Mastellone Hermanos S.A.

Interim Consolidated
Financial Statements
for the three-month period
ended March 31, 2012

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY
AS OF MARCH 31, 2012
(in thousands of Argentine pesos)

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

As already stated in our previous Summary Report, our economic results and cash generation for the first quarter of 2012 were negatively affected (as during the same period of 2011) by a negative seasonal pattern in sales. However, it should be pointed out that we have a positive trend in our sales, when compared with the same period of the preceding year – especially in the cheese segment. Unfortunately increases in costs (mainly labor and transportation) had a negative impact on our results, more than compensating the effect on the increase in sales.

2. CONSOLIDATED FINANCIAL POSITION

	3/31/2012	3/31/2011
	(in thousand pesos)	
Current assets	1,478,072	1,214,545
Non-current assets	1,511,316	1,490,836
TOTAL	**2,989,388**	**2,705,381**
Current liabilities	1,136,109	816,305
Non-current liabilities	1,078,648	1,103,474
TOTAL	**2,214,757**	**1,919,779**
Equity attributable to owner of the Company	**774,621**	**785,592**
Non-controlling interests	**10**	**10**
TOTAL EQUITY	**774,631**	**785,602**
TOTAL LIABILITIES AND EQUITY	**2,989,388**	**2,705,381**

3. CONSOLIDATED STATEMENTS OF OPERATIONS

	3/31/2012	3/31/2011
Operational results - income	1,391	1,165
Investment income, financial cost and foreign exchange differences	(45,752)	(44,956)
Other gains and losses	5,490	422
Loss before taxes	**(38,871)**	**(43,369)**
Income tax and alternative minimum income tax	8,152	11,486
NET LOSS FOR THE PERIOD	**(30,719)**	**(31,883)**
Other comprehensive income	3,702	3,838
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(27,017)**	**(28,045)**

4. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES	
	3/31/2012	**3/31/2011**
	(in thousand liters of milk)	
Domestic market	378,945	350,732
Foreign market	56,494	58,138
Total	**435,439**	**408,870**

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

5. RATIOS

	3/31/2012	3/31/2011
Current assets to current liabilities	1.30	1.49
Shareholders’ equity to total liabilities	0.35	0.41
Non-current assets to total assets	0.51	0.55

6. OUTLOOK (*)

As indicated before, results for the first quarter of 2012 were affected by a negative seasonal pattern in our sales, with volumes that, although higher than those of the same period of 2011, are below the average expected for the rest of the year. Now, entering in other periods with a different seasonality, an improvement in results can be expected. However, we believe that such improvement will take place gradually (among other reasons, due to the current situation in the international markets referred to below) with a full impact during the second half of the year.

As of today, since the end of the first quarter of 2012, there was a further deterioration in the international markets, in a trend already seen since the end of 2011, with significant price reductions. We believe that the impact of such situation on our results will be relatively modest, given the fact that most of our sales are made in the Argentine and Brazilian domestic markets (which are not directly affected by such developments) as well as due the stabilization in the price of raw milk.

We sustain our optimistic long term view for the sector. However, the negative developments of the international markets are inducing us to believe that, unless there is shortly a change in the trend, there are some threats to take in consideration.

7. 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 three-month periods ended March 31, 2012 and 2011 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.

		3/31/2012		3/31/2011	
		3 months (1.1.2012 to 3.31.2012)		**3 months (1.1.2011 to 3.31.2011)**	
1	Net loss for the period		(30,719)		(31,883)
2	Income tax and alternative minimum income tax		(8,152)		(11,486)
3	Amortization				
	Amortization of intangible assets		186		207
4	Depreciation		25,530		30,592
	Depreciation of property, plant and equipment	25,488		30,591	
	Depreciation of investment property	42		1	
5	Fixed charges		34,533		30,773
	Financial cost	34,533		30,773	
	Secured debt payments by the Company				
	Payment of dividends on preferred stock				
6			14,901		16,523
	All exchange differences	14,901		16,523	
	All the inflation adjustment				
7	Other charges which have not and will not imply a cash movement				526
	Write-off of spare parts			526	
	Total contractual EBITDA		**36,279**		**35,252**

(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.

