>	<u>3/31/2018</u>
	(in thousand liters of milk)	
Domestic market	306,666	317,937
Foreign market	35,321	54,976
Total	341,987	372,913

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

6. RATIOS

	<u>3/31/2019</u>	<u>3/31/2018</u>
Current assets to current liabilities	1.68	1.85
Equity attributable to owners of the Company to total liabilities	0.51	0.67
Non-current assets to total assets	0.64	0.56

7. OUTLOOK (*)

We believe that the production of raw milk will recover gradually during next months. However, beside our positive expectations, this will be the most important factor to consider during the rest of the year.

We will continue with the actions included in "Mas leche" plan, deepening our relationship with the producers who are our strategic partners. We will increase our effective contact with them, keeping informed about the Company's news and where is possible, help them to cover their needs.

We carry on with the renewal of the whole portfolio of products and brand names in order to add increasing value to the Company.

In terms of the marketing strategy we will continue focused into the domestic market. On top of that, and according the evolution of raw milk production, we will evaluate the execution of exports destined to international markets.

Finally, considering the overall uncertainty and volatility of the economy in Argentina, will be extremely important for us, to keep a permanent review of main variables such as consumption, inflation, exchange rate, etc. According the evolution of those factors we will introduce new changes in the Company's annual business plan in order to secure their sustainability and increase their profitability.

(*) Information not reviewed by the Auditors.

General Rodriguez, Province of Buenos Aires, May 9, 2019.

CARLOS AGOTE
Chairman

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT MARCH
31, 2019

(in thousands of Argentine pesos – as restated to reflect the effects of inflation)

	Notes	<u>3/31/2019</u>	<u>12/31/2018</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	735,874	638,280
Other financial assets		18,419	11,037
Trade accounts receivable	4	3,235,404	3,304,547
Tax credits	5	453,869	428,488
Other receivables	6 and 19	72,071	79,171
Inventories	7	4,131,619	4,227,740
Total current assets		<u>8,647,256</u>	<u>8,689,263</u>
NON-CURRENT ASSETS			
Other financial assets		54,248	60,128
Tax credits	5	35,769	59,834
Other receivables	6 and 19	17,652	19,590
Deferred tax assets	13	37,826	27,621
Property, plant and equipment, and others	8 and 19	14,568,298	14,623,269
Right of use assets	9	165,652	-
Investment property		880	893
Goodwill		19,577	19,577
Intangible assets		5,001	5,629
Other assets		170,784	174,908
Total non-current assets		<u>15,075,687</u>	<u>14,991,449</u>
TOTAL ASSETS		<u>23,722,943</u>	<u>23,680,712</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade payable	10	3,619,066	3,911,376
Borrowings	11	277,361	-
Lease liabilities	9	36,109	-
Accrued salaries, wages and payroll taxes	12	918,254	979,982
Taxes payable		226,791	189,999
Advance from customers		49,983	17,987
Provisions		252	327
Other liabilities		30,650	31,185
Total current liabilities		<u>5,158,466</u>	<u>5,130,856</u>
NON-CURRENT LIABILITIES			
Trade payable		10,426	11,584
Borrowings	11	8,568,182	8,248,018
Lease liabilities	9	142,509	-
Deferred tax liabilities	13	1,786,828	1,785,338
Provisions		18,945	22,465
Other liabilities		7,250	7,039
Total non-current liabilities		<u>10,534,140</u>	<u>10,074,444</u>
TOTAL LIABILITIES		<u>15,692,606</u>	<u>15,205,300</u>
EQUITY			
Common stock and share premium		7,868,110	7,868,110
Reserves		3,319,104	3,391,546
Accumulated deficit- including net result for the period or year		(3,157,003)	(2,784,359)
Equity attributable to owners of the Company		<u>8,030,211</u>	<u>8,475,297</u>
Non-controlling interests		<u>126</u>	<u>115</u>
TOTAL EQUITY		<u>8,030,337</u>	<u>8,475,412</u>
TOTAL LIABILITIES AND EQUITY		<u>23,722,943</u>	<u>23,680,712</u>

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019
(in thousands of Argentine pesos – as restated to reflect the effects of inflation)

	Notes	3/31/2019	3/31/2018
Revenue	14	9,208,167	8,971,539
Cost of sales	15	<u>(6,636,343)</u>	<u>(6,310,007)</u>
Gross profit		2,571,824	2,661,532
Selling expenses	16	(2,164,934)	(2,245,809)
General and administrative expenses	16	(323,276)	(379,111)
Investment income		42,540	24,113
Finance cost	17	(268,985)	(201,785)
Foreign exchange losses		(424,377)	(71,126)
Gain arising on net monetary position		111,518	69,980
Other gains and losses		<u>(1,738)</u>	<u>(4,882)</u>
Loss before taxes		(457,428)	(147,088)
Income tax and alternative minimum income tax	18	<u>(7,918)</u>	<u>(10,394)</u>
NET LOSS FOR THE PERIOD		<u>(465,346)</u>	<u>(157,482)</u>
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		20,271	4,094
Other comprehensive income, net of income tax		20,271	4,094
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(445,075)</u>	<u>(153,388)</u>
Net loss attributable to:			
Owners of the Company		(465,357)	(157,485)
Non-controlling interests		<u>11</u>	<u>3</u>
Net loss for the period		<u>(465,346)</u>	<u>(157,482)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(445,086)	(153,391)
Non-controlling interests		<u>11</u>	<u>3</u>
Net comprehensive loss for the period		<u>(445,075)</u>	<u>(153,388)</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 THREE-MONTH PERIOD ENDED MARCH 31, 2019

