Mastellone Hermanos S.A.
Consolidated Financial Statements
for the fiscal year ended
December 31, 2020

ANNUAL REPORT FOR THE FISCAL YEAR 2020

TO THE SHAREHOLDERS

The Board of Directors hereby submits to the consideration of its Shareholders this Annual Report, Inventory, Individual Financial Statements, Consolidated Financial Statements and Auditor's Report, and finally our proposal for the allocation of the Income for the Fiscal Year begun January 1 and ended December 31, 2020.

GENERAL

INTERNATIONAL ECONOMIC CONTEXT

The coronavirus (COVID-19) pandemic that has now extended to almost every country in the world gave rise to an unexpected and atypical crisis that had a strong and widespread economic, health and social impact. This led to the adoption of various emergency measures in an attempt to bring the crisis under control, such as tax and monetary incentive packages, suspension of activities, border closures, and other actions that have caused a 4.3% contraction of the world economy, according to the World Bank forecasts for 2020.

Given the extent of its effects, this crisis is the fourth most severe world recession in the last 150 years, only surpassed by the crises derived from the two World Wars and the Great Depression or Crash of 1929.

The most serious effects of this crisis have affected those countries that are largely dependent on tourism, international trade, the export of commodities and external financing.

The pandemic has caused a significant number of victims and disease cases, which has led millions to poverty. If an immediate vaccination of the world population is not achieved, economic activities and income levels may continue to fall for a long period. In Latin America, with less than 10% of the world population, almost 30% of the global number of pandemic victims has been recorded.

Business activities throughout the world collapsed to their lowest level in April, and then gradually, as many countries resumed their activities after the Great Confinement, the world economy started a recovery. The Chinese economy has proved to be stronger than expected, while quite the opposite occurred in emerging markets and developing economies. Global markets suffered from the trade tensions derived from the tariff policies implemented by the United States. In Europe, after the approval of the EU-UK Withdrawal Agreement, negotiations were and still are pending between the European Union and the United Kingdom on Brexit-related matters. Although economic growth continues on the right track, there is still a hard way to go before pre pandemic activity levels can be attained.

In spite of the efforts made and international agreements reached, the results obtained have been meager. Government policy makers face significant challenges in terms of public health, budget policies, debt management, Central Bank policies and structural reforms.

The world economy is expected to grow by 4% in 2021, an estimate made on the assumption of a coronavirus vaccination scenario that will extend throughout the year. However, new waves of contagion will probably occur, in which case the economic recovery would be more restrained, as indicated by the forecasts included in a World Bank press release.

THE ARGENTINE ECONOMIC CONTEXT

Argentina was not alien to the economic and health crisis experienced in the world as a result of the coronavirus, which was added to the impact of the inflation and recession already affecting the Argentine economy.

The Mandatory Preventive Social Isolation (ASPO, by its Spanish initials) ordered by the Argentine government imposed a great number of restrictions on the development of economic activities. Late in March 2020, such isolation significantly affected a large number of industries. This brought about a huge change: some industries ceased all their operations, others suffered a more than significant drop in their level of activities, and others were forced to adapt to the new circumstances by adopting different measures in terms of production, commercial activities and employee management. An example of the above was the adoption of remote working practices in the case of activities or operations where this was possible. The private sector was not the only area that was thus affected, as the public sector generally suffered similar effects.

In this context, the job market was deeply affected by the impact of the pandemic, in particular in connection with those activities that could not be performed during the social isolation period referred to above, or which suffered a direct negative impact as a result of the general decline of economic activities. To mitigate this situation, the Argentine government established an Emergency Assistance Program for Labor and Production (ATP, by its Spanish initials), which was developed as a tool designed to protect employment, ensure the continuity of production and mitigate the economic impact of the COVID 19 crisis. This Program was made available to companies of all sizes, employees and self-employed professionals, and the contemplated measures included compensatory salary payments, credit facilities at subsidized or zero interest rates, and an integral unemployment benefits system.

The public sector's deficit increased significantly and such deficit was mostly financed by issuing currency. The burden of all these measures was sustained by the private sector with a savings capacity, companies and families, to the detriment of investment. Also, given its limited access to financing, as indicated at the beginning of this paragraph, the Argentine Government financed such deficit by issuing currency, which led to an increase in the monetary base and exerted a pressure towards inflation, and also on the stability of the Argentine currency.

In turn, the Argentine Central Bank implemented a number of actions that restricted the access to foreign currencies, in particular on account of the fall experienced in the level of Central Bank reserves. Some of the most relevant measures involved restrictions to the purchase of foreign currencies by individuals, conditions and limitations on foreign trade payments and also on principal payments upon maturity under certain private financial indebtedness payable abroad.

The whole situation described above increased the existing gap between the official exchange rate and other reference exchange rates resulting from stock market transactions. This created a general atmosphere of uncertainty that affected the economy as a whole.

A favorable event to be noted in this scenario was that late in the month of August Argentina concluded its restructuring of 66,137 million U.S. dollar external debt under foreign law, which represented 99% of the whole Argentine debt governed by foreign law. The foreign-currency denominated debt under Argentine law was gradually exchanged for instruments denominated in the domestic currency. It should be noted that a process of review and negotiation with the International Monetary Fund (IMF) is still ongoing in relation to the near 52,000 million U.S. dollar debt to be repaid to this entity until 2024, under which payments would begin to fall due in 2021.

Upon the beginning of the social isolation period ordered as a result of the COVID 19 pandemic, the Domestic Trade Secretariat, under the Ministry of Production Development, issued Resolution No. 100/2020, which provided for maximum consumer prices to be established for all food, cleaning, personal hygiene and other products. Under Resolution No. 100/2020 the prices for all these products were rolled back to the amounts in effect as of March 6, 2020. This gave rise to significant imbalances in the Argentine production system, as the costs incurred by the companies continued to increase and such increases could not be compensated through selling prices, other than some minimum price increases authorized by the Domestic Trade Secretariat, which were clearly totally insufficient in the face of the general increase in the cost and expenses of companies.

Public service tariff rates were also frozen, and this freeze was finally translated into an increase in the subsidies granted to the energy industry.

In summary, 2020 was a hugely complicated year in all respects, from economic to health issues. The Argentine economy might have fallen by more than 11%, this being one of the largest drops of economies worldwide, and recorded an annual inflation in the order of 36.1%, based on the data published by INDEC [National Institute of Statistics and Censuses].

INFLATION ADJUSTMENT OF THE FINANCIAL STATEMENTS

We hereby inform our shareholders that the Argentine Securities Commission, by General Resolution RGCRGN777-18 dated December 26, 2018, established the requirement that Financial Statements must be presented in a homogeneous currency. Thus, the accounting information included for this annual fiscal period ended December 31, 2020 has been adjusted for inflation. This adjustment has been made in accordance with international financial reporting standards (IFRS), by applying the adjustment methods established by the accounting standards of the Argentine Federation of Professional Councils of Economic Sciences ("FACPE").

For this reason, the principles to be applied are those established by IAS 29, a standard issued by the International Accounting Standards Board in July 1989 and amended in 1994, and also confirmed by FACPE. Consequently, the Argentine economy must be qualified as hyperinflationary because as of July 2018 the cumulative inflation for the last three years exceeded 100%. Thus, the financial statements issued by Argentine companies whose functional currency is the Argentine peso must be adjusted for inflation in accordance with applicable accounting standards. Also, relevant resolutions have been issued by the regulatory entities establishing that the financial statements submitted to them must be adjusted for inflation.

As stated in **Note 2.2** to the Financial Statements, the inflation adjustment method applied does not entail any changes in the nominal amounts of cash income and expenses. This means that the standard referred to above does not have any effect on available cash or the generation of available funds, and Management does not expect that this will have any effects on the Company's business.

<u>**GENERAL CONDITIONS IN THE DAIRY INDUSTRY**</u>

PRIMARY PRODUCTION

a) ***<u>General outlook</u>***

Although no official data have been published yet, Argentine production will grow by an annual 7% with respect to 2019.

The strong recovery of the prices received by dairy farmers in the first half of 2019 allowed them to restore their financial position and begin to invest both in technology and in cattle feeding. This circumstance was combined with a recovery in the number of cow heads in production due to the fact that a smaller number of animals were discarded. All these actions resulted in a larger cow herd in production, and the animals being in better physical and comfort conditions, which in turn resulted in a larger production of milk, in particular in the first half of 2019. During this period production increased by 10% with respect to 2019.

In the second half of the year, several factors gradually eroded this difference in production as compared with 2019. The most significant factors in this respect include the devaluation of the Argentine currency, which caused an increase in production costs, and more significantly, the strong increase in the price of the grain used for feeding (corn recorded an almost 100% price increase from June to December). All the above occurred in a context of adverse weather conditions, with droughts in the major milk producing areas in the country. The above-mentioned factors significantly reduced the profitability of our business. As a result, production decreased and the 10% difference achieved in the first half of the year decreased significantly in the second half. On the basis of this data, it may be concluded that the production of raw milk in 2020 behaved differently in the second half of the year as compared to the first half, but recorded total positive numbers with respect to 2019.

b) <u>Commercial actions by the Company</u>

As a result of the pandemic originated by COVID 19 and the governmental decree establishing the ASPO on March 20, many business activities were forced to close down, among them those of hotels and restaurants. Consequently, several small and medium milk-producing companies that supplied such hotels and restaurants were forced to drastically reduce their production volumes. Some of them were even forced to close down for several months. The dairy farms that supplied these small and medium companies had thus to find another destination for their production, a possibility that was virtually nonexistent at the time, both on account of the uncertainty generated by the ASPO in respect of domestic consumption, and because whole milk powder prices in the international markets were expected to fall below US$ 2,500 per ton in the spring.

In the face of these circumstances and given our firm intention to gradually increase our reception of milk, we decided to capture the milk produced by these dairy farms. During the months of March, April, May and June we received more than 400,000 liters of milk in excess of the amount usually received from our suppliers. By this specific action, we received 15% more milk in 2020 than in the same period in 2019. This amount was almost 10% higher than the increase in production at the national level.

Also, beyond the events described in relation to the cost of raw milk, it should be noted that in 2020 we have also taken a number of actions, among which the following may be mentioned:

- An intensified effort in relation to the Sustainable Dairy Farm project.
- A cycle of chats online.
- Production of 8 training videos addressed to supplying dairy farmers.
- A forage follow-up tool for dairy farmers.
- Sustainability assessment of dairy farm suppliers.
- Financial assistance for the purchase of heifers and consumables.
- Financial assistance for the acquisition of technology and sexed semen.

COMMERCIAL OUTLOOK AND PERFORMANCE

INTERNATIONAL DAIRY MARKET - EXPORTS

a) General market outlook

In the course of the year and in recent months in particular, the international market showed a significant level of demand and increasing prices. This tendency is continuing as of the date this report is being written.

International prices experienced a certain volatility, with a strong increase towards the second half of the year. This was beneficial for exports during such period, because the ton price of whole milk powder, our main export product, went from an average 2,700 U.S. dollars per ton in the months of April and May, to 3,200 U.S. dollars per ton at the end of the year, which represented an almost 20% increase in U.S. dollars. The same price curve was recorded for skimmed milk powder.

The rest of our products, butter and cheeses, showed a more limited increase in the price curve, rising around 6% in the same period of the year.

b) Actions taken by the Company

Given the very satisfactory level of domestic raw milk production and in conjunction with the various actions we have carried out (see description under "Primary production"), we had a significant amount of available raw milk that could be allocated to foreign markets, after demand had been satisfied in the domestic market. For these reasons, our exported volumes increased significantly during the year, and were 46.7% higher than our recorded exports in the previous year.

The principal exported products included whole and skimmed milk powder, modified milks, hard cheeses and butters. The markets of destination can be broken down into countries in the region (Mercosur and other) and the rest of the world. In the latter group, the main export destinations were Algeria, China, Russia (especially hard cheeses and butter), Pakistan, the Arab Emirates, among others.

As to our activity in the region, we continued to strengthen our presence in the domestic markets of South American countries, either by means of direct commercial activities, as in the case of the Brazilian market through our subsidiary Leitesol; or by reinforcing the presence of our brand La Serenísima in countries such as Paraguay, Uruguay and Bolivia, and entering into Peru and Chile by means of synergies achieved with Arcor and Danone.

A summary of our exporting activity is detailed below:

Family	Tons Current year	Volume Share	FOB price current year (in thousands USD)	FOB Price share
Whole milk powder	37,595	60.25%	110,614	62.86%
Skimmed milk powder	10,402	16.67%	25,620	14.56%
Whey	3,428	5.49%	3,090	1.76%
Butter	3,913	6.27%	16,103	9.15%
Modified milk	2,559	4.10%	5,757	3.27%
Hard cheese	962	1.54%	5,818	3.31%
Other	3,545	5.68%	8,960	5.09%
Aggregate total	**62,403**	**100.00%**	**175,962**	**100.00%**

Market	2020		2019		Diff. Tons (%)	Diff. USD (%)
	Tons	In thousands USD	Tons	In thousands USD		
Exports to third parties	39,571	109,724	25,624	64,671	54.4%	69.7%
Leitesol	19,746	58,252	14,920	45,090	32.3%	29.2%
Regional markets (Paraguay. Uruguay. Bolivia. Chile. etc.)	3,086	7,986	1,982	2,281		250.1%
Total	**62,403**	**175,962**	**42,525**	**112,042**	**46.7%**	**57.0%**

REGIONAL MARKETS

In the course of the year, in spite of the complex circumstances arising from the COVID 19 pandemic, we have continued to strengthen our presence in the regional markets, either by means of direct commercial activities through our subsidiary Leitesol in the Brazilian domestic market, or by the creation of synergies with Arcor and Danone, through which we have reached other regional markets such as those of Paraguay, Bolivia and Uruguay.

A summary of our actions in such markets is set out below:

a) Commercial activities in Brazil through our subsidiary Leitesol Ltda. Comercial e Industrial

We have been selling our products in the Brazilian domestic market for more than 20 years now, through our subsidiary Leitesol Ind. e Com. S.A. Our business there is mainly focused on the sale of milk powder under the brand La Serenissima for the retail channel, and our product portfolio is supplemented by cheeses, butter, milk compound and condensed caramelized milk.

At the beginning of the year the domestic currency was strongly devalued, by 29% vis-à-vis the U.S. dollar. In the first quarter, the Brazilian currency (*Real* or R$) was the currency that suffered the strongest devaluation among major currencies in the period. During those first months, however, inflation remained at levels close to zero, and consequently the higher costs of imported products was not passed on to prices.

For this reason, Brazilian imports of dairy products became less competitive and fell significantly during the whole first half of the year.

At the beginning of the second quarter, the effects of the pandemic began to be more strongly felt in the country. Leitesol assigned first priority to the protection of our employees, and through the use of strict protocols and by following the recommendations issued by health authorities we were able to pursue our activities in a fully safe manner.

A point of inflexion for the domestic market was the parliamentary approval and the implementation of an emergency assistance program designated as "*Coronavoucher*." This assistance was provided to 67 million people, which entailed an injection of around US$ 52,000 million for this population, and allowed them to increase their consumption of essential products, in particular in the most impoverished regions of the country.

After such incentive to consumption Leitesol, making good use of its distribution capacity, was able to meet the consequent increase in demand, and even revised its initially scheduled imports and significantly increased such imports during the whole second half of the year. Thus, Leitesol was able to compensate the fall experienced in the first months of the year and to end the period with a considerable increase in our milk powder imports from the controlling company. Such imports went from 13,408 tons in 2019 to 18,322 tons imported in 2020, which represented a 36.6% increase.

Based on this recovery in sales, price adjustments and various internal actions, Leitesol was able to present positive numbers once again at the end of the year. Sales in the local currency reached R$ 453.8 million, which represents a 21.6% increase in comparison with the previous year. Issued invoices amounted to an equivalent of US$ 86.6 million. The Company's net income in the local currency amounted to R$ 23.2 million, which represents an increase of 41.6% with respect to the previous year.

As regards our expectations for next year, we are aware that Leitesol will be facing a very uncertain period, considering the diminished purchasing power of the population as a result of the termination of the emergency assistance program, increased unemployment and food price inflation, with a continuing concern for the development of the pandemic and lingering doubts as to the country's capacity to implement the vaccination program. We also know that the Brazilian currency will continue to be exposed to a high volatility for so long as the behavior of public indebtedness and the reform programs continue to elicit doubts. At the same time, we are confident about Leitesol´s ability to go on successfully accomplishing our vision of growth in terms of distribution and achieve sales, on the basis of, our brand in the categories and regions on which we are currently focused. Leitesol also believes in its possibility to grow in the cheese category.

b) Other regional markets - Paraguay, Bolivia and Uruguay

We continued to increase our activities in the Paraguayan market, where our products are sold through an alliance with Arcorpar S.A., a company of the Arcor group in that country, and we have obtained satisfactory results, having increased sales volumes and included new products under new health authorizations that are obtained as new products are launched by the company.

In Uruguay we have a strategic agreement in place with Fort Masis S.A., a company of the Danone group in that country, which sells our products in the Uruguayan domestic market.

Also, we have begun to develop commercial activities in Bolivia and Perú, which are still in an initial stage, in both cases based on agreements reached with marketing companies and distributors of the Arcor group in these countries.

Something to be noted is that in all the countries where we currently operate, our strategy is focused on maintaining an active participation in relation to customers, and developing commercial actions and organizing active campaigns that are replicated to achieve a larger growth.

We have significant growth expectations for the whole region and in respect of the selection of the products to be put in the market on the basis of the distinctive features of each society. For this reason, we are now adding training in the handling of fresh dairy products in the different countries.

DOMESTIC DAIRY MARKET

a) <u>General outlook and Company actions</u>

The year brought with it the surprise of the COVID 19 pandemic, which had an impact on consumption in various ways, as consumers gradually modified their shopping habits. This had different effects on our sales volumes in the course of the year.

Various and unexpected factors had an influence during this year, such as the mandatory social isolation, the closure of activities that were considered non essential, a price freeze and the regulations imposed on domestic trade.

The lock-down measures, added to other health protection measures, were established in the month of March and kept in effect during the whole year with varying degrees of strictness. The economy was affected by the restrictions imposed on virtually all activities. Only the areas related to health services and the food and hygiene industries were allowed to operate regularly based on their condition as essential activities.

The government established social assistance plans, and to ensure household access to consumption it adopted measures of control in the form of a price freeze, added to strict controls applied on the different retail channels. Under the price freeze, price increases were authorized only under official resolutions issued by the Trade Secretariat. All these measures were applied throughout the year, and a slow and gradual release could be perceived only near the end of the year.