Buenos Aires, May 18, 2012

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT MARCH 31, 2012
(in thousands of Argentine pesos)

	Notes	3/31/2012	12/31/2011	1/1/2011
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	73,503	64,101	39,907
Other financial assets	6	9,316	8,033	2,110
Trade accounts receivable	7 and 26	609,882	628,385	469,862
Tax credits	8	43,432	42,961	64,854
Other receivables	9 and 26	32,557	37,851	26,901
Inventories	10 and 26	709,382	679,217	566,648
Other assets				197
Total Current Assets		**1,478,072**	**1,460,548**	**1,170,479**
NON-CURRENT ASSETS				
Other financial assets	6	3,782	3,789	
Tax credits	8	17,258	17,554	25,450
Other receivables	9 and 26	21,629	12,805	15,445
Deferred tax assets	18	7,563	8,039	13,424
Advances to suppliers		18,011	17,313	16,069
Property, plant and equipment	11 and 26	1,425,364	1,402,217	1,408,945
Investment property		1,656	1,698	138
Goodwill		3,121	3,121	3,121
Intangible assets		3,406	3,592	4,320
Other assets		9,526	9,354	9,293
Total Non-Current Assets		**1,511,316**	**1,479,482**	**1,496,205**
TOTAL ASSETS		**2,989,388**	**2,940,030**	**2,666,684**
CURRENT LIABILITIES				
Trade payable	12	728,054	678,669	531,961
Borrowings	13 and 26	191,293	158,553	34,939
Accrued salaries, wages and payroll taxes	14	128,946	137,700	94,765
Taxes payable	15	67,693	64,981	48,496
Advance from customers		10,098	11,012	24,358
Provisions	16	1,353	9,616	8,980
Other liabilities	17	8,672	6,887	7,796
Total Current Liabilities		**1,136,109**	**1,067,418**	**751,295**
NON-CURRENT LIABILITIES				
Trade payable				22
Borrowings	13 and 26	804,558	781,184	759,801
Taxes payable and accrual for tax relief	15 and 26	60,471	61,747	71,129
Deferred tax liabilities	18	188,408	205,877	242,656
Provisions	16	22,094	18,005	20,266
Other liabilities	17	3,117	4,151	7,868
Total Non-Current Liabilities		**1,078,648**	**1,070,964**	**1,101,742**
Total Liabilities		**2,214,757**	**2,138,382**	**1,853,037**
EQUITY				
Common stock		457,547	457,547	457,547
Reserves		45,881	11,497	
Retained earnings – including net result for the period or year		271,193	332,594	356,090
Equity attributable to owners of the Company		**774,621**	**801,638**	**813,637**
Non-controlling interests		**10**	**10**	**10**
Total equity		**774,631**	**801,648**	**813,647**
TOTAL LIABILITIES AND EQUITY		**2,989,388**	**2,940,030**	**2,666,684**

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2012
(in thousands of Argentine pesos)

	Notes	3/31/2012	3/31/2011
Revenue	19	1,613,062	1,285,640
Cost of sales	20	(1,197,837)	(985,438)
Gross income		**415,225**	**300,202**
Selling expenses	21	(355,694)	(251,119)
General and administrative expenses	21	(58,140)	(47,918)
Investment income		3,682	2,340
Financial cost	22	(34,533)	(30,773)
Foreign exchange loss		(14,901)	(16,523)
Other gains and losses	23	5,490	422
Loss before taxes		**(38,871)**	**(43,369)**
Income tax and alternative minimum income tax	24	8,152	11,486
NET LOSS FOR THE PERIOD		**(30,719)**	**(31,883)**
Other comprehensive income			
Exchange differences on translating foreign operations		3,702	3,838
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(27,017)**	**(28,045)**
Loss attributable to:			
Owners of the Company		(30,719)	(31,883)
Non-controlling interests		-	-
Loss for the period		**(30,719)**	**(31,883)**
Comprehensive loss attributable to:			
Owners of the Company		(27,017)	(28,045)
Non-controlling interests		-	-
Comprehensive loss for the period		**(27,017)**	**(28,045)**