(in thousands of Argentine pesos – as restated to reflect the effects of inflation)

	Common stock	Common stock adjustment	Share premium	Reserves		Retained earnings (Accumulated losses)	Equity attributable to: Owners of the parents Non controlling interest		Total
				Foreign currency translation reserve	Property, plant and equipment Revaluation reserve				
Balance at December 31, 2018	653,969	5,369,677	1,844,464	224,357	3,167,189	(2,784,359)	8,475,297	115	8,475,412
Net loss for the period						(465,357)	(465,357)	11	(465,346)
Other comprehensive gain for the period				20,271			20,271		20,271
Total comprehensive gain (loss) for the period	-	-	-	20,271	-	(465,357)	(445,086)	11	(445,075)
Transfer to accumulated losses (1)					(92,713)	92,713			
Balance at March 31, 2019	653,969	5,369,677	1,844,464	244,628	3,074,476	(3,157,003)	8,030,211	126	8,030,337

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

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

(in thousands of Argentine pesos – as restated to reflect the effects of inflation)

	Common stock	Common stock adjustment	Share premium	Reserves		Retained earnings (Accumulated losses)	Equity attributable to: Owners of the parents Non controlling interest		Total
				Foreign currency translation reserve	Property, plant and equipment Revaluation reserve				
Balance at December 31, 2017	653,969	5,369,677	1,844,464	147,947	1,255,651	(690,849)	8,580,859	123	8,580,982
Net loss for the period						(157,485)	(157,485)	3	(157,482)
Other comprehensive gain for the period				4,094			4,094		4,094
Total comprehensive gain (loss) for the period	-	-	-	4,094	-	(157,485)	(153,391)	3	(153,388)
Transfer to accumulated losses (1)					(113,768)	113,768			
Balance at March 31, 2018	653,969	5,369,677	1,844,464	152,041	1,141,883	(734,566)	8,427,468	126	8,427,594

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

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-
MONTH PERIOD ENDED MARCH 31, 2019

(in thousands of Argentine pesos – as restated to reflect the effects of inflation)

	<u>3/31/2019</u>	<u>3/31/2018</u>
<u>Cash flows from operating activities</u>		
Net loss for the period	(465,346)	(157,482)
Adjustments to reconcile net loss for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	7,918	10,394
Finance cost	268,985	201,785
Foreign exchange losses	349,965	99,060
Gain arising on net monetary position	(111,518)	(69,980)
Depreciation of property, plant and equipment, and others	304,389	270,832
Net additions to provisions	57,929	71,972
Depreciation of right-of-use assets	9,612	
Write-off of inventories	5,297	47,906
Depreciation of investment property	13	75
Amortization of intangible assets	629	629
Depreciation of other assets	3,280	884
Gain on sale of property, plant and equipment, and others	3,092	(2,565)
	<u>434,245</u>	<u>473,510</u>
Changes in working capital	(40,604)	(188,654)
Subtotal	393,641	284,856
Payments of income tax and alternative minimum income tax		(117,241)
Net cash generated by operating activities	<u>393,641</u>	<u>167,615</u>
<u>Cash flows used in investing activities</u>		
Payments for property, plant and equipment, and others	(259,799)	(377,680)
Proceeds from sale of other financial assets		2,694
Proceeds from disposal of property, plant and equipment, and others	9,590	31,762
Net cash used in investing activities	<u>(250,209)</u>	<u>(343,224)</u>
<u>Cash flows used in from financing activities</u>		
Proceeds from borrowings	172,554	5,975
Repayment of borrowings	(179,799)	(12,592)
Repayment of lease liabilities	(7,683)	
Payment of interests	(5,463)	(20)
Net cash used in financing activities	<u>(20,391)</u>	<u>(6,637)</u>
Increase (decrease) in cash and cash equivalents	123,041	(182,246)
Cash and cash equivalents at beginning of year	638,280	1,549,910
Effects of exchange rate changes on the balance of cash held in foreign currencies	(2,979)	(20,330)
Effect of net monetary position on cash and cash equivalents	<u>(22,468)</u>	<u>(8,908)</u>
Cash and cash equivalents at end of period	<u>735,874</u>	<u>1,338,426</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 THREE-MONTH PERIOD ENDED MARCH 31, 2019

(in thousands of Argentine pesos – as restated to reflect the effects of inflation)

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 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 three-month period ended March 31, 2019 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, 2018 prepared under IFRS.

