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INDEPENDENT AUDITORS' REPORT

(Limited review)

To the Board of Directors of
Mastellone Hermanos Sociedad Anónima
Encarnación Ezcurra 365/375 – 2° Floor – Suite 308
City of Buenos Aires

1. Identification of financial statements subjected to our review

We have reviewed the consolidated balance sheet of Mastellone Hermanos Sociedad Anónima and its consolidated subsidiaries (the "Company" – subsidiaries detailed in Note 2 a) to the consolidated financial statements) as of September 30, 2011, and the related consolidated statements of operations, shareholders' equity and cash flows together with their Notes 1 to 13 for the nine-month period ended September 30, 2011.

The consolidated balance sheet referred to above and the related Notes are presented with comparative information of the consolidated balance sheet and related Notes as of December 31, 2010.

The consolidated statements of operations, shareholders' equity and cash flows referred to above and their related Notes are presented with comparative information of the respective consolidated statements and Notes for the nine-month period ended September 30, 2010.

The Company's Board of Directors and Management are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting standards generally accepted in the Republic of Argentina for entities included in the public offering régime. The referred accounting standards are comprised by the Technical Resolutions issued by the Argentine Federation of Professional Councils in Economic Sciences, with the alternatives adopted by the National Securities Commission in those cases where the accounting standards allow for the application of more than one criterion ("Argentine GAAP"). This responsibility includes: (i) designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements so that they are free from material misstatement, whether due to fraud or error; (ii) selecting and applying appropriate accounting policies; and (iii) making accounting estimates that are reasonable in the circumstances. Our responsibility is to issue a limited review report on these consolidated financial statements based on the review carried out pursuant to the scope of work outlined in section 2.

2. Scope of our work

Our review was limited to the application of the procedures established by the auditing standards generally accepted in the Republic of Argentina. These standards determine a scope which is substantially less than the application of the auditing procedures necessary to be able to issue an audit opinion on the consolidated financial statements taken as a whole. Those standards basically consist of applying analytical procedures on amounts included in the consolidated financial statements and of making inquiries of persons responsible for preparing the information included in the consolidated financial statements. Consequently, we do not express an opinion on the Company's consolidated financial position at September 30, 2011, or the consolidated results of its operations, the changes in shareholders' equity or the consolidated cash flows for the nine-month period then ended.

3. Auditors' statement

Based on our work, as detailed in section 2. of this report, that did not include all the auditing procedures that would allow us to express an audit opinion on the consolidated financial statements subjected to our review, we report that:

a) the consolidated financial statements as of September 30, 2011 referred to in section 1. of this report have been prepared in agreement with the basis of consolidation described in Note 2 a) to the consolidated financial statements, which follows the guidelines of Technical Resolution N° 21 of the Argentine Federation of Professional Councils in Economic Sciences, and its Note 13, that contains segment information, has been prepared following the guidelines of Technical Resolution N° 18 of the same Federation; and

b) we have no observations to report on the information included in the consolidated financial statements referred to in the preceding paragraph.

With respect to the amounts corresponding to the fiscal year ended December 31, 2010 and the nine-month period ended September 30, 2010 presented as comparative information as explained in section 1. of this report, that arise from the corresponding consolidated financial statements issued by the Company for such year and period:

a) our audit report on the consolidated financial statements as of and for the year ended December 31, 2010 was issued with an unqualified opinion on March 10, 2011; and

b) our limited review report on the consolidated financial statements as of and for the nine-month period ended September 30, 2010 was issued on November 5, 2010 with no observations.

4. Special information required by regulations in force

a) The consolidated financial statements referred to in section 1. are presented in accordance with General Resolution N° 434/03 of the National Securities Commission of Argentina and are recorded in the registered book *Inventario y Balances.*

b) As a part of our work, the scope of which is described in section 2., we have reviewed the consolidated Informative Summary shown in pages 1 to 3, prepared by the Company's Management and Board of Directors and required by the National Securities Commission, on which, in what is subject of our competence, we have no observations to report. Our report dated November 7, 2008, on the consolidated financial statements for the nine-month period ended September 30, 2008, included an observation which described that if the Company had applied the criterion required by Argentine GAAP for the recognition of compensations to be collected from the Government, the Company's assets and shareholders' equity as of September 30, 2008 would have been lower by $10 million and the Net loss for the nine-month period then ended would have been lower by $27 million.

c) As per the above mentioned accounting records, the accrued liability under the Argentine Integrated Social Security System as of September 30, 2011, for pension contributions and withholdings to personnel, amounted to thousands of $ 10,560, and was not yet due at that date.

City of Buenos Aires, Argentina.
November 9, 2011

DELOITTE S.C.

José E. Lema (Partner)
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 103 - F° 60

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY
AS OF SEPTEMBER 30, 2011
(in thousands of Argentine pesos)

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

There were no changes in the trend seen during the preceding quarters, with a new increase in sales (in physical terms) in comparison with those of 2010. As we already said in our prior Consolidated Informative Summary, such achievement has been possible due to the growth in raw milk production (which could be processed and sold without significant pressures on sales prices in the domestic market) as well as the success in our cheese sales, a business segment in which we had a substantial increase in market share.

Economic results continued improving, in spite of the impact of losses from exchange differences related to the depreciation of the Brazilian currency and its impact on our subsidiary Leitesol. Although this situation reflects essentially a sound platform for the economic results from our business, it must be recognized that we also had the benefit from seasonal matters and the absence of certain additional costs (mostly labor costs) not fully reflected yet on our economic results.

2. SUMMARIZED CONSOLIDATED FINANCIAL POSITION

	09/30/2011	09/30/2010	09/30/2009	09/30/2008	09/30/2007
	(in thousand pesos)				
Current assets	1,498,361	1,103,548	774,497	674,791	586,892
Non-current assets	953,172	939,391	906,261	956,538	1,012,565
Total	**2,451,533**	**2,042,939**	**1,680,758**	**1,631,329**	**1,599,457**
Current liabilities	1,058,903	777,870	553,862	493,967	374,103
Non-current liabilities	889,445	792,060	794,357	670,403	680,420
	1,948,348	1,569,930	1,348,219	1,164,370	1,054,523
Minority participation in subsidiary companies	10	1	1	1	1
Shareholders' equity	503,175	473,008	332,538	466,958	544,933
Total	**2,451,533**	**2,042,939**	**1,680,758**	**1,631,329**	**1,599,457**

3. SUMMARIZED CONSOLIDATED STATEMENTS OF OPERATIONS

	09/30/2011	09/30/2010	09/30/2009	09/30/2008	09/30/2007
	(in thousand pesos)				
Operational ordinary results – income (loss)	93,768	65,868	126,481	(145,307)	(11,491)
Financial and holding results – (loss)	(81,025)	(42,276)	(95,322)	(38,951)	(33,174)
Other income and expenses, net – income (loss)	8,052	3,547	(1,067)	70,345	(14,390)
Subtotal – income (loss)	**20,795**	**27,139**	**30,092**	**(113,913)**	**(59,055)**
Income tax and alternative minimum income tax – loss	(31,018)	(21,384)	(17,289)	(4,116)	(14,207)
(Loss) income from continuing operations	**(10,223)**	**5,755**	**12,803**	**(118,029)**	**(73,262)**
Income from discontinued operations		1,434			
Minority interest in subsidiary companies – loss	(1)	(1)	(1)	(1)	(1)
Ordinary result – (loss) income	**(10,224)**	**7,188**	**12,802**	**(118,030)**	**(73,263)**
Extraordinary results – income		**91,179**			
Net (loss) income for the period	**(10,224)**	**98,367**	**12,802**	**(118,030)**	**(73,263)**

4. PRODUCTION AND SALES VOLUME (*)

	ACCUMULATED SALES				
	09/30/2011	09/30/2010	09/30/2009	09/30/2008	09/30/2007
	(in thousand liters of milk)				
Domestic market	1,135,828	1,042,605	950,383	948,396	960,463
Foreign market	161,256	135,143	223,267	56,147	119,752
Total	**1,297,084**	**1,177,748**	**1,173,650**	**1,004,543**	**1,080,215**

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

5. RATIOS

	09/30/2011	09/30/2010	09/30/2009	09/30/2008	09/30/2007
Current assets to current liabilities	1.42	1.42	1.40	1.37	1.57
Shareholders' equity to total liabilities	0.26	0.30	0.25	0.40	0.52
Non-current assets to total assets	0.39	0.46	0.54	0.59	0.63

6. OUTLOOK (*)

Our optimistic approach regarding our situation remains unchanged. Our growth policy as a way to improve our results will be continued. The main challenge to be faced in the short term comes from the cost side, where certain increases should be in some way transferred to the sales prices.

Another aspect to be taken in consideration is the seasonal pattern of our business, with a less favorable trend expected for the fourth quarter of 2011 and the first quarter of 2012, resulting in an adverse impact on our short term results.

7. CURRENT STATUS IN THE FULFILLMENT OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") IMPLEMENTATION PLAN (*)

As a result of the monitoring of the specific IFRS implementation plan, the Board of Directors is not aware of any circumstance that requires modifications to the plan or that indicates an eventual deviation from the established objectives and dates. See Note 12 to the consolidated financial statements.

8. CALCULATION OF THE EBITDA FOR THE NINE MONTH PERIOD FROM 1.01.2011 TO 30.09.2011 AND FOR THE TWELVE MONTH PERIOD FROM 1.10.2010 TO 30.09.2011 (*)

A calculation of EBITDA for the nine-month period from January 1, 2011 to September 30, 2011 and the twelve month period from October 1, 2010 to September 30, 2011 (according to its definition under the terms of the agreement of the debt refinancing of May 2010) ("Contractual (1) (2) EBITDA") has been included below. This calculation is presented only to be used as guidance by holders and any other interested parties. The calculation, which is stated in thousands of pesos, should be considered an estimate subject to adjustments and not to be an indication, either explicit or implicit, of the Contractual EBITDA amount for the future.

