Mastellone Hermanos S.A.
Condensed Interim Consolidated
Financial Statements
for the six-month period ended
June 30, 2014

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY
AS OF JUNE 30, 2014
(in thousands of Argentine pesos)

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

As anticipated in our last Executive Summary, results for the second quarter were affected by a reduction in raw milk production, which exceeded our prior estimates. Such reduction is caused mostly by adverse climatic factors with negative incidence on raw milk production, and accordingly a change in the trend can be expected for the next quarters. As a consequence, market prices for raw milk increased more than expected.

During the second quarter we launched an offer to repurchase or exchange for new debt the long term financial debt then existing. Such offer was subject to obtaining the financing resources for its execution from the issuance of a new bond. Finally, on July 3, 2014, we issued in the international market such bond, with a bullet payment at seven years (as described with more detail in the attached financial statements), enabling us to execute the offer. We believe that we reached our goal of extending the repayment terms of our structural financial debt, and therefore reducing our refinancing risk, lowering our short term financial debt and releasing sources to execute efficiently our business plan including capital expenditures and working capital needs.

After the closing date of these financial statements, there was a drop in international prices for dairy commodities, which could impact the results from our exports for the next few months. We understand that this negative trend could be reversed by the end of the year, although not reaching the price levels seen during 2013.

2. CONSOLIDATED FINANCIAL POSITION

	6/30/2014	6/30/2013	6/30/2012	6/30/2011
	(in thousand pesos)			
Current assets	2,225,897	1,851,791	1,545,651	1,300,200
Non-current assets	1,736,555	1,647,127	1,531,566	1,476,292
TOTAL ASSETS	**3,962,452**	**3,498,918**	**3,077,217**	**2,776,492**
Current liabilities	2,253,873	1,641,679	1,399,638	908,927
Non-current liabilities	1,218,361	1,086,149	974,106	1,072,952
TOTAL LIABILITIES	**3,472,234**	**2,727,828**	**2,373,744**	**1,981,879**
Equity attributable to owners of the Company	**490,201**	**771,080**	**703,463**	**794,603**
Non-controlling interests	**17**	**10**	**10**	**10**
TOTAL EQUITY	**490,218**	**771,090**	**703,473**	**794,613**
TOTAL LIABILITIES AND EQUITY	**3,962,452**	**3,498,918**	**3,077,217**	**2,776,492**

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

	6/30/2014	6/30/2013	6/30/2012	6/30/2011
	(in thousand pesos)			
Operational results – income (loss)	180,891	116,966	(8,070)	53,497
Investment income, finance cost and foreign exchange differences	(455,072)	(148,469)	(115,097)	(84,223)
Other gains and losses	(4,532)	110,329	8,232	1,127
(Loss) income before taxes	**(278,713)**	**78,826**	**(114,935)**	**(29,599)**
Income tax and alternative minimum income tax	78,866	(606)	19,258	784
NET (LOSS) INCOME FOR THE PERIOD	**(199,847)**	**78,220**	**(95,677)**	**(28,815)**
Other comprehensive income (loss)	36,395	1,453	(2,498)	9,781
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**(163,452)**	**79,673**	**(98,175)**	**(19,034)**
Owners of the company	(163,451)	79,673	(98,175)	(19,034)
Non-controlling interests	(1)			
	(163,452)	**79,673**	**(98,175)**	**(19,034)**

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	6/30/2014	6/30/2013	6/30/2012	6/30/2011
	(in thousand pesos)			
Cash flows provided by operating activities	311,206	264,710	200,882	146,053
Cash flows (used in) provided by investing activities	(82,142)	3,319	(91,554)	(52,423)
Cash flows used in financing activities	(149,413)	(176,498)	(73,138)	(33,605)
Cash and cash equivalents provided in the period	**79,651**	**91,531**	**36,190**	**60,025**

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES			
	6/30/2014	**6/30/2013**	**6/30/2012**	**6/30/2011**
	(in thousand liters of milk)			
Domestic market	770,438	782,568	817,105	739,979
Foreign market	102,983	99,677	117,057	100,490
Total	**873,421**	**882,245**	**934,162**	**840,469**

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

6. RATIOS

	6/30/2014	6/30/2013	6/30/2012	6/30/2011
Current assets to current liabilities	0.99	1.13	1.10	1.43
Equity attributable to owners of the Company to total liabilities	0.14	0.28	0.30	0.40
Non-current assets to total assets	0.44	0.47	0.50	0.53

7. OUTLOOK (*)

We believe that raw milk production will recover in the second semester of the year, enabling an increase in our activity level as compared with the first semester. We believe that given such fact we will reach the cash generation (excluding non-recurring items) of the last year (in spite of the reduction already seen in raw milk production, the increase in its cost and the drop in international prices).

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, 2014 and 2013 and for the twelve month periods July 1, 2013 to June 30, 2014 and July 1, 2012 to June 30, 2013 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.

		6/30/2014		6/30/2013		6/30/2014		6/30/2013	
		Six months (1/1/2014 to 6/30/2014)		**Six months (1/1/2013 to 6/30/2013)**		**Twelve months (7/1/2013 to 6/30/2014)**		**Twelve months (7/1/2012 to 6/30/2013)**	
1	Net (loss) income for the period	(199,847)		78,220		(335,877)		58,401	
	Less:								
	Gain on disposal of property, plant and equipment			(25,983)		81		(25,983)	
	Subtotal		(199,847)		52,237		(335,796)		32,418
2	Income tax and alternative minimum income tax		(78,866)		606		(96,226)		36,593
3	Amortization								
	Amortization of intangible assets		19,367		222		35,359		572
4	Depreciation		69,382		60,298		132,849		116,370
	Depreciation of property, plant and equipment, and others	69,297		60,213		132,679		116,200	
	Depreciation of investment property	85		85		170		170	
5	Fixed charges		117,228		79,010		203,148		154,671
	Finance cost	117,228		79,010		203,148		154,671	
	Secured debt payments by the Company								
	Payment of dividends on preferred stock								
6	All exchange differences		348,527		105,574		583,208		191,257
	All the inflation adjustment	348,527		105,574		583,208		191,257	
7	Other charges which have not and will not imply a cash movement				(22,776)		(11,737)		(22,776)
	Gain on acquisition of subsidiary			(22,776)		(12,418)		(22,776)	
	Write-off of spare parts					681			
	Total contractual EBITDA		**275,791**		**275,171**		**510,805**		**509,105**

(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 Auditors.