The figures and other information for the fiscal year ended December 31, 2018 and the three-month period ended March 31, 2018 are an integral part of these consolidated financial statements and are intended to be read only in relation to those financial statements. These figures have been restated in order to reflect the effect of inflation as of the current period end, as indicated in the following section, in order to allow their comparability and without such restatement modifying the decisions taken based on the financial information corresponding to the previous fiscal period or year.

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 Financial information adjusted for inflation

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 qualitative indicators of high inflation, as provided for in the International Accounting Standard N° 29 (IAS 29), showed coincidental evidence. Therefore, on September 29, 2018, the FACPCE issued Resolution JG N° 539/18, adopted by the CPCEPBA by the Resolution of the Board of Directors N° 2,883, indicating, among other matters, that Argentina should be considered an inflationary economy in the terms of the professional accounting standards from July 1, 2018, in line with the vision of international organizations.

IAS 29 points out that, in a context of high inflation, financial statements must be presented in a current unit of measure; that is, in closing period purchasing power currency on which it is reported. However, the Company was not able to file restated financial statements with the CNV because Decree N° 664/03 of the National Executive Power (PEN) forbade official bodies (including the CNV) to receive inflation-adjusted financial statements.

Through Law N° 27,468, published on December 4, 2018 in the National Official Gazette, Decree N° 1,269/02 of the PEN and its amendments (including Decree N° 664 of the PEN aforementioned) were repealed. The provisions of the such law entered into force as of December 28, 2018, date on which the General Resolution N° 777/18 of CNV was published, which established that fiscal year, interim or special financial statements, closing from December 31, 2018 inclusive, must be filed with the regulatory body in a currency restated to reflect the effect of inflation.

In accordance with IAS 29, figures of the financial statements which are not expressed in current purchasing power currency of the reporting period must be restated by applying a general price index. To such extent, and as established by Resolution JG N° 539 of the FACPCE, coefficients calculated based on indexes published by such Federation, have been applied. Indexes were obtained based on the combination of National Consumer Price Indexes (IPC) published by the INDEC beginning January 1, 2017 and, backwards, indexes of Wholesale Price Indexes (IPIM) elaborated by the abovementioned institute or, in its absence, indexes of consumer prices published by the Direction of General Statistics and Censuses of the Autonomous City of Buenos Aires and for March, 2019, an estimated index was applied (source: Banco Central de la República Argentina). The restatement coefficient that arise from the variation of the mentioned indexes used for restatement of these consolidated financial statements has been 10.84% in the three-month period ended on March 31, 2019 and 6.67% in the three-month period ended March 31, 2018. The restatement coefficient arising from the IPC variation, as subsequently published by INDEC for the January-March period was 11.78%.

In the statement of profit or loss and other comprehensive income, the standard requires that all items of such statement should be expressed at the unit currency as of the end of the reporting period. To such extent, all figures have to be restated by using the variation of the general price index, from the date in which the revenue, costs and expenses were recognized in the consolidated financial statements. This does not mean that the nominal amounts of inflows and outflows of cash are modified by the restatement, but that this procedure of monetary correction allows measuring the financial position and the statement of profit or loss and other comprehensive income in a currency of the same purchasing power, which is, at period-end currency.

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, 2018, as described in those financial statements. The application of the new standards and interpretations adopted beginning current fiscal year are detailed below:

- IFRS 16 "leases" replaces IAS 17. The new standard specifies how to recognize, measure and disclose leases in the financial statements. The standard leads most lease contracts into lessees' accounting to a single model, eliminating the distinction between operating and financial leases. The accounting of the lessors, however, remains virtually unchanged, preserving the distinction between operating and financial leases.

As envisaged by the standard, for contracts recognized as leases during the term of IAS 17, the company used retrospective application with impact on cumulative results at the beginning of the application fiscal year (alternative 16. C5 (b)). For contracts that had not been previously identified as leases by applying IAS 7 and CNIIF 4, the company adopted the practical solution set forth in IFRS 16, appendix C, Section C3. See note 9.

- IFRIC 23 (uncertainty over income tax treatments) clarifies the accounting for uncertainties in income taxes to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. An entity has to consider whether it is probable that the tax authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing. The application of the aforementioned interpretation did not significantly affect the amounts set out in relation to assets and liabilities of the Company.
- Amendments to IFRS 9 (Financial Instruments) include changes that allow financial assets with a prepayment option that could result in the option's holders receiving compensation for early termination of the contract, to be measured at amortized cost if certain criteria are met and clarifications regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The application of the aforementioned interpretation did not significantly affect the amounts set out in relation to assets and liabilities of the Company.
- Amendments to IAS 28 (Investments in Associates and Joint Ventures) clarify that IFRS 9, including its impairment requirements, applies to long-term interests in associates or joint ventures that form part of the net investment in these investees but to which the equity method is not applied. The application of the aforementioned interpretation did not significantly affect the amounts set out in relation to assets and liabilities of the Company.
- The annual improvements to IFRSs (2015-2017 cycle) includes amendments to the following standards: IFRS 3 (Business combinations) and IFRS 11 (Joint arrangements) (clarify the accounting treatment when an entity obtains control of a business that is a joint operation), IAS 12 (Income taxes) clarify that all income tax consequences of dividends should be recognized in profit or loss, regardless of how the tax arises and IAS 33 (Borrowing costs) clarify the treatment of specific borrowing after the related asset is ready for its intended use or sale. The application of the aforementioned interpretation did not significantly affect the amounts set out in relation to assets and liabilities of the Company.

