**Mastellone Hermanos S.A.**
Condensed Interim Consolidated
Financial Statements
for the six-month period ended
June 30, 2013

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**

**CONSOLIDATED INFORMATIVE SUMMARY**
**AS OF JUNE 30, 2013**
(in thousands of Argentine pesos)

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

The results of the first half of the fiscal year 2013, continue demonstrating the improvement that began to reflect in the fourth quarter of 2012, by effect of all actions taken by the Company in order to improve its economic performance and cash flow generation.

A gradual improvement in the production of raw milk was observed during the second quarter of 2013 and international prices of our products continued to show firmness.

Additionally, during this last quarter, several transactions were executed that made it possible for the Company to dispose of non-strategic assets, achieving extra liquidity in order to optimize its equity structure. At the same time, the acquisition of the new subsidiary, Compañía Puntana de Carnes Especiales S.A., will undoubtedly be of great importance for the further growth of operations in the cheeses segment and increase our presence in San Luis province.

## 2. CONSOLIDATED FINANCIAL POSITION

| | 6/30/2013 | 6/30/2012 | 6/30/2011 |
|---|---|---|---|
| | (in thousand pesos) | | |
| Current assets | 1,851,791 | 1,545,651 | 1,300,200 |
| Non-current assets | 1,647,127 | 1,531,566 | 1,476,292 |
| **TOTAL ASSETS** | **3,498,918** | **3,077,217** | **2,776,492** |
| Current liabilities | 1,641,679 | 1,399,638 | 908,927 |
| Non-current liabilities | 1,086,149 | 974,106 | 1,072,952 |
| **TOTAL LIABILITIES** | **2,727,828** | **2,373,744** | **1,981,879** |
| **Equity attributable to owners of the Company** | **771,080** | **703,463** | **794,603** |
| **Non-controlling interests** | **10** | **10** | **10** |
| **TOTAL EQUITY** | **771,090** | **703,473** | **794,613** |
| **TOTAL LIABILITIES AND EQUITY** | **3,498,918** | **3,077,217** | **2,776,492** |

## 3. CONSOLIDATED STATEMENTS OF OPERATIONS

| | 6/30/2013 | 6/30/2012 | 6/30/2011 |
|---|---|---|---|
| | (in thousand pesos) | | |
| Operational results – income (loss) | 116,966 | (8,070) | 53,497 |
| Investment income, financial cost and foreign exchange differences | (148,469) | (115,097) | (84,223) |
| Other gains and losses | 110,329 | 8,232 | 1,127 |
| **Income (loss) before taxes** | **78,826** | **(114,935)** | **(29,599)** |
| Income tax and alternative minimum income tax | (606) | 19,258 | 784 |
| **NET INCOME (LOSS) FOR THE PERIOD** | **78,220** | **(95,677)** | **(28,815)** |
| **Other comprehensive income** | 1,453 | (2,498) | 9,781 |
| **TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD** | **79,673** | **(98,175)** | **(19,034)** |

## 4. CONSOLIDATED STATEMENT OF CASH FLOWS

| | 6/30/2013 | 6/30/2012 | 6/30/2011 |
|---|---|---|---|
| | (in thousand pesos) | | |
| Cash flows provided by operating activities | 264,710 | 200,882 | 146,053 |
| Cash flows provided by (used in) investing activities | 3,319 | (91,554) | (52,423) |
| Cash flows used in financing activities | (176,498) | (73,138) | (33,605) |
| **Cash and cash equivalents provided in the period** | **91,531** | **36,190** | **60,025** |

## 5. PRODUCTION AND SALES VOLUME (*)

| | ACUMULATED SALES | | |
|---|---|---|---|
| | 6/30/2013 | 6/30/2012 | 6/30/2011 |
| | (in thousand liters of milk) | | |
| Domestic market | 782,568 | 817,105 | 739,979 |
| Foreign market | 99,677 | 117,057 | 100,490 |
| **Total** | **882,245** | **934,162** | **840,469** |

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

## 6. RATIOS

| | 6/30/2013 | 6/30/2012 | 6/30/2011 |
|---|---|---|---|
| Current assets to current liabilities | 1.13 | 1.10 | 1.43 |
| Equity attributable to owners of the Company to total liabilities | 0.28 | 0.30 | 0.40 |
| Non-current assets to total assets | 0.47 | 0.50 | 0.53 |

## 7. OUTLOOK (*)

We expect the maintenance of the current positive trend for our economic results, on which will also have impact (i) seasonal factors that are recorded quarter by quarter, (ii) the availability of raw milk and (iii) maintaining an appropriate level of international prices of our products.

## 8. CALCULATION OF THE EBITDA OF THE COMPANY (*)

A calculation of EBITDA (according to its definition under the terms of the agreement of the debt refinancing of May 2010) ("Contractual $_{(1)\,(2)}$ EBITDA") for the six-month periods ended June 30, 2013 and 2012 and for the twelve month periods July 1, 2012 to June 30, 2013 and July 1, 2011 to June 30, 2012 is included below. This calculation is presented only to be used as guidance by holders and any other interested parties. The calculation, which is stated in thousands of pesos, should be considered an estimate subject to adjustments and not to be an indication, either explicit or implicit, of the Contractual EBITDA amount for the future.

| | | 6/30/2013 Six month (1/1/2013 to 6/30/2013) | | 6/30/2012 Six month (1/1/2012 to 6/30/2012) | | 6/30/2013 Twelve month (7/1/2012 to 6/30/2013) | | 6/30/2012 Twelve month (7/1/2011 to 6/30/2012) | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Net income (loss) for the period | 78,220 | | (95,677) | | 58,401 | | (75,085) | |
| | Less: | | | | | | | | |
| | Gain on disposal of property, plant and equipment | (25,983) | | | | (25,983) | | | |
| | Subtotal | | 52,237 | | (95,677) | | 32,418 | | (75,085) |
| 2 | Income tax and alternative minimum income tax | | 606 | | (19,258) | | 36,593 | | (17,028) |
| 3 | Amortization | | | | | | | | |
| | Amortization of intangible assets | | 222 | | 372 | | 572 | | 743 |
| 4 | Depreciation | | 60,298 | | 51,767 | | 116,370 | | 121,217 |
| | Depreciation of property, plant and equipment, and others | 60,213 | | 51,682 | | 116,200 | | 121,057 | |
| | Depreciation of investment property | 85 | | 85 | | 170 | | 160 | |
| 5 | Fixed charges | | 79,010 | | 69,145 | | 154,671 | | 131,723 |
| | Financial cost | 79,010 | | 69,145 | | 154,671 | | 131,723 | |
| | Secured debt payments by the Company | | | | | | | | |
| | Payment of dividends on preferred stock | | | | | | | | |
| 6 | | | 105,574 | | 52,668 | | 191,257 | | 95,560 |
| | All exchange differences | 105,574 | | 52,668 | | 191,257 | | 95,560 | |
| | All the inflation adjustment | | | | | | | | |
| 7 | Other charges which have not and will not imply a cash movement | | (22,776) | | | | (22,776) | | 387 |
| | Gain on acquisition of subsidiary | (22,776) | | | | (22,776) | | | |
| | Write-off of spare parts | | | | | | | 387 | |
| | **Total contractual EBITDA** | | **275,171** | | **59,017** | | **509,105** | | **257,517** |

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

(2) Contract values reported EBITDA originate in the historical operations of the Company for the periods indicated in each case, and are not estimates or provisions of the values that could be achieved in the future. The Company assumes no responsibility for any discrepancies that may exist.

(*) Information not reviewed by the Independent Auditors.

Buenos Aires, August 12, 2013

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2013**
(in thousands of Argentine pesos)

| | Notes | 6/30/2013 | 12/31/2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 157,792 | 66,071 |
| Other financial assets | 3 | 11,091 | 23,580 |
| Trade accounts receivable | 4 and 18 | 783,352 | 698,372 |
| Tax credits | | 33,809 | 37,341 |
| Other receivables | 5 and 18 | 26,128 | 25,461 |
| Inventories | 6 and 18 | 839,619 | 724,185 |
| **Total Current Assets** | | **1,851,791** | **1,575,010** |
| **NON-CURRENT ASSETS** | | | |
| Other financial assets | 3 | 5,143 | 4,509 |
| Tax credits | | 17,409 | 22,970 |
| Other receivables | 5 and 18 | 31,766 | 31,772 |
| Deferred tax assets | 11 | 5,348 | 4,253 |
| Advances to suppliers | | 19,145 | 19,401 |
| Property, plant and equipment, and others | 7 and 18 | 1,500,446 | 1,496,573 |
| Investment property | | 1,444 | 1,679 |
| Goodwill | | 3,121 | 3,121 |
| Intangible assets | | 55,083 | 2,870 |
| Other assets | | 8,222 | 10,227 |
| **Total Non-Current Assets** | | **1,647,127** | **1,597,375** |
| **TOTAL ASSETS** | | **3,498,918** | **3,172,385** |
| **CURRENT LIABILITIES** | | | |
| Trade payable | 8 | 1,039,939 | 810,420 |
| Borrowings | 9 and 18 | 302,478 | 344,642 |
| Accrued salaries, wages and payroll taxes | 10 | 189,777 | 170,815 |
| Taxes payable | | 87,031 | 75,824 |
| Advance from customers | | 8,074 | 22,781 |
| Provisions | | 2,382 | 1,897 |
| Other liabilities | | 11,998 | 7,210 |
| **Total Current Liabilities** | | **1,641,679** | **1,433,589** |
| **NON-CURRENT LIABILITIES** | | | |
| Trade payable | | | 7,511 |
| Borrowings | 9 and 18 | 812,719 | 770,314 |
| Taxes payable | | 54,984 | 57,156 |
| Deferred tax liabilities | 11 | 163,724 | 187,162 |
| Provisions | | 25,484 | 21,030 |
| Other liabilities | | 29,238 | 4,206 |
| **Total Non-Current Liabilities** | | **1,086,149** | **1,047,379** |
| **Total Liabilities** | | **2,727,828** | **2,480,968** |
| **EQUITY** | | | |
| Common stock | | 457,547 | 457,547 |
| Reserves | | 235,313 | 47,444 |
| Retained earnings – including net result for the period or year | | 78,220 | 186,416 |
| **Equity attributable to owners of the Company** | | **771,080** | **691,407** |
| **Non-controlling interests** | | **10** | **10** |
| **Total equity** | | **771,090** | **691,417** |
| **TOTAL LIABILITIES AND EQUITY** | | **3,498,918** | **3,172,385** |