The population experienced a high level of uncertainty and had a changing behavior. During the first months there was a strong demand to create a household stock of products. Consumption was oriented to the essential needs, food and hygiene products, medicines and online services. The demand for all other products was paralyzed. The stores that were considered essential remained open, but many activities were ordered to close down, such as, for instance, restaurants, bars and coffee shops, to mention only meals and refreshment services. The purchases made by the population varied, depending on the isolation measures in force, and alternated between supermarkets and proximity stores given that moving around was not possible. As the economic activity continued to deteriorate, consumption was also affected by this situation and consequently sales varied based on the decreasing purchasing power of the population.

In the face of the circumstances described above, we gathered a significant stock of products of all the categories that we sell, following the pace of market events. During the first few months the demand was very strong, and we assigned priority to the supply of products with a quicker turnover so that those that were more essential and had a higher sales volume could reach store shelves, while the supply of more specific or niche products was reduced. This allowed us to simplify our operation and enabled us to accompany the production processes, given the different restrictions derived from the existing pandemic. After June the demand began to decrease, also, as we said before, on account of the fall in the population's purchasing power.

Also, from the point of view of competition, the increased production of raw milk as compared to the previous year entailed an increased offer of dairy products in the market, with varying qualities and prices.

The above having been explained, the following summary can be provided:

- In the first half of the year, and in particular in the second half of this six-month period, the sales volumes of all the product categories sold by the Company rose significantly, with a considerable increase in creams, butters, condensed caramelized milks and all cheese varieties.
- In the second half of the year, with the presence of a strong competition and a reduced purchasing power of the population, offers and promotions were newly launched to preserve our sales.

A significant fact to be noted is that we maintained our supply to the National Government under the plan designated as Price Watch Program, providing milk bags, cream and condensed caramelized milk under "La Armonía" brand, which were distributed solely to supermarket outlets.

Finally, as regards selling prices, something that must not be left unmentioned is that the Domestic Trade Secretariat, under the Ministry of Production Development, issued Resolution No. 100/2020 (as amended and/or including related resolutions), which established a "Maximum Price" program. This resolution provided that the prices of a large basket of all kinds of products, including 100% of dairy products, should be frozen. On the basis of this resolution, the Domestic Trade Secretariat authorized only 3% and 2% price increases under new resolutions issued in July and October, respectively. These increases were completely insufficient in the face of our increased production costs, in particular considering that the most recent price list published by the Company before the effective date of such resolution dated back to October and November 2019.

b) Marketing and Trade Marketing - Products launched in the year

On account of the quarantine and mobility restrictions, in 2020 consumers went through significant changes in both their shopping and consumption habits. On the one hand, visits to retail outlets became less frequent and customers remained a shorter time inside them, while the purchase of items to build up household stocks increased. At the same time, online purchases increased exponentially.

Household consumption of cooking related products experienced a dramatic increase. We were adequately prepared for the occasion, with a portfolio of a new line of cooking products to meet this specific demand. At the same time, we implemented a Communication Plan under the name Allies in your Kitchen, which enabled us to efficiently bring product families together for advertising purposes. Under this concept, our brand La Serenísima took part as the major sponsor in Masterchef Celebrity Argentina, the largest-audience and most successful TV program in the year.

Following the new tendencies towards healthier lifestyles and vegetable consumption, our brand La Serenísima went into the market of plant-based milks with sub-brand "100% Vegetable", and quickly became a new leader in this segment.

Some of the actions we implemented are detailed below:

- ✓ **<u>Milk</u>:** We relaunched functional milks, segmenting each of them on the basis of their main benefits. We redesigned the whole portfolio and offered consumers all our low-fat options. Also, we innovated in terms of packaging, identifying our products with a PET bottle for long life milk, and a one-liter carton for refrigerated varieties. We continued to intensify our brand segmentation of fresh, long life and powder milk, aiming at different types of consumers and sales outlets. We launched the only fresh milk being sold in a transparent bottle in the market, communicating all its features of quality and purity from its source.
- ✓ **<u>Vegetable milks</u>:** We inaugurated a new category. For the first time in the history of the Company, we began to manufacture and market vegetable products in the form of almond and rice-based drinks. This category is in line with the new healthy food habits that are currently a tendency in Argentina and the world.
- ✓ **<u>Dairy Beverages</u>:** Intending to reverse the fall in sales volume of this category, we launched into the market the new line La Serenísima Bebible [La Serenísima Beverage], both in regular and 0% fat lines of long life and fresh beverages in the Strawberry and Vanilla winning flavors. Also, getting in line with the new tendencies in consumption and reinforcing our commitment to the community, we relaunched the Junior dairy beverages with a new formula and no added sugar. Finally, given that "on the go" consumption opportunities had disappeared during the quarantine, we launched a one-liter presentation product for household and family consumption under the brand Sense.
- ✓ **<u>Cream</u>:** Our sales volume increased to two digits, and we strengthened the differential position of our package, the only one in the market that offers three different opening options. We also offer a 330 ml screw cap package. Our Culinary Cream segment was also strengthened, and reached almost 20% of the category mix.
- ✓ **<u>Butter</u>:** With a focus on their differential features, we communicated their unique flavor and their quality as an ingredient for sweet and salty meals, under the Allies in Your Kitchen plan. This was one of the categories with a larger growth in the year.
- ✓ **<u>Condensed caramelized milk</u>:** We continued to extend this category to new territories by launching Dolcella. Also, and given our business need to make our current portfolio more profitable, we launched condensed caramelized milk La Serenísima Tradición Argentina [Argentine Tradition] into the domestic market. This enabled us to raise the average category item through a product innovation. Finally, in order to simplify our business and production management in the context of the pandemic, we relaunched the condensed caramelized milk Ser in a single 300 g presentation.
- ✓ **<u>Soft cheeses</u>:** We strengthened our brand "Cremón" as an "Ally in Your Kitchen" by means of a massive communication campaign. Also, we began to communicate the "Naturally without lactose" benefit in all packages, a differential vis-à-vis our competitors which had a considerable response from customers.
- ✓ **<u>Hard and semi hard cheeses</u>:** We relaunched the complete line under the new brand identity "La Serenísima Selección," which allowed us to achieve visual uniformity and a much stronger sense of a product family in store shelves, thus contributing to customer's choice by brand. We emphasized their packaging at source, the cheese ripening months and their condition as "naturally without lactose" products. This relaunching was accompanied by a communication campaign intended to disseminate the news and create a new habit of daily consumption as a merited reward after the end of a hard work day.
- ✓ **<u>Spreadable cheeses</u>:** We expanded the territory covered by this category and innovated with the newly launched Cremón Cocina, an ideal cheese to prepare more tasteful and lighter meals.
- ✓ **<u>Grated cheeses</u>:** We relaunched the La Serenísima line of Grated Cheeses with a new design, emphasizing the main qualities of our Reggianito Cheese.
- ✓ **<u>Exact Weight Cheeses</u>:** We unified this category under the Finlandia Chef platform, and launched our Shredded (4 Quesos, 4 Quesos Light) and Sliced (Danbo, Danbo Light, Cheddar) cheeses, which are easy to use and ideal for all types of preparations.

As a complement, from the Trade Marketing area we provided support to the above launchings with POP material for more than AR$ 18 million.

We created implementation focus points with the following names: LA QUESERÍA [Cheese Shop] (500 implemented sales points), LA REPOSTERÍA [Cake Shop] (1,500 implemented sales points), and LECHES FUNCIONALES [Functional Milks] (4,000 implemented sales points).

More than 7,000 standing displays were installed to strengthen the Functional Milks, Vegetable Drinks, Grated Cheese and Condensed Caramelized Milk product families.

The sales of the Company in the domestic market during the fiscal year are detailed below:

Product Family	**2020**		**2019**		**Volume diff. (%)**	**AR$ diff. (%)**
	Volume	**AR$**	**Volume**	**AR$**		
Fluid milk	609,829	24,771,270	628,057	19,294,845	-2.9%	28.4%
Milk powder	3,558	1,055,833	3,272	788,750	8.7%	33.9%
Cheese and mozzarella	28,456	10,057,996	25,589	7,178,448	11.2%	40.1%
Cream, butter, condensed caramelized milk, melted cheese	60,283	14,009,910	51,846	9,189,349	16.3%	52.5%
Ricotta and other	4,353	583,820	3,301	367,073	31.9%	50.0%
Aggregate total	**706,479**	**50,478,829**	**712,065**	**36,818,463**	**-0.8%**	**37.1%**

Amounts stated in thousands of Argentine pesos and in historical currency.

COMPETITIVE BIDS

In the course of the year the Company met its obligations undertaken under the competitive bids organized by the Ministry of Social Development of the Province of Buenos Aires and the Argentine Ministry of Health. Also, we took part in new competitive bids called by these governmental agencies for the supply of dairy products, specifically fluid milk, in the framework of the social programs implemented by the Argentine Government and the Province of Buenos Aires.

The sales made in this area during the year are detailed below:

Product Family	**2020**		**2019**		**Volume diff. (%)**	**AR$ diff. (%)**
	Volume	**AR$**	**Volume**	**AR$**		
Fluid milk	6,214	233,052	4,891	143,370	27.0%	62.6%
Milk powder	11,930	3,948,486	11,152	2,155,214	7.0%	83.2%
Other	1,934	153,573	4,382	198,094	-55.9%	-22.5%
Aggregate total	**20,077**	**4,335,111**	**20,424**	**2,496,678**	**-1.7%**	**73.6%**

Amounts stated in thousands of Argentine pesos and in historical currency.

OPERATING ACTIVITIES

Among our industrial operating activities in 2020, production presented many particular features arising from the special conditions created in the context of the pandemic.

We received a larger amount of milk during the year, and as a result the use of our installed capacity was increased and our productivity improved. This larger supply of milk was allocated primarily to the production of milk powder. This product was assigned almost in full to exportation, while sales volumes in the domestic market were similar to those of the previous year.

In March, upon the issuance of Executive Decree No. 297/2020, as amended, we were forced to keep a large number of our employees in isolation and implement the protocols established by the relevant authorities to maintain our operations going. We assigned priority to lines with a larger sales volume, so as to be able to maintain our supplies to the domestic market in this difficult context and to meet our commitment to keep delivering our products throughout the Argentine territory.

The investment plan for the year was delayed for some months, due to the difficulties experienced by our domestic and foreign suppliers in having access to our plants. This situation could be reversed in the second half of the year, when we were able to get going and in most cases complete the works that had been initiated in this respect. This brought along an improved productivity and capacity in some of our plant processes.

As a result of our policy involving a continued effort designed to optimize our use of resources, in 2020 MHSA was able to reduce its consumption of well water by 0.8%, and at the same time the reuse thereof was increased by 14%. The combination of these two achievements was translated into a smaller demand of water for the performance the Company’s operations.

On the other hand, in 2020 we intensified our waste management efforts. Thus, we were able to reduce the generation of industrial waste by 8.7%, and to reduce the amount of waste sent to landfill sites by 36%. We increased the recycling of waste to a waste recycling rate of 79% at company level.

There were increases in our consumption of electric energy (5.8%) and natural gas (16.4%), as a result of the increased level of activity in our milk powder plants. In this respect, we expanded the scope of our implementation of energy management ISO 50,001 standard to our plants in Trenque Lauquen, Leubucó, Mercedes and Junín.

Also, we started works on a model to determine our carbon footprint, in order to know the Company’s incidence in this respect and be able to make decisions towards a reduction of its environmental impact. As evidence of this commitment, in 2020 we planned a total of 70 projects under the Company’s Sustainability Plan, and 98% of such plans have been implemented.

In 2021 we will continue to implement actions that will allow us to continue improving these results and will undertake initiatives to reinforce and ensure our control over them.

- ✓ **<u>Pascual Mastellone Industrial Complex in General Rodríguez, Province of Buenos Aires</u>:** Production, projects and lines set into operation:

  - **The operation of the new PET bottling line was enhanced:**

  This line, with a capacity of 24,000 liters/hour, started production in August 2019. This line is used for the packaging of long life and fresh milk. The investment required amounted to around **US$ 17.4 million**. In 2020 the sale of this type of package (bottles) was reinforced, with which a continued operation was attained, and its yield was improved and bolstered.

  - **Milk Powder Processing in Plants No. 4 and 5:**

  In 2020 the Company processed 16% more milk than in the previous year. The larger part of this increase in received milk was allocated to drying. This was translated into a historical record in the used capacity of milk powder plants, and production was mainly allocated to the export market. Fat filled milk powder was also produced; the larger part of this product was exported, although a certain percentage, fractioned into smaller portions, was allocated to the domestic market. In this case, use was made of the new equipment (milk powder palletizing center) referred to in the previous annual report.

- **Setting into operation of the Vegetable Beverages production line**

This is a complete facility for the exclusive processing of vegetable based products. The line includes a manufacturing room, storage tank, sterilizing equipment, aseptic tank, packing machine and packaging line, which makes it possible to manufacture these products independently from the dairy product line. Production started in September 2020. The products may be packaged in long life, screw cap packages.

✓ **Trenque Lauquen plant:**

This complex processed 60% more milk than in 2019 in its milk powder plant. This brought about savings in terms of transport costs in relation to fluid milk. Its production was primarily exported. The plant also increased its production of soft cheeses by 20%, which are primarily allocated to the domestic market.

✓ **Plant of Canals, Province of Córdoba:**

The works for the enlargement and automation of milk reception facilities and the truck cleaning center were completed. Thus, the plant facilities are in place and ready to process the entirety of the raw milk for which it was conceived. During this year semi hard cheeses (such as Gouda, Edam and Holland) began to be manufactured for exportation.

Perspectives and projects for 2021

We will be completing the works for the enlargement of the cream processing area, which will give us more storage capacity, an improved productivity and less depletion in the production process, which will also reduce transfers to the effluent treatment system.

We will carry out a project that will enable us to considerably expand our fat filled milk manufacturing capacity by the addition of the necessary drying technology to our largest plant.

Also, we will implement a project to be able to expand both the capacity and the flexibility of our sterilized milk lines, as a result of the increased demand recorded in 2020.

Finally, we will go ahead with a large number of projects aimed at improving the plan for an efficient use of energy and the reduction of waste and depletion, all in line with the Company's sustainability plan.

HUMAN RESOURCES

General

The number of employees of the Company and its Subsidiaries (whichever the nature of their existing employment relationship) has changed as shown in the table below:

Year End	Argentina	Brazil	Total
2014	4,273	107	4,380
2015	4,111	105	4,216
2016	3,931	115	4,046
2017	3,722	121	3,843
2018	3,559	126	3,685
2019	3,480	134	3,614
2020	3,408	127	3,535

As additional indicators, it may be added that the employees' average age was 42.2 years, and their average seniority was 16.1 years. This is a clear evidence of the commitment and sense of belonging of the Company's employees.

Training

In the course of 2020 we maintained our usual employee training policy. We provided 252 training courses, where 5,881 employees took part, devoting to this activity a total of 15,895 man hours. The main areas covered by the courses included:

- ✓ Management
- ✓ Environment
- ✓ Food quality and safety
- ✓ Commercial
- ✓ Energy efficiency
- ✓ Maintenance
- ✓ Production
- ✓ Human Resources
- ✓ Safety
- ✓ Systems
- ✓ Sustainability

Of these training courses, 72 % were provided in company by our own experts, who were required to learn and develop their classes remotely through the use of a new virtual training platform, as required by the health emergency context and the need to maintain social distancing.

During this year great efforts were made to preserve the continuity of training involving key content for our business, while maintaining social isolation and the implementation of preventive measures. The main action was the setting into operation of the LMS virtual training platform, which may be accessed from any devices and any locations. Of these courses, 108 were provided remotely (with the use of our own or a third-party platform). Also, preventive protocols were designed and implemented for the use of shared training elements, training rooms were adapted by installing ventilation devices and virtual training stations were set up, with the observance of social distancing requirements and health and hygiene measures being applied in all working areas. Technical equipment was also provided to facilitate the virtual training of employees, in particular for those employees that do not have a personal computer as part of their working tools.

The principal subjects included during the year in the training provided to our employees made reference to subjects related to COVID 19 preventive and protection measures, leadership and management of remote equipment, in addition to the usual subjects regarding the protection of the environment, environmental management, environmental issues and impacts, energy saving and climate change. Pursuing the activities carried out in 2019, during this fiscal year 10 employees of the commercial area followed their last-year courses to achieve a technical bachelor's degree in retail marketing at the University of Morón; training began to be provided with Specialty Degree courses in Agrobusiness, Quality, Environmental Engineering, Energy

Engineering and agile methodologies, thus giving continuity to our individual development plan for employees in key positions.

MANAGEMENT

The COVID 19 pandemic confronted the Company with a challenge in terms of its ability to keep up all administrative activities under the new conditions created by such pandemic. In this respect, we were able to ensure the digital connectivity of all our employees in administrative, commercial and operating areas, thus allowing them to maintain a regular and uninterrupted performance of their tasks. On this basis, working routines and/or methods, meeting schedules, etc. were implemented through the use of the technology we had available for such purpose. Meetings in presence were fully or partially replaced by remote meetings. Other administrative tasks could be developed regularly, both remotely and in presence. Routines for the reduction and rotation of in-presence work were established for the above-mentioned areas in order to protect the health of our employees and prevent the propagation of the disease without affecting the regular performance of tasks.

INTEGRITY PROGRAM AND CODE OF ETHICS

Introduction

As Law No. 25,401 - Criminal liability of Legal Persons (March 2018) came into effect and in accordance with the provisions contained in sections 22 and 23 thereof, regulations thereunder by Executive Decree No. 277/2018, and the "Guidelines for the Implementation of Integrity Programs" issued by the Anti-corruption Office, we began to work in the development of our Integrity Program, meaning the whole set of internal actions, mechanisms and procedures aimed at preventing, detecting and remedying any irregular events and unlawful acts.

For this purpose we carried out a number of activities, to be highlighted among them:

- Preparation of an integrity risk matrix: A survey and identification of corruption risks as the basis and grounds for the design and implementation of the Integrity Program.

- Presentation to and approval by the Board of Directors: To then move forward with the design and implementation of the Integrity Program.

- Appointment of an Integrity Officer: This officer will be in charge of the Organization and Procedures area, including the following responsibilities:

  - ✓ Implementing, executing, monitoring and adapting the Integrity Program.
  - ✓ Managing the Group's Integrity Policies.
  - ✓ Reporting any non-compliance with the Code of Ethics, established disciplinary measures and any changes in the adopted processes to the Board of Directors.
  - ✓ Providing proper guidance to employees in relation to the Code of Ethics, Reporting Channels, Integrity Policies and any other matters as specified by the Board of Directors.