City of Buenos Aires, August 8, 2014

JOSÉ A. MORENO

President

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2014
(in thousands of Argentine pesos)

	Notes	6/30/2014	12/31/2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		194,939	115,288
Other financial assets	3 and 18	10,814	20,755
Trade accounts receivable	4 and 18	891,344	796,551
Tax credits		50,960	65,505
Other receivables	5 and 18	34,698	40,887
Inventories	6 and 18	1,043,142	963,950
Total Current Assets		**2,225,897**	**2,002,936**
NON-CURRENT ASSETS			
Other financial assets	3	8,765	6,671
Tax credits		48,011	52,677
Other receivables	5 and 18	23,891	24,216
Deferred tax assets	11	14,034	11,633
Advances to suppliers		17,763	18,185
Property, plant and equipment, and others	7 and 18	1,580,593	1,555,039
Investment property		1,274	1,360
Goodwill		3,121	3,121
Intangible assets		31,214	50,581
Other assets		7,889	8,639
Total Non-Current Assets		**1,736,555**	**1,732,122**
TOTAL ASSETS		**3,962,452**	**3,735,058**
LIABILITIES			
CURRENT LIABILITIES			
Trade payable	8	1,168,657	941,978
Borrowings	9 and 18	641,649	457,386
Accrued salaries, wages and payroll taxes	10	247,743	263,076
Taxes payable	18	109,328	106,924
Advance from customers		68,970	110,976
Provisions		3,051	1,273
Other liabilities		14,475	15,608
Total Current Liabilities		**2,253,873**	**1,897,221**
NON-CURRENT LIABILITIES			
Trade payable		10,263	9,731
Borrowings	9 and 18	1,091,863	952,266
Taxes payable	18	47,832	51,498
Deferred tax liabilities	11	22,079	125,772
Provisions		26,514	22,444
Other liabilities		19,810	22,456
Total Non-Current Liabilities		**1,218,361**	**1,184,167**
TOTAL LIABILITIES		**3,472,234**	**3,081,388**
EQUITY			
Common stock		457,547	457,547
Reserves		232,500	253,918
Retained earnings (losses) – including net result for the period or year		(199,846)	(57,813)
Equity attributable to owners of the Company		**490,201**	**653,652**
Non-controlling interests		**17**	**18**
TOTAL EQUITY		**490,218**	**653,670**
TOTAL LIABILITIES AND EQUITY		**3,962,452**	**3,735,058**

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014
(in thousands of Argentine pesos)

	Notes	6/30/2014 Six-month	6/30/2013 Six-month	6/30/2014 Three-month	6/30/2013 Three-month
Revenue	12	5,844,474	4,224,541	3,058,459	2,239,781
Cost of sales	13	(4,168,651)	(2,962,254)	(2,188,212)	(1,554,472)
Gross profit		**1,675,823**	**1,262,287**	**870,247**	**685,309**
Selling expenses	14	(1,285,577)	(981,307)	(691,737)	(527,516)
General and administrative expenses	14	(209,355)	(164,014)	(112,006)	(88,094)
Investment income		10,683	36,115	4,080	21,517
Finance cost	15	(117,228)	(79,010)	(67,889)	(40,068)
Foreign exchange losses		(348,527)	(105,574)	(25,457)	(59,498)
Other gains and losses	16	(4,532)	110,329	(3,919)	112,869
(Loss) income before taxes		**(278,713)**	**78,826**	**(26,681)**	**104,519**
Income tax and alternative minimum income tax	17	78,866	(606)	(12,911)	(9,437)
NET (LOSS) INCOME FOR THE PERIOD		**(199,847)**	**78,220**	**(39,592)**	**95,082**
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		36,395	1,453	6,920	(4,113)
Other comprehensive income (loss), net of income tax		**36,395**	**1,453**	**6,920**	**(4,113)**
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**(163,452)**	**79,673**	**(32,672)**	**90,969**
Net (loss) income attributable to:					
Owners of the Company		(199,846)	78,220	(39,590)	95,082
Non-controlling interests		(1)		(2)	
Net (loss) income for the period		**(199,847)**	**78,220**	**(39,592)**	**95,082**
Total comprehensive (loss) income attributable to:					
Owners of the Company		(163,451)	79,673	(32,670)	90,969
Non-controlling interests		(1)		(2)	
Total comprehensive (loss) income for the period		**(163,452)**	**79,673**	**(32,672)**	**90,969**

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014
(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, 2013	**457,547**	**15,273**	**30,682**	**21,547**	**186,416**	**(57,813)**	**653,652**	**18**	**653,670**
Net loss for the period						(199,846)	(199,846)	(1)	(199,847)
Other comprehensive income for the period				36,395			36,395		36,395
Total comprehensive income for the period				36,395		(199,846)	(163,451)	(1)	(163,452)
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on April 10, 2014:									
Absorption of accumulated losses					(57,813)	57,813			
Balance at June 30, 2014	**457,547**	**15,273**	**30,682**	**57,942**	**128,603**	**(199,846)**	**490,201**	**17**	**490,218**

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 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 (loss) 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 consolidated financial statement.