			09/30/2011 9 month period (January 1 to September 30, 2011)		09/30/2011 12 month period (October 1, 2010 to September 30, 2011)
1	Net (loss) income		(10,224)		30,167
2	Income tax		31,018		26,917
3	Amortization				
	Amortization of intangible assets		557		723
4	Depreciation		58,829		78,219
	Depreciation of property, plant and equipment	58,797		78,169	
	Amortization of other investments	32		50	
5	Fixed charges		68,039		87,417
	Interest generated by liabilities	68,039		87,417	
	Secured debt payments by the Company				
	Payment of dividends on preferred stock				
6			20,263		7,829
	All exchange differences	58,105		58,489	
	All holding results	(61,525)		(83,889)	
	All inflation adjustement				
	Other non-cash items:				
	Net adjustment to present value of debt	23,683		33,229	
7	Minority interest		1		1
8	Other charges which have not and will not imply a cash movement		73,775		99,074
	Cost of sales – holding results	61,525		83,889	
	Supplies consumption	10,958		14,052	
	Reversal of impairment valuation allowance for investments in other companies	(17)		(17)	
	Reversal of impairment valuation allowance for other assets	(4)		(25)	
	Write-off of spare parts	1,313		1,175	
	Total EBITDA contractual		**242,258**		**330,347**

(1) Contractual EBITDA may differ from the EBITDA or Adjusted EBITDA, all being measures that the Company may present in other documents and that shows additional information about its ability to pay its debt, but that do not arise from professional accounting standards. No form of EBITDA should be considered in isolation or as a substitute of other measures of financial performance or liquidity or as a substitution of measures arising from professional accounting standards. We believe that EBITDA is a measure commonly reported and widely used by investors and other interested parties in the industry as a measure of a company's operating performance and debt servicing ability because it assists in comparing performance on a consistent basis without computing depreciation and amortization charges, among others. However, Contractual, Adjusted EBITDA or similar measures may not be comparable in all instances to other similar types of measures used by other companies.

(2) Contractual EBITDA amounts presented above are based on historical transactions of the Company for the above mentioned periods in each case, and do not constitute estimations or provisions for the amounts that could be achieved in the future. The Company does not undertake responsibility for possible differences which could exist.

(*) Information not reviewed by the Auditors.

Buenos Aires, November 9, 2011

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 2011
(compared with the related figures at December 31, 2010)
(in thousands of Argentine pesos)

	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	213,355	39,907
Investments	8,439	2,110
Trade accounts receivable, net (Notes 3 a) and 7)	567,311	469,862
Other receivables, net (Notes 3 b) and 7)	62,054	91,755
Inventories (Notes 3 c) and 7)	647,202	584,311
Other assets		197
Total Current Assets	**1,498,361**	**1,188,142**
NON-CURRENT ASSETS		
Other receivables, net (Notes 3 b) and 7)	59,086	70,392
Investments	12,066	10,440
Spare parts and supplies (Note 3 d)	48,876	41,720
Property, plant and equipment, net (Notes 3 e) and 7)	826,235	820,228
Intangible assets, net	3,778	4,320
Other non-current assets	10	10
Subtotal	**950,051**	**947,110**
Goodwill (Note 2.c) 10)	3,121	3,121
Total Non-Current Assets	**953,172**	**950,231**
TOTAL	**2,451,533**	**2,138,373**
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable (Note 3 f)	699,877	531,970
Loans (Notes 3 g), 5 and 7)	135,131	34,939
Taxes, accrual for tax relief and others (Note 3 h)	61,472	48,496
Accrued salaries, wages, payroll taxes and others (Note 3 i)	154,293	126,919
Accrued litigation and other expenses (Note 3 j)	8,130	8,980
Total Current Liabilities	**1,058,903**	**751,304**
NON-CURRENT LIABILITIES		
Accounts payable		22
Loans (Notes 3 g), 5 and 7)	789,245	759,801
Taxes and accrual for tax relief (Notes 3 h), 7 and 8)	76,942	85,712
Accrued salaries, wages, payroll taxes and others	5,117	7,868
Accrued litigation and other expenses (Note 3 j)	18,141	20,266
Total Non-Current Liabilities	**889,445**	**873,669**
Total Liabilities	**1,948,348**	**1,624,973**
MINORITY INTEREST	**10**	**1**
SHAREHOLDERS' EQUITY	**503,175**	**513,399**
TOTAL	**2,451,533**	**2,138,373**

The accompanying Notes are an integral part of these consolidated financial statements.

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011 (compared with the related figures for the nine-month period ended September 30, 2010)
(in thousands of Argentine pesos)

	September 30, 2011	September 30, 2010
Net sales (Note 3 k)	4,437,277	3,215,754
Cost of sales (Note 3 l)	(3,319,242)	(2,391,473)
Gross income	**1,118,035**	**824,281**
Expenses:		
Selling (Note 3 m)	(871,747)	(641,805)
General and administrative (Note 3 m)	(151,489)	(115,664)
Other (Note 3 m)	(1,031)	(944)
Subtotal	**93,768**	**65,868**
Interest expense	(68,039)	(53,979)
Interest income	7,277	6,826
Holding results, foreign exchange (loss) gain, net, and other financial results (including charges due to adjustments to present value)	(20,263)	4,877
Other income (expenses), net (Note 3 n)	8,052	3,547
Income before taxes, discontinued operations, minority interest and extraordinary item	**20,795**	**27,139**
Income tax and alternative minimum income tax (Note 3 o)	(31,018)	(21,384)
Net (loss) income from continuing operations	**(10,223)**	**5,755**
Income from discontinued operations before income taxes		2,154
Income tax (Note 3 o)		(720)
Net income from discontinued operations (Note 11 b)	**-**	**1,434**
Minority interest	**(1)**	**(1)**
Net (loss) income before extraordinary item	**(10,224)**	**7,188**
Extraordinary item – Income (Note 3 p)		**91,179**
Income tax (note 3 q)		
Extraordinary income		**91,179**
NET (LOSS) INCOME FOR THE PERIOD	**(10,224)**	**98,367**
(Loss) income earnings per common share		
(Loss) income before extraordinary income	(0.02)	0.01
Extraordinary income		0.20
Total	**(0.02)**	**0.21**

The accompanying Notes are an integral part of these consolidated financial statements.

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011
(compared with the related figures for the nine-month period ended September 30, 2010)
(in thousands of Argentine pesos)

	September 30, 2011				**September 30, 2010**
	Shareholders' contributions	Retained earnings		Total	Total
	Common stock	Legal reserve	Accumulated earnings (losses)		
Balance at beginning of year	**457,547**		**55,852**	**513,399**	**374,641**
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on March 31, 2011: Appropriation to legal reserve (Note 6)		15,273	(15,273)		
Net (loss) income for the period			(10,224)	(10,224)	98,367
Balance at end of period	**457,547**	**15,273**	**30,355**	**503,175**	**473,008**

The accompanying Notes are an integral part of these consolidated financial statements.

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011
(compared with the related figures for the nine-month period ended September 30, 2010)
(in thousands of Argentine pesos)

	September 30, 2011	September 30, 2010
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities:		
Net (loss) income before extraordinary item	(10,224)	7,188
Adjustments to reconcile net ordinary (loss) income for the period to net cash provided by operating activities:		
Interest expense	68,039	53,979
Income tax and alternative minimum income tax accrued	31,018	22,104
Depreciation of property, plant and equipment	58,797	56,913
Supplies consumption	10,958	8,141
Additions to provision for doubtful accounts, sale rebates, other assets, litigation and contingencies (net of reversals)	4,224	5,020
Depreciation of other investments	32	20
Amortization of intangible assets	557	273
Write-off of spare parts	1,313	810
Financial and holding results, net	77,248	56,425
Gain on sale of property, plant and equipment	(2,190)	(1,017)
Payments of income tax and alternative minimum income tax	(18,551)	(19,663)
Net change in working capital and other components (Note 2.c) 19)	38,646	(17,400)
Net cash provided by operating ordinary activities	**259,867**	**172,793**
Extraordinary item – Income		91,179
Adjustments to reconcile extraordinary item - income to net cash used in extraordinary operating activities:		
Debt restructuring result		(110,367)
Net cash used in extraordinary item	**-**	**(19,188)**
Net cash provided by operating activities	**259,867**	**153,605**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(65,271)	(29,508)
Purchase of intangible assets	(15)	(358)
Acquisition of other investments	(7,952)	(8)
Proceeds from sale of property, plant and equipment	2,858	2,776
Acquisition of subsidiary		(2,252)
Net cash used in investing activities	**(70,380)**	**(29,350)**
Cash flows from financing activities:		
Net variation in loans	27,295	(16,373)
Payments of interests	(43,334)	(68,698)
Net cash used in financing activities	**(16,039)**	**(85,071)**
Increase in cash and cash equivalents	**173,448**	**39,184**
Cash and cash equivalents at beginning of year	**39,907**	**48,425**
Cash and cash equivalents of acquired subsidiary		**3,556**
Subtotal	**39,907**	**51,981**
Cash and cash equivalents at end of period	**213,355**	**91,165**

The accompanying Notes are an integral part of these consolidated financial statements.

(in thousands of Argentine pesos)

NOTE 1 - THE COMPANY - OPERATIONS AND MAJOR CUSTOMERS

Mastellone Hermanos Sociedad Anónima, together with its consolidated subsidiaries (the "Company"), is the Argentina's leading processor and manufacturer of fresh consumption dairy products.

Its sales are concentrated in the Buenos Aires metropolitan area, Argentina's largest market for such products, but the Company's operations mostly cover every significant market throughout the rest of the country.

The Company also exports dairy products (mainly powdered milk) and provides a number of services (including raw milk procurement and industrial services) to Danone Argentina S.A. (Danone) under long-term agreements (see Note 9).

No single customer accounts for in excess of 10% of the Company's net sales.