- Redefinition of Mastellone values: Through the launching of the campaign "*Mastellone se Valora*" [Mastellone Values Itself], our employees took part in a survey to select the corporate values that were used to update our Code of Ethics.

Actions in 2020: In the course of this year we established as an objective the setting of our Integrity Program into operation, and to this end we worked in the different stages that had been defined for its implementation:

- Creation of a new Ethics Committee that will be responsible for ensuring the correct implementation of the Integrity Program and assisting the Board of Directors in the monitoring of such program. The Ethics Committee shall be formed by the following members:
  - ✓ Director of Human Resources Area (President)
  - ✓ Manager of Sustainability Department
  - ✓ Manager of Legal Department
  - ✓ Manager of Environment, Health and Industrial Protection Department
  - ✓ Integrity Officer

- Launching of the new Code of Ethics: The new Code of Ethics will contain the principles pursuant to which we undertake our daily tasks and do business properly and responsibly. The Code of Ethics is the basic pillar of the internal behavior between those who are part of our organization and also our external behavior as to our shareholders, customers, suppliers and the general public.

  The Code of Ethics was distributed to our employees and agreed to and accepted by them by digital means. Also, a hard copy of the Code of Ethics was delivered to each employee of the Mastellone Group.

- Implementation of Integrity Policies: These policies are applicable to all the members of the Group and third parties (customers, suppliers, distributors, agents, advisors and any other intermediaries and business partners). These policies are detailed below:

  - ✓ Integrity Framework: This framework establishes the Mastellone Group's guidelines in respect of the components, roles and responsibilities and the reports contemplated in the Integrity Program, as the cornerstone of good corporate governance, to preserve the Mastellone Group's reputation and the interests of all related parties.

  - ✓ Conflict of Interest: This ensures independent decision making processes and the integrity of all employees, by establishing guidelines and independent and effective controls that make it possible to proceed in respect of conflicts of interest, ensure transparency in the case of any existing or potential conflicts of interest, take adequate actions to handle such conflicts and, as a last resort, ensure compliance with the Code of Ethics.

  - ✓ Anticorruption policy: A statement of our policy of zero tolerance to corruption and our determination to always act professionally and impartially, with adherence to corporate values, performing all activities with integrity and a commitment to implement and enforce effective systems to mitigate any acts of corruption.

  - ✓ Gifts and Entertainment: This section defines the principles and behavior procedures to be complied with by employees in respect of any Gifts and Entertainment offered or received in the context of their interaction with public officers, customers, suppliers and other third parties, in order to:

    - o Ensure that their behavior complies with the Code of Ethics and applicable law.

        - Prevent any possible conflicts of interest and acts of corruption.
        - Protect the reputation of all Group companies.

    - ✓ Reports: Here the communication channels and their operation are established so that they may be used by any employees who wish to file reports or make inquiries in relation to ethics and integrity.

    - ✓ Investigation of Reports: The principles and working processes are established to ensure that investigations are conducted professionally, fairly, confidentially and independently.

    - ✓ Ethics Committee: Here the members, roles and duties of the Ethics Committee are defined and described. The purposes of the Ethics Committee include:

        - Ensuring a correct implementation of the Code of Ethics and of the policies and procedures established in the Integrity Program.
        - Assisting the Board of Directors in its monitoring of the Integrity Program.

- Launching of new Report Channels: The Mastellone Group is committed to business integrity and has made of such integrity one of its core values. Thus, it encourages its employees to immediately report any behavior, irregular act or noncompliance with the prescriptions of our Code of Ethics, internal procedures or policies and applicable law.

- Employees may submit their reports or inquiries to their immediate Manager or the Integrity Officer, but they may also do so confidentially and anonymously through any of the following channels:

    - ✓ Website
    - ✓ E-mail
    - ✓ Post mail

  These channels are managed by an independent third party not belonging to the Company, so that an open communication culture may be established at any time our employees and/or any third parties may be in need of advice or wish to raise concerns or report an irregular act, in the assurance that any reports received will be given a professional, transparent and confidential treatment.

  All reports will be subject to an investigation procedure that will ensure the confidentiality and protection of the reporting employees.

- Training:

    - ✓ As regards our values, ethics and integrity, training was provided to the following groups:
        - First-line managers and members of the Board of Directors.
        - Ethics Committee.
        - Employees that are in contact with public officers or agencies.
        - Persons in charge of investigating reports

    - ✓ Prevention of Asset Laundering and Terrorist Financing

- Communication Campaigns: All these actions were communicated through the Intranet, digital billboards, e-mail and newsletters.

- Integrity Website: An area was created in the Intranet to include all the news referring to and the components of our Integrity Program.

The execution of the Integrity Program started in November. This Program promotes an ethical and transparent culture and encourages compliance with the Code of Ethics, internal policies and procedures and the laws applicable in the countries where we develop our business.

RECOGNITIONS AWARDED TO THE COMPANY

In 2020 we were awarded the following distinctions:

Ranking	Institution	Position
Brand footprint	Kantar	1st
1000 leader companies	Prensa Económica	1st (dairy products)
Awards to Argentine exports	Prensa Económica	1st (dairy products)
Ranking of the best companies in the public's eye 2020	SEL Consultores	2nd
The power of brands	Prestigio Empresario	3rd
Top 100 companies with the best image	Apertura	13th
Merco 2020: 100 most reputable companies in Argentina	Clarín - MERCO	29th
Top 1000 selling companies	Mercado magazine	57th
Merco 2020: corporate leaders	Clarín - MERCO	64th

Also, we were granted the following awards:

- CEADS (*Consejo Empresario Argentino para el Desarrollo Sostenible*) recognition for our fulfillment of Sustainable Development Objectives
- *Premio a la Exportación Argentina* (Argentine Export Award) - Dairy Industry Category
- EIKON Award - 2nd place in category "Best Institutional Advertising"
- EIKON Award - 2nd place in category "Best Social Networks Campaign with influencers"
- Energy Management Insight Award
- *Premio Argentina Eficiente* (Argentine Efficiency Award) - Energy Management category

CORPORATE GOVERNANCE

The Company's corporate governance rules and our answers to the Argentine Securities Commission's questionnaire under General Resolution No. 606 on this subject are included as an annex to this annual report and may be accessed through our website www.mastellone.com.ar throughout the year.

RESULTS OF THE YEAR

The pandemic and all the events and actions unleashed as a result had a clear incidence in our economy and financial performance.

In March 2020, as stated above, the Argentine Government adopted a number of measures in the context of the COVID 19 pandemic. Among these measures, Resolution No. 100/2020, issued by the Domestic Trade Secretariat, under the Argentine Ministry of Production Development, created a program designated as "Maximum Prices", under which the selling prices of a large basket of products, including all dairy products, were rolled back to the amounts in effect as of March 6, 2020.

It should be noted that prior to the issuance of this resolution the most recent price lists applied by our Company dated back to October and November 2019, depending on the type of product. At the time Resolution No. 100/2020 was issued our selling prices were already beginning to lag behind cost increases, and this situation worsened along the rest of the year. In the face of these circumstances and in spite of countless requests made, meetings held and documents filed, the Domestic Trade Secretariat only authorized 3% and 2% price increases in the months of July and October, respectively. This forced us to try and find some compensation, at least partially, for this mismatch between costs and prices through the use of business negotiation tools, with only a limited success.

On the other hand, on account of the pandemic and the different health protocols established, including the definition of risk groups, we were forced to do without a certain number of our employees, in particular in production areas. This led us to incur additional costs to ensure the supply of basic dairy products for the household food basket, and required that we hire additional operators directly for our production activities, and indirectly for the distribution of our products.

A significant and relevant fact to be mentioned is that, on account of the large increase in the amount of raw milk liters processed by the Company during the year, as described in the chapter on raw milk, we were able to increase our export volumes in the year considerably. Also, given the rise in the international prices of dairy products, the profitability of this business improved during the year and made a positive contribution to the generation of Company funds.

In summary, the fact that we were unable to increase our selling prices due to the price freeze established under the "Maximum Prices" program in line with our structure of increased costs and expenses, added to all the additional expenses derived from the pandemic, has had a critical effect on our results of the year.

Consolidated information as of December 31, 2020 (amounts stated in thousands of Argentine pesos)

The net results for the fiscal year represented a loss of AR$ 2,287,475. Upon a more detailed analysis, it may be said that Gross Profits amounted to AR$ 21,159,478, or 26.4% of sales. Operating results, that is, Gross Profits less Administrative and Selling Expenses, was a profit of AR$ 255,415 (this amount being stated in a homogeneous currency) or 0.3% of sales. The comprehensive income for the fiscal year was a Loss of AR$ 1,440,608.

a) Subsidiaries

Each of our subsidiaries pursued its respective business as usual. The results of each subsidiary, measured in a homogeneous currency (stated in millions of pesos and already shown in our consolidated financial statements) have been as follows:

Company	**12/31/2020**	**12/31/2019**
Leitesol	350.3	328.0
Mastellone San Luis	-193.0	636.3
Con Ser	-64.1	-1.8
Marca 5	-5.8	-1.8
Marca 4	-	-
Mastellone de Paraguay	15.5	30.8
Mastellone do Brasil	-22.4	-3.7
Subtotal	**80.5**	**987.8**
Rounding effect	-	-
Aggregate total	**80.5**	**987.8**

b) Other balance sheet information (amounts stated in a homogeneous currency as of December 31, 2020)

	2020 (thousands of AR$)	**2019 (thousands of AR$)**
Current assets	19,255,364	20,122,410
Non-current assets	30,647,941	30,639,007
Total assets	**49,903,305**	**50,761,417**
Current liabilities	27,060,976	10,794,411
Non-current liabilities	5,733,142	21,417,211
Total liabilities	**32,794,118**	**32,211,622**
Shareholders' equity attributable to the owners	**17,108,892**	**18,549,518**
Non-controlling interests	294	276
Total shareholders' equity	**17,109,186**	**18,549,794**

	2020 (%)	**2019 (%)**
Current assets / Total assets	38.6%	39.6%
Non-current assets / Total assets	61.4%	60.4%
Current liabilities / Total liabilities + Total shareholders' equity	54.2%	21.3%
Total shareholders' equity / Total liabilities + Total shareholders' equity	34.3%	36.5%

RESULTS OF THE YEAR

The Company has not yet defined a dividend policy. However, given that the result of the current year was a net loss, this result will be accumulated with similar results for previous years.

PERSPECTIVES FOR NEXT YEAR

The development of the pandemic and the campaigns for the vaccination of the population will have a clear impact on the development of economic activities and consumption in the country.

An event that will undoubtedly have a required and necessary effect is the National Government's announcement of a gradual discontinuance and eventual termination of the "Maximum Prices" program. This will be extremely necessary for a recovery of selling prices vis-à-vis the increasingly serious situation regarding costs, and will create positive expectations for the Company.

At an international level, we shall continue to maintain our presence in international markets and also in the regional markets by exporting our usually sold dairy products and/or by including and/or increasing higher value-added products such as cheeses or other dairy products.

On the other hand, considering next July 3, 2021 payment date under our Series F Notes issued in July 2014, being able to refinance such liability by means of an exchange for new notes to be issued in the international capital market, and/or the issuance of New Notes in the domestic capital market, and/or through the use of any other financing instrument that we may have available will be of vital importance for the Company.

Regarding this matter in particular, we are fully confident that we will reach a successful conclusion to this process. As for the concept of on-going enterprise and as it is expressed in the **Note 4, paragraph d)** to our Consolidated Financial Statements which explicitly mention *"to the existence of a considerable uncertainty that may give rise to material doubts as to the Company´s ability to continue as an on-going business"*, it should be convenient to clarify that under any practical purpose, this does not mean, that if we were unable to meet a financial solution for the next final maturity of the Mastellone Notes, this would automatically impose or represent an immediate restriction or limitation on our capacity to continue manufacturing and selling our products as we have been doing for more than 90 years.

FINAL CONSIDERATIONS

We wish to take this opportunity to thank all our employees, dairy farmers, financial entities, financial creditors and all our other suppliers for their support throughout the year.

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY
AS OF DECEMBER 31, 2020

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

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

The Covid-19 pandemic and all the events and actions unleashed as a result had a straight impact into the financial performance of the Company.

As we mentioned in previous reviews, the measures taken by the Argentine Government since the beginning of Covid-19 pandemic had different effects in the Company´s business.

Among such measures, Resolution No. 100/2020, issued by the Domestic Trade Secretariat, under the Argentine Ministry of Production Development, was particularly the most significative. Such resolution created a program designated as "Maximum Prices", under which the selling prices of a large basket of products, including all dairy products, were rolled back to the amounts in effect as of March 6, 2020. Also, such regulation froze sales prices throughout the year with just the exception of minimum increases approved in July and October of 3% and 2% respectively.

Also, it should be noted that our whole portfolio was reached by such program. Prior to such resolution our last price list dated back to October and November 2019 depending on the type of product. At the time Resolution No. 100/2020 was issued our selling prices were already beginning to lag behind cost increases, and this situation worsened along the rest of the year.

On the other hand, because of the pandemic and the different health protocols established, including the definition of risk groups, we were forced to continue our operations without a certain number of our employees in particular those involved into production areas. This led us to incur additional costs to ensure the supply of basic dairy products for the household food basket and required that we hire additional temporary workforce for our production activities and, also doing the same for the distribution tasks in this case through our logistics.

Finally, it is important to mention that the Company recorded a significant increase of raw milk liters processed during the year. We were able to increase our export volumes in the year considerably, without affecting volumes sold into the domestic market.

2. CONSOLIDATED FINANCIAL POSITION

	2020	2019	2018	2017
	(in thousand pesos - as restated to reflect the effects of inflation)			
Current assets	19,255,364	20,122,410	16,418,208	18,050,031
Non-current assets	30,647,941	30,639,007	28,326,083	22,506,936
TOTAL ASSETS	**49,903,305**	**50,761,417**	**44,744,291**	**40,556,967**
Current liabilities	27,060,976	10,794,411	9,694,662	10,054,083
Non-current liabilities	5,733,142	21,417,211	19,035,486	14,289,283
TOTAL LIABILITIES	**32,794,118**	**32,211,622**	**28,730,148**	**24,343,366**
Equity attributable to owners of the Company	**17,108,893**	**18,549,519**	**16,013,925**	**16,213,380**
Non-controlling interests	**294**	**276**	**218**	**221**
TOTAL EQUITY	**17,109,187**	**18,549,795**	**16,014,143**	**16,213,601**
TOTAL LIABILITIES AND EQUITY	**49,903,305**	**50,761,417**	**44,744,291**	**40,556,967**

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

	2020	2019	2018	2017
	(in thousand pesos - as restated to reflect the effects of inflation)			
Operational results – income	255,415	3,007,923	259,827	818,827
Investment income, finance cost, foreign exchange differences, other financial results and gain arising on net monetary position	(2,357,308)	(2,457,546)	(4,365,860)	(140,095)
Excess of restated value over the revalued amount of assets measured at fair value	(128,557)	(688,764)	(762,395)	(3,382,037)
Other gains and losses	(1,580)	(9,097)	(46,213)	9,601
Loss before taxes	**(2,232,030)**	**(147,484)**	**(4,914,641)**	**(2,693,704)**
Income tax and alternative minimum income tax	(55,445)	78,693	735,464	924,547
Net loss for the year	**(2,287,475)**	**(68,791)**	**(4,179,177)**	**(1,769,157)**
Other comprehensive income	**846,867**	**2,604,444**	**3,979,717**	**2,270,101**
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(1,440,608)**	**2,535,653**	**(199,460)**	**500,944**
Net (loss) income attributable to:				
Owners of the company	(1.440,626)	2,535,594	(199,457)	500,892
Non-controlling interests	18	59	(3)	52
Total comprehensive (loss) income	**(1,440,608)**	**2,535,653**	**(199,460)**	**500,944**

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	2020	2019	2018	2017
	(in thousand pesos - as restated to reflect the effects of inflation)			
Cash flows provided by operating activities	5,289,797	2.943,927	3,158,566	2,797,769
Cash flows used in investing activities	(1,270,316)	(1.425,749)	(3,329,559)	(1,135,579)
Cash flows (used in) provided by financing activities	(2,885,540)	(1.508,192)	(1,961,957)	353,944
Cash and cash equivalents provided by (used in) the year	**1,133,941**	**9,986**	**(2,132,950)**	**2,016,134**

5. PRODUCTION AND SALES VOLUME (*)

		ACUMULATED SALES		
	2020	2019	2018	2017
	(in thousand liters of milk)			
Domestic market	1,306,689	1,258,855	1,302,886	1,371,017
Foreign market	470,443	278,203	286,344	162,692
Total	**1,777,132**	**1,537,058**	**1,589,230**	**1,533,709**

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

6. RATIOS

	2020	2019	2018	2017
Current assets to current liabilities	0.71	1.86	1.69	1.80
Equity attributable to owners of the Company to total liabilities	0.52	0.58	0.56	0.67
Non-current assets to total assets	0.61	0.60	0.63	0.55
Loss to equity	(0.13)	(0.004)	(0.26)	(0.12)

7. OUTLOOK (*)

The development of the pandemic and the campaigns for the vaccination of the population will have a clear impact on the development of economic activities and consumption in the country.

An event that will undoubtedly have a required and necessary effect is the National Government's announcement of a gradual discontinuance and eventual termination of the "Maximum Prices" program. This will be extremely necessary for a recovery of selling prices vis-à-vis the costs evolution, and will create positive expectations for the Company.

At an international level, we shall continue with the Company´s strategy to maintain our presence in international markets and strengthen our participation in the regional markets by exporting our dairy products

On the other hand, considering next July 3, 2021 payment date under our Series F Notes issued in July 2014, we are fully confident that we will reach a successful refinancing of such financial debt. We should consider all available financial instruments, in order to achieve such goal in favor of the Company but also all the stakeholders.

(*) Information not reviewed by the Auditors.