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

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH AND THREE MONTH PERIODS ENDED JUNE 30, 2013**
(in thousands of Argentine pesos)

| | Notes | 6/30/2013 Six-month | 6/30/2012 Six-month | 6/30/2013 Three-month | 6/30/2012 Three-month |
|---|---|---|---|---|---|
| Revenue | 12 | 4,224,541 | 3,485,354 | 2,239,781 | 1,872,292 |
| Cost of sales | 13 | (2,962,254) | (2,593,909) | (1,554,472) | (1,396,072) |
| **Gross income** | | **1,262,287** | **891,445** | **685,309** | **476,220** |
| Selling expenses | 14 | (981,307) | (772,437) | (527,516) | (416,743) |
| General and administrative expenses | 14 | (164,014) | (127,078) | (88,094) | (68,938) |
| Investment income | | 36,115 | 6,716 | 21,517 | 3,034 |
| Financial cost | 15 | (79,010) | (69,145) | (40,068) | (34,612) |
| Foreign exchange losses | | (105,574) | (52,668) | (59,498) | (37,767) |
| Other gains and losses | 16 | 110,329 | 8,232 | 112,869 | 2,742 |
| **Income (loss) before taxes** | | **78,826** | **(114,935)** | **104,519** | **(76,064)** |
| Income tax and alternative minimum income tax | 17 | (606) | 19,258 | (9,437) | 11,106 |
| **NET INCOME (LOSS) FOR THE PERIOD** | | **78,220** | **(95,677)** | **95,082** | **(64,958)** |
| **Other comprehensive income (loss)** | | | | | |
| **Items that may be subsequently reclassified to profit or loss** | | | | | |
| Exchange differences on translating foreign operations | | 1,453 | (2,498) | (4,113) | (6,200) |
| **Other comprehensive income (loss), net of income tax** | | **1,453** | **(2,498)** | **(4,113)** | **(6,200)** |
| **TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD** | | **79,673** | **(98,175)** | **90,969** | **(71,158)** |
| **Net income (loss) attributable to:** | | | | | |
| Owners of the Company | | 78,220 | (95,677) | 95,082 | (64,958) |
| Non-controlling interests | | | | | |
| **Net income (loss) for the period** | | **78,220** | **(95,677)** | **95,082** | **(64,958)** |
| **Total comprehensive income (loss) attributable to:** | | | | | |
| Owners of the Company | | 79,673 | (98,175) | 90,969 | (71,158) |
| Non-controlling interests | | | | | |
| **Total comprehensive income (loss) for the period** | | **79,673** | **(98,175)** | **90,969** | **(71,158)** |

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

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**
(in thousands of Argentine pesos)

| | Shareholders' contributions | Reserves | | | | Retained earnings (losses) | Equity attributable to: | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Legal reserve | Facultative reserve | Foreign currency translation reserve | Special reserve established by General Resolution N° 609/12 of the CNV | | Owners of the parents | Non controlling interest | |
| **Balance at December 31, 2012** | **457,547** | **15,273** | **30,682** | **1,489** | | **186,416** | **691,407** | **10** | **691,417** |
| Net income for the period | | | | | | 78,220 | 78,220 | | 78,220 |
| Other comprehensive income for the period | | | | 1,453 | | | 1,453 | | 1,453 |
| Total comprehensive income for the period | | | | 1,453 | | 78,220 | 79,673 | | 79,673 |
| Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on March 26, 2013: | | | | | | | | | |
| Appropriation to special reserve | | | | | 186,416 | (186,416) | | | |
| **Balance at June 30, 2013** | **457,547** | **15,273** | **30,682** | **2,942** | **186,416** | **78,220** | **771,080** | **10** | **771,090** |

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

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012**
(in thousands of Argentine pesos)

| | Shareholders' contributions | Reserves | | | Retained earnings (losses) | Equity attributable to: | | Total |
|---|---|---|---|---|---|---|---|---|
| | Common stock | Legal reserve | Facultative reserve | Foreign currency translation reserve | | Owners of the parents | Non controlling interest | |
| **Balance at December 31, 2011** | **457,547** | **15,273** | | **(3,776)** | **332,594** | **801,638** | **10** | **801,648** |
| Net loss for period | | | | | (95,677) | (95,677) | | (95,677) |
| Other comprehensive loss for the period | | | | (2,498) | | (2,498) | | (2,498) |
| Total comprehensive loss for the period | | | | (2,498) | (95,677) | (98,175) | | (98,175) |
| Resolution of General Ordinary Shareholders' Meeting held on March 27, 2012: | | | | | | | | |
| Appropriation to facultative reserve | | | 30,682 | | (30,682) | | | |
| **Balance at June 30, 2012** | **457,547** | **15,273** | **30,682** | **(6,274)** | **206,235** | **703,463** | **10** | **703,473** |

The accompanying Notes are an integral part of these condensed interim consolidated financial statement

**MASTELLONE HERMANOS SOCIEDAD ANÓNIMA**
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**
(in thousands of Argentine pesos)

| | 6/30/2013 | 6/30/2012 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) for the period | 78,220 | (95,677) |
| Adjustments to reconcile net income (loss) for the period to net cash provided by operating activities: | | |
| Income tax and alternative minimum income tax accrued | 606 | (19,258) |
| Financial cost | 79,010 | 69,145 |
| Foreign exchange losses | 100,462 | 50,922 |
| Depreciation of property, plant and equipment, and others | 60,213 | 51,682 |
| Additions to provision for doubtful accounts, sale rebates and provisions (net of reversals) | 18,243 | 5,621 |
| Depreciation of investment property | 85 | 85 |
| Amortization of intangible assets | 222 | 372 |
| Gain on acquisition of subsidiary | (22,776) | |
| Gain on sale of investments in other companies | (25,077) | |
| Gain on sale of property, plant and equipment, and others and investment property | (28,753) | (4,379) |
| | **260,455** | **58,513** |
| Changes in working capital | 21,171 | 150,918 |
| **Subtotal** | **281,626** | **209,431** |
| Payments of income tax and alternative minimum income tax | (16,916) | (8,549) |
| **Net cash generated by operating activities** | **264,710** | **200,882** |
| | | |
| **Cash flows from (used in) investing activities** | | |
| Purchase of property, plant and equipment, and others | (84,518) | (97,908) |
| Decrease (increase) of other financial assets | 11,855 | (3,268) |
| Proceeds from sale of subsidiary company | 1,253 | 5,173 |
| Proceeds from sale of property, plant and equipment, and others and investment property | 54,815 | 6,498 |
| Payment for acquisition of subsidiary | (7,168) | (1,377) |
| Proceeds from sale of investments in other companies | 26,605 | |
| Net decrease (increase) of other assets | 477 | (672) |
| **Net cash from (used in) investing activities** | **3,319** | **(91,554)** |
| | | |
| **Cash flows used in financing activities** | | |
| Net variation in loans | (110,286) | (22,437) |
| Payments of interests | (66,212) | (50,701) |
| **Net cash used in financing activities** | **(176,498)** | **(73,138)** |
| | | |
| **Increase in cash and cash equivalents** | **91,531** | **36,190** |
| **Cash and cash equivalents of acquired company** | **190** | |
| **Cash and cash equivalents at beginning of year** | **66,071** | **64,101** |
| **Cash and cash equivalents at end of period** | **157,792** | **100,291** |

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

## 1. GENERAL INFORMATION

Mastellone Hermanos S.A. (hereinafter "Mastellone Hermanos S.A." or the "Company") is a sociedad anónima under the laws of Argentina, registered with the Public Registry of Commerce on May 17, 1976. The term of the Company expires on November 5, 2060. Its legal address is in Encarnación Ezcurra 365/375, 2nd floor, office 308, City 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 Fortuna and to a lesser extent, the brand of some of its major customers.