The Company's sales by distribution channels were as follows:

	September 30,2011	**September 30,2010**
Domestic sales:		
Traditional retailers and supermarkets	3,286,806	2,569,896
Government and commercial bids	315,485	221,757
Other	178,610	35,852
Services	131,118	61,927
Export / Foreign	525,258	326,322
Total	**4,437,277**	**3,215,754**

NOTE 2 - ACCOUNTING POLICIES

a) Consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in force in Argentina ("Argentine GAAP") applicable to consolidated financial statements.

Certain accounting practices applied by the Company that are in accordance with Argentine GAAP do not conform to Generally Accepted Accounting Principles in the United States ("US GAAP"). The format and certain disclosures included in these consolidated financial statements have been adapted to have a closer appearance to financial statements usually presented in the United States.

The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidation.

The accounts of the following companies were included in consolidation:

Company	% of holding September 30, 2011	December 31, 2010	September 30, 2010
Con-Ser S.A. (1)	100.00	100.00	100.00
Frigorífico Rydhans S.A. (2)			100.00
Leitesol I.C.S.A. (3)	100.00	100.00	100.00
Marca 4 S.A.	99.99	99.99	99.99
Marca 5 Asesores en Seguros S.A.	99.99	99.99	99.99
Mastellone Hermanos do Brasil Comercial e Industrial e Ltda (dormant)	100.00	100.00	100.00
Mastellone San Luis S.A.	100.00	100.00	100.00
Promas S.A.	100.00	100.00	100.00
Puraláctea S.A.	100.00	100.00	100.00
Transporte Lusarreta Hermanos S.A. (4)	100.00	100.00	100.00

(1) Company acquired in the year 2010. See note 11 a).
(2) Company sold in the year 2010. See note 11 b).
(3) Leitesol I.C.S.A. is a Brazilian subsidiary of Mastellone Hermanos Sociedad Anónima. It is an integrated subsidiary, with no independent cash flow, trading exclusively Company's products in the Brazilian market. The re-measurement of the financial statements of Leitesol I.C.S.A. from foreign currency to local currency was credited or charged to the consolidated statements of operations.
(4) Transporte Lusarreta Hermanos S.A. is an indirect subsidiary company because it is controlled by Con- Ser S.A.

b) <u>Revenue recognition</u>

The Company and its foreign subsidiary recognize revenue from product sales when a product has been delivered and risk of loss has passed to the customer, collection of the resulting receivable is probable, persuasive evidence of an arrangement exists, and the price is fixed or determinable. Delivery occurs, in the case of product sales to domestic customers, when products are received by or physically transferred to the custody of the customers, generally at their respective warehouses as the term of such shipments is usually FOB Destination. In the case of product sales to customers outside Argentina, delivery occurs after the Company has completed customs shipment procedures domestically and has transferred custody of the product to buyer's transportation carrier as the term of such shipments is usually FOB Shipping Point. The Company records cash discounts and volume rebates at the time the related revenue from product sale is recognized. Such discounts are reported as reduction from the related revenue from product sale. It also maintains allowance for doubtful accounts based on customer collection history and for trade discounts and sales returns based on historical experience.

The Company recognizes service revenues as follows: (i) production of specific products on behalf of other companies ("façon" agreements) – when a customer picks up the product produced from the Company's manufacturing facilities; (ii) procurement of raw milk for Danone– when the Company delivers the raw milk it procured to the manufacturing facility of Danone; and (iii) provision of marketing and other administrative services to Logística La Serenísima Sociedad Anónima – over the agreed service period.

c) Valuation criteria

1) Accounting principles

   The Company applies the valuation and presentation criteria established by Technical Resolutions N° 8, 9, 16, 17, 18, 21, 22 and 23 and Interpretations N° 1 to 4, if applicable, taking into consideration versions in force as of September 30, 2011, approved by the Argentine Federation of Professional Councils in Economic Sciences (“F.A.C.P.C.E.”), with certain modifications introduced by the Argentine National Securities Commission (Comisión Nacional de Valores or CNV).

   In the case of non-monetary assets added before March 1, 2003, costs were restated to reflect the effects of inflation as of February 28, 2003 (according to Technical Resolution N° 6 issued by the F.A.C.P.C.E., in force from January 2002 through the above mentioned date).

2) Monetary items - Cash, cash equivalents, receivables and liabilities stated in Argentine pesos, have been valued at their nominal values plus accrued interest as of the end of the period or year, when applicable.

   Non-interest earning or bearing receivables and payables have been valued at their present value.

3) Foreign currency denominated assets and liabilities – Foreign currency denominated assets and liabilities have been stated at the closing exchange rate plus accrued interest as of the end of the end of the period or year, when applicable. On March 6, 2002, the Professional Council in Economic Sciences of the City of Buenos Aires issued Resolution MD N° 3/2002 that mandated the capitalization of exchange differences arising from foreign currency denominated liabilities used to finance, directly, the acquisition, production or construction of an asset. Resolution MD N° 3/2002 included also an option to capitalize exchange differences in other assets financed indirectly with foreign currency denominated liabilities. The Company adopted such optional treatment for the acquisition or construction of property, plant and equipment indirectly financed in foreign currencies (see point 7 below).

   Resolution CD N° 87/2003 issued by the Professional Council in Economic Sciences of the City of Buenos Aires and effective July 28, 2003, superseded Resolution MD N° 3/2002, so that the Company capitalized exchange differences generated up to the abovementioned date, which are currently part of the assets’ cost, net of the corresponding depreciation.

   Foreign currency denominated receivables and payables, non-interest earning or bearing, have been valued at their present value.

4) Inventories

- Finished goods - These are stated at the current replacement cost at the end of the period or year, as applicable, net of those expenses related to production inefficiencies or idle capacity of plants, if any. Such expenses are recognized in earnings under caption “Other”, included in operating expenses in the consolidated statement of operations.

- Raw materials, packaging materials, and work in progress - These are valued at their current replacement cost at the end of the period or year, as applicable, or at price of last purchases, which does not materially differ from the estimated replacement cost. Inventories write-offs are directly charged to the consolidated statement of operations.

The value of inventories thus determined does not exceed their estimated recoverable value (which is net realizable value, meaning net selling price less direct selling expenses).

5) Spare parts and supplies

These are stated at acquisition or current replacement cost at the end of the period or year, or, when applicable, at price of last purchases, which does not materially differ from the estimated replacement cost.

The value of spare parts and supplies does not exceed their estimated recoverable value.

6) Current and non-current investments

Current investments mainly correspond to private bonds with no quotation valued at cost plus interest accrued.

Non current investments mainly consist of certain properties and an aircraft (valued at cost as restated to reflect the effects of inflation, net of accumulated depreciation) and investments in other companies valued at cost.

7) Property, plant and equipment

- Original value:

  - Property, plant and equipment – These assets are valued at cost as restated to reflect the effects of inflation. Construction in progress includes interest capitalized during the construction period related to loans obtained to finance these constructions, also as restated to reflect the effects of inflation.

    In the case of plantations and assets allocated to the agricultural activity, since it was not possible to obtain the replacement cost of plantations, these are valued at cost as restated to reflect the effects of inflation, and have been depreciated since the start-up of the project, occurred in January 2008. The balance includes development costs for the plantation, as well as the capitalization of interest and exchange differences related to loans obtained to finance the aforementioned plantations.

- Capitalization of exchange losses – As discussed in point 3) above, exchange losses generated until July 27, 2003 arising from the direct or indirect financing for the acquisition, construction or installation of property, plant and equipment, were capitalized as part of the cost of such assets, net of the effect of restating the historical costs to reflect the effects of inflation.

- Depreciation - Depreciation is calculated using the straight-line method on the restated balances of the assets.

  Rates applicable are as follows

	%
Land and buildings	2, 2.5, 2.86 and 4
Machinery and equipment, containers and tools	5, 10, 20 and 33
Fittings, laboratory equipment and furniture	5, 10 and 25
Vehicles	20
Olive plantations	2
Drillings	5
Buildings improvements	3, 4 and 20

The Company has estimated that the amount recorded under caption “Property, Plant and Equipment, net” corresponding to Mastellone Hermanos S.A. will be recoverable, based on projections for the average term of the useful life of such assets.

8) Intangible assets

- Original value – These are carried at cost as restated to reflect the effects of inflation.

- Amortization – It was computed on a straight-line basis, over its estimated useful life. It is computed on the restated cost of the assets.

The value of intangible assets thus determined does not exceed their estimated recoverable value.

9) Other assets

These consist of property and equipment (all included in the dairy products segment) withdrew from production and held for sale and are valued at their net realizable value (that is, fair market value less selling expenses) at the end of the period or year, as applicable. These assets are not depreciated.

Loss related to the write-down to fair value less selling expenses is included under caption “Other income (expenses), net”.

10) Goodwill

In accordance with the purchase method described in Technical Resolution N° 21 of the F.A.C.P.C.E., in fiscal year 2010, the Company allocated the purchase price of Con-Ser S.A. shares at the date of acquisition (See Note 11 a). Assets identified and liabilities of Con-Ser S.A. were respectively measured at their fair value and cancellation cost at the date of acquisition. As a consequence of such allocation, the value of the Con-Ser S.A.'s net assets was higher than the book value of Con-Ser S.A. in 30,266 (amount net of the deferred tax effect). The goodwill value, that is, the difference between the purchase price and the allocation value of the net assets, amounted to 3,121. This business is closely related to the Company´s, and so, the goodwill has an indefinite useful life and consequently, it is not amortized.

The value of goodwill thus determined does not exceed its estimated recoverable value.

11) Loans other than restructured financial debt:

These are stated at nominal value of the principal plus interest accrued at the end of the period or year, as applicable. Senior Notes Series E – final due 2013 are shown net of commissions and expenses related to the issuance.