General Rodriguez, Province of Buenos Aires, March 8, 2021

CARLOS AGOTE

Chairman

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2020
(in thousands of Argentine pesos - as restated to reflect the effects of inflation)

	Notes	2020	2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	1,721,941	920,973
Other financial assets	6		324
Trade accounts receivable	7	6,472,303	8,031,888
Tax credits	8	1,400,396	1,452,242
Other receivables	9 and 29	300,606	300,397
Inventories	10	9,360,118	9,416,586
Total Current Assets		**19,255,364**	**20,122.410**
NON-CURRENT ASSETS			
Tax credits	8	183,291	205,688
Other receivables	9 and 29	91,264	125,283
Deferred tax assets	20	78,557	60,000
Property, plant and equipment, and others	11	29,507,416	29,369,273
Right of use assets	13	457,654	534,928
Investment property		1,481	1,585
Goodwill		36,992	36,992
Intangible assets		2,176	5,881
Other assets	12	289,110	299,377
Total Non-Current Assets		**30,647,941**	**30,639,007**
TOTAL ASSETS		**49,903,305**	**50,761,417**
LIABILITIES			
CURRENT LIABILITIES			
Trade payable	14	7,512,933	7,841,879
Borrowings	15	16,805,676	658,946
Leases liability	13	116,729	94,435
Accrued salaries, wages and payroll taxes	16	2,184,135	1,778,639
Taxes payable	17	371,549	349,288
Advance from customers		28,098	24,912
Provisions	18	2,275	7,560
Other liabilities	19	39,581	38,752
Total Current Liabilities		**27,060,976**	**10,794,411**
NON-CURRENT LIABILITIES			
Trade payable		8,494	14,361
Borrowings	15	-	16,264,309
Leases liability	13	466,324	531,927
Accrued salaries, wages and payroll taxes		119,028	45,821
Taxes payable		-	777
Deferred tax liabilities	20	5,084,281	4,514,704
Provisions	18	21,120	16,089
Other liabilities	19	33,895	29,223
Total Non-Current Liabilities		**5,733,142**	**21,417,211**
TOTAL LIABILITIES		**32,794,118**	**32,211,622**
EQUITY			
Common stock and share premium		14,866,655	14,866,655
Reserves		8,299,389	8,260,090
Accumulated deficit – including net result for the year		(6,057,151)	(4,577,226)
Equity attributable to owners of the Company		**17,108,893**	**18,549,519**
Non-controlling interests		**294**	**276**
TOTAL EQUITY		**17,109,187**	**18,549,795**
TOTAL LIABILITIES AND EQUITY		**49,903,305**	**50,761,417**

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
(in thousands of Argentine pesos - as restated to reflect the effects of inflation)

	Notes	2020	2019
Revenue	21	80,251,465	78,851,787
Cost of sales (*)	22	(59,091,987)	(56,296,588)
Gross profit		**21,159,478**	**22,555,199**
Selling expenses (*)	23	(17,990,984)	(16,879,865)
Administrative expenses (*)	23	(2,913,079)	(2,667,411)
Investment income	24	(2,298)	413,247
Finance cost	25	(2,336,845)	(2,250,239)
Foreign exchange losses			
- Generated by assets		(24,678)	(207,150)
- Generated by liabilities		(685,593)	(718,965)
Other financial results		(113,223)	(335,908)
Gain arising on net monetary position		805,329	641,469
Excess of restated value over the revalued amount of assets measured at fair value	3.6	(128,557)	(688,764)
Other gains and losses	26	(1,580)	(9,097)
Loss before taxes		**(2,232,030)**	**(147,484)**
Income tax and alternative minimum income tax	27	(55,445)	78,693
NET LOSS FOR THE YEAR		**(2,287,475)**	**(68,791)**
Net loss attributable to:			
Owners of the Company		(2,287,493)	(68,850)
Non-controlling interests		18	59
Net loss for the year		**(2,287,475)**	**(68,791)**

(*) See note 3.23 for a detail of exceptional expenses included in such items of the consolidated statement of profit or loss for the fiscal year ended on December 31, 2019.

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
(in thousands of Argentine pesos - as restated to reflect the effects of inflation)

	Notes	2020	2019
Net loss for the year		**(2,287,475)**	**(68,791)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Translation differences of foreign operations		(225,342)	(4,250)
Income tax	27	(11,204)	(13,952)
		(236,546)	(18,202)
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	11	1,701,474	3,541,165
Income tax	27	(618,061)	(918,519)
		1,083,413	2,622,646
Other comprehensive income, net of income tax		**846,867**	**2,604,444**
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(1,440,608)**	**2,535,653**
Total comprehensive (loss) income attributable to:			
Owners of the Company		(1,440,626)	2,535,594
Non-controlling interests		18	59
		(1,440,608)	**2,535,653**

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
(in thousands of Argentine pesos - as restated to reflect the effects of inflation)

	Shareholders' contributions			Reserves		Retained earnings (Accumulated losses)	Equity attributable to:		Total
	Common stock	Common stock adjustment	Share premium	Foreign currency translation reserve	Property, plant and equipment revaluation reserve (Note 3.6)		Owners of the parents	Non-controlling interest	
Balance at December 31, 2018	**653,969**	**10,727,605**	**3,485,081**	**423,919**	**5,984,348**	**(5,260,997)**	**16,013,925**	**217**	**16,014,142**
Net loss for the year						(68,850)	(68,850)	59	(68,791)
Other comprehensive income for the year, net of income tax				(18,202)	2,622,646		2,604,444		2,604,444
Total comprehensive income for the year				(18,202)	2,622,646	(68,850)	2,535,594	59	2,535,653
Transfer to accumulated losses (1)					(752,621)	752,621			
Balance at December 31, 2019	**653,969**	**10,727,605**	**3,485,081**	**405,717**	**7,854,373**	**(4,577,226)**	**18,549,519**	**276**	**18,549,795**
Net loss for the year						(2,287,493)	(2,287,493)	18	(2,287,475)
Other comprehensive income for the year, net of income tax				(236,546)	1,083,413		846,867		846,867
Total comprehensive income for the year				(236,546)	1,083,413	(2,287,493)	(1,440,626)	18	(1,440,608)
Transfer to accumulated losses (1)					(807,568)	807,568			
Balance at December 31, 2020	**653,969**	**10,727,605**	**3,485,081**	**169,171**	**8,130,218**	**(6,057,151)**	**17,108,893**	**294**	**17,109,187**

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

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
(in thousands of Argentine pesos - as restated to reflect the effects of inflation)

	Note	2020	2019
Cash flows from operating activities			
Net loss for the year		(2,287,475)	(68,791)
Adjustments to reconcile net loss for the year to net cash provided by operating activities:			
Income tax and alternative minimum income tax accrued		55,445	(78,693)
Finance cost		2,336,845	2,250,239
Other financial results		113,223	335,908
Foreign exchange losses		609,405	652,218
Gain arising on net monetary position		(805,329)	(641,469)
Excess of restated value over the revalued amount of assets measured at fair value		128,557	688,764
Depreciation of property, plant and equipment, and others	23	2,681,489	2,662,962
Depreciation of right-of-use of assets	23	110,570	100,830
Additions to provisions		136,237	164,324
Write-off of inventories	22	258,909	258,417
Depreciation of investment property	26	104	103
Amortization of intangible assets	23	3,705	4,754
Depreciation of other assets	26	7,455	25,490
Gain on sale of property, plant and equipment and other assets	26	(7,949)	(29,374)
		3,341,191	6,325,682
Changes in working capital	28	2,063,739	(3,217,455)
Subtotal		5,404,930	3,108,227
Payments of income tax		(115,133)	(164,300)
Net cash generated by operating activities		**5,289,797**	**2,943,927**
Cash flows used in investing activities			
Payments for property, plant and equipment, and others		(1,292,402)	(1,484,481)
Proceeds from disposal of property, plant and equipment and other assets		21,762	77,893
Proceeds from sale other financial assets		324	377
Payments for acquisition of subsidiary			(19,538)
Net cash used in investing activities		**(1,270,316)**	**(1,425,749)**
Cash flows used in financing activities			
Proceeds from borrowings	28	2,457,681	1,647,271
Repayment of borrowings	28	(3,016,587)	(1,077,279)
Repayment of leases liability	28	(100,930)	(62,608)
Payment of interests	28	(2,225,704)	(2,015,576)
Net cash used in financing activities		**(2,885,540)**	**(1,508,192)**
Increase in cash and cash equivalents		**1,133,941**	**9,986**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(176,475)**	**(11,154)**
Effect of net monetary position on cash and cash equivalents		**(156,498)**	**(283,877)**
Cash and cash equivalents at beginning of year		**920,973**	**1,206,018**
Cash and cash equivalents at end of year		**1,721,941**	**920,973**

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

1. GENERAL INFORMATION

Mastellone Hermanos S.A. (hereinafter "Mastellone Hermanos S.A." or the "Company") is a sociedad anónima (stock corporation) 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.

The breakdown of consolidated companies in these consolidated financial statements is disclosed in Note 2.6.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Statement of compliance of International Financial Reporting Standards ('IFRS') and basis of preparation

The consolidated financial statements for the fiscal year ended December 31, 2019 have been prepared and presented in accordance with International Financial Reporting Standards ('IFRS') adopted by the Argentine Federation of Professional Councils in Economic Sciences ("F.A.C.P.C.E.") as professional accounting standards, as they were approved by the International Accounting Standards Board ("IASB"), adopted by the Professional Council on Economic Sciences of Buenos Aires Province ("CPCEPBA") and incorporated by the Comisión Nacional de Valores ("CNV"), the Argentine Securities Commission.

These consolidated financial statements recognize the effects of changes in the purchasing power of the currency as a whole by applying the restatement method to reflect the effects of inflation established by International Accounting Standard N° 29 ("IAS 29").

For comparative purposes, these consolidated financial statements include figures and other information corresponding to the fiscal year ended December 31, 2019, which are an integral part of the aforementioned consolidated financial statements and are presented with the purpose of being interpreted exclusively in relationship with the figures and other information of the current fiscal year. These figures have been restated in order to reflect the effect of inflation for the current fiscal year, as indicated in the following section, in order to allow for their comparability with the current fiscal year. Such restatement would not affect the decisions taken based on the financial information corresponding to the previous fiscal year as originally reported.

The legal currency in Argentina is the Peso. The consolidated financial statements are presented in thousands of Pesos.

2.2 Financial information adjusted for inflation

On September 29, 2018, the FACPCE issued Resolution JG No. 539/18, approved by the CPCEPBA through Board Resolution No. 2,883, indicating, among other issues, that Argentina should be considered an inflationary economy in the terms of professional accounting standards as of 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 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. The variation of the index used for restatement of these consolidated financial statements has been 36.14% in the fiscal year ended on December 31, 2020 and 53.83% in the previous year.

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 year-end currency.

2.3 Applicable accounting policies

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 that are measured at revalued amounts (see Note 3.6) or fair values at the end of each reporting period, as explained in the accounting policies in Note 3. Usually, the historical cost is based on the fair value of the consideration given in exchange for the assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are described in Note 3.

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. Areas of high complexity which require more judgments or those in which assumptions and estimations are more significant are detailed in Note 4.

2.4 New standards and interpretations effective from current fiscal year which are material to the Company

The application of new standards, amendments to the standards and interpretations effective from current fiscal year are as follows:

- The amendments to IFRS 3 (Business Combinations) aim to resolve difficulties that arise when a given entity has acquired a business or group of assets. The application of the modifications did not affect the specific amounts in relation to the assets and liabilities of the Company.

- The amendments to IAS 1 (Presentation of financial statements) and 8 (Accounting policies, changes in accounting estimates and errors) clarify the definition of “material” and align the definition used in the Conceptual Framework and in the respective standards. Information is material if its omission, misinterpretation, or concealment can reasonably be expected to influence the decisions that primary users of general-purpose financial statements make based on those financial statements. This new definition of material and the explanatory paragraphs are included in IAS 1. The definition of material in IAS 8 has been replaced by a reference to IAS 1. The application of the aforementioned amendments did not affect the amounts disclosed in relation to assets and liabilities of the Company.

- In March 2018, the IASB published a revised Conceptual Framework and also issued amendments to references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Not all amendments, however, update those pronouncements regarding references and citations to the framework to refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they refer to (the IASC framework adopted by the IASB in 2001, the 2010 IASB framework or the new revised 2018 framework) or to indicate that the definitions in the standard have been updated with the new definitions developed in the revised Conceptual Framework. The application of the aforementioned modifications did not affect the amounts disclosed in relation to the Company's assets and liabilities.

2.5 Standards and interpretations not yet adopted

The Company did not adopt the following standards, revision of standards and interpretations as per the application of the mentioned pronouncements are not required for the fiscal year ended December 31, 2020:

- IFRS 17, which supersedes IFRS 4, establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

  IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 Revenue from Contracts with customers and IFRS 9 Financial instruments have also been applied. The Company’s Board of Directors does not anticipate that the application of the aforementioned modifications will have a significant impact on its financial statements.

- Modifications to IAS 1 (Presentation of financial statements) to clarify the classification of liabilities: changes in the classification of liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position, not the amount or timing of the recognition of any asset, income or expense of liability, or the information that entities disclose about those concepts.

  The modifications:
  - Clarify that the classification of liabilities as current or non-current should be based on the existing rights at the end of the period reported and align the wording in all the

affected paragraphs to refer to the "right" to defer settlement in at least twelve months and make explicit that only the rights in force "at the end of the reporting period" should affect the classification of a liability;

- Clarify that the classification is not affected by expectations about whether an entity will exercise its right to defer the settlement of a liability; Y
- Make it clear that settlement refers to the transfer to the counterpart of cash, equity instruments, other assets or services.

The modifications are effective for the annual reporting periods beginning on January 1, 2023 and will be applied retroactively. Early adoption is permitted. The Company’s Board of Directors does not anticipate that the application of the aforementioned modifications will have a significant impact on its financial statements.

- Amendments to IAS 16, Property, plant and equipment proceeds before intended use: the amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

  The amendments are applied retrospectively only to the items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management for annual reporting periods beginning on or after January 1, 2022, with early application permitted. The Company’s Board of Directors does not anticipate that the application of the aforementioned modifications will have a significant impact on its financial statements.

- Amendments to IAS 37, Cost of fulfilling an onerous contract: the amendments specify that the “cost of fulfilling” a contract comprises the costs that relate directly to the contract. Costs that relate directly to the contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

  The amendments are applied prospectively to contracts for which the entity has not yet fulfilled all its costs for annual reporting periods beginning on or after January 1, 2022, with early application permitted. The Company’s Board of Directors does not anticipate that the application of the aforementioned modifications will have a significant impact on its financial statements.

- Amendment to IFRS 16 – COVID-19-Related Rent Concessions: The amendments introduce a practical expedient that provides lessees the option not to assess whether a rent concession that meets certain conditions is a lease modification. The practical expedient is applicable to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

  a) The change in the lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  c) There is no substantive change to other terms and conditions of the lease.

  The amendments to IFRS 16 are effective for annual reporting period beginning on or after 1 June 2020 with early application permitted. The Company’s Board of Directors anticipates that the application of the aforementioned modifications does not have a significant impact on its financial statements.

- IASB amendments to IFRS 7 and IFRS 9 related to the IBOR reform: The IASB published amendments on September 26, 2019, which are designed to support the provision of useful financial information by companies during the period of uncertainty that It arises from the gradual elimination of benchmark interest rates such as the Interbank Offered Rate (IBOR). Specifically, the amendments:

a) modify the specific hedge accounting requirements for entities to apply those requirements as if the interest rate benchmark on which the hedged cash flows and the hedging instrument cash flows are not altered due to the reform of the interest rate benchmark;
b) apply to all hedging relationships directly affected by the reform of the interest rate benchmark;
c) require specific disclosures about the extent to which the amendments affect the entities' hedging relationships.

The amendments are effective for fiscal years beginning on or after January 1, 2021, and must be applied retrospectively. Early application is allowed. The Company's Board of Directors anticipates that the application of the aforementioned modifications does not have a significant impact on the Company's financial statements.

- In May 2020, IASB issued annual improvements to IFRS standards (cycle 2018-2020) including amendments to IFRS 1 (subsidiary as a first-time adopter), IFRS 9 (Fees in the '10 per cent' test for derecognition of financial liabilities), IFRS 16 (lease incentives) and IAS 41 (taxation in fair value measurements).

  The amendments are effective for annual reporting period beginning on or after January 1, 2022, with early application permitted. The Company's Board of Directors does not anticipate that the application of the aforementioned modifications will have a significant impact on its financial statements.

- In February 2021, IASB amended IAS 8 ("accounting policies, changes in accounting estimates and errors") to clarify the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

  The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

2.6 Basis of consolidation

The consolidated financial statements of Mastellone Hermanos Sociedad Anónima 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.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

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:

			% of direct and indirect participation in capital stock and votes	
Company	**Main activity**	**Country**	**2020**	**2019**
Con-Ser S.A.	Transportation services, services for vehicle, sale of parts and distribution of cooling equipment	Argentina	100.00	100.00
Leitesol Industria e Comercio S.A.	Production and distribution of dairy products	Brazil	100.00	100.00
Marca 4 S.A.	Ownership, administration and legal defense of trademarks *Ser* and *La Serenísima*	Argentina	99.99	99.99
Marca 5 Asesores en Seguros S.A.	Insurance broker	Argentina	99.99	99.99
Mastellone de Paraguay S.A.	Import and distribution of dairy products	Paraguay	100.00	100.00
Mastellone Hermanos do Brasil Comercial e Industrial Ltda.	Inactive	Brazil	100.00	100.00
Mastellone San Luis S.A.	Manufacturer of dairy products	Argentina	99.99	99.99

The financial position statements of Mastellone Hermanos Sociedad Anónima as of December 31, 2020 and 2019 and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the fiscal years ended December 31, 2020 and 2019, were consolidated based on financial statements restated to reflect the effects of inflation of the subsidiaries companies for the years ended at such dates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Functional and presentation currency

The items of the financial statements of each consolidated entity are measured using the currency of the main economic environment in which operates (the functional currency). The functional currency of the parent company and the subsidiaries established in Argentina, is the Peso (legal currency of Argentina), which is also the presentation currency of these consolidated financial statements. The functional currency of the Brazilian subsidiaries (Leitesol Industria e Comercio S.A. and Mastellone Hermanos do Brasil Comercial e Industrial Ltda.) and the Paraguayan subsidiary are the Real and the Guaraní, respectively.

In the consolidated financial statements, assets and liabilities of foreign subsidiaries have been translated into Pesos using the exchange rate prevailing at year-end. Income and expenses have been translated at the month average exchange rate. The exchange differences are classified in other comprehensive result and included in equity under caption "Foreign currency translation reserve".

3.2 Foreign currency

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated and are restated in terms of the measuring unit current at the end of the reporting period.

Exchange differences on monetary items are recognized in profit and loss in the year in which they arise net of the effect of inflation of the respective assets and liabilities which generated them.

3.3 Financial instruments

Financial assets and liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.4 Financial assets

A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting.

Recognized financial assets are subsequently measured at amortized cost at fair value, depending on the classification of financial assets.