The breakdown of consolidated companies in these financial statements is exposed in Note 2.5.

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

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

The condensed interim consolidated financial statements for the six-month period ended June 30, 2013 have been prepared in conformity with International Accounting Standard ("IAS") N° 34, "Interim Financial Reporting". The adoption of such standard, and the entire set of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') was established by Technical Resolution N° 26 issued by the Argentine Federation of Professional Councils in Economic Sciences ("F.A.C.P.C.E.") and by the Comisión Nacional de Valores ("CNV"), Argentine Securities Commission. In accordance with the above mentioned accounting standards and regulatory standards, IFRS are mandatory for fiscal year beginning January 1st 2012.

The condensed interim consolidated financial statements do not include all the information required by IFRS for a complete set of financial statements, because they correspond to a condensed set of financial statements under IAS 34. Therefore, the condensed interim consolidated financial statements must be read in conjunction with the consolidated financial statements of the Company for the fiscal year ended December 31, 2012 prepared under IFRS.

The figures and other information for the fiscal year ended December 31, 2012 and the six-month period ended June 30, 2012 are an integral part of these condensed interim consolidated financial statements and are intended to be read only in relation to those financial statements.

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

The condensed interim consolidated financial statements have been translated into English for the convenience of English-speaking readers. The condensed interim consolidated financial statements are the English translation of those originally issued by Mastellone Hermanos S.A. in Spanish and presented in accordance with IFRS.

### 2.2 Applicable accounting policies

The accounting policies used in the preparation of the condensed interim consolidated financial statements are the same as those used to prepare the consolidated financial statements for the fiscal year ended December 31, 2012, as described in those financial statements, except for the changes mentioned in the following section.

The condensed interim consolidated financial statements have been prepared under the historical cost conventions, except for the revaluation of certain non-current assets and financial assets. Usually, the historical cost is based on the fair value of the consideration given in exchange for the assets.

The preparation of these financial statements are the responsibility of the Company's Board of Directors and requires accounting estimates and judgments of the administrators when applying financial standards.

### 2.3 New standards and interpretations effective from fiscal year beginning on January 1st, 2013 which are material to the Company

- The amendments to IAS 1 (Presentation of financial statements) require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Additionally, new terminology for the statement of comprehensive income and income statement were introduced. Under the amendment to IAS 1, the “statement of comprehensive income” is renamed the “statement of profit or loss and other comprehensive income”. See impact of these presentation changes in the condensed interim consolidated statement of profit or loss and other comprehensive income.

- Under IFRS 10 there is only one basis for consolidation, that is control, which contains 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. IFRS 10 replaces the consolidation requirements described in SIC-12 "Consolidation - Specific purpose entities" and IAS 27 "Consolidated and separate financial statements". The application of this standard did not affect significantly the amounts set out in relation to assets and liabilities of the Company.

- IFRS 12 applies to entities that hold interests in subsidiaries, joint arrangements, associated or unconsolidated structures. IFRS 12 requires disclosure objectives, as well as what are the minimum disclosures to be provided to meet these objectives, which are those that help users of financial statements to assess the nature and risks associated with investments in other entities. The changes did not affect significantly the disclosures in the financial statements of the Company.

- IFRS 13 requires one structure for fair value measurements when it is required by another IFRS. This IFRS applies to elements of both financial and non-financial assets and liabilities measured at fair value. Fair value is measured as 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 trade date. Additionally, there are more extensive disclosure requirements, for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy. The changes do not affect significantly the disclosures in the financial statements of the Company.

  As of June 30, 2013, financial assets measured at fair value are included in cash and cash equivalents and correspond to financial instruments of level 1.

### 2.4 Standards and interpretations not yet adopted

The Company did not adopt the following standards and interpretations as per the application of the mentioned pronouncements are not required for the six-month period ended June 30, 2013.

| Standard | Name |
|---|---|
| IFRS 9 | Financial instruments[1] |
| Amendments to IAS 32 | Financial instruments: presentation[2] |

[1] Effective for fiscal years beginning on or after January 1st, 2015.
[2] Effective for fiscal years beginning on or after January 1st, 2014.

- IFRS 9 "Financial instruments" issued in November 2009 and revised in October 2010 and in December 2011, introduces new requirements for the classification, measurement and derecognition of financial assets and liabilities.

  IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial instruments - Recognition and measurement to be subsequently measured at amortized cost or fair value. Specially, debt investments that are held within a business model whose objective is the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debts investments and equity instruments are measured at their fair values at the end of subsequent accounting periods.

  The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

  The Company´s Board of Directors anticipates that the IFRS 9 will be adopted in the financial statements of the Company for the fiscal year beginning on January 1, 2015. It is likely that changes will not affect significantly the amounts set out in relation to assets and liabilities of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

- The amendments to IAS 32 (Financial instruments: presentation) clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off".

  The Company´s Board of Directors anticipates that amendments to IAS 32 will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2014 and will be applied retrospectively. It is likely that changes will not affect significantly the disclosures in the financial statements of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

**2.5 Basis of consolidation**

The condensed interim 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.

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

The financial statements of the subsidiaries, with registered offices abroad, used to prepare the condensed interim 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 condensed interim consolidated financial statements:

| | | | % of direct and indirect participation in capital stock and votes | | |
|---|---|---|---|---|---|
| **Company** | **Main activity** | **Country** | **6/30/2013** | **12/31/2012** | **6/30/2012** |
| Con-Ser S.A. | Transportation services, services for vehicle, sale of parts and distribution of cooling equipments | Argentina | 100.00 | 100.00 | 100.00 |
| Compañía Puntana de Carnes Elaboradas S.A. (1) | Slaughtering, preparation and preservation of meat and production and storage of miscellaneous food products | Argentina | 99.99 | | |
| Leitesol Industria e Comercio S.A. | Production and distribution of dairy products | Brazil | 100.00 | 100.00 | 100.00 |
| Marca 4 S.A. | Ownership, administration and legal defense of trademarks *Ser* and *La Serenísima* | Argentina | 99.99 | 99.99 | 99.99 |
| Marca 5 Asesores en Seguros S.A. | Insurance broker | Argentina | 99.99 | 99.99 | 99.99 |
| Mastellone de Paraguay S.A. (2) | Import and distribution of dairy products | Paraguay | 100.00 | 100.00 | 100.00 |
| Mastellone Hermanos do Brasil Comercial e Industrial Ltda. | Inactive | Brazil | 100.00 | 100.00 | 100.00 |
| Mastellone San Luis S.A. | Manufacturer of dairy products | Argentina | 99.99 | 99.99 | 99.99 |
| Promas S.A. | Agricultural exploitation | Argentina | 100.00 | 100.00 | 100.00 |
| Transporte Lusarreta Hermanos S.A. (3) | Inactive | Argentina | | 100.00 | 100.00 |

(1) Company acquired in 2013 fiscal year.

(2) The company Mastellone de Paraguay S.A. had not been consolidated as of June 30, 2012 due to the lack of significance.

(3) This company, which was indirectly controlled by Mastellone Hermanos S.A. because it was controlled by Con-Ser S.A., was merged into Con-Ser S.A. on the basis of financial statements as of December 31, 2012. The merger is effective January 1, 2013. The merger is pending of registration with the Companies´Inspection Bureau.

The financial position statements of Mastellone Hermanos Sociedad Anónima as of June 30, 2013 and December 31, 2012 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month periods ended June 30, 2013 and 2012, were consolidated based on financial statements of the subsidiaries companies for the periods or years ended at such dates.

The subsidiary company Compañía Puntana de Carnes Elaboradas S.A. ("Copuce"), acquired in the current fiscal year, was consolidated as of June 30, 2013 based on management financial information as of May 31, 2013 (month of acquisition of such company). No significant changes have occurred between both dates, which were not considered.

Concerning the above mentioned subsidiary, the Company acquired 99.99% of the capital stock of Copuce in May 2013. Such company is located in the city of Villa Mercedes, Province of San Luis and is included in the régime for promoted industrial activities for the developing of certain activities, including the manufacturing of dairy products. The acquisition price was approximately 35.2 million of pesos, from which (i) 20% was paid at the date of acquisition, (ii) 5% was retained to settle eventually payments related to unexpected issues at the date of acquisition (the remaining balance, according to the definitions established in the purchase agreement, if any, will be reimbursed to the sellers) and (iii) the remaining balance will be paid in four annual and consecutive installments, the first three installments corresponding each to 20% of the purchase price, and the last one for the remaining 15%, each installment being due on May 21, from years 2014 to 2017.

In accordance with the acquisition method described in IFRS 3 "Business combinations", the Company allocated the cost of the business combination of Copuce shares at the acquisition date. The identifiable assets acquired and liabilities assumed were measured at fair value, based on management financial information as of May 31, 2013. As a consequence of such allocation, the value of Copuce´s net assets was higher than the book value of Copuce in approximately 52 million of pesos. The excess of the acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over the acquisition cost, which amounts approximately to 23 million of pesos, was recognised in profit and loss as a "bargain purchase". Such gain was included in "Other income and expenses" caption in the statement of Profit or loss and other comprehensive income.