12) Financial debt restructured (See note 5)

Argentine accounting standards establish that when a debt instrument is exchanged by another one with "substantially different" terms, according to quantitative criteria set in such standards (in the case of the financial debt restructured in 2004, there was a remission of principal, changes in the interest rates and modifications in the maturity dates, and in the case of the financial debt restructured in 2010, there were changes in the interest rates and modifications in the maturity dates), it is considered an extinguishment of the original debt, with the original debt instrument derecognized in the consolidated balance sheet. The new debt is initially recorded based on the best estimate of the present value of the future cash flows that are to be paid (including interest) under the terms of the new debt instrument, discounted at a rate commensurate with the risks of the debt instrument, and time value of money. The financial debt restructured in 2010 and 2004 was measured considering the principal plus interests accrued as of the end of each year, net of the adjustment to present value, in accordance with the abovementioned accounting standard. Interest rate of 14% per annum was used to determine the present value of the future cash flows of the debt restructured in 2010.

13) Shareholders´ equity accounts

Capital stock and legal reserve have been stated at their historical nominal value. Retained earnings (losses) have been restated to reflect the effects of inflation.

13) Holding results, foreign exchange (loss) gain, net, and other financial results

These consist of the difference between the carrying value of inventories and their historical cost, the gain or losses on foreign currency transactions, and charges due to adjustments to present value.

14) Advertisement expense

All advertisement costs are expensed as incurred.

15) Income taxes

The income tax amounts shown in the consolidated statements of operations were accrued by each of the consolidated entities. Deferred tax assets and liabilities are recognized for the future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax benefits of tax loss carry-forwards are also recognized as deferred tax assets. Deferred tax assets are reduced by a valuation allowance to the extent the Company concludes that, more likely than not, these assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that the change is enacted. Based on projections, a valuation allowance has been recorded to reduce the deferred tax assets of the Company and most of its subsidiaries, since the realization of these assets is uncertain.

The statutory income tax rate for the period ended September 30, 2011 was 35%.

The Company, in accordance with the accounting principles in force during past fiscal years in the jurisdiction of the City of Buenos Aires (Resolution CD N° 87/03 issued by the Professional Council in Economic Sciences of the City of Buenos Aires – C.P.C.E.C.A.B.A.), and the accounting principles in force since January 1, 2006 (Resolution CD N° 93/05 issued by C.P.C.E.C.A.B.A.), considers as a permanent difference the residual value of the restatement of property, plant and equipment balances to reflect the impact of inflation, recorded from January 2002 through February 2003, for deferred taxation purposes. Therefore, following General Resolution N° 487/06 of the National Securities Commission (CNV), the Company informs that, had it chosen to consider as a temporary difference the restatement of property, plant and equipment balances to reflect the impact of inflation, a deferred tax liability of 124,475 would have been recognized as of September 30, 2011, with a credit to earnings of the period then ended due to income tax of 9,004 and a charge to Accumulated Losses of 133,479 as of December 31, 2010. Furthermore, had the Company chosen the abovementioned criteria, it would record a lesser charge due to income tax for the following fiscal years (due to the reversal of the deferred tax liability), as compared to the charge it will record by following the criteria used as at present date, which would have been recorded in an average estimated term of 12 years.

17) (Loss) income per common share

It has been computed on the basis of the average number of 457,547,269 shares as of September 30, 2011 and 2010 and broken-down between ordinary and extraordinary amounts. There is no EPS dilution, as there is no preferred stock or convertible-bonds issued.

18) Segment information

It is presented in Note 13 with the information required by Argentine GAAP.

19) Cash flow information

Detail of the net change in working capital and other components is as follows:

	September 30,2011	**September 30,2010**
Trade accounts receivable	(103,208)	(39,844)
Other receivables	41,099	(26,557)
Inventories	(62,891)	(89,246)
Spare parts and supplies	(19,427)	(8,914)
Accounts payable	167,885	114,751
Taxes, accrual for tax relief and other	(8,375)	15,100
Accrued salaries, wages, payroll taxes and other	24,508	18,846
Accrued litigation and other expenses	(945)	(1,536)
Total	**38,646**	**(17,400)**

20) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

21) Contingencies

The Company and its subsidiaries are parties to various legal and administrative actions arising in the course of their businesses. Although the amount of any liability that could arise with respect to such actions cannot be determined with certainty, in the opinion of the Company, such actions will not, individually or in the aggregate, have a material effect on the Company's consolidated financial position or results of operations.

22) Risk management

The Company currently operates principally in Argentina. The Company’s financial performance is affected by inflation, exchange rates and regulations, price controls, interest rates, changes in governmental economic policy, taxation and political, economic or other developments in or affecting Argentina. The majority of the Company’s assets are either non-monetary or denominated in Argentine pesos, and the majority of its liabilities are denominated in U.S. dollars (see Note 5).

The Company does not have any unsettled forward agreement at period end.

23) Labor agreements

As per country regulations most of labor force is subject to collective bargaining agreements.

NOTE 3 - BREAKDOWN OF MAIN ACCOUNTS

	September 30, 2011	**December 31, 2010**
a) Trade accounts receivable, net - Current		
Third parties (domestic) (Note 7)	419,346	299,633
Logística La Serenísima S.A. and Danone Argentina S.A. (Note 4)	146,919	166,297
Other related parties (domestic – Note 4)	381	180
Third parties (foreign) and tax incentives on exports	15,846	18,802
Subtotal	**582,492**	**484,912**
Allowance for doubtful accounts	(10,399)	(9,409)
Allowance for trade discounts and volume rebates	(4,782)	(5,641)
Total	**567,311**	**469,862**

The movement of the allowance for doubtful accounts is as follows:

Balance at the beginning of the year	9,409	6,267
Acquisition of subsidiary		1,245
Decrease due to sale of subsidiary company		(72)
Additions	1,973	1,723
Transfers	(871)	150
Write-offs		(48)
Re-measurement of foreign subsidiaries allowances	(112)	144
Balance at the end of the period / year	**10,399**	**9,409**

The movement of allowance for trade discounts and volume rebates is as follows:

Balance at the beginning of the year	5,641	3,144
Decrease due to sale of subsidiary company		(47)
Additions	3,898	5,206
Actual trade discounts and volume rebates granted	(4,757)	(2,662)
Balance at the end of the period / year	**4,782**	**5,641**

	September 30, 2011	December 31, 2010
b) Other receivables, net		
Current		
Net value added tax	18,960	50,731
Régime for the professionalization of transport	9,406	6,136
Prepaid expenses	7,736	3,810
Receivables from sale of non-current investments (Note 11 b)	5,573	6,018
Turnover tax credit	4,819	4,933
Other tax credits	3,834	7,667
Guarantee deposits (Note 7)	3,516	3,906
Income tax and alternative minimum income tax receivable	2,893	1,523
Advances to suppliers	585	1,488
Insurance receivable	606	214
Related parties (Note 4)		342
Receivables from customers in receivership and in bankruptcy	182	165
Other	4,582	5,443
Subtotal	**62,692**	**92,376**
Allowance for doubtful accounts	(638)	(621)
Total	**62,054**	**91,755**
Non-current		
Alternative minimum income tax and deferred income tax (1) (Note 10)	166,592	150,905
Net value added tax	15,712	24,173
Advances to suppliers	17,085	16,069
Receivables from sale of non-current investments (Note 11 b)	14,018	13,284
Receivables from customers in receivership and in bankruptcy	5,903	7,505
Other tax credits	676	1,277
Guarantee deposits (Note 7)	26	35
Other	2,145	2,122
Subtotal	**222,157**	**215,370**
Allowance for doubtful accounts	(5,506)	(7,501)
Valuation allowance for alternative minimum income tax and deferred income tax	(157,565)	(137,477)
Total	**59,086**	**70,392**

(1) The breakdown of alternative minimum income tax and deferred income tax is as follows:

	September 30, 2011	December 31, 2010
Alternative minimum income tax	101,211	87,914
Deferred tax assets		
Tax loss carryforwards	87,210	94,402
Allowances, accrual for litigation expenses and other non-deductible accruals	12,701	12,607
Inventories	8,179	7,916
Subtotal	**209,301**	**202,839**
Valuation allowance	(157,565)	(137,477)
Subtotal	**51,736**	**65,362**
Deferred tax liabilities		
Property, plant and equipment	(928)	(1,664)
Adjustment to present value	(41,781)	(50,270)
Subtotal	(42,709)	**(51,934)**
Total	**9,027**	**13,428**

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	Tax loss carry-forwards expired in the period / year	Balance of acquired subsidiary	Decrease due to sale of subsidiary company	Charge (credit) for the period / year	Balance at the end of the period / year	
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(45,995)					10,189	(35,806)	(1)
Tax loss carry-forwards	94,402	(14,132)	(995)			7,935	87,210	
Total as of September 30, 2011	**48,407**	**(14,132)**	**(995)**	**-**	**-**	**18,124**	**51,404**	
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(6,044)			(15,055)	(113)	(24,783)	(45,995)	(2)
Tax loss carry-forwards	88,543	(6,208)	(1,501)	1,372		12,196	94,402	
Total as of December 31, 2010	**82,499**	**(6,208)**	**(1,501)**	**(13,683)**	**(113)**	**(12,587)**	**48,407**	

(1) From such amount, 21,829 is shown under caption “Non-current Other receivables, net” and 13,977 is shown under caption “Non-current Taxes, accrual for tax relief and other”.

(2) From such amount, 31,411 is shown under caption “Non-current Other receivables, net” and 14,584 is shown under caption “Non-current Taxes, accrual for tax relief and other”.