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014
(in thousands of Argentine pesos)

	6/30/2014	6/30/2013
Cash flows from operating activities		
Net (loss) income for the period	(199,847)	78,220
Adjustments to reconcile net (loss) income for the period to net cash provided by operating activities:		
Income tax and alternative minimum income tax accrued	(78,866)	606
Finance cost	117,228	79,010
Foreign exchange losses	348,525	100,462
Depreciation of property, plant and equipment, and others	69,297	60,213
Additions to provision for doubtful accounts, sale rebates and provisions (net of reversals)	11,718	18,243
Depreciation of investment property	85	85
Amortization of intangible assets	19,367	222
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	(3,229)	(28,753)
	284,278	**260,455**
Changes in working capital	47,827	21,171
Subtotal	**332,105**	**281,626**
Payments of income tax and alternative minimum income tax	(20,899)	(16,916)
Net cash generated by operating activities	**311,206**	**264,710**
Cash flows (used in) from investing activities		
Payments for property, plant and equipment, and others	(91,789)	(84,518)
Proceeds from sale of other financial assets	7,847	11,855
Proceeds from sale of subsidiaries	6,347	1,253
Proceeds from disposal of property, plant and equipment, and others	4,753	54,815
Net cash outflow on acquisition of subsidiary	(10,050)	(7,168)
Proceeds from sale of investments in other companies		26,605
Proceeds from other assets	750	477
Net cash (used in) generated by investing activities	**(82,142)**	**3,319**
Cash flows used in financing activities		
Proceeds from borrowings	77,419	42,127
Repayment of borrowings	(126,524)	(152,413)
Payments of interests	(100,308)	(66,212)
Net cash used in financing activities	**(149,413)**	**(176,498)**
Increase in cash and cash equivalents	**79,651**	**91,531**
Cash and cash equivalents of acquired company		**190**
Cash and cash equivalents at beginning of year	**115,288**	**66,071**
Cash and cash equivalents at end of period	**194,939**	**157,792**

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 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 Juana Manso N° 555, 3rd Floor, Suite "A", 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 condensed interim consolidated 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

According to Title IV, Informative Periodic Régime, Chapter I, Informative Régime, Section I, General Regulations, Article 1st, Point b.1) of the rules issued by the Comisión Nacional de Valores ("CNV") (N.T. 2013), the Company chose the option to prepare condensed interim consolidated financial statements in conformity with International Accounting Standard ("IAS") N° 34, "Interim Financial Reporting".

Accordingly, the condensed interim consolidated financial statements for the six-month period ended June 30, 2014 have been prepared in conformity with IAS N° 34. 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 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, 2013 prepared under IFRS.

The figures and other information for the fiscal year ended December 31, 2013 and the six-month period ended June 30, 2013 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 are the English translation of those originally prepared by the Company in Spanish and presented in accordance with IAS 34. The effects of the differences between International Financial Reporting Standards and the accounting principles generally accepted in the countries in which these financial statements are to be used have not been quantified. Accordingly, the accompanying condensed interim consolidated financial statements are not intended to present the financial position, profit or loss and other comprehensive income, changes in stockholders' equity and cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements that have not adopted the International Financial Reporting Standards.

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, 2013, 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, 2014 which are material to the Company

- 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 application of this standard did not affect significantly the disclosures in the financial statements of the Company.

- The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. The application of this standard did not affect significantly the amounts set out in relation to assets and liabilities of the Company

- IFRIC 21 (Levies) provides guidance on when to recognize a liability for a levy imposed by a government. The application of this standard did not affect significantly the amounts set out in relation to assets and liabilities of the Company.

2.4 Standards and interpretations not yet adopted

The Company did not adopt the following standards and revision of standards as per the application of the mentioned pronouncements are not required for the six-month period ended June 30, 2014.

Standard	Name
IFRS 9	Financial instruments[1]
IFRS 15	Revenue [2]
Amendments to IFRSs (annual cycle 2010-2012)	Various IFRSs[3]
Amendments to IFRSs (annual cycle 2011-2013)	Various IFRSs[3]

[1] Effective for fiscal years beginning on or after January 1st, 2018.
[2] Effective for fiscal years beginning on or after January 1st, 2017.
[3] Effective for fiscal years beginning on or after July 1st, 2014.

- IFRS 9 Financial Instruments issued in July 2014 replaces IAS 39 “Financial Instruments: Recognition and Measurement”. The new Standard includes requirements for the classification and measurement of financial assets and liabilities, a new expected loss impairment model and a substantially-reformed model for hedge accounting. The version of IFRS 9 launched in 2014 was issued as a complete standard and supersedes all previous versions.

  IFRS 9 is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company´s Board of Directors has to evaluate the impact of such standard and anticipates that IFRS 9 will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2018.

- IFRS 15 will replace IAS 11 and IAS 18 and the related interpretations (IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the new criteria, the way by which goods or services are grouped in order to recognize revenue can change. This core principle is delivered in a five-step model framework that will be applied to all contracts with costumers: identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when the entity satisfies a performance obligation.

  IFRS 15 is effective for reporting periods beginning on or after 1 January 2017 with early application permitted. The Company’s Board of Directors has to evaluate the impact of such standard and anticipates that IFRS 15 will be adopted in the financial statements on the Company for the fiscal year beginning January 1, 2017.

- The annual improvements to IFRSs (2010-2012 cycle) introduce amendments to various standards, including amendments to IAS 16 (Property, plant and equipment), to IAS 19 (Employee benefits), to IAS 24 (Related parties), to IAS 38 (Intangible assets), to IFRS 2 (Share based payments), to IFRS 3 (Business combination) and to IFRS 8 (Operating segments).

  The Company´s Board of Directors anticipates that such amendments will be adopted in the financial statements of the Company for the fiscal year beginning 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 annual improvements to IFRSs (2011-2013 cycle) introduce amendments to various standards, including amendments to IAS 40 (Investment property), to IFRS 1 (First time adoption), to IFRS 3 (Business combination) and to IFRS 13 (Fair value measurement).

  The Company´s Board of Directors anticipates that such amendments will be adopted in the financial statements of the Company for the fiscal year beginning 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.

2.5 Basis of consolidation

The condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima include the condensed 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 consolidated financial statements:

			% of direct and indirect participation in capital stock and votes		
Company	**Main activity**	**Country**	**6/30/2014**	**12/31/2013**	**6/30/2013**
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	99.99	99.99
Con-Ser S.A.	Transportation services, services for vehicle, sale of parts and distribution of cooling equipments	Argentina	100.00	100.00	100.00
Leitesol Industria e Comercio S.A.	Production and distribution of dairy products	Brazil	100.00	100.00	100.00
Marca 4 S.A.	Ownership, administration and legal defense of trademarks *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.	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

(1) Company acquired in 2013 fiscal year.