The initial accounting of the business combination will be completed once the Company´s Management obtains the final accounting information of the acquired company, and, if necessary, the provisional amounts recognised at the current financial statements shall be retrospectively adjusted to reflect the new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

## 3. OTHER FINANCIAL ASSETS

| | 6/30/2013 | 12/31/2012 |
|---|---|---|
| • Current | | |
| Private bonds | 7,535 | 7,538 |
| Short-term investments - related parties (Note 19) | 1,372 | 1,589 |
| Short-term investments - other | 2,184 | 2,102 |
| Public bonds | | 12,351 |
| **Total** | **11,091** | **23,580** |
| • Non-current | | |
| Long-term investments | 5,143 | 4,509 |
| **Total** | **5,143** | **4,509** |

## 4. TRADE ACCOUNTS RECEIVABLE

| | 6/30/2013 | 12/31/2012 |
|---|---|---|
| Third parties (domestic) | 478,237 | 518,609 |
| Related parties (Note 19) | 282,868 | 168,871 |
| Foreign receivables | 14,949 | 7,763 |
| Notes receivables | 9,389 | 3,048 |
| Tax incentives on exports | 19,671 | 17,434 |
| **Subtotal** | **805,114** | **715,725** |
| Allowance for doubtful accounts | (15,152) | (11,161) |
| Allowance for trade discounts and volume rebates | (6,610) | (6,192) |
| **Total** | **783,352** | **698,372** |

## 5. OTHER RECEIVABLES

| | 6/30/2013 | 12/31/2012 |
|---|---|---|
| • Current | | |
| Prepaid expenses | 8,707 | 7,863 |
| Receivable from sale of subsidiary company | 6,365 | 8,023 |
| Receivable from sale of property, plant and equipment, and others | 3,373 | 2,982 |
| Advances to services suppliers | 1,865 | 834 |
| Insurance receivable | 858 | 1,100 |
| Guarantee deposits (Note 18) | 131 | 127 |
| Receivables from customers in receivership and in bankruptcy | 166 | 166 |
| Related parties (Note 19) | 100 | |
| Other | 5,150 | 4,953 |
| **Subtotal** | **26,715** | **26,048** |
| Allowance for doubtful accounts | (587) | (587) |
| **Total** | **26,128** | **25,461** |
| • Non-current | | |
| Régime for the professionalization of transport | 17,567 | 17,567 |
| Receivables from customers in receivership and in bankruptcy | 15,851 | 15,770 |
| Receivable from sale of subsidiary company | 6,067 | 5,479 |
| Recovery of decrees N° 7290/67 and 9038/78 | 3,992 | 3,992 |
| Guarantee deposits (Note 18) | 736 | 579 |
| Other | 1,779 | 1,239 |
| **Subtotal** | **45,992** | **44,626** |
| Allowance for doubtful accounts | (14,226) | (12,854) |
| **Total** | **31,766** | **31,772** |

## 6. INVENTORIES

| | 6/30/2013 | 12/31/2012 |
|---|---|---|
| Resale goods | 40,356 | 26,981 |
| Finished goods | 329,319 | 293,177 |
| Work in progress | 233,195 | 186,281 |
| Raw materials, packaging and other materials | 194,329 | 190,525 |
| Goods in transit | 37,249 | 20,618 |
| **Subtotal** | **834,448** | **717,582** |
| Advances to suppliers | 5,171 | 6,603 |
| **Total** | **839,619** | **724,185** |

## 7. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

| | 6/30/2013 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost or deemed cost | | | | | | | Depreciation | | | | | | | Net value at the end of the period |
| | Value at the beginning of the year | Foreign currency exchange differences | Acquisitions | Balances of acquired subsidiary | Transfers | Retirement and disposal | Value at the end of the period | Accumulated depreciation at the beginning of the year | Foreign currency exchange differences | Balances of acquired subsidiary | Retirement and disposal | Depreciation Rate % | Depreciation Of the period | Accumulated depreciation at the end of the period | |
| Land and buildings | 892,389 | 205 | 401 | 2,769 | 666 | 17,386 | 879,044 | 101,282 | 107 | 632 | 1,362 | 2, 2.5, 3.3 and 5 | 14,266 | 114,925 | 764,119 |
| Olive plantations | 50,166 | | | | | | 50,166 | 13,485 | | | | 2 | 990 | 14,475 | 35,691 |
| Machinery and equipment, containers, tools and spare parts (1) | 1,019,888 | 100 | 4,152 | 1,332 | 7,518 | 16,221 | 1,016,769 | 778,135 | 80 | 777 | 11,616 | 5 and 10 | 13,902 | 781,278 | 235,491 |
| Fittings, laboratory equipment and furniture | 784,064 | 26 | 4,119 | 4,688 | 889 | 46,745 | 747,041 | 593,071 | 21 | 2,046 | 43,451 | 5, 10, 25 and 33 | 13,178 | 564,865 | 182,176 |
| Vehicles (2) | 150,389 | 28 | 6,976 | 33 | | 13,195 | 144,231 | 108,084 | 5 | 33 | 11,206 | 10 and 20 | 3,296 | 100,212 | 44,019 |
| Work in progress | 143,322 | | 50,180 | | (8,033) | | 185,469 | | | | | | | | 185,469 |
| Advances to suppliers | 3,763 | | 1,031 | | (1,040) | | 3,754 | | | | | | | | 3,754 |
| **Subtotal** | **3,043,981** | **359** | **66,859** | **8,822** | **-** | **93,547** | **3,026,474** | **1,594,057** | **213** | **3,488** | **67,635** | | **45,632** | **1,575,755** | **1,450,719** |
| **Other:** | | | | | | | | | | | | | | | |
| Trays | 123,186 | | 17,659 | | | | 140,845 | 76,537 | | | | 33 | 14,581 | 91,118 | 49,727 |
| **Carrying amount as of June 30, 2013** | **3,167,167** | **359** | **84,518** | **8,822** | **-** | **93,547** | **3,167,319** | **1,670,594** | **213** | **3,488** | **67,635** | | **60,213** | **1,666,873** | **1,500,446** |

(1) Includes machinery operated by Promas S.A. with a net value of 10,393 as of June 30, 2013.
(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 16,986 as of June 30, 2013.

**12/31/2012**

| | Cost or deemed cost | | | | | | Depreciation | | | | | | Net value at the end of the year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Value at the beginning of the year | Foreign currency exchange differences | Acquisitions | Transfers | Retirement and disposal | Value at the end of the year | Accumulated depreciation at the beginning of the year | Foreign currency exchange differences | Retirement and disposal | Depreciation Rate % | Depreciation Of the year | Accumulated depreciation at the end of the year | |
| Land and buildings | 876,890 | 814 | 804 | 14,796 | 915 | 892,389 | 72,108 | 424 | 23 | 2, 2.5, 3.3 and 5 | 28,773 | 101,282 | 791,107 |
| Olive plantations | 50,166 | | | | | 50,166 | 11,504 | | | 2 | 1,981 | 13,485 | 36,681 |
| Machinery and equipment, containers, tools and spare parts (1) | 992,784 | 107 | 4,641 | 24,494 | 2,138 | 1,019,888 | 752,041 | 84 | 1,179 | 5 and 10 | 27,189 | 778,135 | 241,753 |
| Fittings, laboratory equipment and furniture | 740,678 | 392 | 7,561 | 36,540 | 1,107 | 784,064 | 571,336 | 330 | 1,042 | 5, 10, 25 and 33 | 22,447 | 593,071 | 190,993 |
| Vehicles (2) | 133,312 | 41 | 15,220 | 6,127 | 4,311 | 150,389 | 105,078 | 10 | 2,656 | 10 and 20 | 5,652 | 108,084 | 42,305 |
| Work in progress | 82,776 | | 117,460 | (56,310) | 604 | 143,322 | | | | | | | 143,322 |
| Advances to suppliers | 7,212 | | 19,423 | (21,620) | 1,252 | 3,763 | | | | | | | 3,763 |
| **Subtotal** | **2,883,818** | **1,354** | **165,109** | **4,027** | **10,327** | **3,043,981** | **1,512,067** | **848** | **4,900** | | **86,042** | **1,594,057** | **1,449,924** |
| **Other:** | | | | | | | | | | | | | |
| Trays | 85,376 | | 37,810 | | | 123,186 | 54,910 | | | 33 | 21,627 | 76,537 | 46,649 |
| **Carrying amount as of December 31, 2012** | **2,969,194** | **1,354** | **202,919** | **4,027** | **10,327** | **3,167,167** | **1,566,977** | **848** | **4,900** | | **107,669** | **1,670,594** | **1,496,573** |

(1) Includes machinery operated by Promas S.A. with a net value of 6,498 as of December 31, 2012.
(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 16,506 as of December 31, 2012.