	September 30, 2011	December 31, 2010
The movement of allowance for doubtful accounts is as follows:		
Current		
Balance at the beginning of the year	621	617
Balance of acquired subsidiary		84
Decrease due to sale of subsidiary company		(30)
Additions	17	
Write-offs		(50)
Balance at the end of the period / year	**638**	**621**
Non-current		
Balance at the beginning of the year	7,501	6,597
Balance of acquired subsidiary		444
Decrease due to sale of subsidiary company		(67)
Additions	39	132
Transfers	871	(150)
Write-offs	(2,831)	(172)
Re-measurement of foreign subsidiaries allowances	(74)	717
Balance at the end of the period / year	**5,506**	**7,501**

The movement of valuation allowance for alternative minimum income tax and deferred income tax is as follows:

Balance at the beginning of the year	137,477	162,784
Additions (reversals)	21,083	(15,920)
Write-offs	(995)	(8,490)
Remeasurement of foreign subsidiaries allowances		(897)
Balance at the end of the period / year	**157,565**	**137,477**

c) Inventories

Finished goods	276,486	264,871
Work in progress	167,555	131,865
Raw materials, packaging, other materials and goods in transit	198,274	184,980
Advances to suppliers	4,887	2,595
Total	**647,202**	**584,311**

	September 30, 2011	December 31, 2010

d) Spare parts and supplies

Spare parts (*)	22,470	21,770
Supplies	26,406	19,950
Total	**48,876**	**41,720**

(*) Net of write-off for an amount of 1,313 as of 09/30/2011 and 672 as of 12/31/2010 charged to "Cost of sales".

e) Property, plant and equipment, net

Land and buildings	281,869	287,660
Machinery and equipment, containers and tools (1)	232,409	241,847
Fittings, laboratory equipment and furniture	158,340	165,619
Vehicles (2)	22,637	21,416
Olive plantations	36,386	42,483
Drillings	1,760	1,937
Buildings improvements	24,092	21,227
Construction and carobs in progress and other	60,753	37,123
Subtotal	**818,246**	**819,312**
Advances to suppliers	7,989	916
Total	**826,235**	**820,228**

(1) Includes machinery operated by the subsidiary company Promas S.A. amounting to 5,863 as of 09/30/2011 and 1,058 as of 12/31/2010.
(2) Includes vehicles operated by frighters of Con-Ser S.A. (see Note 11 a) and Logistica la Serenísima S.A. amounting to 6,626 as of 09/30/2011 and 7,053 as of 12/31/2010 (see Note 9 a).

The movement of property, plant and equipment, net is as follows:

Net value at the beginning of the year	820,228	791,933
Balance of acquired subsidiary		57,161
Decrease due to sale of subsidiary company		(9,078)
Acquisitions	65,271	41,771
Transfers		16,072
Retirement and disposals	(467)	(2,015)
Depreciation	(58,797)	(75,616)
Balance at the end of the period / year	**826,235**	**820,228**

f) Accounts payable - Current

Trade payables	608,504	446,763
Logística La Serenísima S.A. and Danone Argentina S.A. (Note 4)	90,721	84,928
Other related parties (Note 4)	652	279
Total	**699,877**	**531,970**

	September 30, 2011	December 31, 2010
g) Loans		
Short-term debt		
Principal:		
Senior notes and loan debt:		
Senior Notes:		
Senior Notes due 2012	19,483	
Senior Notes Series A, B and C – due 2018	15,041	
Senior Notes Series D – final due 2015	3,154	1,988
Subtotal	37,678	1,988
Loan:		
Loan debt – tranche A – final due 2015	11,463	8,100
Loan debt – tranche B – final due 2018	1,515	
Non-restructured Collateralized Floating Rate Debt	48	91
Subtotal	13,026	8,191
Subtotal – Senior Notes and loan debt	**50,704**	**10,179**
Other financial debt:		
Unsecured debt	2,040	1,674
Unsecured debt – related parties (Note 4)	1,123	1,062
Secured debt	61,831	21,134
Subtotal – other financial debt	**64,994**	**23,870**
Total principal	**115,698**	**34,049**
Accrued interest:		
Related parties (Note 4)	6	3
Unsecured and secured debt	19,904	887
Total accrued interest	**19,910**	**890**
Adjustment to net present value:		
Senior Notes due 2012	(477)	
Total adjustment to net present value	**(477)**	
Total	**135,131**	**34,939**

	September 30, 2011	December 31, 2010
Long-term debt		
Principal:		
Senior Notes and loan debt:		
Senior Notes:		
Senior Notes Series A, B and C – due 2018	586,593	576,822
Senior Notes Series D – final due 2015	37,845	37,772
Senior Notes due 2012		18,422
Senior Notes Series E – final due 2013 (net of commissions and expenses related to the issuance by 3,435 at 09/30/2011 and 4,409 at 12/31/2010)	80,665	75,111
Subtotal	705,103	708,127
Loan:		
Loan debt – tranche A – final due 2015	137,550	137,285
Loan debt – tranche B – final due 2018	59,100	57,314
Subtotal	196,650	194,599
Subtotal – Senior Notes and loan debt	**901,753**	**902,726**
Other financial debt:		
Secured debt	6,391	703
Subtotal – other financial debt	**6,391**	**703**
Total principal	**908,144**	**903,429**
Adjustment to net present value:		
Senior Notes Series A, B and C – due 2018	(76,321)	(91,171)
Senior Notes Series D – final due 2015	(7,528)	(9,176)
Senior Notes due 2012		(870)
Loan debt – tranche A – final due 2015	(27,159)	(33,352)
Loan debt – tranche B – final due 2018	(7,891)	(9,059)
Total adjustment to net present value	**(118,899)**	**(143,628)**
Total	**789,245**	**759,801**

h) Taxes, accrual for tax relief and other

Current		
Taxes, rates and contributions (net from advances)	17,169	14,288
Tax withholdings	36,537	29,266
Payment plan – Law N° 26,476 (Note 11 a)	5,880	2,376
Tax – Law N° 23,966	1,886	2,566
Total	**61,472**	**48,496**

	September 30, 2011	December 31, 2010
Non-current		
Payment plan – Law N° 26,476 (Note 11 a)	38,710	43,922
Accrual for tax relief – Law N° 22,021 (Notes 7 and 8)	22,894	22,894
Deferred income tax (1)	13,977	14,584
Taxes, rates and contributions	1,361	4,312
Total	**76,942**	**85,712**

(1) The breakdown of deferred income tax is as follows:

Deferred tax liabilities:		
Property, plant and equipment	15,663	16,180
Inventories	(293)	
Non-deductible allowances	(1,393)	(1,596)
Total	**13,977**	**14,584**

i) Accrued salaries, wages, payroll taxes and others - Current

Payroll and bonus to management	83,013	68,556
Social security taxes	28,702	26,209
Advances from customers	34,059	24,358
Related parties (Note 4)	378	8
Other	8,141	7,788
Total	**154,293**	**126,919**

j) Accrued litigation and other expenses

Current		
Accrued litigation expenses	925	1,365
Other accrued expenses	7,205	7,615
Total	**8,130**	**8,980**
Non-current		
Accrued litigation expenses	16,512	18,375
Other accrued expenses	1,629	1,891
Total	**18,141**	**20,266**

	September 30, 2011	December 31, 2010

The movement of accrued litigation and other expenses is as follows:

Current		
Balance at the beginning of the year	8,980	6,586
Balance of acquired subsidiary		335
Increases		888
Payments made	(726)	(1,267)
Re-measurement of foreign subsidiaries allowances	(348)	525
Transfer from non-current allowance	224	1,913
Balance at the end of the period / year	**8,130**	**8,980**
Non-current		
Balance at the beginning of the year	20,266	15,579
Balance of acquired subsidiary		8,991
Decrease due to sale of subsidiary company		(262)
Reversals	(1,682)	(1,462)
Payments made	(219)	(667)
Transfer to current allowance	(224)	(1,913)
Balance at the end of the period / year	**18,141**	**20,266**

	September 30, 2011	September 30, 2010

k) Net sales

Product sales	4,730,407	3,450,266
Services provided	138,290	64,354
Turnover tax	(128,602)	(96,787)
Sales discounts and volume rebates	(234,817)	(150,562)
Sales returns	(68,001)	(51,517)
Total	**4,437,277**	**3,215,754**

	September 30, 2011		September 30, 2010	
l) Cost of sales				
Cost of goods sold:				
Inventories at the beginning of the year				
Finished goods	264,871		170,064	
Work in progress	131,865		82,350	
Raw materials, packaging, other materials and goods in transit	184,980	581,716	122,439	374,853
Balance of acquired subsidiary				14,502
Purchases		2,479,540		1,867,619
Production expenses (Note 3 m)		785,686		559,842
Write-off of spare parts		1,313		810
Holding results generated by inventories		61,525		53,771
Re-measurement of foreign subsidiaries inventories		(3,146)		2,404
Benefits from industrial promotion		(20,513)		(38,942)
Inventories at the end of the period				
Finished goods	(276,486)		(229,790)	
Work in progress	(167,555)		(114,010)	
Raw materials, packaging, other materials and goods in transit	(198,274)	(642,315)	(137,069)	(480,869)
Subtotal - cost of goods sold		**3,243,806**		**2,353,990**
Cost of services rendered:				
Purchases		8,992		6,185
Production expenses (Note 3 m)		66,444		31,298
Subtotal - cost of services rendered		**75,436**		**37,483**
Total cost of sales		**3,319,242**		**2,391,473**

m) Information required by section 64, sub-section b) of Law N° 19,550

	September 30, 2011						September 30, 2010
	Total	Production expenses	Cost of Services	Selling expenses	General and administrative expenses	Other Expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee	10,837				10,837		6,123
Fees and compensation for services	278,243	74,563	183	184,802	18,695		201,706
Payroll, bonus and social security charges	499,801	305,588	31,434	95,157	67,622		318,808
Depreciation of property, plant and equipment	58,797	43,274	9,499	4,047	1,977		56,244
Supplies consumption	10,958	10,958					8,087
Amortization of intangible assets	557					557	273
Provision for bad debts	2,029			2,029			1,073
Freights	603,157	184,390		418,766	1		459,397
Maintenance and repair	40,491	32,534	2,752	4,898	307		34,802
Office and communication	1,816	638		205	973		1,142
Fuel, gas and energy	87,351	69,886	10,259	7,169	37		64,261
Vehicles expenses	10,443	5,335		4,523	585		8,086
Publicity and advertising	128,942			128,942			87,455
Taxes, rates and contributions	92,485	41,810	6,756	934	42,985		68,642
Insurance	13,396	8,971	136	3,645	644		9,079
Travelling	2,125	489	47	1,357	232		1,489
Export and import	13,549	3		13,463	83		3,953
Harvest expenses	1,207	1,207					2,414
Supplies and chemicals	479	479					73
Miscellaneous	19,734	6,035	5,378	1,810	6,511		16,446
Idle capacity of plants		(474)				474	
Total 30/09/2011	**1,876,397**	**785,686**	**66,444**	**871,747**	**151,489**	**1,031**	
Total 30/09/2010		**559,842**	**31,298**	**641,805**	**115,664**	**944**	**1,349,553**