The financial position statements of Mastellone Hermanos Sociedad Anónima as of June 30, 2014 and December 31, 2013 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, 2014 and 2013, were consolidated based on financial statements of the subsidiaries companies for the periods or years ended at such dates

The Company acquired 99.99% of the capital stock of Compañía Puntana de Carnes Elaboradas S.A. (“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 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 is being 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 financial information as of May 31, 2013. At the date of acquisition, assets acquired amounted to 71 million and liabilities assumed amounted to 1 million. As a consequence of such allocation, the value of Copuce´s net assets was higher than the book value of Copuce in approximately 63 million 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 to 35 million pesos, was recognized in profit and loss as a “bargain purchase” in fiscal year 2013 (the amount recorded in the six-month period ended on June 30, 2013 was a gain of 23 million of pesos).

3. OTHER FINANCIAL ASSETS

	6/30/2014	**12/31/2013**
• Current		
Restricted investment funds (Note 18d)	2,420	9,554
Private bonds	7,509	7,506
Short-term investments - related parties (Note 19)	343	1,029
Short-term investments – other	542	2,666
Total	**10,814**	**20,755**
• Non-current		
Long-term investments	8,765	6,671
Total	**8,765**	**6,671**

4. TRADE ACCOUNTS RECEIVABLE

	6/30/2014	**12/31/2013**
Third parties (domestic)	730,166	725,481
Related parties (Note 19)	146,697	62,645
Foreign receivables	2,277	7,219
Notes receivables	16,141	5,269
Tax incentives on exports	30,796	26,208
Subtotal	**926,077**	**826,822**
Allowance for doubtful accounts	(19,400)	(14,825)
Allowance for trade discounts and volume rebates	(15,333)	(15,446)
Total	**891,344**	**796,551**

5. OTHER RECEIVABLES

	6/30/2014	12/31/2013
• Current		
Prepaid expenses	7,367	10,445
Receivable from sale of subsidiary company	9,388	14,117
Receivable from sale of property, plant and equipment, and others	3,373	3,373
Advances to services suppliers	3,278	2,105
Insurance receivable	2,794	3,255
Guarantee deposits (Note 18c)	173	148
Related parties (Note 19)		41
Receivables from customers in receivership and in bankruptcy	191	215
Other	8,724	7,778
Subtotal	**35,288**	**41,477**
Allowance for doubtful accounts	(590)	(590)
Total	**34,698**	**40,887**
• Non-current		
Régime for the professionalization of transport	17,567	17,567
Receivables from customers in receivership and in bankruptcy	18,543	16,906
Recovery of decrees N° 7290/67 and 9038/78	3,992	3,992
Guarantee deposits (Note 18c)	879	904
Other	101	1,558
Subtotal	**41,082**	**40,927**
Allowance for doubtful accounts	(17,191)	(16,711)
Total	**23,891**	**24,216**

6. INVENTORIES

	6/30/2014	12/31/2013
Resale goods	54,034	45,638
Finished goods	384,145	356,657
Work in progress	241,024	252,245
Raw materials, packaging and other materials	307,947	238,228
Goods in transit	44,286	66,720
Subtotal	**1,031,436**	**959,488**
Advances to suppliers	11,706	4,462
Total	**1,043,142**	**963,950**

7. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	6/30/2014												
	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	Transfers	Retirement and disposal	Value at the end of the period	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Retirement and disposal	Depreciation Rate %	Depreciation Of the period	Accumulated depreciation at the end of the period	
Land and buildings	908,309	6,934	2,089		100	917,232	136,969	3,754		2, 2,5, 3,3 and 5	14,641	155,364	761,868
Olive plantations	50,166				920	49,246	15,465			2	989	16,454	32,792
Machinery and equipment, containers, tools and spare parts (1)	1,049,917	3,518	2,870	10,929	346	1,066,888	801,487	2,445	321	5 and 10	15,474	819,085	247,803
Fittings, laboratory equipment and furniture	783,500	1,338	4,670	15,784	645	804,647	575,213	1,152	635	5, 10, 25 and 33	15,204	590,934	213,713
Vehicles (2)	150,660	318	3,564		1,683	152,859	102,760	171	1,214	10 and 20	3,758	105,475	47,384
Work in progress	182,577		43,924	(23,237)		203,264							203,264
Advances to suppliers	4,315		8,444	(3,476)		9,283							9,283
Subtotal	**3,129,444**	**12,108**	**65,561**	**-**	**3,694**	**3,203,419**	**1,631,894**	**7,522**	**2,170**		**50,066**	**1,687,312**	**1,516,107**
Other:													
Trays	94,578		26,228			120,806	37,089			33	19,231	56,320	64,486
Carrying amount as of June 30, 2014	**3,224,022**	**12,108**	**91,789**	**-**	**3,694**	**3,324,225**	**1,668,983**	**7,522**	**2,170**		**69,297**	**1,743,632**	**1,580,593**

(1) Includes machinery operated by Promas S.A. with a net value of 9,166 as of June 30, 2014.

(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 21,866 as of June 30, 2014.