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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					(30,719)	(30,719)		(30,719)
Other comprehensive result for the period				3,702		3,702		3,702
Total comprehensive loss for the period				3,702	(30,719)	(27,017)	-	(27,017)
Resolution of General Ordinary Shareholders' Meeting held on March 27, 2012: Appropriation to facultative reserve (Note 3.14)			30,682		(30,682)			
Balance at March 31, 2012	**457,547**	**15,273**	**30,682**	**(74)**	**271,193**	**774,621**	**10**	**774,631**

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2011
(in thousands of Argentine pesos)

	Shareholders' contributions	Reserves		Retained earnings (losses)	Equity attributable to:		Total
	Common stock	Legal reserve	Foreign currency translation reserve		Owners of the parent	Non controlling interest	
Balance at January 1st, 2011	**457,547**			**356,090**	**813,637**	**10**	**813,647**
Net loss for period				(31,883)	(31,883)		(31,883)
Other comprehensive results for the period			3,838		3,838		3,838
Total comprehensive loss for the period			3,838	(31,883)	(28,045)	-	(28,045)
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on March 31, 2011:							
Appropriation to legal reserve (Note 3.14)		15,273		(15,273)			
Balance at March 31, 2011	**457,547**	**15,273**	**3,838**	**308,934**	**785,592**	**10**	**785,602**

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

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2012
(in thousands of Argentine pesos)

	Note	3/31/2012	3/31/2011
Cash flows provided by operating activities			
Net loss for the period		(30,719)	(31,883)
Adjustments to reconcile net loss for the period to net cash provided by operating activities:			
Income tax and alternative minimum income tax accrued		(8,152)	(11,486)
Financial cost		34,533	30,773
Foreign exchange losses		21,458	21,832
Depreciation of property, plant and equipment		25,488	30,591
Additions to provision for doubtful accounts, sale rebates and provisions (net of reversals)		2,354	3,372
Write-off of spare parts			526
Depreciation of investment property		42	1
Amortization of intangible assets		186	207
Gain on sale of property, plant and equipment		(1,562)	(435)
		43,628	**43,498**
Changes in working capital	25	10,437	17,193
Subtotal		**54,065**	**60,691**
Payments of income tax and alternative minimum income tax		(3,518)	(5,948)
Net cash provided by operating activities		**50,547**	**54,743**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(47,988)	(20,712)
Increase of other financial assets		(1,276)	(1,903)
Proceeds from sale of subsidiary company		3,184	
Proceeds from sale of property, plant and equipment		2,382	579
Acquisition of subsidiary		(1,009)	(916)
Increase of other assets		(172)	
Net cash used in investing activities		**(44,879)**	**(22,952)**
Cash flows provided by financing activities:			
Net variation in loans		7,423	35,484
Payments of interests		(3,689)	(1,611)
Net cash provided by financing activities		**3,734**	**33,873**
Increase in cash and cash equivalents		**9,402**	**65,664**
Cash and cash equivalents at beginning of year		**64,101**	**39,907**
Cash and cash equivalents at end of period		**73,503**	**105,571**

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

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 mark of some of its major customers.

The breakdown of consolidated companies in these financial statements is exposed in Note 2.4.

2. BASIS OF PREPARATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.1 Statement of compliance and basis of preparation

The interim consolidated financial statements for the three-month period ended March 31, 2012 have been prepared for the first time, in conformity with International Accounting Standard 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"), Argentina Securities Commission. In accordance with the above mentioned accounting standards and regulatory standards, IFRS are mandatory for fiscal year beginning January 1st 2012. The effects of changes caused by the application of this new accounting basis are presented in Note 31.

The figures and other information for the fiscal year ended December 31, 2011 and as of January 1, 2011 (the latter being the date of transition to the International Financial Reporting Standards) and for the three-month period ended on March 31, 2011 are an integral part of these consolidated interim financial statements and are intended to be read only in relation to those financial statements.