The consolidated financial statements have been prepared under the historical cost conventions, as restated in order to reflect the effect of inflation in the case of non-monetary items, 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		
			3/31/2019	12/31/2018	3/31/2018
Con-Ser S.A.	Transportation services, services for vehicle, sale of parts and distribution of cooling equipments	Argentina	100.00	100.00	100.00
Leitesol Industria e Comercio S.A.	Production and distribution of dairy products	Brazil	100.00	100.00	100.00
Marca 4 S.A.	Ownership, administration and legal defense of trademarks <i>Ser</i> and <i>La Serenísima</i>	Argentina	99.99	99.99	99.99
Marca 5 Asesores en Seguros S.A.	Insurance broker	Argentina	99.99	99.99	99.99
Mastellone de Paraguay S.A.	Import and distribution of dairy products	Paraguay	100.00	100.00	100.00
Mastellone Hermanos do Brasil Comercial e Industrial Ltda.	Inactive	Brazil	100.00	100.00	100.00
Mastellone San Luis S.A.	Manufacturer of dairy products	Argentina	99.99	99.99	99.99

The financial position statements of Mastellone Hermanos Sociedad Anónima as of March 31, 2019 and December 31, 2018 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2019 and 2018, were consolidated based on financial statements restated to reflect the effects of inflation of the subsidiaries companies for the periods or years ended at such dates, with the exception as of March 31, 2019 and 2018 of Marca 4 S.A., Mastellone de Paraguay S.A. and Mastellone Hermanos do Brasil Comercial e Industrial Ltda. The financial statements of such companies used for the preparation of the consolidated financial statements were those as of December 31 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>3/31/2019</u>	<u>12/31/2018</u>
Cash and bank accounts	286,760	382,647
Investment funds	332,616	129,616
Short-term investments	<u>116,498</u>	<u>126,017</u>
Total	<u>735,874</u>	<u>638,280</u>

4. TRADE ACCOUNTS RECEIVABLE

	<u>3/31/2019</u>	<u>12/31/2018</u>
Third parties (domestic)	3,067,949	2,319,175
Related parties (Note 20)	164,314	858,183
Foreign receivables	39,985	159,932
Notes receivables	2,325	1,325
Tax incentives on exports	61,955	61,055
Subtotal	3,336,528	3,399,670
Allowance for doubtful accounts	(45,271)	(43,459)
Allowance for trade discounts and volume rebates	(55,853)	(51,664)
Total	3,235,404	3,304,547

5. TAX CREDITS

	<u>3/31/2019</u>	<u>12/31/2018</u>
• <u>Current</u>		
Net value added tax	292,849	280,095
Turnover tax credit	55,392	58,121
Income tax and alternative minimum income tax receivable	96,137	81,603
Other tax credits	9,491	8,669
Total	453,869	428,488
• <u>Non-current</u>		
Turnover tax credit	20,546	14,177
Net value added tax	6,224	37,333
Other tax credits	8,999	8,324
Total	35,769	59,834

6. OTHER RECEIVABLES

	<u>3/31/2019</u>	<u>12/31/2018</u>
• <u>Current</u>		
Prepaid expenses	36,358	41,095
Advances to services suppliers	8,793	14,443
Guarantee deposits (Note 19.b)	191	144
Insurance receivable	291	1,741
Loans to personnel	15,845	15,564
Other (Note 19.b)	12,163	7,924
Subtotal	73,641	80,911
Allowance for doubtful accounts	(1,570)	(1,740)
Total	72,071	79,171
• <u>Non-current</u>		
Receivables from customers in receivership and in bankruptcy	46,627	46,448
Régime for the professionalization of transport (1)	13,381	14,831
Guarantee deposits (Note 19.b)	138	142
Other	4,323	5,170
Subtotal	64,469	66,591
Allowance for doubtful accounts	(46,817)	(47,001)
Total	17,652	19,590

(1) In litigation.

7. INVENTORIES

	<u>3/31/2019</u>	<u>12/31/2018</u>
Resale goods	161,183	100,849
Finished goods	1,208,454	1,490,473
Work in progress	1,040,380	909,912
Raw materials, packaging and other materials	1,514,983	1,407,778
Goods in transit	163,627	274,878
Subtotal	4,088,627	4,183,890
Advances to suppliers	42,992	43,850
Total	4,131,619	4,227,740

8. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	3/31/2019												Net value
	Cost or revalued cost						Depreciation					Accumulated depreciation at the end of the period	
	Value at the beginning of the year	Foreign currency exchange differences	Acquisitions	Transfers	Retirement and disposal	Value at the end of the period	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Retirement and disposal	Depreciation			
									Rate %	Of the period			
Land and buildings (1)	5,205,208	3,161	1,395	13,718	2,744	5,220,738	268,189	2,146		2, 2.5, 2.86, 3.3, 4 & 5	34,843	305,178	4,915,560
Machinery and equipment (1)	7,230,138	2,261	10,407	23,797	10,049	7,256,554	1,255,770	1,408	669	5 y 10	146,473	1,402,982	5,853,572
Facilities and laboratory equipment (1)	3,260,319	961	5,250	25,038	576	3,290,992	1,076,719	672	18	5, 10 & 25	61,820	1,139,193	2,151,799
Furniture	481,755		1,761	98	16	483,598	455,493		16	10, 20, 25 & 33	3,380	458,857	24,741
Vehicles (2)	1,270,108	241			16,306	1,254,043	1,137,922	103	16,306	10 & 20	7,353	1,129,072	124,971
Work in progress	886,612		172,286	(19,044)		1,039,854							1,039,854
Advances to suppliers	160,935	6	16,983	(43,607)		134,317							134,317
Subtotal	18,495,075	6,630	208,082	-	29,691	18,680,096	4,194,093	4,329	17,009		253,869	4,435,282	14,244,814
Other:													
Trays	1,059,309		51,717			1,111,026	737,022			33	50,520	787,542	323,484
Carrying amount as of March 31, 2019	19,554,384	6,630	259,799	-	29,691	19,791,122	4,931,115	4,329	17,009		304,389	5,222,824	14,568,298

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

Land and buildings	4,078,978
Machinery and equipment	2,091,960
Facilities and laboratory equipments	1,476,858

(2) It includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 98,285 as of March 31, 2019.

12/31/2018

	Cost or revalued cost								Depreciation					Net value			
	Value at the beginning of the year	Foreign currency exchange differences	Acquisitions	Transfers	Transfers to other assets	Retirement and disposal	Revaluation variance	Value at the end of the year	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Transfers to other assets	Retirement and disposal	Depreciation		Eliminated on revaluation	Accumulated depreciation at the end of the year	
													Rate %				Of the year
Land and buildings (1)	5,293,069	13,216	11,374	123,219	(58,686)	3,406	(173,578)	5,205,208	228,639	8,808	12,255	44	2, 2.5, 2.86, 3.3, 4 & 5	139,372	(120,841)	268,189	4,937,019
Machinery and equipment (1)	5,235,896	10,549	80,259	302,071		10,040	1,611,403	7,230,138	1,223,082	6,377		2,199	5 & 10	509,637	(481,127)	1,255,770	5,974,368
Facilities and laboratory equipment (1)	2,870,242	3,900	24,078	263,691	(4,399)	2,026	104,833	3,260,319	1,027,569	2,670	(440)	1,491	5, 10 & 25	219,493	(171,082)	1,076,719	2,183,600
Furniture	477,192		10,498	2,740		8,675		481,755	447,710			8,638	10, 20, 25 & 33	16,421		455,493	26,262
Vehicles (2)	1,263,908	607	29,851	2,194		26,452		1,270,108	1,131,968	746		22,922	10 & 20	28,130		1,137,922	132,186
Work in progress	276,224		1,276,350	(664,642)		1,320		886,612									886,612
Advances to suppliers	49,689	492	140,027	(29,273)				160,935									160,935
Subtotal	15,466,220	28,764	1,572,437	-	(63,085)	51,919	1,542,658	18,495,075	4,058,968	18,601	11,815	35,294		913,053	(773,050)	4,194,093	14,300,982
Other:																	
Trays	836,691		222,618					1,059,309	542,820				33	194,202		737,022	322,287
Carrying amount as of December 31, 2018	16,302,911	28,764	1,795,055	-	(63,085)	51,919	1,542,658	19,554,384	4,601,788	18,601	11,815	35,294		1,107,255	(773,050)	4,931,115	14,623,269

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

Land and buildings	4,105,283
Machinery and equipment	2,149,834
Facilities and laboratory equipments	1,512,599

(2) It includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 99,624 as of December 31, 2018.

9. LEASES

Information on the lease agreements as of March 31, 2019, as required by IFRS 16:

	<u>3/31/2019</u>
Depreciation of period	9,612
Accrued interest	3,868
Payment of leases liabilities	7,683
Right of use asset	165,652
Leases liabilities	178,618

10. TRADE PAYABLE - CURRENT

	<u>3/31/2019</u>	<u>12/31/2018</u>
Trade payables	2,222,597	2,437,092
Related parties (Note 20)	663,834	627,264
Note payables	666,003	539,545
Foreign suppliers	66,632	307,475
Total	<u>3,619,066</u>	<u>3,911,376</u>

11. BORROWINGS

	<u>3/31/2019</u>	<u>12/31/2018</u>
<u>Short-term debt</u>		
Principal:		
Financial debt:		
Unsecured debt	10,205	-
Total financial debt	<u>10,205</u>	<u>-</u>
Accrued interest:		
Unsecured debt	267,156	-
Total accrued interest	<u>267,156</u>	<u>-</u>
Total	<u>277,361</u>	<u>-</u>
 <u>Long-term debt</u>		
Principal:		
Senior Notes - Series F - due 2021 (net of issue costs and adjustment to amortized cost for 88,528 and 96,432 as of 3/31/2019 and 12/31/2018, respectively)	8,568,182	8,248,018
Total	<u>8,568,182</u>	<u>8,248,018</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.

12. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

	<u>3/31/2019</u>	<u>12/31/2018</u>
Payroll and bonus to management	668,073	687,030
Social security taxes	<u>250,181</u>	<u>292,952</u>
Total	<u>918,254</u>	<u>979,982</u>

13. DEFERRED TAX

	<u>3/31/2019</u>	<u>12/31/2018</u>
Temporary differences:		
Provisions and other non-deductible accrued expenses	37,826	27,372
Property, plant and equipment, and others		249
Total	<u>37,826</u>	<u>27,621</u>

Deferred tax liabilities:

Temporary differences:		
Provisions and other non-deductible accrued expenses	56,023	70,566
Cash and cash equivalents	(770)	(674)
Inventories	(23,567)	75,403
Intangible assets	167	147
Other assets	(40,174)	(40,023)
Property, plant and equipment, and others	(2,979,131)	(3,057,928)
Investment property	(6,126)	(5,848)
Trade payables	(106)	(117)
Borrowings	(25,693)	(28,909)
Tax loss carry-forwards	1,032,146	938,946
Alternative minimum income tax	<u>200,403</u>	<u>263,099</u>
Total	<u>(1,786,828)</u>	<u>(1,785,338)</u>

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of March 31, 2019 are as follows:

Year of generation	Tax loss amount	Applicable tax rate	Credit due to tax loss carry-forward	Expiration – date for submission of tax returns fiscal years
2014	506,345	30% / 25%	150,086	2019
2015	767,537	30% / 25%	196,342	2020
2016	369,449	25%	92,645	2021
2017	21,779	25%	5,445	2022
2018	1,732,994	25%	433,248	2023
2019	617,528	25%	154,380	2024
			1,032,146	

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	Foreign currency exchange differences	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	(2,959,762)		895	(22,684)		(2,981,551)
Tax loss carry-forwards	938,946	(473)		93,673		1,032,146
Total as of March 31, 2019	(2,020,816)	(473)	895	70,989	-	(1,949,405)
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(2,409,738)		3,254	136,087	(689,365)	(2,959,762)
Tax loss carry-forwards	534,681	(1,956)		414,800	(8,579)	938,946
Total as of December 31, 2018	(1,875,057)	(1,956)	3,254	550,887	(697,944)	(2,020,816)

In addition to the accumulated losses recorded as of March 31, 2019, there are 17,129, 588,034 and 693,745 of tax loss carry-forwards (tax base) corresponding to the controlling company, which year of expiration is 2020, 2023 and 2024, respectively, and 213 million of tax loss carry-forwards (tax base) of subsidiaries which dates of expiration are between 2019 and 2024, 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.

14. REVENUE

	3/31/2019	3/31/2018
Product sales	10,288,818	10,178,832
Services provided	192,839	252,666
Turnover tax	(263,398)	(204,050)
Sales discounts and volume rebates	(834,311)	(1,046,537)
Sales returns	(175,781)	(209,372)
Total	9,208,167	8,971,539

15. COST OF SALES

	<u>3/31/2019</u>	<u>3/31/2018</u>
<u>Cost of goods sold</u>		
Inventories at the beginning of the year	4,183,890	4,286,144
Purchases	4,584,983	4,135,873
Production expenses (Note 16)	1,963,728	1,998,291
Write-off of inventories	5,297	47,906
Re-measurement of foreign subsidiaries inventories	20,981	3,913
Benefits from industrial promotion (1)	(147,591)	(128,240)
Inventories at the end of the period	<u>(4,088,627)</u>	<u>(4,186,112)</u>
Subtotal - cost of goods sold	<u>6,522,661</u>	<u>6,157,775</u>
<u>Cost of services rendered</u>		
Purchases	7,938	20,142
Production expenses (Note 16)	105,744	132,090
Subtotal - cost of services rendered	<u>113,682</u>	<u>152,232</u>
Total cost of sales	<u>6,636,343</u>	<u>6,310,007</u>

(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. On March 7, 2019 the Supreme Court decided to reject the injunction filed 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 appeal, which was admitted by the Federal Court of Appeals of Mendoza on March 23, 2018, the federal issue is set up that enables the instance of the National Supreme Court of Justice.