## 8. TRADE PAYABLE - CURRENT

| | 6/30/2013 | 12/31/2012 |
|---|---|---|
| Trade payables | 664,874 | 553,747 |
| Related parties (Note 19) | 187,903 | 88,880 |
| Note payables | 169,733 | 155,847 |
| Foreign suppliers | 17,429 | 11,946 |
| **Total** | **1,039,939** | **810,420** |

## 9. BORROWINGS

| | 6/30/2013 | 12/31/2012 |
|---|---|---|
| Short-term debt | | |
| **Principal:** | | |
| Senior notes and loan debt: | | |
| Senior Notes: | | |
| Series A, B and C – due 2018 | 39,083 | 35,674 |
| Serie D – final due 2015 | 12,123 | 7,377 |
| Series E – final due 2013 (net of commissions and expenses related to the issuance by 1,103 as of 12/31/2012) | | 97,257 |
| Subtotal | 51,206 | 140,308 |
| Loan: | | |
| Tranche A – final due 2015 | 40,554 | 24,677 |
| Tranche B – final due 2018 | 3,883 | 3,545 |
| Subtotal | 44,437 | 28,222 |
| **Subtotal – Senior Notes and loan debt** | **95,643** | **168,530** |
| Other financial debt: | | |
| Unsecured debt | 29,798 | 25,712 |
| Unsecured debt – related parties (Note 19) | 1,440 | 1,314 |
| Secured debt | 136,402 | 117,989 |
| Secured debt – related parties (Note 19) | 36,139 | 28,063 |
| **Subtotal – Other financial debt** | **203,779** | **173,078** |
| **Total principal** | **299,422** | **341,608** |
| **Accrued interest:** | | |
| Unsecured - related parties (Note 19) | 4 | 3 |
| Unsecured and secured debt | 3,052 | 3,031 |
| **Total accrued interest** | **3,056** | **3,034** |
| **Total** | **302,478** | **344,642** |

| | 6/30/2013 | 12/31/2012 |
|---|---|---|
| Long-term debt | | |
| **Principal:** | | |
| Senior Notes and loan debt: | | |
| Senior Notes: | | |
| Series A, B and C – due 2018 | 669,643 | 629,066 |
| Series D – final due 2015 | 29,634 | 34,426 |
| Subtotal | 699,277 | 663,492 |
| Loan: | | |
| Tranche A – final due 2015 | 99,131 | 115,161 |
| Tranche B – final due 2018 | 67,960 | 63,804 |
| Subtotal | 167,091 | 178,965 |
| **Subtotal – Senior Notes and loan debt** | **866,368** | **842,457** |
| Other financial debt: | | |
| Unsecured debt | 2,012 | 2,673 |
| Secured debt | 14,522 | 4,859 |
| **Subtotal – Other financial debt** | **16,534** | **7,532** |
| **Total principal** | **882,902** | **849,989** |
| **Adjustment to net present value:** | | |
| Senior Notes Series A, B and C – due 2018 | (47,844) | (52,853) |
| Senior Notes Series D – final due 2015 | (4,020) | (4,933) |
| Loan debt – tranche A – final due 2015 | (13,476) | (16,539) |
| Loan debt – tranche B – final due 2018 | (4,843) | (5,350) |
| **Total adjustment to net present value** | **(70,183)** | **(79,675)** |
| **Total** | **812,719** | **770,314** |

## 9.1 Main loans agreements

### 9.1.1 Financial debt – final due 2015 and 2018

Below is a summary of the financial debt - final due 2015 and 2018, derived from a refinancing implemented through a voluntary exchange, which was concluded in May 2010.

1. Summary of the outstanding balances as of June 30, 2013 of the financial debt - final due 2015 and 2018:

| Debt restructured | Amount in the original currency – in thousands | | Amount in thousand pesos (as of June 30, 2013) |
|---|---|---|---|
| Senior Notes Series A, B and C – final due 2018 | U$S | 131,538 | 708,726 |
| Senior Notes Series D – final due 2015 | U$S | 7,750 | 41,757 |
| Loan debt – tranche A – final due 2015 | U$S | 25,925 | 139,685 |
| Loan debt – tranche B – final due 2018 | U$S | 13,334 | 71,843 |

2. Outstanding principal and interests payment as of June 30, 2013:

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

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

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

3. Other conditions:

The Senior Notes of the Company with final due 2018 has the right to the payment of a contingent interest at an annual rate during each one-year period, as from January 1, 2011, equivalent to the 0.3% for each U$S 5 million, based on the EBITDA (in accordance with the terms included in the loan contract) of the prior fiscal year in excess of U$S 40 million, with a maximum of 4% if the EBITDA is higher than US$ 105 million. The semi-annual payments of interest maturing on June 30 and December 31, 2011 accrued a contingent interest rate of 2.1% based on the 2010 EBITDA estimated for the fiscal year ended December 31, 2010. The semi-annual payments of interest maturing on June 30 and December 31, 2012 accrued a contingent interest rate of 2.1% based on the 2011 EBITDA estimated for the fiscal year ended December 31, 2011. The semi-annual payments of interest maturing on June 30 and December 31, 2013 accrue a contingent interest rate of 1.2% based on the 2012 EBITDA estimated for the fiscal year ended December 31, 2012.

On each June 30, commencing on June 30, 2011, the Company must apply to repay, ratably and at par, a principal amount of the debt due 2018 equal to 75% of the excess cash (as defined in the issuance terms of the debt) for such preceding fiscal year. As of December 31, 2012, from the calculation performed by the Company, there was no excess cash according to the definitions of the loan agreements, which might have required the payment in advance of a portion of such debt.

According to the terms established in the debt and in addition to all scheduled amortization payments, the Company had to reduce the aggregate principal amount outstanding of its debt in the amount of US$ 20 million by December 31, 2011 ("mandatory debt reduction"), or, otherwise, the refinanced debt will bear penalty interest (i) at the rate of 0.25% for the year 2012, and (ii) later, commencing on January 1, 2013, at the rate of 1.0% per year during 2013, which penalty interest will increase by 0.25% on January 1st of each year thereafter until the mandatory debt reduction has been completed in full. As the Company did not comply with the mandatory debt reduction, the interest rate for such debt increased by 0.25% from the year 2012 and 1% from the year 2013.

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

Debt with final due in 2015 and 2018 are collateralized in each case, ratably and in first degree for pledges given to the guarantee agent by the shareholders of the Company on a number of Company's stock of 32.51% and 16.49%, respectively, of their common stock and voting right. Subsidiaries Con-Ser S.A., Leitesol Industria e Comercio Ltda., Mastellone San Luis S.A., Promas S.A and Compañía Puntana de Carnes Elaboradas S.A. (this company, since June 2013) are jointly and severally liable for the Senior Notes and loan debt.

### 9.1.2 <u>Issuance of Senior Notes Series E</u>

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

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

## 10. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

| | **6/30/2013** | **12/31/2012** |
|---|---|---|
| Payroll and bonus to management | 120,789 | 113,917 |
| Social security taxes | 68,988 | 56,898 |
| **Total** | **189,777** | **170,815** |

## 11. DEFERRED TAX

| | 6/30/2013 | 12/31/2012 |
|---|---|---|
| **Deferred tax assets:** | | |
| Temporary differences: | | |
| Provisions and other non-deductible accrued expenses | 9,838 | 8,184 |
| Inventories | 7,107 | 10,322 |
| Property, plant and equipment, and others | (2,121) | (1,653) |
| Tax loss carry-forwards | 17,173 | 16,837 |
| Alternative minimum income tax | 11,463 | 10,345 |
| Valuation allowance for alternative minimum income tax and deferred income tax | (38,112) | (39,782) |
| **Total** | **5,348** | **4,253** |
| **Deferred tax liabilities:** | | |
| Temporary differences: | | |
| Provisions and other non-deductible accrued expenses | 17,934 | 13,617 |
| Inventories | 21,090 | 23,646 |
| Intangible assets | 687 | 624 |
| Other assets | (185) | (476) |
| Property, plant and equipment, and others | (313,489) | (320,617) |
| Credits deducted for tax purposes | (921) | (1,239) |
| Adjustment to present value | (24,823) | (28,132) |
| Tax loss carry-forwards | 58,943 | 69,273 |
| Alternative minimum income tax | 121,766 | 111,988 |
| Valuation allowance for alternative minimum income tax and deferred income tax | (44,726) | (55,846) |
| **Total** | **(163,724)** | **(187,162)** |

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries as of June 30, 2013 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 |
|---|---|---|---|---|---|
| 2008 | 32,821 | 35% | 11,487 | | 2013 |
| 2009 | 11,244 | 35% | 3,935 | | 2014 |
| 2010 | 19,199 | 35% | 6,721 | | 2015 |
| 2011 | 42,742 | 35% | 14,960 | | 2016 |
| 2012 | 85,281 | 35% | 29,848 | | 2017 |
| | | | 66,951 | | |
| | 6,792 | 34% | 2,307 | (1) | Unlimited |
| Tax loss carry-forwards of the period | | | 6,858 | (2) | |
| | | | **76,116** | | |

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

(2) Corresponds to the tax loss estimated for the six-month period ended June 30, 2013, which will turn into a tax loss carry-forward arising from the tax return provided that the tax loss remains at the end of fiscal year 2013.