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

The interim consolidated financial statements have been translated into English for the convenience of English-speaking readers. The 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 interim consolidated financial statements have been prepared under the historical cost conventions, except for the revaluation of certain non-current assets (see Note 31) and financial assets. Usually, the historical cost is based on the fair value of the consideration given in exchange for the assets.

The principal accounting policies are described in Note 3.

The preparation of these financial statements are the responsibility of the Company's Board of Directors and requires accounting estimates and judgments of the administrators when applying financial standards. Areas of high complexity which require more judgments or those in which assumptions and estimations are more significant are detailed in Note 4.

2.3 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 three-month period ended March 31, 2012.

Standard	Name
IFRS 9	Financial instruments[1]
IFRS 10	Consolidated financial statements[1]
IFRS 11	Joint arrangements[1]
IFRS 12	Disclosure of interests in other entities[1]
IFRS 13	Fair value measurement [1]

[1] Effective for annual years beginning on or after January 1, 2013.

- IFRS 9 "Financial instruments" issued in November 2009 and revised in October 2010 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 2013, 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 year beginning on January 1, 2013. 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.

- IFRS 10 describes principles for preparation and presentation of consolidated financial statements when an entity controls one or more entities. IFRS 10 replaces the consolidation requirements described in SIC-12 "Consolidation - Specific purpose entities" and IAS 27 "Consolidated and separate financial statements". Early application is encouraged. IFRS 10 is based on existing principles to identify the concept of control as the most important factor in determining whether an entity must be included in the consolidated financial statements of the holding Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

  The Company´s Board of Director anticipates that IFRS 10 will be adopted in the financial statements of the Company for the year beginning January 1, 2013. 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.

- IFRS 11, classifies the joint agreements either as joint ventures (combining the existing concepts of jointly controlled assets and jointly controlled operations) or as joint ventures (equivalent to the existing concept of jointly controlled entity). The joint operation is the joint agreement whereby the parties with joint control are entitled to the assets and liabilities obligations. Joint venture is the joint agreement by which parties with joint control of the agreement are entitled to the net assets of the agreement. IFRS 11 requires the use of proportional equity method for joint interests while eliminating the proportional consolidation method.

  The Company´s Board of Director anticipates that IFRS 11 will be adopted in the financial statements of the Company for the year beginning January 1, 2013. 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.

- 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 statement to assess the nature and risks associated with investments in other entities. The disclosure requirements are important and may require significant effort to comply.

  The Company´s Board of Directors anticipates that IFRS 12 will be adopted in the financial statements of the Company for the year beginning January 1, 2013. 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.

- 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.

  The Company´s Board of Directors anticipates that IFRS 13 will be adopted in the financial statements of the Company for the year beginning January 1, 2013. 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.

2.4 Basis of consolidation

The interim consolidated financial statements of Mastellone Hermanos Sociedad Anónima include the stand-alone financial statements of the parent and its subsidiaries. Control exists when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

Total comprehensive income 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 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.

The Company is not aware of any significant events or changes in the stockholders´ equity of the companies with period ended different to March 31, 2012 and 2011.

Detailed below are the subsidiaries whose financial statements have been included in these interim consolidated financial statements:

			% of direct and indirect participation in capital stock and votes			
Company	**Main Activity**	**Country**	**3/31/2012**	**12/31/2011**	**3/31/2011**	**1/1/2011**
Con-Ser S.A.	Transportation services, services for vehicle, sale of parts and distribution of cooling equipments	Argentina	100.00	100.00	100.00	100.00
Leitesol Industria e Comercio S.A.	Production and distribution of dairy products	Brasil	100.00	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	99.99
Marca 5 Asesores en Seguros S.A.	Insurance broker	Argentina	99.99	99.99	99.99	99.99
Mastellone Hermanos do Brasil Comercial e Industrial Ltda.	Inactive	Brasil	100.00	100.00	100.00	100.00
Mastellone San Luis S.A.	Manufacturer of dairy products	Argentina	99.99	99.99	99.99	99.99
Promas S.A.	Agricultural exploitation	Argentina	100.00	100.00	100.00	100.00
Puraláctea S.A. (1)	Financial activities	Argentina	100.00	100.00	100.00	100.00
Transporte Lusarreta Hermanos S.A. (2)	Inactive	Argentina	100.00	100.00	100.00	100.00