12/31/2013

	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 and balances of acquired subsidiary	Retirement and disposal	Value at the end of the year	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Transfers and balances of acquired subsidiary	Retirement and disposal	Depreciation Rate %	Depreciation Of the year	Accumulated depreciation at the end of the year	
Land and buildings	892,389	5,586	15,867	11,005	16,538	908,309	101,282	2,384	5,343	938	2, 2,5, 3,3 and 5	28,898	136,969	771,340
Olive plantations	50,166					50,166	13,485				2	1,980	15,465	34,701
Machinery and equipment, containers, tools and spare parts (1)	1,019,888	2,669	19,527	24,624	16,791	1,049,917	778,135	1,191	3,500	12,258	5 and 10	30,919	801,487	248,430
Fittings, laboratory equipment and furniture	784,064	1,133	30,624	15,767	48,088	783,500	593,071	570	2,398	44,850	5, 10, 25 and 33	24,024	575,213	208,287
Vehicles (2)	150,389	254	13,620	2,797	16,400	150,660	108,084	87	240	12,246	10 and 20	6,595	102,760	47,900
Work in progress	143,322		72,853	(33,559)	39	182,577								182,577
Advances to suppliers	3,763		5,438	(3,837)	1,049	4,315								4,315
Subtotal	**3,043,981**	**9,642**	**157,929**	**16,797**	**98,905**	**3,129,444**	**1,594,057**	**4,232**	**11,481**	**70,292**		**92,416**	**1,631,894**	**1,497,550**
Other:														
Trays	123,186		42,019		70,627	94,578	76,537			70,627	33	31,179	37,089	57,489
Carrying amount as of December 31, 2013	**3,167,167**	**9,642**	**199,948**	**16,797**	**169,532**	**3,224,022**	**1,670,594**	**4,232**	**11,481**	**140,919**		**123,595**	**1,668,983**	**1,555,039**

(1) Includes machinery operated by Promas S.A. with a net value of 9,780 as of December 31, 2013.
(2) Includes vehicles operated by freighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 21,025 as of December 31, 2013.

8. TRADE PAYABLE - CURRENT

	6/30/2014	12/31/2013
Trade payables	760,641	674,427
Related parties (Note 19)	178,757	80,904
Note payables	217,766	173,626
Foreign suppliers	11,493	13,021
Total	**1,168,657**	**941,978**

9. BORROWINGS

	6/30/2014	12/31/2013
Short-term debt		
Principal:		
Senior notes and loan debt:		
Senior Notes:		
Series A, B and C – due 2018	58,995	47,302
Series D – final due 2015	28,466	19,563
Subtotal	87,461	66,865
Loan:		
Tranche A – final due 2015	95,222	65,442
Tranche B – final due 2018	5,862	4,700
Subtotal	101,084	70,142
Subtotal – Senior Notes and loan debt	**188,545**	**137,007**
Other financial debt:		
Unsecured debt	35,958	17,001
Unsecured debt – related parties (Note 19)		1,742
Secured debt	366,091	256,662
Secured debt – related parties (Note 19)	41,925	41,387
Subtotal – Other financial debt	**443,974**	**316,792**
Total principal	**632,519**	**453,799**
Accrued interest:		
Unsecured - related parties (Note 19)		113
Unsecured and secured debt	9,130	3,474
Total accrued interest	**9,130**	**3,587**
Total	**641,649**	**457,386**

	6/30/2014	12/31/2013
Long-term debt		
Principal:		
Senior Notes and loan debt:		
Senior Notes:		
Series A, B and C – due 2018	951,808	786,806
Series D – final due 2015	16,266	26,084
Subtotal	968,074	812,890
Loan:		
Tranche A – final due 2015	54,413	87,256
Tranche B – final due 2018	96,721	79,900
Subtotal	151,134	167,156
Subtotal – Senior Notes and loan debt	**1,119,208**	**980,046**
Other financial debt:		
Unsecured debt	12,934	14,736
Secured debt	20,217	20,943
Subtotal – Other financial debt	**33,151**	**35,679**
Total principal	**1,152,359**	**1,015,725**
Adjustment to amortized cost:		
Senior Notes Series A, B and C – due 2018	(44,667)	(44,434)
Senior Notes Series D – final due 2015	(2,598)	(3,338)
Loan debt – tranche A – final due 2015	(8,710)	(11,190)
Loan debt – tranche B – final due 2018	(4,521)	(4,497)
Total adjustment to amortized cost	**(60,496)**	**(63,459)**
Total	**1,091,863**	**952,266**

9.1 Main loans agreements - Financial debt – final due 2015 and 2018 (in addition, see Note 22)

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, 2014 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, 2014)
Senior Notes Series A, B and C – final due 2018	U$S	124,284	1,010,803
Senior Notes Series D – final due 2015	U$S	5,500	44,732
Loan debt – tranche A – final due 2015	U$S	18,398	149,635
Loan debt – tranche B – final due 2018	U$S	12,613	102,583
		160,795	**1,307,753**

2. Outstanding principal and interests payment as of June 30, 2014:

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, 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 maturity date in 2018 has the right to the payment of 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 U$S 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 accrued a contingent interest rate of 1.2% based on the 2012 EBITDA estimated for the fiscal year ended December 31, 2012. The semi-annual payments of interest maturing on June 30 and December 31, 2014 accrue a contingent interest rate of 2.4% based on the 2013 EBITDA estimated for the fiscal year ended December 31, 2013.

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, 2013, 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 U$S 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 1 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 maturity date 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., Compañía Puntana de Carnes Elaboradas S.A. (this company, since June 2013), Leitesol Industria e Comercio Ltda., Mastellone San Luis S.A. and Promas S.A. are jointly and severally liable for the Senior Notes and loan debt.

9.2 Senior Notes Issuance Program

On April 11, 2014, the Company´s Boards of Directors approved the updating of the global program for issuing Senior Notes, in an amount up to U$S 400,000,000, which was created and modified by the resolutions of the Shareholders´ Meeting celebrated on May 23, 2007 and March 31, 2011, respectively. Such program was approved by the National Securities Commission ("CNV") on May 9, 2014. In addtion, see Note 22.

10. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

	6/30/2014	12/31/2013
Payroll and bonus to management	159,726	177,805
Social security taxes	88,017	85,271
Total	**247,743**	**263,076**

11. DEFERRED TAX

Deferred tax assets:

	6/30/2014	12/31/2013
Temporary differences:		
Provisions and other non-deductible accrued expenses	8,025	4,881
Inventories	5,939	6,453
Property, plant and equipment, and others	5	(2)
Tax loss carry-forwards		236
Alternative minimum income tax	65	65
Total	**14,034**	**11,633**

Deferred tax liabilities:

	6/30/2014	12/31/2013
Temporary differences:		
Provisions and other non-deductible accrued expenses	29,636	22,003
Inventories	38,298	40,107
Intangible assets	835	760
Other assets	(185)	(185)
Property, plant and equipment, and others	(309,655)	(314,027)
Borrowings	(21,534)	(22,512)
Tax loss carry-forwards	140,396	43,247
Alternative minimum income tax	100,130	104,835
Total	**(22,079)**	**(125,772)**

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries recognized as of June 30, 2014 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
2012	69,571	35%	24,350		2017
2013	29,068	35%	10,174		2018
			34,524		
Tax loss carry-forwards of the period			108,205	(1)	
Utilización de quebrantos			(2,333)	(1)	
			140,396		

(1) It corresponds to the tax income (loss) estimated for the six-month period ended June 30, 2014, which will turn into a tax loss carry-forward or use arising from the tax return provided that the tax income (loss) remains at the end of fiscal year 2014.