<u>Classification of financial assets</u>

A financial asset shall be measured at amortized cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss.

Despite the foregoing, the Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial asset is any asset that is: cash, deposits in financial institutions, equity instruments of other entities, contractual rights, or a contract that will or may be liquidated with the delivery of own equity instruments.

3.4.1 Cash and cash equivalents

Include cash, bank current accounts, short-term investments with original maturity up to 90 days and investment funds, with low risk of value variation and destined to attendee short-term liabilities.

3.4.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising on remeasurement recognized in consolidated statement of profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘Investment income’ line in the consolidated statement of profit or loss.

3.4.3 Account receivables and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are classified as “receivables”. Receivables are measured at amortized cost using the effective interest method, less any impairment.

3.4.4 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit and loss (Note 3.4.2).

3.4.5 Impairment of financial assets

The Company recognizes lifetime expected credit losses for trade accounts receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the historical experience of credit losses of the Company, adjusted for factors that are specific to debtors, general economic conditions and an assessment of both current situation and of the forecast of conditions on the closing date of the fiscal year, including the time value of the money when appropriate.

For all other financial instruments, the Company recognizes the expected lifetime credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk in the financial instrument has not increased significantly since the initial recognition, the Company measures the provision for losses for that financial instrument in an amount equal to the expected credit loss at twelve months.

The expected lifetime credit loss represents the expected credit losses that will result from all possible default events during the expected useful life of a financial instrument. In contrast, the expected credit loss at twelve months represents the part of the expected lifetime loss that is expected to result from the predetermined events in a financial instrument that are possible within twelve months after the date of the report.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly since initial recognition:

- Significant financial difficulties of an issuer or obligor;
- Failure in compliance with contractual provisions, such as non-payment or delayed payment of interest or principal;
- For financial or legal reasons related to a borrower's financial difficulties, the Company has given a borrower allowances or privileges that it would not have granted under other circumstances;
- It is more likely that the borrower will enter bankruptcy proceedings situation or any other financial reorganization;
- An active market for the financial asset in question has ceased to exist, due to financial difficulties; or
- Observable data indicate an appreciable decrease in the value of estimated future cash flows in a group of financial assets after the initial recognition thereof, although such decrease may not yet be attributed to individual financial assets held by the Company, including:
  - (i) Adverse changes in the payment terms of Company's borrowers; and
  - (ii) Local or national financial conditions bearing a relationship with the non-payment of portfolio assets.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows due to the Company in accordance with the contract and all cash flows that the Company expects to receive, discounted at the original interest effective rate.

The Company recognizes an impairment loss or loss in the result of all financial instruments with an adjustment corresponding to their carrying amount through a loss provision account.

3.4.6 Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.5 Inventories

Inventories have been valued at cost using first in, first out or weighted average cost methods, as appropriate, both restated to reflect the effect of inflation as referred to in note 2.2, reduced if necessary, to the net realization value. The net realization value is the estimated sale price of the inventory minus the estimated costs to concretize the sale.

Based on the Board of Director´s analysis at December 31, 2020 and 2019, slow-moving or obsolete inventories were charged to the statement of profit or loss in the year such evaluation was performed, which evaluated the conservation status, the future use and the net realizable value of those inventories.

3.6 Property, plant and equipment, and others

- Land and buildings held for use in production, supply of services or for administrative purposes, machinery, equipment, facilities and laboratory equipment are stated at their revalued amounts, being the fair value at the date of revaluation less, if applicable, any subsequent accumulated depreciation.

  Information about the fair value hierarchy established by IFRS 13 used in the revaluation is as follows:

Classes of Property, plant and equipment	Fair value hierarchy
Land and buildings	Level 2 and 3
Machinery and equipment	Level 2 and 3
Facilities and laboratory equipment	Level 2 and 3

  The comparative sales method was used for the revaluation of land, certain machinery and equipment and laboratory equipment. The cost approach was used for the revaluation of buildings, facilities and certain machinery and equipment. There were no changes in the valuation technique during current fiscal year.

  On March 9, 2020, the Company´s Board of Directors approved the revaluation of property, plant and equipment made as of December 31, 2019. The revaluation performed as of December 31, 2020 was approved by the Company´s Board of Directors held on March 8, 2021.

  The increase originated in the revaluation of the aforementioned classes of property, plant and equipment, calculated net of the effects of the inflation of the respective assets, is recognized in other comprehensive income and is included in a reserve in equity (net of the deferred tax effect). The excess of the restated value over the revalued value of the assets valued at fair value, is disclosed in the statement of profit or loss in the caption "Excess of restated value over the revalued amount of the assets measured at fair value". Lands are not depreciated. Depreciation of revalued amounts is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. At each year-end, the amount of the revaluation surplus corresponding to the depreciation of the year is transferred to retained earnings.

- Furniture, vehicles and trays are measured at cost restated to reflect the effects of inflation as mentioned in Note 2.2. less any accumulated depreciation and subsequent accumulated impairment losses

  Depreciation of furniture, vehicles and trays is recognized as a loss each year.

- Work in progress is carried at cost restated to reflect the effects of inflation as mentioned in Note 2.2, less any recognized impairment loss. Cost includes professional fees and capitalized interests determined net of the effect of inflation. These assets are classified in the appropriate category of Property, plant and equipment when the construction has been completed and it is ready for use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

- Depreciation is recognized so as to write-off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives and residual values are reviewed at each year end, with the effect of any changes in estimates being accounted for on a prospective basis.

- An item of property, plant and equipment, and others is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss derived from the write-off or disposal of an item of Property, plant and equipment is determined as the difference between the obtained sale value and the book value restated to reflect the effect of inflation and it is stated in the consolidated statement of profit or loss and other comprehensive income.

3.7 Investment property

Investment properties are properties held to earn rentals. They are stated at their cost restated to reflect the effects of inflation as mentioned in Note 2.2, less any subsequent accumulated depreciation.

3.8 Intangible assets

Intangible assets include brands and patents.

Intangible assets with finite useful life that are acquired separately are carried at cost restated to reflect the effects of inflation as mentioned in Note 2.2, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimates being accounted for on a prospective basis.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, are measured as the difference between the net disposal proceeds and the carrying amount of the asset restated to reflect the effects of inflation, and are recognized in profit or loss when the asset is derecognized.

3.9 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting year, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing impairment, assets which do not generate an independent cash flow are included in an appropriate cash-generating unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

At December 31, 2020 and 2019, no impairment losses were recorded.

3.10 Goodwill

Goodwill arising on an acquisition of a business is carried at cost, as established at the date of acquisition of the business less accumulated impairment losses, if any, restated to reflect the effects of inflation as mentioned in Note 2.2.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The value of goodwill does not exceed their estimated recoverable value at each year-end.

3.11 Other assets

These include mainly a) investments in other companies where no significant influence is exercised; these investments are valued at cost restated to reflect the effects of inflation as mentioned in Note 2.2, which do not exceed their estimated recoverable value and b) lands and buildings transferred from property, plant and equipment, which are valued according to Note 3.6 until the date of transference, and then restated to reflect the effects of inflation as mentioned in Note 2.2, net of accumulated depreciation; such value does not exceed its recoverable value.

3.12 Liabilities

The Company recognizes a liability when it has a present obligation (legally enforceable as a result of the execution of a contract or a mandate contained in a legal standard) resulting from a past event and whose amount owed can be estimated reliably.

3.13 Financial liabilities

Financial liabilities initially measured at fair value, net of transaction costs are subsequently measured at amortized cost using the effective interest method. Interest charges are stated in the “Finance cost” line of the consolidated statement of profit or loss, except the part stated in the cost of work in progress of Property, plant and equipment, and others. Finance cost is disclosed net of the effect of inflation of the respective liabilities which generated it.

The Company derecognizes financial liabilities (or a part of them) when, and only when, the Company's obligations are discharged, cancelled or they expired.

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

3.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company has been claimed in labor, civil and commercial lawsuits. Reserves for contingencies are recorded on a risk assessment basis and when the likelihood of a loss is probable. The assessment of a loss probability is based on the opinion of legal counsels of the Company.

3.15 Short-term employee benefits and other long-term benefits

A liability is recognized for benefits that correspond to employees with respect to salaries and wages, annual vacations, complementary annual salary and bonuses, plus the corresponding social charges, in the period in which the service is provided for the amount not discounted by the benefits are expected to be paid for that service.

Liabilities recognized for short-term employee benefits are valued at the amount not discounted for the benefits expected to be paid for that service.

The liabilities recognized for other long-term benefits are valued at the present value of the estimated future cash outflows that the Company expects to make related to the services provided by the employees at the closing date of the year.

3.16 Government grants

If any, the subsidized loans granted, directly or indirectly, by Governments to the Company or its controlled subsidiaries, with interest rates which are below the current market conditions are treated as a grant. Its measurement is performed considering the difference between the obtained values and the fair value resulting from applied current market rates.

Tax benefits whereas the Company is a beneficiary, are recognized directly in results of each year.

3.17 Equity accounts

<u>Capital stock and adjustment of capital stock</u>

Capital stock is comprised of contributions made by the shareholders, represented by shares and includes subscribed shares at their nominal value.

Common stock has been restated to reflect the effects of inflation by applying the adjustment methodology described in Note 2.2, based on the respective subscription dates. The "common stock" account is disclosed at its nominal value, in accordance with legal provisions, and the difference with its restated amount is presented in the supplementary account "common stock adjustment".

As of December 31, 2020 and 2019, capital stock amounted to 653,969 and was composed by 653,969,077 nominative, non-endorsable shares of Ps. 1 par value, with 1 vote each.

<u>Share premium</u>

Share premium has been restated to reflect the effects of inflation by applying the adjustment methodology described in Note 2.2 based on the respective subscription dates.

<u>Legal reserve</u>

The current Argentine legal regulations (Law N° 19,550) require the Company to appropriate 5% of its net income per year to a “Legal reserve”, which arises from the sum of the net income, prior year adjustments, transfers from other comprehensive result to accumulated earnings and accumulated loss from prior years, until such reserve equals 20% of the capital stock. In accordance with the Corporate Law N° 19,550, the Company should apply future earnings amounting to 92,955 to restore legal reserve used to absorb accumulated losses as of December 31, 2014 as approved in the General Shareholders’ Meeting held on April 8, 2015.

Property, plant and equipment revaluation reserve

Property, plant and equipment revaluation reserve arises on the revaluation of land and buildings, machinery and equipment and facilities and laboratory equipment classes. The reserve is shown net of the deferred tax liability effect. Items included in the revaluation reserve will not be reclassified subsequently to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. At each year-end, the amount of the revaluation surplus corresponding to the depreciation of the year is transferred to retained earnings.

Accumulated earnings (losses)

It includes the result for the year, prior year’s results that were not appropriated, the amounts transferred from other comprehensive results and prior year’s adjustments for the application of accounting standards.

Accumulated loses at the beginning of the application of IAS 29 (January 1, 2017) have been determined by equity difference and, thereafter, have been restated in order to reflect the effect of inflation by applying the adjustment methodology described in Note 2.2, according to the transactions of each period.

3.18 Accounts of the statement of profit or loss and other comprehensive income

Accounts of the statement of profit or loss and other comprehensive income have been recorded through the application of the following criteria:

- Accounts that accumulate monetary operations were restated by applying to the original amounts the coefficients corresponding to the month of accrual according to the adjustment methodology described in Note 2.2.

- Non-monetary asset consumption charges were calculated on the basis of the restated values of such assets by applying the adjustment procedure described in Note 2.2.

- Financial incomes, financial costs and exchange differences are disclosed net of the effect of inflation of the assets and liabilities that generated them. Under caption "Gain arising on net monetary position” the net effect of inflation over the remaining monetary assets and liabilities is disclosed.

3.19 Revenue recognition

The Company recognizes revenue from the following sources:

a) Product sales
b) Rendering of services
c) Interest income

The Company recognizes revenue from ordinary activities when the entity satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of that asset.

a) Product sales

The Company sells its products in Argentina's domestic market to wholesale and retail customers, and also exports.

For the domestic market, the sale is recognized when the control of the goods has been transferred, being when the goods are received in the warehouses or in the place specified by the customers. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods to their customers, which may or not follow suggested pricing parameters established by the Company. On the other hand, the customer is responsible for the fulfillment of the contract and bears the risks of obsolescence and loss in relation to the goods. The Company recognizes a receivable when the goods are received by the customer, and this represents the point in time at which the right to consideration becomes unconditional as only the passage of time is required before payment is due.

Under the Company´s standard contract terms, provided that products are not suitable for commercialization at the point of sale, the customer has a right to return the goods. A provision for returns is consequently recognized adjusting revenue for those returned products.

The Company uses its accumulated historical experience to estimate returns, using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent level of returns over previous years.

In addition, cash discounts and volume rebates are recorded at the point in time sale is recognized.

For foreign market, the sale is recognized when the control of the goods has been transferred, being when products are shipped to foreign customers as the term of such shipments is usually FOB Shipping Point, which means after the Company completes custom shipment procedures and delivers products to the transportation company. At that time, the Company recognizes a receivable as only the passage of time is required before payment is due.

b) <u>Rendering of services</u>

Revenue from services, which mainly correspond to "façon" services, is recognized in the period in which the service is provided, which means revenue is recognized over time.

c) <u>Interest income</u>

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition, net of the inflation effect over the assets that generate them.

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

For the fiscal year ended December 31, 2019, the Company capitalized in "Work in progress" of Property, plant and equipment, and others borrowing costs for 119,311.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred, net of the effect of inflation of the respective liabilities that generated them.

3.21 Leasing

<u>The Company as lessee</u>

The Company assess whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The Company did not make any such adjustments during the year presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated financial statement or financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment, and others" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statement of profit or loss.

3.22 Income tax

The income tax charge represents the sum of the current tax and the deferred tax.

3.22.1 – Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rate that have been enacted or substantively enacted by the end of the reporting year. The current income tax charge is calculated on the basis of the tax laws in force in the countries in which the consolidated entities operate.

3.22.2 – Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements restated to reflect the effects of inflation and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets, including tax loss carryforwards, are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized, based on tax rates and tax laws enacted or substantially enacted at each year-end. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting year to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Under IFRS, deferred income tax assets and liabilities are classified as non-current assets and liabilities.

3.22.3 – Current and deferred tax for the year

Current and deferred tax are recognized as profit or loss in the consolidated statement of profit or loss and other comprehensive income, except when they relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are recognized in other comprehensive income or directly in equity or when current tax or deferred tax arises from the initial accounting for a business combination. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.22.4 – Tax reform

Article 48 of Law No. 27,541 on Social Solidarity and Productive Reactivation (published on 12/23/19) established the suspension of the reduction of income tax rates that had been determined by the Tax Reform Law (published in the Official Gazette on 12/29/2017). The Tax Reform Law had provided an income tax rate that taxes undistributed business profits of 25% for the years beginning on 1/1/2020, inclusive. On the other hand, the distribution of dividends generated from those years would be subject to a 13% tax when those were distributed to Argentine natural persons or to residents abroad. Law No. 27,541, effective as of December 23, 2019, provided that the 30% and 7% rate respectively will be applied until the years beginning on 1/1/2021, inclusive. Consequently, the last closings that will be subject to these rates will be the fiscal years ended 12/31/2021. The reduced rate of 25% and 7% on dividends will be effective for the years beginning on 2/1/2021, inclusive.

In relation to the application of the adjustment for fiscal inflation for income tax, the Tax Reform Law, modified by Law No. 27,468 published in the Official Gazette on 12/4/2018, provided the application parameters of said adjustment based on the variation of the IPC index and defined that the positive or negative adjustment, as the case may be, corresponding to the first, second and third fiscal year beginning as of January 1, 2018 to be calculated, should be charged one third (1 / 3) in that fiscal period and the remaining two thirds (2/3), in equal parts, in the next two (2) immediate fiscal periods. This form of calculation was modified on December 23, 2019 by Law No. 27,541, which extended the deferral period from three years to six years. That is to say, a sixth (1/6) must be charged in the first fiscal period that the inflation adjustment applies and the remaining five (5/6) in equal parts, in the next five (5) immediate fiscal periods. This deferral mechanism is applicable for fiscal years 2019 and 2020.

3.23 Exceptional retirement and severance expenses

The Company considers exceptional items of results to gain or losses that are at the same time: i) of very significant amount, and ii) according to its nature and magnitude, the Board of Directors does not estimate that they are recurrent. During the fiscal year ended on December 31, 2019, exceptional expenses for retirement of senior management were incurred, as well as severance expenses for efficiency of operations, for a total amount of 86,799.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Company's accounting policies, which are described in Note 3, the Company's management and Board of Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period or in the year of the revision and future periods if the revision affects both current and future years.

These estimates and significant judgements relate basically to the following:

- <u>Valuation, impairment and useful life of property, plant and equipment, and others</u>

  The Company periodically evaluates the carrying value of its long-lived assets. The Company considers the carrying value of long-lived assets to be impaired when the expected discounted cash flows, to be derived from the use of such assets are less than their carrying value. In that event, the Company would recognize a loss based on the amount by which the carrying value exceeds the fair market value of such assets. Fair market value is determined primarily using the anticipated cash flows discounted at a rate appropriate to the risk involved.

  The Company believes that the accounting estimate related to the impairment of these assets is a "critical accounting estimate" because: (1) it is highly susceptible to change from period to period as it requires management to make certain assumptions about future revenues and costs; and (2) the impact that recognizing an impairment has on the assets reported on the statement of financial position as well as the statement of profit or loss and other comprehensive income is material. The most important estimates, and those that could affect significantly the projected cash flows, are the selling price of the Company´s products on the revenue side and the availability and price of raw milk from the cost point of view.

Certain classes of property, plant and equipment are valued at fair value. The Company applies valuation techniques, which implies the use of significant judgments in determining the methods used for such valuation (levels 2 and 3 established by IFRS 13). In the case of the comparative-sales method, sales records are collected in neighboring areas, which are adjusted by coefficients considering existing surfaces, relative location, shapes and constructions and price negotiations. As regards with the cost approach, the brand-new value is first estimated, in the case of constructions using specific indices of the values of the main items that comprise the work and for machinery and equipment, the prices of the assets are considered (prices are asked to suppliers and index variations are observed), import costs, when applicable, freight, insurance, assembly and other corresponding expenses; and subsequently, to the brand-new values determined, physical deterioration and functional and economic obsolescence are considered to determine the fair value.

Additionally, the value of property, plant and equipment, and others, depreciates linearly throughout its estimated useful life. The determination of their useful lives implies a significant judgment. The Company periodically reviews, at least at the end of each fiscal year, the estimated useful life of property, plant and equipment, and others.