	September 30, 2011	September 30, 2010
n) Other income (expenses), net		
• Other income		
Recovery of judicial claims	3,593	
Charges to freighters	2,404	1,410
Gain on sale of property, plant and equipment	2,190	1,017
Reversal of provision for litigation and other expenses	1,682	
Rental income	1,332	1,262
Dividends earned from investments in other companies	531	542
Insurance recovery	255	2,094
Royalties and licenses	29	
Reversal of valuation allowance for investments in other companies	17	
Reversal of valuation allowance for other assets	4	640
Other	333	158
Subtotal	**12,370**	**7,123**
• Other expenses		
Price adjustment in the sale of subsidiary company (nota 11 b)	(1,370)	
Donations	(841)	(375)
Provision for litigation and other expenses		(1,051)
Benefits granted to employees		(620)
Depreciation of other investments	(32)	(20)
Other	(2,075)	(1,510)
Subtotal	**(4,318)**	**(3,576)**
Total	**8,052**	**3,547**

o) Income tax and alternative minimum income tax

- Included in (loss) income from continuing operations

Income tax:		
Current income tax	(28,059)	(11,792)
Tax loss carry-forwards for the period	7,935	11,790
Net change in temporary differences	10,189	(1,250)
Subtotal	**(9,935)**	**(1,252)**
Valuation allowance on alternative minimum income tax and deferred income tax	(21,083)	(20,132)
Total	**(31,018)**	**(21,384)**

	September 30, 2011	September 30, 2010
• Included in income from discontinued operations		
Income tax:		
Current income tax		(965)
Net change in temporary differences		245
Total	**-**	**(720)**

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

	September 30, 2011	September 30, 2010
Net income before income tax and alternative minimum income tax	20,794	120,471
Statutory income tax rate	35%	35%
Income tax at statutory income tax rate	**(7,278)**	**(42,165)**
Permanent differences	(2,657)	7,069
(Increase) reversal of valuation allowance on alternative minimum income tax and deferred income tax	(21,083)	12,992
Total	**(31,018)**	**(22,104)**

p) Extraordinary item – Income

Debt restructuring gain		110,367
Debt restructuring fees, expenses and commissions		(19,188)
Total	**-**	**91,179**

q) Income tax (included in extraordinary income)

Income tax:		
Net change in temporary differences		(38,628)
Tax loss carry-forwards for the period		5,504
Subtotal		**(33,124)**
Reversal of valuation allowance on alternative minimum income tax and deferred income tax		33,124
Total	**-**	**-**

NOTE 4 - OUTSTANDING BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company enters into transactions with affiliated entities. The outstanding balances as of September 30, 2011 and December 31, 2010 with related parties were as follows:

	September 30, 2011	December 31, 2010
Investments – current		
Los Toldos S.A. (1)	431	
Total	**431**	**-**
Trade accounts receivable		
Logística La Serenísima S.A. (2) (3)	56,830	54,524
Danone Argentina S.A. (4) (5)	90,089	111,773
Frigorífico Nueva Generación S.A. (1)	106	41
Fideicomiso Formu (6)	46	35
Los Toldos S.A. (1)	229	104
Total	**147,300**	**166,477**
Other receivables, net – current		
Frigorífico Nueva Generación S.A. (1)		342
Total	**-**	**342**
Accounts payable		
Afianzar S.G.R. (7)	16	
Logística La Serenísima S.A. (2)	67,745	60,861
Fideicomiso Formu (6)		
Danone Argentina S.A. (4)	22,976	24,067
Los Toldos S.A. (1)	414	129
Masleb S.R.L. (1)	222	148
Frigorífico Nueva Generación S.A. (1)		2
Total	**91,373**	**85,207**
Short-term borrowings and accrued interest		
Juan Rocca S.R.L. (1)	1,129	1,065
Total	**1,129**	**1,065**
Accrued salaries, wages, payroll taxes and others		
Logística La Serenísima S.A. (2)	375	
Frigorífico Nueva Generación S.A. (1)	3	
Danone Argentina S.A. (4)		8
Total	**378**	**8**

(1) Company owned by members of Mastellone family.
(2) The Company holds 5% of Logística La Serenísima S.A.´s capital stock, while Danone Argentina S.A. is the parent company.
(3) Includes receivables arising from sales performed by Logística on behalf of Mastellone Hermanos S.A.
(4) Partner in Logística La Serenísima S.A. and both companies share the main trademark “La Serenísima” owned by Mastellone Hermanos S.A.
(5) Includes receivables arising from sales of raw milk purchased on behalf of Danone Argentina S.A.
(6) Trust managed by the Company
(7) Company owned by members of Mastellone family and by members of the Company´s Board of Directors.

Transactions with related parties for the nine-month periods ended September 30, 2011 and 2010 were as follows:

	September 30, 2011	September 30, 2010
Sales of goods and services		
Afianzar S.G.R. (1)	2	3
Danone Argentina S.A. (2)	138,042	65,635
Fideicomiso Formu (3)	310	215
Logística La Serenísima S.A. (4)	13,820	8,054
Los Toldos S.A. (5)	394	103
Pascual Mastellone (6)	13	11
José Mastellone (6)	27	17
Frigorífico Nueva Generación S.A. (5)	247	82
Total	**152,855**	**74,120**
Purchases of goods and services		
Danone Argentina S.A. (2)	70,482	37,417
Logística La Serenísima S.A. (4)	210,379	154,065
Los Toldos S.A. (5)	2,066	2,477
Masleb S.R.L. (5)	1,524	
Total	**284,451**	**193,959**
Financial results – interests and exchange differences		
Fideicomiso Formu (3)	(650)	
Juan Rocca S.R.L. (5)	(86)	(67)
Los Toldos S.A. (5)	28	3
Total	**(708)**	**(64)**
Other income		
Danone Argentina S.A. (2)	531	542
Logística La Serenísima S.A. (4)	1,411	377
Total	**1,942**	**919**

(1) Company owned by members of Mastellone family and by members of the Company´s Board of Directors.
(2) Partner in Logística La Serenísima S.A. and both companies share the main trademark “La Serenísima” owned by Mastellone Hermanos S.A.
(3) Trust managed by the Company
(4) The Company holds 5% of Logística La Serenísima S.A.´s capital stock, while Danone Argentina S.A. is the parent company.
(5) Company owned by members of Mastellone family
(6) Member of the Company´s Board of Directors

NOTE 5 –FINANCIAL DEBT

5.1 Refinancing of the financial debt in 2010

At the end of 2009, the Company started a process to refinance the major portion of its financial debt ("Existing Debt") having significant amounts maturing from 2010 to 2013, which concluded on May 7, 2010 ("closing" date of the refinancing) with the signing of the contracts through which such refinancing was instrumented. Such refinancing process, which included the balances of principal mentioned in paragraph 5.2 of this note, took place in accordance with the following detail:

a) Form of the refinancing:

The refinancing of the Existing Debt was implemented through a voluntary exchange which included the exchange for cash and new debt in the following proportionate portions per each US$ 1,000 of the nominal value of the old debt, at the option of each creditor:

(i) US$ 39 in cash and US$ 961 in new debt with final maturity in 2018, or

(ii) US$ 98 in cash and US$ 902 in new debt with final maturity in 2015.

The offer also contemplated the conversion into US dollars of the originally debt denominated in Euros or Argentine pesos, at the parity prevailing two days before the closing date.

Additionally, at the closing date, the Company paid in cash the total amount of interests accrued as from July 1, 2009 to (but not including) the day of the closing of the refinancing process.

The Company´s proposal was accepted by creditors holding approximately 98% of the debt under refinancing.

b) Amount exchanged at the closing date:

- U$S 2,148 thousand of principal of Senior Notes Class A-1 were exchanged for U$S 84 thousand in cash and U$S 2,064 thousand of principal of new Senior Notes Series A;

- U$S 152,297 thousand of principal of Senior Notes Class A-2 were exchanged for U$S 6,520 thousand in cash, U$S 136,903 thousand of principal of New Senior Notes Series A and U$S 8,874 thousand of principal of new Senior Notes Series D;

- U$S 2,000 thousand of principal of Senior Notes Class B-2 were exchanged for U$S 152 thousand in cash, U$S 722 thousand of principal of new Senior Notes Series B and U$S 1,126 thousand of principal of new Senior Notes Series D;

- U$S 5,605 thousand of principal of Senior Notes Class C were exchanged for U$S 219 thousand in cash and U$S 5,386 thousand of principal of new Senior Notes Series C;

- The equivalent (converting into US dollars the portion of the debt denominated in other currencies, considering the applicable exchange rates) to U$S 40,538 thousand of principal of floating rate debt were exchanged for U$S 3,973 thousand in cash and U$S 36,566 thousand of principal of new loan debt, tranche A; and

- U$S 15,000 thousand of principal of fixed rate debt were exchanged for U$S585 thousand in cash and U$S 14,415 thousand of principal of new loan debt, tranche B.

c) Terms of the new debt:

1. Payment of principal and interests:

	Terms of the new debt			
	Senior Notes Series A, B and C and loan debt, tranche B Due 2018		Senior Notes Series D and loan debt, tranche A Due 2015	
Maturity date	Amortization of principal	Rate (*)	Amortization of principal	Rate
June 30, 2010		7.00%		(**)
December 31, 2010		7.00%		(**)
June 30, 2011		7.00%	2.50%	(**)
December 31, 2011		7.00%	2.50%	(**)
June 30, 2012	2.50%	7.50%	5.00%	(**)
December 31, 2012	2.50%	7.50%	5.00%	(**)
June 30, 2013	2.50%	8.00%	7.50%	(**)
December 31, 2013	2.50%	8.00%	7.50%	(**)
June 30, 2014	2.50%	8.50%	15.00%	(**)
December 31, 2014	2.50%	8.50%	15.00%	(**)
June 30, 2015	2.50%	9.00%	20.00%	(**)
December 31, 2015	2.50%	9.00%	20.00%	(**)
June 30, 2016	10.00%	9.00%		
December 31, 2016	10.00%	9.00%		
June 30, 2017	15.00%	9.00%		
December 31, 2017	15.00%	9.00%		
June 30, 2018	15.00%	9.00%		
December 31, 2018	15.00%	9.00%		

(*) The above-mentioned interest rates correspond to the nominal annual rate applied in the semester ending at each date. The contingent interest rate mentioned afterwards is not included.