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	Charge for the period or year (1)	Balance at the end of the period or year
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(262,522)		13,886	(248,636)
Tax loss carry-forwards	43,483	(2,333)	99,246	140,396
Total as of June 30, 2014	**(219,039)**	**(2,333)**	**113,132**	**(108,240)**
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(308,893)		46,371	(262,522)
Tax loss carry-forwards	25,358	(216)	18,341	43,483
Total as of December 31, 2013	**(283,535)**	**(216)**	**64,712**	**(219,039)**

(1) Charged to income tax - in 2014, Note 17.

12. REVENUE

	6/30/2014 Six-month	6/30/2013 Six-month	6/30/2014 Three-month	6/30/2013 Three-month
Product sales	6,348,659	4,574,836	3,325,231	2,447,863
Services provided	167,174	99,972	83,089	29,805
Turnover tax	(177,484)	(125,812)	(91,589)	(65,610)
Sales discounts and volume rebates	(386,625)	(245,093)	(210,871)	(134,348)
Sales returns	(107,250)	(79,362)	(47,401)	(37,929)
Total	**5,844,474**	**4,224,541**	**3,058,459**	**2,239,781**

13. COST OF SALES

	6/30/2014 Six-month	6/30/2013 Six-month	6/30/2014 Three-month	6/30/2013 Three-month
Cost of goods sold:				
Inventories at the beginning of the year				
Resale goods	45,638	26,981	50,483	29,601
Finished goods	356,657	293,177	399,790	263,043
Work in progress	252,245	186,281	221,993	203,709
Raw materials, packaging and other materials	238,228	190,525	322,473	200,069
Goods in transit	66,720	20,618	13,540	23,602
	959,488	717,582	1,008,279	720,024
Purchases	3,058,148	2,176,732	1,619,571	1,193,759
Production expenses (Note 14)	1,089,075	839,829	560,796	450,401
Re-measurement of foreign subsidiaries inventories	42,828	739	7,568	(2,998)
Benefits from industrial promotion	(28,244)	(11,415)	(13,541)	(6,888)
Inventories at the end of the period				
Resale goods	(54,034)	(40,356)	(54,034)	(40,356)
Finished goods	(384,145)	(329,319)	(384,145)	(329,319)
Work in progress	(241,024)	(233,195)	(241,024)	(233,195)
Raw materials, packaging and other materials	(307,947)	(194,329)	(307,947)	(194,329)
Goods in transit	(44,286)	(37,249)	(44,286)	(37,249)
	(1,031,436)	(834,448)	(1,031,436)	(834,448)
Subtotal - cost of goods sold	**4,089,859**	**2,889,019**	**2,151,237**	**1,519,850**
Cost of services rendered:				
Purchases	13,205	12,936	6,458	6,060
Production expenses (Note 14)	65,587	60,299	30,517	28,562
Subtotal - cost of services rendered	**78,792**	**73,235**	**36,975**	**34,622**
Total cost of sales	**4,168,651**	**2,962,254**	**2,188,212**	**1,554,472**

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

	6/30/2014 (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				16,148	16,148
Fees and compensation for services	120,993	133	256,034	24,792	401,952
Payroll, bonus and social security charges	493,193	39,611	175,403	99,518	807,725
Depreciation of property, plant and equipment, and others	59,363	2,753	4,797	2,384	69,297
Amortization of intangible assets	19,367				19,367
Provision for bad debts			4,232		4,232
Freights	229,375		662,689		892,064
Maintenance and repair	35,505	1,782	5,885	298	43,470
Office and communication	706	69	275	1,051	2,101
Fuel, gas and energy	72,651	9,268	5,391	34	87,344
Vehicles expenses	7,822		4,872	740	13,434
Publicity and advertising		108	143,578		143,686
Taxes, rates and contributions	24,705	4,397	1,493	55,405	86,000
Insurance	16,216	192	5,298	1,405	23,111
Travelling	601		1,323	329	2,253
Export and import			11,324	165	11,489
Harvest expenses	225				225
Supplies and chemicals	253				253
Miscellaneous	8,100	7,274	2,983	7,086	25,443
Total	**1,089,075**	**65,587**	**1,285,577**	**209,355**	**2,649,594**

	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**

	6/30/2014 (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				8,653	8,653
Fees and compensation for services	63,015	84	141,776	14,218	219,093
Payroll, bonus and social security charges	260,540	18,668	92,082	51,984	423,274
Depreciation of property, plant and equipment, and others	30,059	1,425	2,365	1,213	35,062
Amortization of intangible assets	9,393				9,393
Provision for bad debts			3,983		3,983
Freights	113,424		356,544		469,968
Maintenance and repair	17,170	745	2,736	195	20,846
Office and communication	303	34	150	544	1,031
Fuel, gas and energy	42,308	4,584	3,125	13	50,030
Vehicles expenses	3,762		2,444	440	6,646
Publicity and advertising		108	76,752		76,860
Taxes, rates and contributions	7,916	1,318	626	30,248	40,108
Insurance	8,251	66	2,790	677	11,784
Travelling	339		709	259	1,307
Export and import			4,393	85	4,478
Harvest expenses	123				123
Supplies and chemicals	224				224
Miscellaneous	3,969	3,485	1,262	3,477	12,193
Total	**560,796**	**30,517**	**691,737**	**112,006**	**1,395,056**

	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**

15. FINANCE COST

	6/30/2014 Six-month	6/30/2013 Six-month	6/30/2014 Three-month	6/30/2013 Three-month
Senior Notes and long-term loans interest (1)	77,332	54,467	45,689	27,882
Other loans interest	36,475	22,276	20,162	10,833
Other interests	3,421	2,267	2,038	1,353
Total	**117,228**	**79,010**	**67,889**	**40,068**

(1) Includes 2,964 and 9,521 for the six-month periods ended June 30, 2014 and 2013, respectively, related to adjustments to amortized cost of debt.