- <u>Provision for allowances and contingencies</u>

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other legal proceedings. The Company routinely assesses the likelihood of adverse judgments or outcomes to those proceedings. The Company records accruals for such contingencies to the extent that it is able to determine that their occurrence is probable and the financial impact, should such a decision be rendered against the Company, is reasonably quantifiable.

In determining the likely outcome of litigation proceedings, management considers many factors, including, but not limited to, past history, reports from counsels and other available evidence, and the specifics and status of each proceeding. The evaluation may result in the recording of an accrual or a change in a previously recorded accrual. Determining the outcome of claims and litigation, and estimating related costs and exposure, involves substantial uncertainties that could cause actual costs to vary materially from estimates and accruals, which could have a material effect on the Company´s future results of operations, financial conditions and liquidity.

- <u>Deferred income tax</u>

Deferred income taxes are fully provided to reflect the net tax effects of temporary differences between the financial reporting and the tax base for assets and liabilities. Deferred income taxes are measured using the currently enacted or substantially enacted tax rates and laws in each of the relevant jurisdictions where the assets and liabilities are located.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Company has generated tax losses which are deductible with respect to taxable earnings of up to five years following the year in which they were originated (in Brazil, it has no expiration date, but there are limitations concerning the maximum amount to be offset per each year).

- <u>Continuity of the Company as a going concern</u>

The going concern assumption and its impact on the financial statements are addressed in IAS 1. Said accounting standard establishes that the financial statements must be prepared on the assumption of “going concern”, unless the Management of the Company has the intention to liquidate the entity or cease its activity, or there is no other more realistic alternative than to proceed in one of these ways. In assessing whether or not the going concern assumption is appropriate, Management needs to consider factors related to, among others, the timing of maturity of existing lines of financing and possible sources of replacement financing. In accordance with IAS 1, when evaluating whether it is appropriate for financial statements to be prepared on a going concern basis, an entity should consider all available information about the future, which should cover at least the following twelve months from the end of the reporting period.

When the use of the going concern assumption mentioned in IAS 1 is appropriate, assets and liabilities will be measured assuming that the entity will realize its assets and cancel its liabilities in the normal course of business. In contrast, if the Management planned to liquidate the entity or make it cease its activity (either by its own choice, or because there is no other more realistic alternative than to proceed in one of these ways), the assumption of going concern would not be appropriate, and the financial statements should be prepared on another accounting basis, such as the "liquidation" basis. Finally, if there is a high level of uncertainty about the entity's ability to continue as a going concern, the entity should disclose in its financial statements specific information about the causes of such uncertainty and the management's plans to overcome the situation presented to it, which generates such uncertainty.

The Management of the Company has carried out its analysis and concluded that the going concern assumption is appropriate for the presentation of these consolidated financial statements. For this reason, it has applied the measurement and disclosure criteria described in Note 3, “Summary of significant accounting policies.

Notwithstanding the foregoing, in view of the maturity within the next twelve months (in July 2021) of the financial debt for U$S 199.7 million described in detail in Note 15, the Company´s Management has analyzed the fact that, although there are plans in progress for the refinancing of such debt, naturally this cannot be assured until such negotiations are finalized and duly formalized, which is why, in accordance with IAS 1, it is appropriate to state that these conditions with respect to such debt indicate the existence of a material uncertainty that may cast significant doubts about the Company's ability to continue as a going concern. This situation should be understood in the context of the above explanation of the meaning of the going concern assumption for the purpose of selecting the criteria for the measurement and disclosure of assets and liabilities to be applied for the preparation and presentation of these consolidated financial statements and it does not mean under practical circumstances that in the event that the Company does not financially solve the next maturity of its Senior Notes, this automatically imposes or represents an immediate restriction or limitation to continue to develop and market its products.

5. CASH AND CASH EQUIVALENTS

	2020	2019
Cash and bank accounts	711,229	458,893
Investment funds	744,387	191,758
Short-term investments	266,325	270,322
Total	**1,721,941**	**920,973**

6. OTHER FINANCIAL ASSETS

	2020	2019
Short-term investments – other	-	324
Total	**-**	**324**

7. TRADE ACCOUNTS RECEIVABLE

	2020	2019
Third parties (domestic)	5,134,098	5,878,520
Foreign receivables	644,076	1,509,689
Related parties (Note 30)	704,025	707,321
Notes receivable	9,640	9,462
Tax incentives on exports	142,909	89,568
Subtotal	**6,634,748**	**8,194,560**
Allowance for doubtful accounts	(37,498)	(48,455)
Allowance for trade discounts and volume rebates	(124,947)	(114,217)
Total	**6,472,303**	**8,031,888**

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

	2020	2019
Balance at the beginning of the year	48,455	82,115
Additions (1)	22,321	29,022
Transfers	(20,326)	(39,223)
Write-offs	(729)	(6,932)
Charged to result arising on net monetary position	(9,561)	(16,311)
Re-measurement of foreign subsidiaries allowances	(2,662)	(216)
Balance at the end of the year	**37,498**	**48,455**

(1) Charged to selling expenses – Note 23.

The allowance for doubtful accounts was determined based on the historical experience of default, statistics, specific analyses for major clients and evaluation of management about current economic scenario. Customer accounts in bankruptcy or bankruptcy process (offset of the corresponding allowances) are excluded from current accounts receivables and included in other receivables.

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

	2020	2019
Balance at the beginning of the year	114,217	97,620
Additions (1)	99,817	127,061
Write-offs	(57,637)	(147,097)
Charged to result arising on net monetary position	(28,957)	37,210
Re-measurement of foreign subsidiaries allowances	(2,493)	(577)
Balance at the end of the year	**124,947**	**114,217**

(1) Charged to result for the year – deducted from revenue.

Payment terms are agreed with customers according to market conditions. No interest is charged on outstanding balances.

The Company believes that the carrying amount of account receivables approximates its fair value.

The Company also believes that its exposure to concentration of credit risk is limited due to the large number of customers located in different geographic locations, and the fact that its biggest customers are large companies with strong credit situations. The Company believes that it is not exposed to significant credit risk and is not dependent on a single client. In the fiscal years ended December 31, 2020 and 2019, no single customer accounted for in excess of 10% of the Company's revenue.

8. TAX CREDITS

	2020	2019
• Current		
Net value added tax	1,129,129	1,118,185
Turnover tax credit	236,297	205,978
Income tax credit	30,309	104,650
Other tax credits	4,661	23,429
Total	**1,400,396**	**1,452,242**
• Non-current		
Net value added tax		90,777
Turnover tax credit	5,382	5,491
Tax Law n° 25,413	166,494	105,939
Other tax credits	11,415	3,481
Total	**183,291**	**205,688**

9. OTHER RECEIVABLES

	2020	2019
• Current		
Related parties (Note 30)	26,184	-
Judicial impounds (1) (Note 29.b)	109,695	149,354
Prepaid expenses	112,594	79,041
Advances to services suppliers	20,130	29,916
Insurance receivable	12,620	3,879
Guarantee deposits (Note 29.b)	2,680	328
Loans to personnel	12,144	20,112
Other	10,275	19,904
Subtotal	**306,322**	**302,534**
Allowance for doubtful accounts	(5,716)	(2,137)
Total	**300,606**	**300,397**
• Non-current		
Regime for the professionalization of transport (2)	13,381	18,217
Receivables from customers in receivership and in bankruptcy	118,125	131,576
Guarantee deposits mortgage	72,364	98,517
Guarantee deposits (Note 29.b)	884	84
Other	3,565	4,658
Subtotal	**208,319**	**253,052**
Allowance for doubtful accounts	(117,055)	(127,769)
Total	**91,264**	**125,283**

(1) The Judicial impound on the Company is related to an examination proceedings carried out by the "Dirección de Rentas" of the province of Cordoba ("DRPC", provincial tax authority), which started in August 2014 and ended in December 2017 with a Turnover Tax official assessment. Since the Company's Board of Directors, Management and their tax advisors considered the claim was inadmissible and illegal on the grounds that the DRPC's behavior is incompatible with legal rules and judicial precedents, the Company decided to challenge such official assessment through administrative and judicial actions.

In December 2017, the Company filed a petition requesting that the Argentine Supreme Court hear the case as a court of original jurisdiction, grant an injunction and render the debt claim inadmissible. In June 2018, the Argentine General Prosecutor rendered an opinion favorable to the Company where it argued that the Argentine Supreme Court should hear the case as a court of original jurisdiction and that the necessary conditions for an injunction had been met. Currently, the record of proceedings is being read by the Judges of the Supreme Court. In January 2018, the Company filed a review remedy with the DRPC and in December 2018, the remedy was rejected by the latter, thus confirming the debt claim. As a result, in February 2019, the Company filed an appeal with the Cordoba Court of Appeals in Administrative Litigation Matters upon prior filing of an insurance bond. The case is currently being heard by that court.

Despite the Company's challenging the assessment as explained in the paragraph above, the DRPC placed a judicial impound on the Company's bank accounts in the amount of 109,131 in August 2019 as a result of a tax collection enforcement proceeding brought in a different court. In the particular case of the judicial impound, the Company considers that this measure is incompatible with the provisions of the Provincial Tax Code in that the tax debt is not binding and final. However, the court where the judicial impound was requested, accepted the Company's petition to replace the money in the attached accounts for an insurance bond and rejected the petition filed by the DRPC, who asked for informative evidence on the financial strength of the insurance company that issued the bond.

Once all formal judicial steps were taken, on November 4, 2019, the Company was notified that the court rejected the replacement petition contradicting the decision made in September 2019. The Company will appeal the judicial decision and bring an action for nullity based on the contradicting decisions. This instance of judicial / provincial review is estimated to be solved favorably to the Company from April 2021.

Notwithstanding this summary proceeding is still pending of decision, the Company's Board and their tax advisors believe that, based the substance of the dispute, there are high probabilities that the Supreme Court will render a decision favorable to the Company. It supports the fact that the Supreme Court accepted a new presentation that was made, providing some issues that have to do with the evolution of this discussion.

(2) In litigation.

The movement of allowance for doubtful accounts is as follows:

	2020	2019
• Current		
Balance at the beginning of the year	2,137	3,288
Transfers	4,146	
Charged to result arising on net monetary position	(567)	(1,151)
Balance at the end of the year	**5,716**	**2,137**
• Non-current		
Balance at the beginning of the year	127,769	88,809
(Reversal) additions, net (1)	(1,127)	4,450
Transfers	16,180	39,223
Charged to result arising on net monetary position	(7,768)	(12,875)
Re-measurement of foreign subsidiaries allowances	(17,999)	8,162
Balance at the end of the year	**117,055**	**127,769**

(1) Net charge to selling expenses – Note 23.

10. INVENTORIES

	2020	2019
Resale goods	127,721	169,630
Finished goods	3,549,774	3,437,174
Work in progress	1,700,409	2,017,341
Raw materials, packaging and other materials	3,470,267	3,582,800
Goods in transit	482,560	181,134
Subtotal	**9,330,731**	**9,388,079**
Advances to suppliers	29,387	28,507
Total	**9,360,118**	**9,416,586**

11. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	2020													
	Cost or revalued cost							Depreciation						Net Value
	Value at the beginning of the year	Translation differences of foreign operations	Acquisitions	Transfers	Retirement and disposal	Revaluation variance (Note 3.6) (1)	Value at the end of the year	Accumulated depreciation at the beginning of the year	Translation differences of foreign operations	Retirement and disposal	Depreciation Rate %	Depreciation Of the year	Acumulated depreciation at the end of the year	
Land and buildings (2)	10,304,524	(36,705)	1,285	30,517	778	338,868	10,637,711	754,250	(24,892)	166	2, 2.5, 2.86, 3.33, 4 and 5	260,076	989,268	9,648,443
Machinery and equipment (2)	17,077,822	(30,665)	50,122	138,593	11,776	991,339	18,215,435	3,535,590	(16,570)	3,833	5 and 10	1,401,072	4,916,259	13,299,176
Facilities and laboratory equipment (2)	7,374,830	(11,758)	8,407	134,435	4,871	242,710	7,743,753	2,550,062	(7,912)	1,640	5, 10 and 25	533,152	3,073,662	4,670,091
Furniture	909,949	-	27,666	22,198	3,272	-	956,541	849,171	-	3,004	25	29,983	876,150	80,391
Vehicles (3)	2,295,654	(2,239)	45,134	4,252	7,497	-	2,335,304	2,101,804	(665)	7,006	10 and 20	53,376	2,147,509	187,795
Work in progress	697,718	-	601,458	(257,526)	1,270	-	1,040,380	-	-	-		-	-	1,040,380
Advances to suppliers	31,375	(544)	166,464	(72,469)	-	-	124,826	-	-	-		-	-	124,826
Subtotal	**38,691,872**	**(81,911)**	**900,536**	-	**29,464**	**1,572,917**	**41,053,950**	**9,790,877**	**(50,039)**	**15,649**		**2,277,659**	**12,002,848**	**29,051,102**
Other:														
Trays	2,378,337	-	391,866	-	91,045	-	2,679,158	1,910,059	-	91,045	33	403,830	2,222,844	456,314
Carrying amount as of December 31, 2020	**41,070,209**	**(81,911)**	**1,292,402**	**-**	**120,509**	**1,572,917**	**43,733,108**	**11,700,936**	**(50,039)**	**106,694**		**2,681,489**	**14,225,692**	**29,507,416**

(1) Charged to other comprehensive income for 1,701,474 (profit) and to profit or loss for 128,557 (loss) in the heading "Excess of restated value over the revalued amount of assets measured at fair value".

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

Land and buildings	7,529,714
Machinery and equipment	4,278,149
Facilities and laboratory equipment	2,735,890

(3) Includes vehicles operated by freighters of Con-Ser S.A. and Logística La Serenísima S.A. with a net value of 142,447 as of December 31, 2020.

	2019													
	Cost or revalued cost							Depreciation						Net value
	Value at the beginning of the year	Translation differences of foreign operations	Acqui-sitions	Transfers	Retirement and disposal	Revalua-tion variance (Note 3.6) (1)	Value at the end of the year	Accumulated depreciation at the beginning of the year	Translation differences of foreign operations	Retire-ment and disposal	Depreciation		Accumulated depreciation at the end of the year	
											Rate %	Of the period		
Land and buildings (2)	9,835,150	(1,028)	28,730	331,455	19,657	129,875	10,304,525	506,738	(515)	12,976	2, 2.5, 2.86, 3.33, 4 and 5	261,003	754,250	9,550,275
Machinery and equipment (2)	13,661,219	(4,626)	103,837	1,234,315	144,520	2,227,598	17,077,823	2,372,756	(408)	123,367	5 and 10	1,286,609	3,535,590	13,542,233
Facilities and laboratory equipment (2)	6,160,315	(1,247)	33,482	689,914	2,564	494,928	7,374,828	2,034,441	(200)	1,229	5, 10 and25	517,050	2,550,062	4,824,766
Furniture	910,267		26,855	11,404	38,578		909,948	860,645		38,311	25	26,837	849,171	60,777
Vehicles (3)	2,399,848	(109)	652	1,431	106,168		2,295,654	2,150,083	(25)	102,247	10 and 20	53,993	2,101,804	193,850
Work in progress	1,675,239		977,210	(1,939,568)	15,163		697,718							697,718
Advances to suppliers	304,084	10	56,233	(328,951)			31,376							31,376
Subtotal	**34,946,122**	**(7,000)**	**1,226,999**	-	**326,650**	**2,852,401**	**38,691,872**	**7,924,663**	**(1,148)**	**278,130**		**2,145,492**	**9,790,877**	**28,900,995**
Other:														
Trays	2,001,546		376,791	-			2,378,337	1,392,589			33	517,470	1,910,059	468,278
Carrying amount as of December 31, 2019	**36,947,668**	**(7,000)**	**1,603,790**	**-**	**326,650**	**2,852,401**	**41,070,209**	**9,317,252**	**(1,148)**	**278,130**		**2,662,962**	**11,700,936**	**29,369,273**

(1) Charged to other comprehensive income for 3,541,165 (profit) and to profit or loss for 688,764 (loss) in the heading "Excess of restated value of the revalued amount of assets measured at fair value".

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

Land and buildings	7,812,048
Machinery and equipment	4,728,517
Facilities and laboratory equipment	3,087,945

(3) Includes vehicles operated by freighters of Con-Ser S.A. and Logística La Serenísima S.A. with a net value of 156,254 as of December 31, 2019.

12. OTHER ASSETS

	2020	2019
Assets retired from productive service	281,298	288,742
Participation in other entities	7,812	10,635
Total	**289,110**	**299,377**

13. LEASES

- **Right of use of asset**

	Cost			Depreciation			Net Value
	Value at the beginning of the year or application of IFRS 16	Acquisitions	Value at the end of the year	Accumulated depreciation at the beginnig of the year	Of the year	Accumulated depreciation at the end of the year	
2020:							
Machinery and equipment	635,758	33,296	669,054	100,830	110,570	211,400	457,654
2019:							
Machinery and equipment	330,489	305,269	635,758	-	100,830	100,830	534,928

- **Leases liabilities**

The balance of the liability for leases as of December 31, 2020 and 2019 amounts to 583,053 and 626,362, respectively. During fiscal years ended on December 31, 2020 and 2019, payments were made for 100,930 and 62,608, respectively.

The payment of liabilities for leases due is as follows:

	2020	2019
Current	116,729	94,435
Total current	**116,729**	**94,435**
Between 1 and 2 Years	121,068	107,588
Between 2 and 3 Years	110,660	112,169
Between 3 and 4 Years	78,131	101,922
Between 4 and 5 Years	66,271	69,861
Between 5 and 6 Years	74,516	57,769
Between 6 and 7 Years	15,678	65,096
Between 7 and 8 Years		17,522
Total non-current	**466,324**	**531,927**
Total	**583,053**	**626,362**

- **Charged to profit or loss**

	2020	2019
Depreciation of the year	110,570	100,830
Accrued interest of the year	69,276	57,842
Charges for short-term and low-value rentals	48,570	34,841

14. TRADE PAYABLE - CURRENT

	2020	2019
Trade payables	4,840,426	5,259,839
Related parties (Note 30)	1,353,293	1,214,698
Note payables	1,261,601	1,243,330
Foreign suppliers	57,613	124,012
Total	**7,512,933**	**7,841,879**

15. BORROWINGS

	2020	2019
Short-term debt		
Principal:		
Senior Notes Series F - due 2021 (net of issue costs and adjustment to amortized cost for 4,591 as of 12/31/2020)	16,799,610	
Total – Senior Notes	**16,799,610**	**-**
Financial debt:		
Unsecured debt		327,489
Secured debt (Note 29.a)		327,161
Other financial debt:		
Unsecured debt	6,066	
Total - Financial debt	**6,066**	**654,650**
Accrued interest:		
Secured and Unsecured		4,296
Total – Accrued interest	**-**	**4,296**
Total	**16,805,676**	**658,946**
Long-term debt		
Principal:		
Senior Notes Series F - due 2021 (net of issue costs and adjustment to amortized cost for 17,614 as of 12/31/2019		16,264,309
Total - Senior Notes	**-**	**16,264,309**

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 US$ 400,000,000 approved by the National Securities Commission on May 9, 2014.