The movement of temporary differences between book carrying amounts and tax basis of assets and liabilities and tax loss carry-forwards is as follows:

| | Balance at the beginning of the year | Reduction of tax loss carry-forwards | Tax loss carry-forwards expired in the period or year | Incorporation of consolidated company | Charge for the period or the year (1) | Balance at the end of the period or year |
|---|---|---|---|---|---|---|
| Temporary differences between book carrying amounts and tax basis of assets and liabilities | (295,724) | | | 260 | 10,581 | (284,883) |
| Tax loss carry-forwards | 86,110 | (11,655) | | | 1,661 | 76,116 |
| **Total as of June 30, 2013** | **(209,614)** | **(11,655)** | **-** | **260** | **12,242** | **(208,767)** |
| Temporary differences between book carrying amounts and tax basis of assets and liabilities | (315,609) | | | | 19,885 | (295,724) |
| Tax loss carry-forwards | 74,385 | (14,991) | (711) | | 27,427 | 86,110 |
| **Total as of December 31, 2012** | **(241,224)** | **(14,991)** | **(711)** | **-** | **47,312** | **(209,614)** |

(1) Charged to income tax – Note 17, in 2013.

## 12. REVENUE

| | **6/30/2013 Six-month** | **6/30/2012 Six-month** | **6/30/2013 Three-month** | **6/30/2012 Three-month** |
|---|---|---|---|---|
| Product sales | 4,574,836 | 3,706,138 | 2,447,863 | 1,994,836 |
| Services provided | 99,972 | 116,878 | 29,805 | 60,007 |
| Turnover tax | (125,812) | (94,363) | (65,610) | (51,739) |
| Sales discounts and volume rebates | (245,093) | (186,242) | (134,348) | (103,660) |
| Sales returns | (79,362) | (57,057) | (37,929) | (27,152) |
| **Total** | **4,224,541** | **3,485,354** | **2,239,781** | **1,872,292** |

Sales commitments

- The Company has entered into certain term supply agreements through which it procures raw material and provides industrial services to Danone Argentina S.A.

- The Company has agreed to meet export commitments of powdered milk and whey for a total of approximately 3,100 tons with an estimated contract value of US$ 10,500,000.

- Additionally, the Company has entered into agreements with provincial and national public agencies for the sale of approximately 5,100 tons of powdered and fluid milk with an estimated contract value of 186,100.

## 13. COST OF SALES

| | 6/30/2013 Six-month | 6/30/2012 Six-month | 6/30/2013 Three-month | 6/30/2012 Three-month |
|---|---|---|---|---|
| Cost of goods sold: | | | | |
| Inventories at the beginning of the year | | | | |
| Resale goods | 26,981 | 20,537 | 29,601 | 28,334 |
| Finished goods | 293,177 | 326,090 | 263,043 | 347,362 |
| Work in progress | 186,281 | 153,468 | 203,709 | 161,034 |
| Raw materials, packaging and other materials | 190,525 | 147,027 | 200,069 | 163,204 |
| Goods in transit | 20,618 | 26,795 | 23,602 | 6,015 |
| | 717,582 | 673,917 | 720,024 | 705,949 |
| Purchases | 2,176,732 | 1,861,243 | 1,193,759 | 974,714 |
| Production expenses (Note 14) | 839,829 | 683,192 | 450,401 | 367,419 |
| Re-measurement of foreign subsidiaries inventories | 739 | (1,211) | (2,998) | (3,668) |
| Benefits from industrial promotion | (11,415) | (7,050) | (6,888) | (125) |
| Inventories at the end of the period | | | | |
| Resale goods | (40,356) | (29,968) | (40,356) | (29,968) |
| Finished goods | (329,319) | (322,670) | (329,319) | (322,670) |
| Work in progress | (233,195) | (155,591) | (233,195) | (155,591) |
| Raw materials, packaging and other materials | (194,329) | (161,706) | (194,329) | (161,706) |
| Goods in transit | (37,249) | (12,589) | (37,249) | (12,589) |
| | (834,448) | (682,524) | (834,448) | (682,524) |
| **Subtotal - cost of goods sold** | **2,889,019** | **2,527,567** | **1,519,850** | **1,361,765** |
| Cost of services rendered: | | | | |
| Purchases | 12,936 | 14,877 | 6,060 | 8,583 |
| Production expenses (Note 14) | 60,299 | 51,465 | 28,562 | 25,724 |
| **Subtotal - cost of services rendered** | **73,235** | **66,342** | **34,622** | **34,307** |
| **Total cost of sales** | **2,962,254** | **2,593,909** | **1,554,472** | **1,396,072** |

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 Danone.

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

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

## 14. INFORMATION REQUIRED BY ART. 64 OF ARGENTINA CORPORATE LAW N°19,550

| | **6/30/2013 (six-month)** | | | | |
|---|---|---|---|---|---|
| | Production expenses | Cost of services | Selling expenses | General and administrative expenses | Total |
| Remuneration to members of the Board of Directors and members of the statutory Audit Committee | | | | 11,989 | 11,989 |
| Fees and compensation for services | 78,705 | 248 | 228,244 | 19,121 | 326,318 |
| Payroll, bonus and social security charges | 390,538 | 35,580 | 138,201 | 76,367 | 640,686 |
| Depreciation of property, plant and equipment, and others | 48,534 | 4,782 | 4,734 | 2,163 | 60,213 |
| Amortization of intangible assets | 181 | | | 41 | 222 |
| Provision for bad debts | | | 3,848 | | 3,848 |
| Freights | 182,394 | | 482,933 | | 665,327 |
| Maintenance and repair | 33,230 | 1,201 | 6,585 | 249 | 41,265 |
| Office and communication | 550 | 56 | 214 | 755 | 1,575 |
| Fuel, gas and energy | 56,023 | 7,123 | 4,062 | 32 | 67,240 |
| Vehicles expenses | 6,705 | | 4,927 | 561 | 12,193 |
| Publicity and advertising | | | 90,653 | | 90,653 |
| Taxes, rates and contributions | 22,652 | 4,527 | 1,058 | 43,847 | 72,084 |
| Insurance | 12,036 | 67 | 3,517 | 1,802 | 17,422 |
| Travelling | 477 | | 1,073 | 310 | 1,860 |
| Export and import | | | 7,870 | 132 | 8,002 |
| Harvest expenses | 1,748 | | | | 1,748 |
| Supplies and chemicals | 122 | | | | 122 |
| Miscellaneous | 5,934 | 6,715 | 3,388 | 6,645 | 22,682 |
| **Total** | **839,829** | **60,299** | **981,307** | **164,014** | **2,045,449** |

| | 6/30/2012 (six-month) | | | | |
|---|---|---|---|---|---|
| | Production expenses | Cost of services | Selling expenses | General and administrative expenses | Total |
| Remuneration to members of the Board of Directors and members of the statutory Audit Committee | | | | 11,964 | 11,964 |
| Fees and compensation for services | 72,122 | | 165,322 | 17,705 | 255,149 |
| Payroll, bonus and social security charges | 293,732 | 27,690 | 100,061 | 53,699 | 475,182 |
| Depreciation of property, plant and equipment, and others | 41,534 | 4,455 | 4,155 | 1,538 | 51,682 |
| Amortization of intangible assets | 180 | | | 192 | 372 |
| Provision for bad debts | | | 5,415 | | 5,415 |
| Freights | 152,448 | | 370,004 | | 522,452 |
| Maintenance and repair | 28,945 | 1,832 | 4,350 | 97 | 35,224 |
| Office and communication | 442 | 88 | 207 | 621 | 1,358 |
| Fuel, gas and energy | 48,601 | 6,503 | 4,047 | 26 | 59,177 |
| Vehicles expenses | 4,788 | | 3,826 | 518 | 9,132 |
| Publicity and advertising | | | 95,492 | | 95,492 |
| Taxes, rates and contributions | 27,752 | 4,449 | 659 | 34,238 | 67,098 |
| Insurance | 7,842 | 176 | 3,241 | 593 | 11,852 |
| Travelling | 401 | | 889 | 151 | 1,441 |
| Export and import | | | 11,066 | 104 | 11,170 |
| Harvest expenses | 320 | | | | 320 |
| Supplies and chemicals | 448 | | | | 448 |
| Miscellaneous | 3,637 | 6,272 | 3,703 | 5,632 | 19,244 |
| **Total** | **683,192** | **51,465** | **772,437** | **127,078** | **1,634,172** |