(1) On March 19, 2012, the Board of Directors of Mastellone Hermanos S.A. (incorporating company) and Puraláctea S.A. (incorporated company) approved the preliminary merger agreement and the consolidated balance sheet for merger purposes, based on the financial statements of these companies as of December 31, 2011. Such documentation is pending of approval by the Extraordinary Shareholders' meeting of each company and it is in process of registration under the Securities Exchange Commission ("Comisión Nacional de Valores").

(2) Indirectly controlled by the Company because it is controlled by Con-Ser S.A.

The company Mastellone of Paraguay S.A., acquired in 2011, was not consolidated for being not significant. Such company, at the date of these financial statements, has not started yet commercial activity. The parent company holds directly and indirectly 100% of its capital stock as of March 31, 2012 and December 31, 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Functional and presentation currency

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

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

3.2 Foreign currency

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

Exchange differences on monetary items are recognised in profit and loss in the period or year in which they arise.

3.3 Financial assets

Financial asset is any asset like: cash, time deposits in financial entities, equity instruments of other companies, contractual rights, or a contract which can or could be liquidated with the delivery of equity instruments of the Company.

Financial assets are classified into the following specified categories: ‘financial assets measured at fair value through profit and loss’, ‘held for trading’, ‘held-to-maturity’ and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets must be recognised on trade date, it means date where the Company commits to purchase or sale an asset. The recognition method is consistent for all purchases or sales of financial assets of the same category.

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss.

3.3.1 Cash and cash equivalents

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

3.3.2 Financial assets at fair value through profit and loss

Financial assets are classified as at fair value through profit and loss when the financial asset is held for trading. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term.

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

3.3.3 Held-to-maturity financial assets

Comprises private bonds with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. Revenue is recognised on an effective yield basis.

3.3.4 Receivables

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

3.3.5 Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit and loss. (Note 3.3.2)

3.3.6 Impairment of financial assets

Financial assets are assessed by the Company for indicators of impairment at the end of each reporting year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

3.3.7 Derecognition of financial assets

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

3.4 Inventories

Inventories are stated at the acquisition weighted average cost adjusted, if necessary at net realizable value. The net realizable value is the estimated price of sale less estimated costs to conclude such sale.

Based on the Board of Director´s analysis at March 31, 2012, December 31 and January 1, 2011, slow-moving or obsolete inventories were charged in the statement of comprehensive income in the period such evaluation was performed, which evaluated the conservation status, the future use and the net realizable value of those inventories.

3.5 Property, plant and equipment

- Lands and buildings held for use in production, supply of services or for administrative purposes, machinery, equipment and tools, fittings, laboratory equipment and furniture, vehicles and trays, are stated in the consolidated statement of financial position at their cost less any subsequent accumulated depreciation.

  Land is not depreciated. Depreciation of buildings, machinery equipment and tools, fittings, laboratory equipment and furniture, vehicles and trays is recognised as a loss of each period or year.

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

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

- Assets acquired under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

The Company has chosen the exemption under IFRS 1 – “First Time Adoption of International financial Reporting standard” related to the use of deemed cost for property plant and equipment. See also note 31.

3.6 Intangible assets

Intangible assets include costs of development of projects, brands and patents. The accounting policies for the recognition and measurement of these intangible assets are described below.

3.6.1. – Intangible assets acquired separately

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

3.6.2. – Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period or year in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.6.3. – Derecognition of an intangible asset

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

3.7 Impairment of tangible and intangible assets other than goodwill

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

In assessing impairment, assets which do not generate an independent cash flow are included in an appropriate cash-generating unit. Recoverable value of these assets or of the cash-generating unit is the higher of fair value (measured according to method of discounted future cash flows) and book value or recorded value.