16. OTHER GAINS AND LOSSES

	6/30/2014 Six-month	6/30/2013 Six-month	6/30/2014 Three-month	6/30/2013 Three-month
Gain on sale of trademarks (1)		39,922		39,922
Gain on sale of property, plant and equipment, and others (2)	3,229	28,753	2,225	28,243
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	645	1,791	371	1,439
Insurance recovery	1,487	741	1,487	740
Provision for litigation and other expenses	(6,162)	(7,998)	(5,810)	(5,129)
Donations	(354)	(603)	(198)	(301)
Depreciation of investment property	(85)	(85)	(43)	(43)
Miscellaneous	(3,292)	(45)	(1,951)	145
Total	**(4,532)**	**110,329**	**(3,919)**	**112,869**

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

(2) Includes as of December 31, 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

	6/30/2014 Six-month	6/30/2013 Six-month	6/30/2014 Three-month	6/30/2013 Three-month
Current income tax	(14,923)	(13,983)	(8,565)	(6,884)
Tax loss carry-forwards for the period	99,246	818	15,871	(23,573)
Net change in temporary differences	13,886	13,842	(992)	17,170
Alternative minimum income tax	(19,343)	(1,283)	(19,225)	3,850
Total	**78,866**	**(606)**	**(12,911)**	**(9,437)**

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:

	6/30/2014 Six-month	6/30/2013 Six-month	6/30/2014 Three-month	6/30/2013 Three-month
Net (loss) income before taxes	(278,713)	78,826	(26,681)	104,519
Statutory income tax rate	35%	35%	35%	35%
Income tax at statutory income tax rate	**97,550**	**(27,589)**	**9,338**	**(36,582)**
Permanent differences	(18,684)	26,983	(22,249)	27,145
Total	**78,866**	**(606)**	**(12,911)**	**(9,437)**

18. PLEDGED AND RESTRICTED ASSETS

a) 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 100,435 as of June 30, 2014 (106,900 as of December 31, 2013). Detail of pledged assets is as follows:

	6/30/2014	3/31/2013
Trade accounts receivable	42,610	46,245
Property, plant and equipment, and others	3,426	3,689
Equity value of holding in subsidiary company Promas S.A.	37,162	40,213
Equity value of holding in subsidiary Compañía Puntana de Carnes Elaboradas S.A.	102,777	104,125

b) 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 (of the parent Company and its subsidiary company Mastellone San Luis S.A.) and the assignment of purchase orders of the subsidiary company Leitesol I.C.S.A. As of June 30, 2014, inventories were collateralized for an amount of 203,556 (191,742 as of December 31, 2013). The outstanding balance of the debt amounts to 314,504 as of June 30, 2014 and 219,944 as of December 31, 2013.

c) Additionally, as of June 30, 2014 there were other receivables – guarantee deposits (current and non-current) for an amount of 1,052 (1,052 as of December 31, 2013) in guarantee of financial and commercial transactions and restricted assets disclosed in caption “other receivables – other” (current) for 809 as of June 30, 2014 (579 as of December 31, 2013).

d) There are financial assets – investment funds by 2,420 of restricted availability as of June 30, 2014 (9,554 as of December 31, 2013), to secure transactions to purchase foreign currency forwards.

e) The subsidiary company Con-ser S.A. held certain properties encumbered with privilege of first grade for a net value of 5,599 as of June 30, 2014 (5,664 as of December 31, 2013), in guarantee of the business relationship with YPF S.A. and Oil Combustibles S.A., for an indefinite period while the commercial relationship between the parties is maintained. The guarantee amounts to US$ 2,400 thousand as of June 30, 2014 and December 31, 2013.

f) See also commitments and collaterals granted by the stockholders for the financial debt described in Note 9.1.

19. RELATED PARTIES OUTSTANDING BALANCES

Company	Other financial assets (current)		Trade account receivable (current)		Other receivables (current)
	6/30/2014	12/31/2013	6/30/2014	12/31/2013	12/31/2013
Afianzar S.G.R.			1	3	
Fideicomiso Formu				102	
Frigorífico Nueva Generación S.A.			279	611	
Logística La Serenísima S.A.			146,118	61,704	
Los Toldos S.A.	343	1,029	299	225	41
TOTAL	**343**	**1,029**	**146,697**	**62,645**	**41**

Company	Trade payable (current)		Borrowings (current)		Advances from customers (current)	
	6/30/2014	12/31/2013	6/30/2014	12/31/2013	6/30/2014	12/31/2013
Afianzar S.G.R.	6	12				
Fideicomiso Formu			41,925	41,387		
Juan Rocca S.R.L.				1,855		
Logística La Serenísima S.A.	178,751	80,892			64	6
TOTAL	**178,757**	**80,904**	**41,925**	**43,242**	**64**	**6**

20. RELATED PARTIES OPERATIONS

Transactions with related parties for the six-month periods ended June 30, 2014 and 2013 were as follows:

	6/30/2014	6/30/2013
Revenues		
Afianzar S.G.R.	3	2
Danone Argentina S.A.		182,355
Fideicomiso Formu	533	422
Frigorífico Nueva Generación S.A.	128	156
Antonio Mastellone	8	
José Mastellone	23	
Logística La Serenísima S.A.	17,557	10,784
Los Toldos S.A.	279	65
Purchase of goods and services		
Afianzar S.G.R.		30
Danone Argentina S.A.		35,937
Logística La Serenísima S.A.	307,072	269,748
Los Toldos S.A.	2,048	1,697
Masleb S.R.L.		457
Investment income		
Danone Argentina S.A.		890
Frigorífico Nueva Generación S.A.		1
Los Toldos S.A.	66	72
Finance cost		
Fideicomiso Formu	6,592	3,738
Juan Rocca S.R.L.		21
Other gains 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

During the six-month periods ended June 30, 2014 and 2013, the Company paid a total of 29,571 and 21,594, respectively, in concept of remuneration and fees to members of the Board of Directors and executive officers. The Company does not provide its Directors or executive officers with any type of pension, retirement or similar benefits.