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

	3/31/2019				
	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				7,583	7,583
Fees and compensation for services	184,562	381	513,852	63,846	762,641
Payroll, bonus and social security charges	789,816	51,668	318,234	158,170	1,317,888
Depreciation of property, plant and equipment, and others	272,691	9,719	15,143	6,836	304,389
Amortization of intangible assets	629				629
Depreciation of right of use assets	9,612				9,612
Provision for bad debts			3,073		3,073
Freights	304,384		1,157,460		1,461,844
Maintenance and repair	56,750	4,394	7,247	185	68,576
Office and communication	521	215	892	1,462	3,090
Fuel, gas and energy	192,910	23,757	19,857		236,524
Vehicles expenses	9,573		9,072	1,540	20,185
Publicity and advertising		103	83,057		83,160
Taxes, rates and contributions	88,481	1,274	2,309	67,905	159,969
Insurance	37,751	1,276	12,240	3,804	55,071
Travelling	954		1,922	667	3,543
Export and import			14,328	148	14,476
Miscellaneous	15,094	12,957	6,248	11,130	45,429
Total	1,963,728	105,744	2,164,934	323,276	4,557,682

	3/31/2018				
	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				21,425	21,425
Fees and compensation for services	165,248	454	534,747	51,461	751,910
Payroll, bonus and social security charges	932,205	64,531	354,315	201,254	1,552,305
Depreciation of property, plant and equipment, and others	238,266	10,903	15,280	6,383	270,832
Amortization of intangible assets	629				629
Provision for bad debts			9,547		9,547
Freights	330,778		1,174,263	26	1,505,067
Maintenance and repair	47,994	2,908	7,816	166	58,884
Office and communication	626	100	766	1,791	3,283
Fuel, gas and energy	168,473	34,183	20,721	86	223,463
Vehicles expenses	12,528		10,710	1,204	24,442
Publicity and advertising		101	79,567	-	79,668
Taxes, rates and contributions	55,105	871	2,456	78,550	136,982
Insurance	37,517	410	13,020	3,406	54,353
Travelling	1,536		1,243	591	3,370
Export and import			11,547	115	11,662
Miscellaneous	7,386	17,629	9,811	12,653	47,479
Total	1,998,291	132,090	2,245,809	379,111	4,755,301

17. FINANCE COST

	<u>3/31/2019</u>	<u>3/31/2018</u>
Senior Notes interest	238,872	198,813
Other loans interest	24,861	494
Other interests	5,252	2,478
Total	<u>268,985</u>	<u>201,785</u>

18. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	<u>3/31/2019</u>	<u>3/31/2018</u>
Current income tax	(44,845)	(8,418)
Tax loss carry-forwards for the period	185,489	12,434
Net change in temporary differences	(295,189)	(130,500)
Effect of inflation in temporary valuation differences and tax loss carry forwards	180,689	113,380
Alternative minimum income tax	(34,062)	2,710
Total - (loss)	<u>(7,918)</u>	<u>(10,394)</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>3/31/2019</u>	<u>3/31/2018</u>
Loss before income tax and alternative minimum income tax	(457,428)	(147,088)
Statutory income tax rate	30%	30%
Income tax at statutory income tax rate	137,228	44,126
Permanent differences	(145,146)	(54,520)
Total - (loss)	<u>(7,918)</u>	<u>(10,394)</u>

19. 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 11,069 as of March 31, 2019 (10,447 as of December 31, 2018). Detail of pledged assets is as follows:

	<u>3/31/2019</u>	<u>12/31/2018</u>
Mastellone San Luis S.A. shares arising from the merger with Compañía Puntana de Carnes Elaboradas S.A.	18,072	16,145

- b) Additionally, as of March 31, 2019 there were other receivables – guarantee deposits (non-current) for an amount of 329 (286 as of December 31, 2018) in guarantee of financial and commercial transactions and restricted assets disclosed in caption “other receivables – other” (current) for 29 as of March 31, 2019 (76 as of December 31, 2018).
- c) The subsidiary company Con-ser S.A. held certain properties encumbered with privilege of first grade for a net value of 15,152 and 15,202 as of March 31, 2019 and December 31, 2018, 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 11.

20. RELATED PARTIES OUTSTANDING BALANCES

Company	Trade account receivables (current)		Trade payable (current)		Advances from customers (current)	
	3/31/2019	12/31/2018	3/31/2019	12/31/2018	3/31/2019	12/31/2018
Arcorpar S.A.	12,839	12,840	1,434	1,434		
Arcor Alimentos Bolivia S.A.	1,408	5,227	2,770	1,125		
Arcor S.A.I.C.		5,751	3,298	3,558		
Bagley Argentina S.A.	11,552					
Cartocor S.A.			25,698	15,516		
Fideicomiso Formu Frigorífico Nueva Generación S.A.	167	17				
Logística La Serenísima S.A.	5					
Los Toldos S.A.	133,273	834,290	630,275	605,194	6,116	10,792
Mundo Dulce S.A. de C.V.	18	58	359	437		
	5,052					
TOTAL	164,314	858,183	663,834	627,264	6,116	10,792

21. RELATED PARTIES OPERATIONS

Transactions with related parties for three-month periods ended March 31, 2019 and 2018 were as follows:

	<u>3/31/2019</u>	<u>3/31/2018</u>
<u>Revenues</u>		
Arcor Alimentos Bolivia S.A.	3,517	
Arcor S.A.I.C.	11,360	23,159
Bagley S.A.	15,509	1,404
Fideicomiso Formu	1,284	1,249
Logística La Serenísima S.A.	37,465	37,747
Los Toldos S.A.		18
Mundo Dulce S.A. de C.V.	4,311	
<u>Purchase of goods and services</u>		
Arcor Alimentos Bolivia S.A.	1,603	
Arcor S.A.I.C.	6,266	6,160
Cartocor S.A.	32,560	25,089
Logística La Serenísima S.A.	630,146	724,950
Los Toldos S.A.	1,094	1,737
<u>Investment income</u>		
Logística La Serenísima S.A.	3,414	3,046
<u>Other gain and losses</u>		
Logística La Serenisima S.A.	1,344	2,694

During the three-month periods ended March 31, 2019 and 2018, the Company paid a total of 35,991 and 60,857, 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.