| | 6/30/2013 (three-month) | | | | |
|---|---|---|---|---|---|
| | Production expenses | Cost of services | Selling expenses | General and administrative expenses | Total |
| Remuneration to members of the Board of Directors and members of the statutory Audit Committee | | | | 5,852 | 5,852 |
| Fees and compensation for services | 43,446 | 74 | 123,409 | 10,806 | 177,735 |
| Payroll, bonus and social security charges | 212,532 | 16,295 | 76,125 | 41,108 | 346,060 |
| Depreciation of property, plant and equipment, and others | 24,931 | 2,162 | 2,219 | 1,268 | 30,580 |
| Amortization of intangible assets | 91 | | | 13 | 104 |
| Provision for bad debts | | | 1,936 | | 1,936 |
| Freights | 93,837 | | 255,958 | | 349,795 |
| Maintenance and repair | 16,759 | 586 | 4,042 | 106 | 21,493 |
| Office and communication | 273 | 1 | 112 | 413 | 799 |
| Fuel, gas and energy | 32,411 | 3,653 | 2,326 | 18 | 38,408 |
| Vehicles expenses | 3,417 | | 2,471 | 296 | 6,184 |
| Publicity and advertising | | | 49,723 | | 49,723 |
| Taxes, rates and contributions | 11,322 | 2,275 | 541 | 23,556 | 37,694 |
| Insurance | 6,139 | 22 | 1,773 | 878 | 8,812 |
| Travelling | 329 | | 560 | 140 | 1,029 |
| Export and import | | | 3,942 | 68 | 4,010 |
| Harvest expenses | 723 | | | | 723 |
| Supplies and chemicals | 94 | | | | 94 |
| Miscellaneous | 4,097 | 3,494 | 2,379 | 3,572 | 13,542 |
| **Total** | **450,401** | **28,562** | **527,516** | **88,094** | **1,094,573** |

| | 6/30/2012 (three-month) | | | | |
|---|---|---|---|---|---|
| | Production expenses | Cost of services | Selling expenses | General and administrative expenses | Total |
| Remuneration to members of the Board of Directors and members of the statutory Audit Committee | | | | 4,613 | 4,613 |
| Fees and compensation for services | 39,419 | | 86,355 | 10,476 | 136,250 |
| Payroll, bonus and social security charges | 160,556 | 13,756 | 52,284 | 30,939 | 257,535 |
| Depreciation of property, plant and equipment, and others | 20,979 | 2,001 | 2,452 | 762 | 26,194 |
| Amortization of intangible assets | 90 | | | 96 | 186 |
| Provision for bad debts | | | 888 | | 888 |
| Freights | 78,918 | | 206,146 | | 285,064 |
| Maintenance and repair | 14,999 | 1,247 | 2,308 | 44 | 18,598 |
| Office and communication | 231 | 38 | 109 | 207 | 585 |
| Fuel, gas and energy | 27,987 | 3,274 | 2,139 | 14 | 33,414 |
| Vehicles expenses | 2,259 | | 2,045 | 256 | 4,560 |
| Publicity and advertising | | | 53,467 | | 53,467 |
| Taxes, rates and contributions | 14,439 | 2,106 | 353 | 17,899 | 34,797 |
| Insurance | 4,101 | 126 | 1,721 | 316 | 6,264 |
| Travelling | 280 | | 507 | 71 | 858 |
| Export and import | | | 5,591 | 57 | 5,648 |
| Harvest expenses | 232 | | | | 232 |
| Supplies and chemicals | 395 | | | | 395 |
| Miscellaneous | 2,534 | 3,176 | 378 | 3,188 | 9,276 |
| **Total** | **367,419** | **25,724** | **416,743** | **68,938** | **878,824** |

## 15. FINANCIAL COST

| | **6/30/2013 Six-month** | **6/30/2012 Six-month** | **6/30/2013 Three-month** | **6/30/2012 Three-month** |
|---|---|---|---|---|
| Senior Notes and long-term loans interest (1) | 54,467 | 58,593 | 27,882 | 29,006 |
| Other loans interest | 22,276 | 5,662 | 10,833 | 2,525 |
| Other interests | 2,267 | 4,890 | 1,353 | 3,081 |
| **Total** | **79,010** | **69,145** | **40,068** | **34,612** |

(1) Includes 9,521 and 14,779 for the six-month periods ended June 30, 2013 and 2012, respectively, related to adjustments to present value of debt.

## 16. OTHER GAINS AND LOSSES

| | 6/30/2013 Six-month | 6/30/2012 Six-month | 6/30/2013 Three-month | 6/30/2012 Three-month |
|---|---|---|---|---|
| Gain on sale of trademarks (1) | 39,922 | | 39,922 | |
| Gain on sale of property, plant and equipment, and others and investment property (2) | 28,753 | 4,379 | 28,243 | 2,817 |
| Gain on sale of investments in other companies (3) | 25,077 | | 25,077 | |
| Gain on acquisition of subsidiary (note 2.5) | 22,776 | | 22,776 | |
| Charges to freighters | 1,791 | 1,224 | 1,439 | 744 |
| Insurance recovery | 741 | 56 | 740 | 56 |
| Royalties and licenses | | 29 | | (215) |
| (Charge) reversal of provision for litigation and other expenses | (7,998) | 2,894 | (5,129) | (1,506) |
| Donations | (603) | (443) | (301) | (236) |
| Depreciation of investment property | (85) | (85) | (43) | (43) |
| Miscellaneous | (45) | 178 | 145 | 1,125 |
| **Total – net gain** | **110,329** | **8,232** | **112,869** | **2,742** |

(1) Sales performed to Danone Group, including several trademarks of special milks and powdered juice.

(2) Includes as of June 30, 2013, 25,983 corresponding to the sale to Danone Argentina S.A. of a raw milk sorting plant for third parties, together with the equipment, vehicles and software related to such plant.

(3) Corresponds to the gain obtained by the sale of the 0.273% holding of Danone Argentina S.A.´s shares to Dairy Latam S.L.

## 17. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

| | 6/30/2013 Six-month | 6/30/2012 Six-month | 6/30/2013 Three-month | 6/30/2012 Three-month |
|---|---|---|---|---|
| Current income tax | (25,638) | (12,778) | (18,539) | (4,913) |
| Tax loss carry-forwards for the period | 1,661 | 35,625 | (26,714) | 21,735 |
| Net change in temporary differences | 10,581 | (1,058) | 16,983 | (5,449) |
| **Subtotal** | **(13,396)** | **21,789** | **(28,270)** | **11,373** |
| Reversal (increase) in valuation allowance on alternative minimum income tax and deferred income tax | 12,790 | (2,531) | 18,833 | (267) |
| **Total** | **(606)** | **19,258** | **(9,437)** | **11,106** |

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

| | 6/30/2013 Six-month | 6/30/2012 Six-month | 6/30/2013 Three-month | 6/30/2012 Three-month |
|---|---|---|---|---|
| Income (loss) before income tax and alternative minimum income tax | 78,826 | (114,935) | 104,519 | (76,064) |
| Statutory income tax rate | 35% | 35% | 35% | 35% |
| **Income tax at statutory income tax rate** | **(27,589)** | **40,227** | **(36,582)** | **26,622** |
| Permanent differences | 14,193 | (18,438) | 8,312 | (15,249) |
| Valuation allowance on alternative minimum income tax and deferred income tax | 12,790 | (2,531) | 18,833 | (267) |
| **Total** | **(606)** | **19,258** | **(9,437)** | **11,106** |

## 18. PLEDGED AND RESTRICTED ASSETS

Certain assets owned by the Company are pledged as collateral for bank and financial liabilities, tax debt (tax régime for promoted activities) and other liabilities for a total amount of 100,167 as of June 30, 2013 (94,123 as of December 31, 2012). Detail of pledged assets is as follows:

| | 6/30/2013 | 12/31/2012 |
|---|---|---|
| Trade accounts receivable | 45,170 | 67,956 |
| Inventories | 109,825 | 63,305 |
| Property, plant and equipment, and others | 3,953 | 4,216 |
| Equity value of holding in subsidiary company Promas S.A. | 82,626 | 77,124 |
| Equity value of holding in subsidiary company Compañía Puntana de Carnes Elaboradas S.A. | 58,137 | |

The Company also has pre-export credit lines in order to finance exports, which have as collateral, according to each case, a trust set up over the collections obtained from sales to the domestic retail market, inventories and the assignment of purchase orders of the subsidiary company Leitesol I.C.S.A. The outstanding balance of such debt amounts to 124,154 as of June 30, 2013 and 79,682 as of December 31, 2012.

Additionally, as of June 30, 2013 there were other receivables – guarantee deposits (current and non-current) for an amount of 867 (706 as of December 31, 2012) in guarantee of financial and commercial transactions and restricted assets disclosed in caption “other receivables – other” (current) for 579 as of June 30, 2013 (224 as of December 31, 2012).

See also commitments and collaterals granted by the stockholders for the financial debt described in Note 9.1.1 and 9.1.2.