21. SEGMENT INFORMATION

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

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

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

- **Dairy products:** Includes the sales of products manufactured with the raw milk purchased by the Company directly to dairy farmers located in Argentina and, to a lower extent, to other dairy companies. Such sales are made in the Argentine domestic market (mainly retailers and public agencies), in the Brazilian domestic market (retailers) and the international markets (exports to third parties).

- **Olive products:** includes 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	6/30/2014			
	Dairy	Olive	Other	Total
Revenue from external customers	5,568,926	6,776	268,772	5,844,474
Intersegment revenue	1,062	539	211,093	212,694
Net (loss) income for the period	(183,567)	(19,392)	3,112	(199,847)
Assets allocated to the business lines	3,708,783	83,540	170,129	3,962,452
Liabilities allocated to the business lines	3,355,788	10,653	105,793	3,472,234
Additions to property, plant and equipment, and others	89,488	1,289	1,012	91,789
Depreciation of property, plant and equipment, and others	64,864	1,590	2,843	69,297
Amortization of intangible assets	19,367			19,367
Depreciation of investment property	85			85
Net domestic revenue	4,897,188	6,776	268,772	5,172,736

	6/30/2013			
	Dairy	Olive	Other	Total
Revenue from external customers	4,021,079	19,058	184,404	4,224,541
Intersegment revenue	822	10,067	168,526	179,415
Net (loss) income 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

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

Period	Revenue			
	Domestic market	Exports		Total
		Brazil and Paraguay	Other countries	
6/30/2014	5,172,736	192,487	479,251	5,844,474
6/30/2013	3,826,990	139,003	258,548	4,224,541

22. SUBSEQUENTS EVENTS

On June 4, 2014, the Company launched an offer (subject to obtaining the required financing resources) to all holders of Senior Notes issued by the Company (Series A, B, C and D) and to the holders of the floating rate loan debt final due 2015 and fixed rate loan debt final due 2018, to repurchase such debt for the equivalent of its 100% principal amount plus accrued and unpaid interest or, in the case of holders of Senior Notes Series A and C, to exchange at par for new Senior Notes to be issued by the Company, also informing the Company´s intention to exercise the call option included in those debt agreements for the part of such debt which did not accept the exchange or repurchase.

On July 3, 2014, and under the Senior Notes Issuance Program for an amount up to U$S 400,000,000 approved by the National Securities Commission on May 9, 2014, the Company issued its Series F Senior Notes. As a result, the execution of the offer described in the previous paragraph was concluded on such date.

Debt under the refinancing process, which is detailed in Note 9.1.1, amounted to thousands of U$S 160,795, from which thousands of U$S 85,960 were exchanged by the new Series F Senior Notes, thousands of U$S 53,289 were paid in cash and thousands of U$S 21,546 are cancelled exercising the above mentioned call option.

The main characteristics of the new Senior Notes are as follows:

Amount:	U$S 199,693,422
Issuing price:	100%
Maturity:	July 3, 2021
Payment:	Principal: 100% at maturity; interests: semi-annually on areas
Annual interest rate:	12.625%
Use of proceeds (net amount of U$S 113,733,744):	• Repurchase of existing debt • Call option on untendered debt under the exchange of June 4, 2014. • 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., Compañía Puntana de Carnes Elaboradas S.A., Leitesol Industria e Comercio Ltda., Mastellone San Luis S.A. and Promas S.A. are jointly and severally liable for the Series F Senior Notes.

The Company's Board of Directors is evaluating the accounting impact of such transactions and understands that changes will not affect significantly the amounts set out in relation to the financial statements of the Company.

23. APPROVAL OF THESE FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized to be issued on August 8, 2014.

Deloitte S,C,
Florida 234, Piso 5°
C1005AAF
Ciudad Autónoma
de Buenos Aires
Argentina

Tel: (54-11) 4320-2700
Fax: (54-11) 4325-8081/4326-7340
www,deloitte,com

INDEPENDENT AUDITORS' REVIEW REPORT
(on condensed interim consolidated financial statements)

To the Board of Directors of
Mastellone Hermanos Sociedad Anónima
Juana Manso N° 555 – 3rd Floor – Suite "A"
City of Buenos Aires

Report on the condensed interim consolidated financial statements

1. Identification of the condensed interim consolidated financial statements subject to review

We have reviewed the accompanying condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima (hereinafter "Mastellone Hermanos Sociedad Anónima" or the "Company") and its subsidiaries (detailed in Note 2.5 to the condensed interim consolidated financial statements), which comprise the condensed consolidated statement of financial position as of June 30, 2014, the condensed interim consolidated statement of profit or loss and other comprehensive income, the condensed interim consolidated statement of changes in equity, and the condensed interim consolidated statement of cash flows for the six-month period then ended, and other selected explanatory information presented in Notes 1 to 23.

Amounts and other disclosures for the fiscal year ended December 31, 2013 and for the six-month period ended June 30, 2013, are included as an integral part of the current period condensed interim financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current interim period.

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

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

3. Auditors' responsibility

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

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

4. Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima for the six-month period ended June 30, 2014, are not presented, in all material respects, in accordance with IAS 34.

Review of the Business Highlights

As part of our work, the scope of which is described in the section 3 of this report, we have reviewed the Business Highlights required by National Securities Commission regulations and prepared by the Company´s Board of Directors. We have no observations to report on this document in matters within our professional incumbency.

English translation of the condensed interim consolidated financial statements

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

City of Buenos Aires, Argentina.
August 8, 2014

DELOITTE S.C.

José E. Lema (Partner)