(**) The applicable interest rate of the debt due 2015 is a floating rate and will be determined by reference to the LIBO rate plus a spread of 2.5%, provided that such rate shall not exceed 6% per annum.

2. Implementation of the new debt:

Holders of the existing Senior Notes received at their option: (i) for the debt due 2018, new Senior Notes Series A, B and C for the former Senior Notes Series A, B and C, respectively, or (ii) for the debt due 2015, new Senior Notes Series D.

Holders of the collateralized floating rate debt received the new loan, tranche A, due 2015.

Holders of the fixed rate debt received the new loan, tranche B, due 2018.

3. Other conditions:

The new Senior Notes of the Company (except Series D) also include a contingent interest at an annual rate during each one-year period, as from January 1, 2011, based on the EBITDA (in accordance with the terms included in the new loan contract) of the prior fiscal year, with a maximum of 4% if the EBITDA is higher than US$ 104,999,999. The semi-annual payments of interest maturing on June and December 31, 2011 accrue a contingent interest rate of 2.1% based on the 2010 EBITDA estimated for the fiscal year ended December 31, 2010.

On each June 30, commencing on June 30, 2011, the Company must apply to repay, ratably and at par, a principal amount of the new debt due 2018 equal to 75% of the excess cash (as defined in the issuance terms of the new debt) for such preceding fiscal year. As of December 31, 2010, from the calculation performed by the Company, there is no excess cash according to the definitions of the loan agreements, which might have required the payment in advance of a portion of such debt.

In addition to all scheduled amortization payments and all repayments pursuant to the excess cash, the Company will permanently reduce the aggregate principal amount outstanding of its new debt in the amount of US$20.0 million by December 31, 2011 (“mandatory debt reduction”). In the event that the Company does not comply in full with the mandatory debt reduction before December 31, 2011, the new refinanced debt will bear penalty interest, in addition to the interest otherwise applicable thereto, (i) at the rate of 0.25% for the year 2012, and (ii) later, commencing on January 1, 2013, at the rate of 1.0% per year during 2013, which penalty interest will increase by 0.25% on January 1 of each year thereafter until the mandatory debt reduction has been completed in full.

The new agreements contain certain commitments, including 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 unrestricted subsidiaries and affiliates outside the ordinary course of business, 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.

The new Senior Notes (except for Series C) and the new loan debt are collateralized in each case, ratably and in first degree for pledges given to the guarantee agent by the shareholders of the Company on a number of Company's stock of 32.51% and 16.49%, respectively, of their common stock and voting right. This collateral is also applied to the non-restructured Senior Notes due 2012 and floating rate debt, referred to in Note 5.2. Subsidiaries Leitesol Industria e Comercio Ltda., Mastellone San Luis S.A. and Promas S.A are jointly and severally liable for the Senior Notes and loan debt. In February 2011, the Board of Directors of the Company and Con-Ser S.A. approved that the latter will be also jointly and severally liable (in the same terms) for such debt.

d) Summary as of September 30, 2011 of debt refinanced in May 2010:

Debt restructured	Amount in the original currency – in thousands		Amount in thousand pesos (as of September 30, 2011)
Senior Notes Series A, B and C – final due 2018	U$S	143,076	601,634
Senior Notes Series D – final due 2015	U$S	9,750	40,999
New loan debt – tranche A – final due 2015	U$S	35,437	149,013
New loan debt – tranche B – final due 2018	U$S	14,415	60,615

5.2 Other financial debt

(original terms of the debt, which principal was mostly refinanced in May 2010)

1. Senior Notes – due 2012 (which greatest portion was refinanced in May 2010, see paragraph 5.1)

The Senior Notes due 2012 accrue interest at a rate of 8% per annum, payable semi-annually (every June 30 and December 31), in arrears and due on June 30, 2012. Principal amounted to US$ 166,684 thousand while the remaining principal not restructured in May 2010 of these Senior Notes amounts to U$S 4,634 thousand as of September 30, 2011.

If certain conditions are met, on each June 30, the Company should apply the excess cash (as defined in the terms of the Senior Notes) from the preceding year to redeem ratably and at par certain part of the principal amount of the remaining senior notes. As of December 31, 2010, from the calculation performed by the Company, there is no excess cash according to the definitions of the Senior Notes terms, which might have required the payment in advance of a portion of such debt.

2. **Floating Rate Debt (which was substantially refinanced in May 2010, see paragraph 5.1)**

   This debt had increasing maturities between December 2007 and 2011. Principal amounted to US$ 38,810 thousand, € 1,305 thousand y $ 384 thousand. The outstanding balance of principal not restructured in May 2010 amounted to approximately U$S 11 thousand as of September 30, 2011.

   This debt accrues interest at the lower of (i) a floating rate basis interest rate determined by reference to LIBOR applicable to U.S. dollar or Euro deposits, for successive periods, plus 2.5% and (ii) a 5% per annum.

3. **Fixed rate debt (totally refinanced in May 2010, see paragraph 5.1)**

   It included a loan (renegotiated in 2004 and 2005) amounting to US$ 15,000,000, due on December 31, 2013 and accruing interest at a fixed rate of 8%.

4. **Certain terms and conditions applicable to both the senior notes and the Collateralized Floating Rate Debt (according to the original terms)**

   The 2004 original debt contracts contemplate commitments and conditions that are usual for this kind of agreements, which included certain collaterals and limitations to perform certain type of financial or investments transactions, and events of default which in case of existence, could entail the creditors the right of acceleration of payment of the principal and accrued interest.

5.3 Issuance of Senior Notes Series E

On December 21, 2010, the Company issued US$ 20,000,000 face value Senior Notes Series E, bearing a fixed 9.5% annual interest rate, payable every six months, and maturing on June 21, 2013, which were issued as part of the Global Programme of Issuance of Senior Notes for a nominal value of US$ 250,000,000 approved by the National Securities Commission in 2007. The proceeds from the issuance were used to repay short-term debt and to fund working capital needs.

The debt contract includes commitments and usual conditions for this type of debt agreements. Subsidiaries Leitesol Industria e Comercio Ltda., Mastellone San Luis S.A. and Promas S.A are jointly and severally liable for the Senior Notes. In February 2011, the Board of Directors of the Company and Con-Ser S.A. approved that the latter will be also jointly and severally liable (in the same terms) for such debt.

NOTE 6 - SHAREHOLDERS' EQUITY

As of September 30, 2011, subscribed capital amounts to 457,547. There are four classes of Ps. 1 par value common stock, with 5 votes each 194,428,002 shares, and with 1 vote each 263,119,267 shares.

The current Argentine legal regulations require the Company to appropriate 5% of its net income per year to a "Legal reserve" until such reserve equals 20% of the capital stock. The General Ordinary and Extraordinary Shareholders' Meeting held on September 31, 2011 approved the restoring of 13,137 to the legal reserve which had been reduced to absorb accumulated losses as of December 31, 2001 as approved in the General Shareholders' Meeting held on April 3, 2002 and the appropriation to legal reserve of the 5% of the net income of fiscal year 2010, net of accumulated losses.

NOTE 7 - PLEDGED AND RESTRICTED ASSETS

Certain assets owned by the Company are pledged as collateral for bank and financial liabilities, notes payable, and tax debt (tax régime for promoted activities) for a total amount of 44,636 as of September 30, 2011 (28,062 as of December 31, 2010). Detail of pledged assets is as follows:

	September 30, 2011	**December 31, 2010**
Trade accounts receivable	11,064	1,982
Inventories	31,723	16,025
Property, plant and equipment	12,025	8,669
Equity value of holding in subsidiary company Promas S.A. (*)	79,740	86,921

(*) Since this is a consolidated subsidiary, this item does not appear as an asset.

The Company also has pre-export credit lines in order to finance exports, which have as collateral, according to each case, a trust set up over the collections obtained from sales to the domestic retail market, inventories and the assignment of purchase orders of the subsidiary company Leitesol I.C.S.A. The outstanding balance of such debt amounts to 44,882 and 17,351 as of September 30, 2011 and December 31, 2010, respectively.

Additionally, as of September 30, 2011 there were other receivables for an amount of 3,542 (3,941 as of December 31, 2010) in guarantee of financial and commercial transactions.

See also commitments and collaterals granted by the stockholders for the restructured financial debt in 2004 and in 2010 in Note 5.

NOTE 8 - RÉGIME FOR INDUSTRIAL PROMOTED ACTIVITIES OF SUBSIDIARIES

a) Mastellone Hermanos Sociedad Anónima, as an investor in Mastellone San Luis Sociedad Anónima and Promas Sociedad Anónima, pursuant to several fiscal laws deferred payment of value added taxes and income taxes, provided that these amounts are invested in the above-mentioned subsidiaries. In the case of Mastellone San Luis S.A., the deferred payments were already paid. In the case of Promas S.A., the obligations are secured by shares of such subsidiary owned by Mastellone Hermanos Sociedad Anónima, as required by applicable regulations.

   The value-added taxes and income taxes deferred are recorded as liabilities in the balance-sheets.