The main characteristics of the Senior Notes are as follows:

Amount:	US$ 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 US$ 113,733,744):	• 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° 19.362.

The Ordinary and Special General Shareholders´ Meeting of Classes held on April 23, 2020 resolved to extend the term of delegation to the Board of Directors of the powers to determine and establish the terms and conditions of the global program of Senior Notes and of each of the classes and / or series of the Senior Notes that are eventually issued during the term thereof, up to the maximum period authorized by Law No. 27,440, in order to speed up the procedures for a new issue. On October 15, 2020, the CNV approved the update of the global program filed with that body in September 2020.

On July 3, 2021, the Senior Notes for a principal of US$ 199,693,422 issued by Mastellone Hermanos S.A. will be due. The Board of Directors of the Company is analyzing the different possible financing alternatives in order to comply with all obligations. Therefore, the possibility of canceling the Senior Notes debt at maturity will depend on an agreement being reached with the current creditors or finding other alternative sources of financing.

16. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

	2020	2019
Payroll and bonus to management	1,606,764	1,257,872
Social security taxes	577,371	520,767
Total	**2,184,135**	**1,778,639**

17. TAXES PAYABLE CURRENT

	2020	2019
Tax withholdings	287,904	290,042
Taxes, rates and contributions (net from advances)	83,645	59,246
Total	**371,549**	**349,288**

18. PROVISIONS

	2020	2019
• Current		
Accrued litigation	2,129	3,574
Other	146	3,986
Total	**2,275**	**7,560**
• Non-current		
Accrued litigation	19,716	14,898
Other	1,404	1,191
Total	**21,120**	**16,089**

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

• Current		
Balance at the beginning of the year	7,560	618
Payments made	(6,975)	(10,405)
Charged to result arising on net monetary position	(2,007)	(214)
Transfer from non-current allowance	3,697	17,561
Balance at the end of the year	**2,275**	**7,560**

	2020	2019
• Non-current		
Balance at the beginning of the year	16,089	42,447
Increases (1)	15,226	3,792
Payments made	(58)	(4,038)
Re-measurement of foreign subsidiaries allowances	33	(1,637)
Charged to result arising on net monetary position	(6,473)	(6,914)
Transfer to current allowance	(3,697)	(17,561)
Balance at the end of the year	**21,120**	**16,089**

(1) Charged to other gain and losses - Note 26.

19. OTHER LIABILITIES

	2020	2019
• Current		
Other	39,581	38,752
Total	**39,581**	**38,752**
• Non – current		
Deferred revenue on trademark licence	12,890	13,155
Other	21,005	16,068
Total	**33,895**	**29,223**

20. DEFERRED TAX

Deferred tax assets:

	2020	2019
Temporary differences:		
Provisions and other non-deductible accrued expenses	50,415	53,391
Cash and cash equivalents	(55)	(30)
Inventories	17,961	4,201
Property, plant and equipment, and others	(161)	(250)
Trade payables	7,646	926
Tax inflation adjustment	424	527
Tax loss carry-forwards	2,327	1,235
Total	**78,557**	**60,000**

Deferred tax liabilities:

	2020	2019
Temporary differences:		
Provisions and other non-deductible accrued expenses	223,092	319,910
Cash and cash equivalents	-	(20)
Inventories	9,590	214,933
Intangible assets	1,145	603
Other assets	(69,108)	(70,660)
Property, plant and equipment, and others	(6,108,127)	(6,165,137)
Right of use, net	32,340	24,150
Investment property	(13,766)	(12,914)
Borrowings	(5,401)	(5,285)
Tax inflation adjustment	(952,486)	(645,343)
Deferred revenue	(4,361)	(9,820)
Tax loss carry-forwards	1,737,319	1,745,220
Alternative minimum income tax	65,482	89,659
Total	**(5,084,281)**	**(4,514,704)**

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of December 31, 2020 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
2016	303,091	30%/25%	90,927	2021
2018	2,396,303	30%/25%	709,235	2023
2019	1,032,116	30%/25%	258,417	2024
2020	2,629,696	30%/25%	681,067	2025
			1,739,646	

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 profit (loss) for the year (Note 27)	Charge to Other comprehensive income (loss) (Note 27)	Balance at the end of the year
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(6,290,818)		(10,793)	108,820	(618,061)	(6,810,852)
Tax loss carry-forwards	1,746,455			4,395	(11,204)	1,739,646
Total 2020	**(4,544,363)**	**-**	**(10,793)**	**113,215**	**(629,265)**	**(5,071,206)**
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(5,592,417)		(275)	220,393	(918,519)	(6,290,818)
Tax loss carry-forwards	1,774,127	(43,387)		29,667	(13,952)	1,746,455
Total 2019	**(3,818,290)**	**(43,387)**	**(275)**	**250,060**	**(932,471)**	**(4,544,363)**

In addition to the registered tax losses, as of December 31, 2020, 373,332 subsidiaries's tax losses (taxable base) with prescription dates between 2025 and 2026 have not been recognized as assets considering that at the date of issuance of these financial statements, there is no evidence for the recoverability of such assets.

21. REVENUE

	2020	2019
Product sales		
Local Market	72,894,212	75,031,244
Foreign Market	17,219,076	13,385,155
Services provided	1,595,974	1,460,160
Turnover tax	(2,690,793)	(2,277,187)
Sales discounts and volume rebates	(7,813,916)	(7,357,134)
Sales returns	(953,088)	(1,390,451)
Total	**80,251,465**	**78,851,787**

Sales commitments

There are commitments up to February 2021 for exports of powdered milk, cheese whey and ricotta whey totaling approximately 10,152 tons with an estimated contract value US$ 27,800 thousand.

22. COST OF SALES

	2020	2019
Cost of goods sold:		
Inventories at the begging of the year	9,388,079	7,905,387
Purchases	42,614,460	42,109,808
Write-off of inventories	258,909	258,417
Production expenses (Note 23)	16,181,704	15,526,426
Re-measurement of foreign subsidiaries inventories	(251,232)	(6,506)
Benefits from industrial promotion (1)	(730,160)	(848,553)
Inventories at the end of the year	(9,330,731)	(9,388,079)
Subtotal - cost of goods sold	**58,131,029**	**55,556,900**
Cost of services rendered:		
Purchases	30,570	57,195
Production expenses (Note 23)	930,388	682,493
Subtotal - cost of services rendered	**960,958**	**739,688**
Total cost of sales	**59,091,987**	**56,296,588**

(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 (VAT and Income Tax) and allow the Company, as investor in MSL, to qualify for a tax deferral relief.

Application for the accreditation of bonds for the years 2013 and 2014: 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 to credit the bonds in MSL's current account, which was granted on January 29, 2013. On April 9, 2013, the notification documents were issued to the National Executive Power and to the AFIP. Said injunction measure was appealed by AFIP and rejected by the Federal Court of Appeals of Mendoza ("CFAM") in November 2017. Subsequently, AFIP presented an extraordinary appeal that was denied on May 18, 2018 by CFAM. On November 21, 2019, the Federal Court of San Luis decided not to renew the injunction measure, therefore, MSL requested the issuance of a new injunction measure, which has not yet been resolved by the Court. The file was sent at the end of December 2019 to the Villa Mercedes court and is awaiting the first instance judgment on the merits.

Request for the extension of the promotional benefits for 15 years (2014 to 2029) according to the initial investment plan: 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 restatement provided in resolution N° ME 1280/92. Such accreditation took place in June 2015. On April 4, 2017, the Federal Court of Appeals of Mendoza granted the appeal filed by the AFIP, revoking the injunction requested. On April 21, 2017 MSL filed an extraordinary appeal with the Federal Court of Appeals. On September 27, 2017, the Federal Court of Appeals accepted the extraordinary appeal filed by MSL. Concerning the substantive issue, on July 25, 2016, a favorable judgement was granted to MSL, which was subsequently appealed. On September 27, 2017, the Federal Court of Appeals of Mendoza decided to reject the appeal filed by the AFIP. The AFIP filed an extraordinary remedy, which was admitted by the Federal Court of Appeals of Mendoza on March 27, 2018. It is configured the federal issue that enables the Supreme Court of Justice instance ("CSJN"). On November 21, 2019, the CSJN rejects the Extraordinary Appeal presented by the AFIP and leaves the decision of the federal Chamber in favor of MSL.

Purchase commitments:

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 DA.

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

	2020				
	Production expenses	Cost of services	Selling expenses	Administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				64,280	64,280
Fees and compensation for services	1,304,272	358,850	4,158,614	408,877	6,230,613
Payroll, bonus and social security charges	7,055,462	310,985	2,782,653	1,620,196	11,769,296
Depreciation of property, plant and equipment, and others	2,434,524	55,801	137,209	53,955	2,681,489
Amortization of right of use assets	110,570				110,570
Amortization of intangible assets	3,705				3,705
Provision for bad debts			21,194		21,194
Freights	2,638,122		9,417,792	95	12,056,009
Maintenance and repair	405,845	16,644	80,161	7,791	510,441
Office and communication	3,592	430	7,145	9,320	20,487
Fuel, gas and energy	1,255,872	105,295	114,545	12	1,475,724
Vehicles expenses	73,362		54,333	8,023	135,718
Publicity and advertising			818,909		818,909
Taxes, rates and contributions	552,890	5,053	17,861	566,711	1,142,515
Insurance	280,945	3,370	84,104	25,085	393,504
Travelling	3,834		4,423	2,137	10,394
Export and import	1,640		261,565	729	263,934
Miscellaneous	57,069	73,960	30,476	145,868	307,373
Total	**16,181,704**	**930,388**	**17,990,984**	**2,913,079**	**38,016,155**

	2019				
	Production expenses	Cost of services	Selling expenses	Administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				62,208	62,208
Fees and compensation for services	1,388,950	3,033	3,732,012	367,298	5,491,293
Payroll, bonus and social security charges(*)	5,969,012	327,731	2,523,352	1,460,245	10,280,340
Depreciation of property, plant and equipment, and others	2,424,697	72,538	111,197	54,530	2,662,962
Amortization of right of use assets	100,830				100,830
Amortization of intangible assets	4,754				4,754
Provision for bad debts			33,472		33,472
Freights	2,469,423		9,110,878	20	11,580,321
Maintenance and repair	422,270	20,132	58,897	1,141	502,440
Office and communication	4,693	1,552	7,018	11,223	24,486
Fuel, gas and energy	1,529,723	135,736	137,920		1,803,379
Vehicles expenses	73,400		72,529	12,368	158,297
Publicity and advertising			765,137		765,137
Taxes, rates and contributions	707,538	7,229	19,371	544,392	1,278,530
Insurance	262,203	5,271	82,130	26,271	375,875
Travelling	10,443		16,689	7,835	34,967
Export and import	1,273		170,935	1,051	173,259
Miscellaneous	157,217	109,271	38,328	118,829	423,645
Total	**15,526,426**	**682,493**	**16,879,865**	**2,667,411**	**35,756,195**

(*) Including exceptional expenses of senior management retirement as well as severance, incurred in order to increase operational efficiency for 86,799.

24. INVESTMENT INCOME

	2020	2019
Interest and profits	(30,441)	386,981
Rental income	27,824	26,056
Other	319	210
Total	**(2,298)**	**413,247**

25. FINANCE COST

	2020	2019
Senior Notes	2,100,768	2,033,645
Other loans interest	94,824	67,961
Leases interest	69,276	57,842
Other interests	71,977	90,791
Total	**2,336,845**	**2,250,239**

26. OTHER GAINS AND LOSSES

	2020	2019
Gain on sale of property, plant and equipment and other assets	7,949	29,374
Charges to freighters		6,208
Provision for litigation and other expenses	(15,226)	(3,792)
Donations	(10,798)	(5,127)
Recovery of claims	5,449	3,783
Depreciation of investment property	(104)	(103)
Depreciation of other assets	(7,455)	(25,490)
Miscellaneous	18,605	(13,950)
Total – net loss	**(1,580)**	**(9,097)**

27. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	2020	2019
Included in net loss for the year**:**		
Current income tax	(168,660)	(194,563)
Tax loss carry-forwards recognized	468,018	650,508
Net change in temporary differences	108,820	220,393
Effect of inflation in tax loss carry forwards	(463,623)	(620,841)
Alternative minimum income tax	-	23,196
Total – (loss) gain	**(55,445)**	**78,693**
Included in other comprehensive income**:**		
Current income tax	(11,204)	(13,952)
Net change in temporary differences	(618,061)	(918,519)
Total – loss	**(629,265)**	**(932,471)**

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

	2020	2019
Loss before income tax and alternative minimum income tax	(2,232,030)	(147,484)
Statutory income tax rate	30%	30%
Income tax at statutory income tax rate	669,609	44,245
Permanent differences		
Benefits from industrial promotion	219,048	254,567
Unrecognized tax loss carry-forwards	(165,817)	77,503
Rate change impact		94,947
Effects of restatement for inflation and others	(778,284)	(415,766)
Alternative minimum income tax		23,197
Total – (loss) gain	**(55,444)**	**78,693**

28. ADDITIONAL CASH FLOW INFORMATION

Changes in working capital

	2020	2019
Trade accounts receivable	(611,736)	(4,892,249)
Other receivables	(80,074)	(236,521)
Tax credits	(432,891)	(1,109,004)
Inventories	(464,257)	(1,706,864)
Trade payables	2,376,309	3,894,333
Accrued salaries, wages and payroll taxes	1,125,587	654,755
Taxes payable	121,582	136,111
Advances from customers	8,668	27,470
Provisions	(11,760)	(19,533)
Other liabilities	32,311	34,047
Total	**2,063,739**	**(3,217,455)**

Reconciliation of liabilities arising from the financing activity

	2020		2019	
	Borrowings (current and non- current)	Leases liabilities (current and non-current)	Borrowings (current and non- current)	Leases liabilities (current and non-current)
Balance at the beginning of the year	16,923,255	626,362	15,584,485	
Increase by application of IFRS 16 and additions of year				635,757
Proceeds from borrowings (1)	2,457,681		1,647,271	
Repayment of borrowings (1)	(3,016,587)	(100,930)	(1,077,279)	(62,608)
Accrued interests	2,195,592	69,276	2,215,676	57,842
Payment of interests (1)	(2,164,878)	(60,826)	(1,988,356)	(27,220)
Exchange differences and other financial income/losses generated in the year (net of the effect of inflation)	410,613	49,171	541,458	22,591
Balance at the end of the year	**16,805,676**	**583,053**	**16,923,255**	**626,362**

(1) Figures included in financing activities

29. PLEDGED AND RESTRICTED ASSETS

a) Current loans for 327,161 of the subsidiary Leitesol I.C.S.A. as of December 31, 2019, were guarantee by accounts receivable of such subsidiary.

b) As of December 31, 2020 there were other receivables – guarantee deposits (current and non-current) for an amount of 3,564 (412 as of December 31, 2019) in guarantee of financial and commercial transactions and judicial garnishments and restricted assets disclosed in caption "other receivables – other" (current) for 109,695 as of December 31, 2020 (149,354 as of December 31, 2019).

c) The subsidiary company Con-Ser S.A. held certain properties encumbered with privilege of first grade for a net value of 28,347 as of December 31, 2019 in guarantee of the business relationship with suppliers, for an undefined period while the commercial relationship between the parties is maintained. The guarantee amounted to US$ 1,395 thousand.

d) See also commitments for the financial debt described in Note 15.

30. RELATED PARTIES OUTSTANDING BALANCES

Company	Trade account receivables (current) 2020	Trade account receivables (current) 2019	Other receivables (current) 2020
Arcorpar S.A. (2)	45,445	45,717	
Arcor Alimentos Bolivia S.A. (2)		3,096	
Arcor S.A.I.C. (1)	116,126		
Arcor de Perú S.A. (2)	6,722		
Bagley Argentina S.A. (1)	7,929	10,619	
Frigorífico Nueva Generación S.A. (2)		18	
Logística La Serenísima S.A. (2)	527,766	647,825	72
Los Toldos S.A. (2)	37	46	
Pablo Gabriel Mastellone (1)			26,112
TOTAL	**704,025**	**707,321**	**26,184**

Company	Trade payable (current) 2020	Trade payable (current) 2019	Advances from customers (current) 2019
Arcorpar S.A. (2)	3,270	3,468	
Arcor Alimentos Bolivia S.A. (2)	5,386		
Arcor S.A.I.C. (1)	6,098	5,684	
Bagley Argentina S.A. (1)	9	60	
Cartocor S.A. (2)	30,927	21,366	
Logística La Serenísima S.A. (2)	1,306,887	1,183,289	2,613
Los Toldos S.A. (2)	716	831	
TOTAL	**1,353,293**	**1,214,698**	**2,613**

(1) Shareholder.
(2) Other related party.

31. RELATED PARTIES OPERATIONS

Transactions with related parties for the fiscal years ended December 31, 2020 and 2019 were as follows:

	2020	**2019**
Revenues		
Arcorpar S.A.	313,487	258,945
Arcor Alimentos Bolivia S.A.	52,006	24,877
Arcor S.A.I.C.	370,330	41,655
Arcor de Perú S.A.	30,516	
Bagley Argentina S.A.	104,313	108,872
Fideicomiso Formu	6,584	8,328
Logística La Serenísima S.A.	203,177	247,101
Mundo Dulce S.A. de C.V.	19,990	21,190
Purchase of goods and services		
Arcor S.A.I.C.	75,435	62,521
Arcor Alimentos Bolivia S.A.	6,057	3,559
Bagley Argentina S.A.	16	50
Cartocor S.A.	278,598	275,794
Logística La Serenísima S.A.	5,384,291	4,276,892
Los Toldos S.A.	14,056	12,048

	2020	2019
Investment income		
Logística La Serenísima S.A.	26,277	25,458
Pablo Gabriel Mastellone	3,294	
Other gain and losses		
Logística La Serenisima S.A.		6,208

During the fiscal years ended December 31, 2020 and 2019, the Company paid a total of 258,088 and 196,217, respectively, in concept of remuneration and fees to members of the Board of Directors and executive officers.