22. 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, which is the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The accounting criteria used for the preparation of management financial information which has been used by the Board of Directors of the Company during the fiscal year ended December 31, 2018 and the three-month period ended March 31, 2019 and 2018 were based on the application of the accounting policies described in Note 2, with the exception of IAS 29 referred to in Note 2.2, that is to say, financial information has been considered in historical currency and, in the case of non-year-end closings, also without the computation of income tax charges.

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	3/31/2019		
	Dairy	Other	Total
Revenue from external customers	8,601,115	288,014	8,889,129
Intersegment revenue	521	17,841	18,362
Cost of sales	6,005,661	252,118	6,257,779
Selling and administrative expenses	2,367,588	34,340	2,401,928
Investment income, finance cost and exchange differences (loss) gain	(1,367,555)	2,414	(1,365,141)
Other gains and losses	257	(158)	99
<u>Net (loss) income - historical</u>	<u>(1,139,432)</u>	<u>3,812</u>	<u>(1,135,620)</u>
Depreciation of property, plant and equipment, and others	239,273	531	239,804
Depreciation of right of use assets	8,977		8,977
Amortization of intangible assets	107		107
Depreciation of investment property	2		2
Depreciation of other assets	706		706

Information	3/31/2018		
	Dairy	Other	Total
Revenue from external customers	5,482,734	232,472	5,715,206
Intersegment revenue	1,005	21,437	22,442
Cost of sales	3,654,347	188,397	3,842,744
Selling and administrative expenses	1,634,756	35,278	1,670,034
Investment income, finance cost and exchange differences (loss)	(334,359)	(461)	(334,820)
Other gains and losses	(4,286)	2,337	(1,949)
<u>Net (loss) income - historical</u>	<u>(145,014)</u>	<u>10,673</u>	<u>(134,341)</u>
Depreciation of property, plant and equipment, and others	144,262	425	144,687
Amortization of intangible assets	107		107
Depreciation of investment property	2		2
Depreciation of other assets	289		289

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

Information	3/31/19		
	Dairy	Other	Total
Net (loss) income - historical	(1,139,432)	3,812	(1,135,620)
Adjustments (1)	684,585	(6,393)	678,192
Net loss before taxes by consolidated financial information	(454,847)	(2,581)	(457,428)

Information	3/31/18		
	Dairy	Other	Total
Net (loss) income - historical	(145,014)	10,673	(134,341)
Adjustments (1)	8,993	(21,740)	(12,747)
Net loss before taxes by consolidated financial information	(136,021)	(11,067)	(147,088)

(1) It corresponds to the effect of the restatement of the financial information to reflect the effects of inflation by application of the methodology established by IAS 29. In addition, the information corresponding to the fiscal year ended on March 31, 2018, includes the restatement of the figures in order to reflect the effects of inflation as of March 2019 currency.

23. 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.

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 May 9, 2019.

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 March 31, 2019, the condensed interim consolidated statement of profit or loss and other comprehensive income, the condensed interim consolidated statement of changes in equity, and the condensed interim consolidated statement of cash flows for the three-month period then ended, and other selected explanatory information presented in Notes 1 to 24.

Amounts and other disclosures for the fiscal year ended December 31, 2018 and for the three-month period ended March 31, 2018, are included as an integral part of the current period condensed interim financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current interim period.

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

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

3. Auditors' responsibility

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

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

4. Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima for the three-month period ended March 31, 2019, are not presented, in all material respects, in accordance with IAS 34.

Review of the Informative Summary

As part of our work, the scope of which is described in the section 1 of this report, we have reviewed the Informative Summary required by National Securities Commission regulations and prepared by the Company's Board of Directors. We have no observations to report on this document in matters within our professional incumbency.

English translation of the condensed interim consolidated financial statements

This report and the accompanying condensed interim consolidated financial statements referred to in section 1 above have been translated into English for the convenience of English-speaking readers. As further explained in Note 2.1 to the accompanying condensed interim consolidated financial statements, the financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with IAS 34. The effects of the differences between International Financial Reporting Standards and the accounting principles generally accepted in the countries in which these financial statements are to be used have not been quantified. Accordingly, the accompanying condensed interim consolidated financial statements are not intended to present the financial position, profit or loss and other comprehensive income, changes in equity and cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements that have not adopted the International Financial Reporting Standards.

General Rodriguez, Province of Buenos Aires, May 9, 2019.

Deloitte & Co. S.A.

**Alberto López Carnabucci
(Partner)**

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