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

At March 31, 2012 and December 31, 2011 y 2010 no impairment losses were recorded.

3.8 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquire and the equity interests issued by the Company in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;*

- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net amounts the acquisition-date of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net amount at the acquisition-date of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The value of goodwill does not exceed their estimated recoverable value at the end of period or year.

3.9 Other assets

These include mainly investments in other companies where no significant influence is exercised. These investments are valued at cost, which do not exceed their estimated recoverable value.

3.10 Liabilities

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

3.11 Financial liabilities

Financial liabilities initially measured at fair value, net of transaction costs are subsequently measured at amortized cost using the effective interest method. Interest charges are stated in the “Financial cost” line of the consolidated statement of comprehensive income, except the part stated in the cost of work in progress of Property, plant and equipment.

3.11.1 - Derecognition of financial liabilities

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

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

3.12 Provisions

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

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

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

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

3.13 Government grants

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

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

3.14 Equity accounts

Capital stock

Capital stock is composed by contributions made by the shareholders, represented by shares and includes subscribed shares at their nominal value. Capital stock, which amounted to 457,547 as of March 31, 2012, December 31, March 31 and January 1st 2011, is composed by 194,428 corresponding to nominative, non-endorsable shares of Ps. 1 par value, with 5 votes each and 263,119 corresponding to nominative, non-endorsable shares of Ps. 1 par value, with 1 vote each.

Legal reserve

The current Argentine legal regulations require the Company to appropriate 5% of its net income per year to a "Legal reserve" until such reserve equals 20% of the capital stock.

The General Ordinary and Extraordinary Shareholders' Meeting held on March 31, 2011 approved the restoring of 13,137 to the legal reserve which had been reduced to absorb accumulated losses as of December 31, 2001 as approved in the General Shareholders' Meeting held on April 3, 2002 and the appropriation to legal reserve of the 5% of the net income of fiscal year 2010, net of accumulated losses.

Facultative reserve

These are reserves approved by Shareholders' Meeting for a special purpose.

The General Ordinary Shareholders' Meeting held on March 27, 2012 approved the appropriation to facultative reserve of the accumulated earnings recorded at December 31, 2011 under the prior Argentine accounting standards.

Accumulated earnings

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

3.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.15.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company records cash discounts and volume rebates at the time the related revenue from product sale is recognised.

3.15.2 Services rendered

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

3.15.3 Interest income

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

3.16 Borrowing costs

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

As of March 31, 2012 and 2011 the Company capitalized in "Work in progress" of Property, plant and equipment borrowing costs for 1,134 and 415, respectively.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

3.17 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. There are no situations in which the Company qualifies as a lessor.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.18 Income tax and alternative minimum income tax

3.18.1. – Income taxes – current and deferred

Income tax expenses represent the sum of the tax currently payable and deferred tax.

3.18.1.1 – Current tax

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

3.18.1.2 – Deferred tax

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

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

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

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

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

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

3.18.1.3. – Current and deferred tax for the period or year

Current and deferred tax are recognised as profit or loss in the consolidated comprehensive income statement, except when they relates to items are recognised in or directly in equity, in which case, the current and deferred tax are recognised directly in equity or when current tax or deferred tax arises from the initial accounting for a business combination. In case of a business combination the tax effect is considered in the calculation of the goodwill or in the determination of the interest excess of acquire in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired over the business combination cost.

3.18.2. – Alternative minimum income tax

The alternative minimum income tax is complementary to the income tax. The Company determines the tax charge applying the enacted rate of 1% over the computable assets at the end of year. The Company´s tax obligation will be the higher amount between the determined presumed income tax and the income tax liability determined applying the enacted 35% tax rate over the estimated taxable profit of year. Nevertheless, if the presumed income tax in a fiscal year exceeds the corresponding income tax, this excess can be taken as payment on credit of any surplus of the income tax to be paid over the presumptive income tax in any of the following ten years.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

These estimates relate basically to the following:

- Impairment of property, plant and equipment

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

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

- Provision for allowances and contingencies

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

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

- Deferred income tax and alternative minimum income tax

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

  Deferred tax assets are reduced by a valuation allowance if, at the light of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has generated tax losses which are deductible with respect to taxable earnings of up to five years following the year in which they were originated.