Sales to related parties were made at the usual list prices of the Company. Purchases of goods and services were conducted at market prices.

The outstanding receivable and payable amounts are unsecured and will be settled in cash. No guarantees have been given or received, except for the guarantees described in Note 29. It has not been recognized any expense in the current year or in prior years regarding bad or doubtful accounts related to amounts owed by related parties

32. FINANCIAL INSTRUMENTS

32.1 – Capital management

The Company manages its capital in order to maximize its shareholders' return, by optimization of debt and equity balances according to its business plan. For that end, it takes part - directly or through its subsidiaries - in operations that involve financial instruments, which can give rise to several risks.

The Company is not subject to any requirement of capital settled externally.

Capital structure and debt ratio

	2020	2019
Debt (1)	16,805,676	16,923,255
Cash and cash equivalents	1,721,941	920,973
Net debt	15,083,735	16,002,282
Equity	17,108,893	18.549,519
Indebtness ratio	0.88	0.86

(1) Debt is defined as current and non-current borrowings, as detailed in Note 15.

32.2 – Financial instruments categories

Financial instruments were classified according to IFRS 7 in the following categories:

	2020	2019
Financial assets		
At fair value with changes to profit and loss		
Investment funds and short-term investments	1,010,712	462,080
Amortized cost:		
Cash and banks and short-term investments	711,229	458,893
Other financial assets		324
Trade accounts receivable	6,472,303	8,031,888
Tax credits	1,583,687	1,657,930
Other receivables	391,870	425,680
	10,169,801	**11,036,795**

	2020	2019
Financial liabilities		
Amortized cost:		
Trade payables	7,521,427	7,856,240
Borrowings	16,805,676	16,923,255
Other liabilities	2,717,508	2,220,403
	27,044,611	**26,999,898**

32.3 – Risk management

The Company and its subsidiary companies are exposed to several risks derived from the ordinary course of business, from the debt taken in order to finance such operations and from the nature of the financial instruments that the Company has. Among the major risks that the Company is exposed to are: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

32.4 – Management of foreign exchange risk

The Company has assets and liabilities and performs transactions in foreign currency; consequently, exposures to exchange rate fluctuations are generated.

Balances of assets and liabilities denominated in foreign currency, considering as such currencies that are different from the functional currency of each company, are the following:

	2020	2019
Assets		
United States Dollar	908,903	945,637
Euro		428
Guarani	103,926	67,780
Brazilian Reais	1,016,120	1,168,254
Liabilities		
United States Dollar	16,854,276	12,024,788
Euro	12,924	24,997
Guarani	15,531	12,024
Brazilian Reais	204,977	449,688
Net currency exposure	(15,058,759)	(10,329,398)

Foreign currency sensitivity analysis

Considering the definition of functional currency for each company, the Company made transactions with foreign currency mainly in United States Dollar, and, to a lesser extent in Euro, Brazilian Reais and Guarani.

The impact it would have on the net foreign exchange position as of December 31, 2020, the increase in the value of foreign currencies by 38.9%, expressed in real terms considering inflation of 48%, would be a gain of 1,370 million Argentine pesos, with impact on other gains or losses in the year of 1,452 million Argentine pesos (gain) and by 82 million Argentine pesos (loss) in other comprehensive results.

The Company estimates that the risk emerging from the exposure of liabilities in foreign currency to devaluation is mitigated by the fact that, directly or through subsidiaries, there are sales denominated in foreign currencies (principally exports from Argentina and sales made in the Brazilian domestic market through the subsidiary Leitesol) which are summarized below for each of the year 2020 and 2019:

	2020	2019
Exports and foreign sales (consolidated amounts)	15,508,718	12,396,300

The Company understands that, for the reasons above outlined, it has a natural (although imperfect) coverage for the devaluation risk. Notwithstanding that, the Company, through the relevant areas, performs a permanent evaluation of these risks, in order to minimize it using the available alternatives.

32.5 – Management of the interest rates risk

The long-term debt of the Company is composed by Senior Notes Series F due 2021, which accrues interest at a nominal annual fixed rate of 12.625%. As of December 31, 2020, the Company does not have financial debt with variable interest rate.

32.6 – Management of the credit risks

Credit risk refers to risk arising from the possibility that a part fails to comply with its contractual obligations resulting in a loss to the Company or its subsidiaries. The greatest risk arises from trade accounts receivable. The Company considers that this risk is significantly limited by several factors:

- sales in the domestic markets of Argentina and Brazil are highly diversified to a large number of customers in different locations. At the same time, due to the nature of the products, sales operations are conducted on an ongoing basis, making it easier to track the status of the client. For larger customers, there is individual monitoring. In the fiscal years 2020 and 2019, no single customer sales represented more than 10% of total revenues of each year. Receivables from customers in receivership and in bankruptcy have been reclassified to other receivables and adequately provisioned.

- Exports to third parties take place almost exclusively through letters of credit confirmed locally.

Trade accounts receivable and other receivables are stated at their nominal values less the related provisions for doubtful accounts, regardless of the guarantees covering certain accounts receivable. These balances do not differ significantly from their fair values.

32.7 – Management of liquidity risk

The Board of Directors has the final responsibility on managing liquidity risk, having established a suitable framework in order for the Company´s management to be able to handle requirements of financing for short, medium and long term and liquidity requirements. The Company manages liquidity risk by maintaining reserves and appropriate level of financial borrowings, and continuously monitoring future and real cash flows, and reconciling the maturity profile of financial assets and liabilities.

The following table details the due date of the Company´s non-derivative financial liabilities as from each year end. The amounts presented are the contractual cash flows without discount.

	2020		2019
Less than three months	8,985,363		9,540,122
Between three months and a year	17,959,472	(1)	1,151,105
Between one and two years	43,823		16,314,388
Between two and five years	44,996		3,433
More than five years	15,550		8,461
	27,049,204		**27,017,509**

(1) See Note 4.d) about the maturity of the financial debt for Senior Notes.

The following table details the expected cash flows of the Company´s non-derivative financial assets as from each year-end.

	2020	2019
Less than three months	8,779,747	9,563,936
Between three months and a year	1,115,499	1,141,887
Between one and five years	262,277	330,834
More than five years	12,278	138
	10,169,801	**11,036,795**

32.8 – Fair value measurements

32.8.1 Fair value of the Company's financial assets and liabilities that are measured at fair value on a recurring basis:

Some of the Company's financial assets and liabilities are measured at fair value at the end of each year. The following table gives information about how the fair values of these financial assets and liabilities are determined.

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2020	2019		
Financial assets:				
Cash and cash equivalent: Investment funds	744,387	191,758	Level 1	Quoted bid prices in an active market
Short-term investments	266,325	270,322	Level 1	Quoted bid prices in an active market

32.8.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except for the following, the Board of Directors considers that outstanding balances of financial assets and liabilities included in the financial statements represent their approximate fair value at the end of each year.

	2020		2019	
	Book value	Fair value	Book value	Fair value
		(1)		(1)
Senior Notes due 2021	16,805,676	14,283,571	16,264,309	13,634,483

(1) Fair value hierarchy: Level 2.

33. 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 of the Company, 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 2020 and 2019 were based on the application of the accounting rules described in Notes 2 and 3, with the exception of IAS 29 referred to in Note 2.1, that is to say, financial information has been considered in historical currency and without the computation of income tax charges.

The company’s Board of Directors has identified the following segments:

- **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.).

The reconciliation between the information reported by the segments and the consolidated financial information is as follows:

Information	2020				
	Dairy	**Other**	**Total**	**Adjustments (1)**	**Total consolidated financial information**
Revenue from external customers	67,826,125	879,574	68,705,699	11,545,766	80,251,465
Intersegment revenue	3,727	98,085	101,812	16,640	118,452
Cost of sales	47,755,590	628,260	48,383,850	10,708,137	59,091,987
Selling and administrative expenses	17,562,705	328,290	17,890,995	3,013,068	20,904,063
Financial results (2)	(6,308,700)	14,378	(6,294,322)	3,808,457	(2,485,865)
Other gains and losses	2,014	2,628	4,642	(6,222)	(1,580)
(Loss) income before income taxes	(3,798,856)	(59,970)	(3,858,826)	1,626,796	(2,232,030)
Assets allocated to the business line	46,664,093	247,155	46,911,248	2,992,057	49,903,305
Liabilities allocated to the business line	31,287,363	232,133	31,519,496	1,274,622	32,794,118
Additions to property, plant & equipment and others	1,126,452	1,981	1,128,433	163,969	1,292,402
Depreciation of property, plant & equipment and others	1,748,351	2,206	1,750,557	930,932	2,681,489
Amortization of intangible assets	338		338	3,367	3,705
Depreciation of right of use assets	58,746		58,746	51,824	110,570
Depreciation of investment property	6		6	98	104
Depreciation of other assets	2,216		2,216	5,239	7,455
Write-off of inventories	221,992		221,992	36,917	258,909
Income from domestic market	54,339,533	879,574	55,219,107	9,523,640	64,742,747

Information	2019				
	Dairy	**Other**	**Total**	**Adjustments (1)**	**Total consolidated financial information**
Revenue from external customers	47,011,781	931,208	47,942,989	30,908,798	78,851,787
Intersegment revenue	5,455	79,195	84,650	56,680	141,330
Cost of sales	31,592,070	732,879	32,324,949	23,971,639	56,296,588
Selling and administrative expenses	11,553,861	215,176	11,769,037	7,778,239	19,547,276
Financial results (2)	(5,678,508)	24,787	(5,653,721)	2,507,411	(3,146,310)
Other gains and losses	(4,700)	(5,413)	(10,113)	1,016	(9,097)
(Loss) income before income taxes	(1,807,958)	13,353	(1,794,605)	1,647,120	(147,485)
Assets allocated to the business line	34,930,221	259,888	35,190,109	15,571,308	50,761,417
Liabilities allocated to the business line	23,393,721	200,177	23,593,898	8,617,724	32,211,622
Additions to property, plant & equipment and others	980,956	4,108	985,064	618,726	1,603,790
Depreciation of property, plant & equipment and others	1,102,104	2,128	1,104,232	1,558,730	2,662,962
Amortization of intangible assets	428		428	4,326	4,754
Depreciation of right of use assets	52,568		52,568	48,262	100,830
Depreciation of investment property	4		4	99	103
Depreciation of other assets	7,348		7,348	18,142	25,490
Write-off of inventories	172,134		172,134	86,283	258,417
Income from domestic market	39,082,518	931,208	40,013,726	26,441,761	66,455,487

(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 December 31, 2019, includes the restatement of the figures in order to reflect the effects of inflation as of December 2020 currency.

(2) Includes investment income, finance cost, exchange differences (loss) gain, other financial results, gain arising on net monetary position and excess of restated value over the revalued amount of assets measured at fair value

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

Year	Revenue			
	Domestic market	Exports		Total
		Brazil and Paraguay	Other countries	
2020	55,219,107	5,967,065	7,519,527	68,705,699
2019	40,013,726	4,446,669	3,482,594	47,942,989

34. 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.

35. MEASURES ADOPTED BY THE NATIONAL GOVERNMENT

The National Government issued Law No. 27,541 on Social Solidarity and Productive Reactivation, regulated by Decree No. 99/2019 published on December 28, 2019. The aforementioned Law contemplates the declaration of public emergency until December 31, 2020, to apply measures to the economic and social situation, and includes a series of changes in the powers that the National Executive Power has to administer the State in economic, financial, fiscal, administrative, social security, tariff, energy, health and social matters. Decree 1057/2020 published on December 31, 2020, extended the provisions contained in articles 20, 22 and 23 of said decree 99/2019 until December 31, 2021.

On September 15, 2020, the Central Bank of the Argentine Republic (BCRA), issued Communication "A" 7106, which introduced substantial changes in the scheme of the (Single Free Exchange Market, "MULC" or "official" dollar), with important implications for those companies that have debt maturities in foreign currency. The changes introduced are:

I. Those companies that register debt principal maturities in foreign currency as of October 15, 2020 and until March 31, 2021, must present a refinancing plan for such liabilities considering the following conditions:
   - They will only be able to access the exchange market for up to an amount equivalent to 40% of the capital to be refinanced;
   - The principal of the debt that replaces the refinanced operation must have an average life of more than 2 years.
   - The presentation of these plans must be made with a certain advance according to the expiration date.

II. Those companies that do not present the plan mentioned in the previous point, will have access to the exchange market for principal payments of debts in foreign currency for an amount of up to one million dollars per calendar month.

On February 25, 2021, the Central Bank of the Argentine Republic (BCRA) issued Communication "A" 7230, which introduces changes to the previously referred rule. Under this new regulation, the period referred to in point I. above is extended until December 31, 2021 and the amount mentioned in point II. is increased to the sum of two million dollars per month.

This regulation has an impact on the refinancing process of the Company's financial debt (see note 15), since it establishes certain minimum conditions to be met.

36. IMPACT OF THE COVID-19

On March 11, 2020, the World Health Organization classified the Coronavirus COVID-19 virus as a pandemic. On March 19th, 2020, the Argentine government issued decreed No. 297/20 by which the "Preventive and Compulsory Social Isolation" was established, prohibiting all activities not included in the "essential" list detailed in Art. 6. The isolation was extended, with certain flexibilities, successively until November 8, 2020. As of November 9, 2020, a phase of preventive and mandatory social distancing ("DISPO") began, which is in effect until March 12, 2021.

Since then, the measures being taken to combat the virus are having a significant effect, not only on people but also on economic activity in general. As of the date of issuance of these financial statements, the Company continues operating without major inconveniences, as it is exempt from the preventive and compulsory social isolation provided by article 6, section 12 ("Food industries, their production chain and supplies; personal hygiene and cleaning, medical equipment, medicines, vaccines and other sanitary supplies") of the above mentioned decree 297/2020. Due to the aforementioned, the Company's Management considers that the circumstances described do not invalidate the application of accounting policies corresponding to a going concern entity in the preparation of the financial statements as of December 31, 2020.

The Company's Management will continue to monitor the situation to take the necessary measures that consider relevant according to the context. The values recorded for the assets and liabilities in the statement of financial position and the evaluation of their recoverability were made based on the conditions existing as of December 31, 2020, year-end date.

All of the above must be taken into account when interpreting these financial statements.

37. APPROVAL OF THESE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized to be issued on March 8, 2021.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mastellone Hermanos Sociedad Anónima
Almirante Brown 957
General Rodriguez, Province of Buenos Aires

1. Opinion

We have audited the consolidated financial statements of Mastellone Hermanos Sociedad Anónima (hereinafter mentioned as "Mastellone Hermanos Sociedad Anónima" or "the Company") and its subsidiaries (jointly, "the Group"), which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the fiscal year then ended, and notes 1 to 37 to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mastellone Hermanos Sociedad Anónima and its subsidiaries as of December 31, 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Audit and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the applicable regulations in the Argentine Republic, and we have fulfilled our other ethical responsibilities under those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty related to going concern

We draw attention to the information included in Note 4.d) to the accompanying consolidated financial statements, which indicates that "in view of the maturity within the next twelve months (in July 2021) of the financial debt for U$S 199.7 million, described in detail in Note 15 to the accompanying consolidated financial statements, the Company's Management has analyzed the fact that, although there are plans in progress for the refinancing of such debt, naturally this cannot be assured until such negotiations are finalized and duly formalized, which is why, in accordance with IAS 1, it is appropriate to state that these conditions with respect to such debt indicate the existence of a material uncertainty that may cast significant doubts about the Company's ability to continue as a going concern".

Our opinion is not modified in respect of this matter.

4. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and recoverable value of property, plant and equipment, and others (PPE)

See notes 3.6 and 4.a) to the consolidated financial statements.

Description of the issue:

Certain classes of property, plant and equipment are valued at fair value. The Company applies valuation techniques, which implies the use of significant judgments in determining the methods used for such valuation (levels 2 and 3 established by IFRS 13). In the case of the comparative-sales method, sales records are collected in neighboring areas, which are adjusted by coefficients considering existing surfaces, relative location, shapes and constructions and price negotiations. As regards with the cost approach, the brand-new value is first estimated, in the case of constructions using specific indices of the values of the main items that comprise the work and for machinery and equipment, the prices of the assets are considered (prices are asked to suppliers and index variations are observed), import costs, when applicable, freight, insurance, assembly and other corresponding expenses; and subsequently, to the brand-new values determined, physical deterioration and functional and economic obsolescence are considered to determine the fair value.

In addition, the Company´s Management determines the recoverable value for PPE. The Company believes that the accounting estimate related to the impairment of these assets is a "critical accounting estimate" because: (1) it is highly susceptible to change from period to period as it requires management to make certain assumptions about future revenues and costs; and (2) the impact that recognizing an impairment has on the assets reported on the statement of financial position as well as the statement of profit or loss and other comprehensive income is material. The most important estimates, and those that could affect significantly the projected cash flows, are the selling price of the Company´s products on the revenue side and the availability and price of raw milk from the cost point of view.

Addressing the issue in our audit

The procedures performed have consisted of the following:

- With the assistance of our fair value specialists, we analyzed the methodology used in the fair value measurement of the PPE classes assessed under this valuation method.
- We have reviewed for certain samples the supporting documentation of the valuations performed at year-end.
- We test the integrity and mathematical accuracy of the valuations performed.
- We have evaluated the reputation and experience of the valuation experts used by the Company to perform the fair value valuation.
- We review the key assumptions used in the impairment test for PPE, including specifically discounted cash flows and discount rates. The main assumptions used to estimate cash flow projections are the selling prices of the products and the availability and prices of the raw milk.
- We compare these assumptions with externally obtained data (where applicable), as well as we perform our own evaluation.
- With the assistance of our fair value specialists, we performed an independent evaluation of the discount rate used and to analyze the methodology used in the impairment test.
- We test the integrity and mathematical accuracy of the impairment tests.
- We considered the sensitivity of the impairment test model to changes in key assumptions.

5. Information other than the consolidated financial statements and auditor's report thereon ("Other Information")

The Company´s Board of Directors is responsible for the Other information. The other information comprises the Annual report for fiscal year 2020 and Consolidated informative summary, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and hence, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

6. Responsibilities of the Company's Board of Directors for the consolidated financial statements

The Company's Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Company's Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Company's Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

7. Auditor's responsibilities for the audit of the consolidated financial statements.

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Company´s Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company´s Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company´s Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

General Rodriguez, Province of Buenos Aires, March 8, 2021

Deloitte & Co. S.A.

MARTA S. BORRELL
Partner