## 19. RELATED PARTIES OUTSTANDING BALANCES

| Company | Other financial assets (current) 6/30/2013 | Other financial assets (current) 12/31/2012 | Trade account receivables (current) 6/30/2013 | Trade account receivables (current) 12/31/2012 | Other receivables (current) 6/30/2013 |
|---|---|---|---|---|---|
| Afianzar S.G.R. | | | 2 | 1 | |
| Danone Argentina S.A. (1) | | | 96,520 | 102,936 | |
| Frigorífico Nueva Generación S.A. | | | 609 | 401 | |
| José Mastellone | | | | 8 | |
| Logística La Serenísima S.A. | | | 185,588 | 65,379 | |
| Los Toldos S.A. | 1,372 | 1,589 | 149 | 125 | 100 |
| Masleb S.R.L. | | | | 21 | |
| **TOTAL** | **1,372** | **1,589** | **282,868** | **168,871** | **100** |

(1) Includes receivables arising from sales of raw milk purchased for and on behalf of Danone Argentina S.A. by 75,211 at June 30, 2013 and 74,133 at December 31, 2012.

| Company | Trade payable (current) 6/30/2013 | Trade payable (current) 12/31/2012 | Borrowings (current) 6/30/2013 | Borrowings (current) 12/31/2012 | Advances from customers (current) 6/30/2013 |
|---|---|---|---|---|---|
| Afianzar S.G.R. | 4 | 6 | | | |
| Danone Argentina S.A. | 21,224 | 22,459 | | | 2 |
| Fideicomiso Formu | | | 36,139 | 28,063 | |
| Juan Rocca S.R.L. | | | 1,444 | 1,317 | |
| Logística La Serenísima S.A. | 166,296 | 66,047 | | | 1,053 |
| Los Toldos S.A. | 379 | 239 | | | |
| Masleb S.R.L. | | 129 | | | |
| **TOTAL** | **187,903** | **88,880** | **37,583** | **29,380** | **1,055** |

## 20. RELATED PARTIES OPERATIONS

Transactions with related parties for the six-month periods ended June 30, 2013 and 2012 were as follows:

| | **6/30/2013** | **6/30/2012** |
|---|---|---|
| Revenues | | |
| Afianzar S.G.R. | 2 | 2 |
| Danone Argentina S.A. | 182,355 | 96,552 |
| Fideicomiso Formu | 422 | 284 |
| Frigorífico Nueva Generación S.A. | 156 | 273 |
| Logística La Serenísima S.A. | 10,784 | 10,337 |
| Los Toldos S.A. | 65 | 355 |
| Purchase of goods and services | | |
| Afianzar S.G.R. | 30 | 40 |
| Danone Argentina S.A. | 35,937 | 43,801 |
| Logística La Serenísima S.A. | 269,748 | 177,201 |
| Los Toldos S.A. | 1,697 | 1,789 |
| Masleb S.R.L. | 457 | 815 |

| | 6/30/2013 | 6/30/2012 |
|---|---|---|
| Investment income | | |
| Danone Argentina S.A. | 890 | |
| Frigorífico Nueva Generación S.A. | 1 | 2 |
| Los Toldos S.A. | 72 | |
| | | |
| Financial cost | | |
| Fideicomiso Formu | 3,738 | 2,216 |
| Juan Rocca S.R.L. | 21 | 78 |
| | | |
| Other gain and losses | | |
| Danone Argentina S.A. and related parties – sale of trademarks | 39,922 | |
| Danone Argentina S.A. – sale of property, plant and equipment | 50,550 | |
| Logística La Serenísima S.A. | 1,686 | 1,654 |
| | | |
| Purchases of property, plant and equipment, and others | | |
| Logística La Serenísima S.A. | | 1,235 |

During the six-month periods ended June 30, 2013 and 2012, the Company paid a total of 31,972 and 31,977, respectively, in concept of remuneration and fees to members of the Board of Directors and executive officers. The Company does not provide its Directors or executive officers with any type of pension, retirement or similar benefits.

## 21. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports regarding components of the Company that are regularly reviewed by the Board of Directors in order to allocate resources to the segments and to assess their performance.

The accounting policies used for the preparation of the information for the segments that are reported are the same that the Company's accounting policies described in Note 2.

The Company's reportable segments under IFRS 8 are as follows:

- **Dairy products:** Include 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).
- **Olive products:** Include the sale (mostly in the international markets) of olive oil processed from the harvest of olive trees of the subsidiary Promas S.A., as well as production purchased to third parties. Such sales are made mainly in the international markets.
- **Other:** Includes principally services related to the transportation of raw milk and other associated to the coordination of such transport (purchases and sales of trucks, spare parts, etc.).

| Information | 6/30/2013 | | | |
|---|---|---|---|---|
| | Dairy | Olive | Other | Total |
| Revenue | 4,021,079 | 19,058 | 184,404 | 4,224,541 |
| Net income (loss) for the period | 86,508 | (4,658) | (3,630) | 78,220 |
| Assets allocated to the business lines | 3,255,200 | 98,163 | 145,555 | 3,498,918 |
| Liabilities allocated to the business lines | 2,619,584 | 11,087 | 97,157 | 2,727,828 |
| Additions to property, plant and equipment, and others | 79,328 | 231 | 4,959 | 84,518 |
| Depreciation of property, plant and equipment, and others | 55,995 | 1,603 | 2,615 | 60,213 |
| Amortization of intangible assets | 222 | | | 222 |
| Depreciation of investment property | 85 | | | 85 |
| Net domestic revenue | 3,623,528 | 19,058 | 184,404 | 3,826,990 |

| Information | 6/30/2012 | | | |
|---|---|---|---|---|
| | Dairy | Olive | Other | Total |
| Revenue | 3,318,089 | 1,288 | 165,977 | 3,485,354 |
| Net loss for the period | (81,549) | (13,705) | (423) | (95,677) |
| Assets allocated to the business lines | 2,846,306 | 86,571 | 144,340 | 3,077,217 |
| Liabilities allocated to the business lines | 2,278,011 | 10,625 | 85,108 | 2,373,744 |
| Additions to property, plant and equipment, and others | 93,505 | 94 | 4,309 | 97,908 |
| Depreciation of property, plant and equipment, and others | 48,041 | 1,648 | 1,993 | 51,682 |
| Amortization of intangible assets | 372 | | | 372 |
| Depreciation of investment property | 85 | | | 85 |
| Net domestic revenue | 2,957,170 | 1,288 | 165,977 | 3,124,435 |

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

| Period | Revenue | | |
|---|---|---|---|
| | Domestic market | Exports | Total |
| 6/30/2013 | 3,826,990 | 397,551 | 4,224,541 |
| 6/30/2012 | 3,124,435 | 360,919 | 3,485,354 |

## 22. APPROVAL OF THESE FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized to be issued on August 12, 2013.

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# INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

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

**1.** We have reviewed the accompanying condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima (also referred to as "Mastellone Hermanos Sociedad Anónima" or the "Company") and its consolidated subsidiaries (subsidiaries detailed in Note 2.5 to the condensed interim consolidated financial statements) which comprise the condensed consolidated statement of financial position as of June 30, 2013 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period ended on June 30, 2013, with their Notes 1 to 22.

The figures and other information for the fiscal year ended December 31, 2012 and for the six-month period ended on June 30, 2012 are an integral part of these condensed interim consolidated financial statements and are intended to be read only in relation to those financial statements.

The Company´s Board of Directors is responsible for the preparation and presentation of the financial statements of the Company in accordance with International Financial Reporting Statements adopted by the Argentine Federation of Professional Councils in Economic Sciences as accounting standards and incorporated by the National Securities Commission to its regulations, as they were approved by the International Accounting Standard Board (IASB), and, therefore is responsible for the preparation and presentation of the condensed interim consolidated financial statements attached, in accordance with International Financial Reporting Standard 34, "Interim Financial Reporting". Our responsibility is to issue a limited review report on the condensed interim consolidated financial statements identified in the first paragraph of this section, based on the review carried out pursuant to the scope of work outlined in section 2.

**2.** We conducted our review in accordance with Technical Resolution N° 7 issued by the Argentine Federation of Professional Councils in Economic Sciences, applicable to Reviews on Interim Financial Information. These standards determine a scope which is substantially less than the application of all the auditing procedures necessary to be able to issue an audit opinion on the financial statements taken as a whole. Those standards basically consist of applying analytical procedures on amounts included in the interim financial statements and of making inquiries of persons responsible for preparing the information included in the financial statements. Consequently, we do not express an opinion on the Company's consolidated financial position at June 30, 2013, or the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows for the six-month period then ended.

**3.** Note 2.1 to the condensed interim consolidated financial statements, disclosed that such statements do not include all the information required by IFRS for a complete set of financial statements, because they correspond to a condensed set of financial statements under IAS 34. Therefore, the condensed interim consolidated financial statements must be read in conjunction with the consolidated financial statements of the Company for the fiscal year ended December 31, 2012 prepared under IFRS.

**4.** Based on our review performed with the scope described in section 2 of this report, we are in a position to report that nothing has come to our attention that causes us to believe that a material amendment should be made to the condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima identified in the first paragraph, section 1. in order for them to be presented in accordance with International Financial Reporting Standard 34.

**5.** As a part of our work, the scope of which is described in section 2, we have reviewed the Business highlights required by the National Securities Commission and prepared by the company´s Board of Directors on which, in what is subject of our competence, we have no observations to report.

**6.** This report and the condensed interim consolidated financial statements referred to in section 1, have been translated into English for the convenience of English-speaking readers. The accompanying condensed interim consolidated financial statements are the English translation of those originally issued by Mastellone Hermanos Sociedad Anónima in Spanish and presented in accordance with IAS 34.

City of Buenos Aires, Argentina.
August 12, 2013

**DELOITTE S.C.**

**José E. Lema (Partner)**