The promotional régimes granted to Mastellone San Luis Sociedad Anónima and to Promas Sociedad Anónima also included the benefit of receiving from the Federal Government an amount in the form of government bonds determined taking into account the investments to be made, the level of activity, the number of employees and other parameters, at the authorization of the inclusion in such régimes. The Company uses the government bonds as payment mainly for value added tax (and a minor amount for other national taxes). A benefit, which is a credit to cost of sales, is recognized when the government bonds are used to pay tax obligations.

b) Through Decree N° 699/10, the National Executive Power extends for a two-year term starting 2012, the benefits which are currently in force for promoted companies in the Provinces of San Luis, La Rioja, San Juan and Catamarca, beginning once the Provincial Governments adopt the decree and subscribe the corresponding agreement. On the other side, the Federal Justice issued a precautionary measure provisionally suspending the applicability of the decree, which was rejected by the Federal Court of the Province of Mendoza on July 8, 2011. Subsequently, on August 26, 2011 the Federal Court of Appeals accepted the extraordinary appeal filed by the San Rafael Chamber Commerce against the Decree N° 699/10, consequently, the applicability of such decree is suspended until the National Supreme Court of Justice rules on the main issue.

NOTE 9 – PURCHASE AND SALES COMMITMENTS

a) <u>Purchase commitments</u>

- The Company and its subsidiary Mastellone San Luis S.A. ("MSL"), and Danone Argentina S.A. ("DA"), agreed on the terms of the services to be provided by Logística La Serenísima S.A. ("Logística") related to the distribution of dairy and fresh products in Argentina up to October 1, 2040. The price charged by Logística for its services is actual costs plus a 0.1% margin. The agreement provides that if any party (Mastellone Hermanos Sociedad Anónima or MSL) decides to cancel without cause the agreement before the end of the abovementioned term a penalty of US$ 50,000,000 should be paid to Logística. This penalty would not be applicable if termination of the contract is due to non-compliance of Logística with its duties under the agreement. Moreover, the same penalty should be paid by the Company or MSL if one of these companies produces products similar to products currently marketed by Danone.

- In July 2004 Promas S.A. entered into an agreement with Establecimientos Agropecuarios Lar S.A. for the purchase of future olive harvests and the exploitation of 400 hectares in the province of Catamarca.

  On March 12, 2007 the subsidiary company entered into a new agreement with Establecimientos Agropecuarios Lar S.A. extending the productive and financial schedule and the quantity of hectares to 480. This document binds Lar S.A. to deliver 97,800 tons of olives throughout the duration of the contract, which started on the date of signature and will expire with the completion of harvest in 2030. Promas S.A. will receive 100% of olives production, with a guaranteed minimum.

b) Sales commitments

- The Company has entered into certain term supply agreements through which it procures raw material and provides industrial services to Danone.
- The Company has agreed to meet export commitments of powdered milk and whey for a total of approximately 15,300 tons with an estimated contract value of US$58,200,000.
- The Company has entered into agreements with provincial and national public agencies for the sale of approximately 10,300 tons of powdered and fluid milk with an estimated contract value of 283,100.

NOTE 10 – INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

The alternative minimum income tax is complementary to regular income tax, since while regular income tax is calculated based on taxable income, alternative minimum income tax is calculated based on the potential gain derived from certain productive assets at a rate of 1%, the Company's income tax liability being the higher amount. However, when alternative minimum income tax for a fiscal year exceeds regular income tax, the excess can be utilized as credit for any excess of the regular income tax over alternative minimum income tax that could arise during the following ten fiscal years.

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries as of September 30, 2011 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
2006	5,008	35%	1,753		2011
2007	7,886	35%	2,760		2012
2008	168,149	35%	58,852		2013
2009	19,344	35%	6,770		2014
2010	53,095	35%	18,583		2015
(1)	19,520	34%	6,671		Unlimited
	273,002		**95,389**		2011
Tax loss carry-fowards of the period			6,825	(2)	
Uses of tax loss carry-fowards			(15,004)		
			87,210		

(1) Tax losses generated by foreign subsidiaries, which can be offset up to 30% of each year's tax profit, have no expiration date. They were converted at the exchange rate applicable at period-end.

(2) Corresponds to the tax loss estimated for the nine-month period ended September 30, 2011, which will turn into a tax loss carry-forward arising from the tax return provided that the tax loss remains at the end of fiscal year 2011.

NOTE 11 – ACQUISITION AND SALE OF COMPANIES

a) Acquisition of Con-Ser S.A.

In August 2010 the Company acquired 100% of Con-Ser S.A. shareholding for the total amount of U$S 3 million. In order to cancel such amount, the Company agreed to pay U$S500,000 as an initial payment. The remaining balance will be cancelled in 10 quarterly, consecutive installments of U$S 250,000 each, the first one to become due on November 30, 2010. Interest at a 10% annual rate accrues on the unpaid balance.

The main activity of Con-Ser S.A. is to develop logistic and milk transportation activities and transportation of raw milk from the producers -dairy farms- that supply both the Company and Danone Argentina S.A. (and subsidiaries), to the different production plants.

In February, 2011, the Company´s Board of Directors approved the offer made to Con-Ser S.A. regarding the undertaking of the tax liability (which consisted of 98 installments as of that date) that such company had pursuant to the Tax Regularization Regime set forth by Law No. 26,476, dated December 22, 2008. At the same time, Con-Ser S.A. undertook a financial debt with the Company for an amount equivalent to the amount of the tax liability as of February 16, 2011, which was calculated considering the discount rate set forth in the Regime for early payment of the liability. The new liability shall be paid in 32 quarterly, equal and consecutive amortization installments with a six months' grace period and the possibility of making principal payments in advance, plus an interest of 9% per year over outstanding balances, being the first installment due on August 17, 2011. On February 22, 2011, a notice was filed with the Tax Authorities informing the undertaking by the Company of the mentioned liability, being answered on February 28, 2011.

b) Sale of Frigorífico Rydhans S.A.

On December 30, 2010, the Company and its subsidiary Mastellone San Luis S.A., sold the 100% of their shares in Frigorífico Rydhans S.A., which represented 95% and 5%, respectively, of the capital stock of Frigorífico Rydhans S.A., for the total amount of US$ 5 million, in the following terms: US$ 500,000 were collected on the sale date, and the remaining balance shall be collected in four annual, equal and consecutive installments of US$ 1,125,000 each, being the first installment due on December 30, 2011. Interest accrues on the unpaid balance at an annual rate of 5%. The sale price was adjusted based on the conditions agreed in the contract. The shares sold were pledged in favor of the Company until full payment of the price.

The results of the operations of Frigorífico Rydhans S.A. for the nine-month period ended as of September 30, 2010, is presented in the statement of operations under item "Income from discontinued operations".

NOTE 12 – FUTURE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Through General Resolution N° 562/09 dated December 29, 2009, published in the Official Bulletin on January 8, 2010, denominated Adoption of International Financial Reporting Standards (“Adopción de Normas Internacionales de Información Financiera”), subsequently modified and supplemented by General Resolution N° 576/10, the National Securities Commission has established the mandatory application of the Technical Resolution No. 26 issued by the Argentine Federation of Professional Councils in Economic Sciences, which adopts for certain companies included under the public offering regime of Law N° 17,811, not only by its capital stock but also for Senior Notes or companies which have requested authorization to be included under such régime, the International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standard Board (“IASB”). The application of such accounting standards will be mandatory for the Company beginning fiscal year starting January 1, 2012, and consequently, the first financial statements under IFRS will be those corresponding to the period which will end on March 31, 2012 (first quarter of such fiscal year).

On April 26, 2010 the Board of Directors approved the specific implementation plan for such adoption.

The Board of Directors and the Company´s Management are evaluating the impact of the implementation plan.

NOTE 13 – SEGMENT INFORMATION

The reporting operating segment information is based on the way that financial information prepared by the Company is organized for senior management in making operating decisions, evaluating performance and allocating resources. The comparative information on prior year on the same basis of segmentation is also presented.

The Company also prepares, for internal reporting purposes, limited financial information (primarily net sales) based on its different markets, including domestic and foreign.

a) **Primary segments: business lines**

As of and for the nine-month period ended September 30, 2011				
	Business lines			
	Dairy	Olive	Other	Total
Net sales to external customers	4,232,133	8,979	196,165	4,437,277
Net (loss) income for the period	(4,603)	(7,362)	1,741	(10,224)
Assets allocated to the business lines	2,277,365	92,619	81,549	2,451,533
Liabilities allocated to the business lines	1,891,233	2,077	55,038	1,948,348
Additions to property, plant and equipment	61,098	493	3,680	65,271
Additions to intangible assets	15			15
Depreciation of property, plant and equipment	55,283	2,527	987	58,797
Amortization of intangible assets	557			557
Amortization of other investments	32			32
Charges not representing uses of cash (except amortization and depreciation, net of reversals)	16,186		309	16,495
Net domestic sales	3,706,875	8,979	196,165	3,912,019

As of and for the nine-month period ended September 30, 2010						
	Business lines			Total continuing operations	Total discontinued operations	Total
	Dairy	Olive	Other			
Net sales to external customers	3,178,877	11,819	25,058	3,215,754	64,172	3,279,926
Net income (loss) for the period	101,605	(6,374)	1,702	96,933	1,434	98,367
Assets allocated to the business lines	1,855,207	94,620	71,879	2,021,706	21,233	2,042,939
Liabilities allocated to the business lines	1,464,292	2,091	95,511	1,561,894	8,036	1,569,930
Additions to property, plant and equipment	26,921	1,920	228	29,069	439	29,508
Additions to intangible assets	358			358		358
Additions to other investments	8			8		8
Depreciation of property, plant and equipment	53,504	2,610	130	56,244	669	56,913
Amortization of intangible assets	273			273		273
Amortization of other investments	20			20		20
Charges not representing uses of cash (except amortization and depreciation, net of reversals)	13,913	(94)	23	13,842	129	13,971
Net domestic sales	2,852,555	11,819	25,058	2,889,432	64,172	2,953,604

b) **Secondary segments: geographic division (client-based, continuing operations)**

Information	Geographic division (client-based)		
	Domestic market	Exports	Total
Net sales for the period ended September 30, 2011	3,912,019	525,258	4,437,277
Net sales for the period ended September 30, 2010	2,889,432	326,322	3,215,754