  In Argentina, the Company is also subject to the payment of an alternative minimum income tax, which is calculated regardless of the economic results for the period. This tax is calculated using a rate of 1% of the total value of the assets, with certain deductions mostly to avoid double taxation and to encourage capital expenditures. The amounts paid on such tax can be credited against Argentine income tax obligation for a period of ten years.

5. CASH AND CASH EQUIVALENTS

	3/31/2012	12/31/2011	1/1/2011
Cash and bank accounts	41,602	43,683	35,625
Investment funds	31,901	20,333	3,000
Short-term investments		85	1,282
Total	**73,503**	**64,101**	**39,907**

6. OTHER FINANCIAL ASSETS

	3/31/2012	12/31/2011	1/1/2011
• Current			
Private bonds	8,412	8,027	2,110
Short-term investments	904	6	-
Total	**9,316**	**8,033**	**2,110**
• Non-current			
Long-term investments	3,782	3,789	
Total	**3,782**	**3,789**	**-**

7. TRADE ACCOUNTS RECEIVABLE

	3/31/2012	12/31/2011	1/1/2011
Third parties (domestic)	402,982	423,060	297,330
Related parties (Note 27)	194,392	174,255	166,477
Foreign receivables	14,678	36,974	11,013
Notes receivables	464	311	2,303
Tax incentives on exports	11,096	9,918	7,789
Subtotal	**623,612**	**644,518**	**484,912**
Allowance for doubtful accounts	(11,449)	(11,012)	(9,409)
Allowance for trade discounts and volume rebates	(2,281)	(5,121)	(5,641)
Total	**609,882**	**628,385**	**469,862**

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

	3/31/2012	12/31/2011	1/1/2011
Balance at the beginning of the year	11,012	9,409	6,267
Acquisition of subsidiary			1,245
Decrease due to sale of subsidiary company			(72)
Additions (1)	359	3,280	1,723
Transfers		(1,574)	150
Write-offs		(17)	(48)
Re-measurement of foreign subsidiaries allowances	78	(86)	144
Balance at the end of period or year	**11,449**	**11,012**	**9,409**

(1) Charged to selling expenses – in 2012, Note 21.

The allowance for doubtful accounts was determined based on the historical experience of default, statistics, specific analyses for major clients and evaluation of management about current economic scenario. Customer accounts in bankruptcy or bankruptcy process (offset of the corresponding allowances) are excluded from current accounts receivables and included in other receivables. An allowance for doubtful accounts with an age over 90 days past due is recorded, if necessary.

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

	3/31/2012	12/31/2011	1/1/2011
Balance at the beginning of the year	5,121	5,641	3,144
Decrease due to sale of subsidiary company			(47)
Additions (1)	2,227	4,237	5,206
Write-offs	(5,067)	(4,757)	(2,662)
Balance at the end of period or year	**2,281**	**5,121**	**5,641**

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

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

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

The Company also believes that its exposure to concentration of credit risk is limited due to the large number of customers located in different geographic locations, and the fact that their biggest customers are large companies with strong credit situations. The Company believes that it is not exposed to significant credit risk and is not dependent on a single client. In the three-month periods ended March 31, 2012 and 2011, no single customer accounted for in excess of 10% of the Company's revenue.

Trade accounts receivable that are disclosed above, include amounts that are past due at the end of the reporting period under review. The aging of trade accounts receivable is as follows:

	3/31/2012	12/31/2011	1/1/2011
Overdue	136,668	140,033	87,210
To be due:			
Between 0 and 3 months	484,088	500,884	397,233
Between 3 and 6 months	1,811	1,401	326
Between 6 and 9 months	667	450	98
Between 9 and 12 months	378	1,750	45
Subtotal	**623,612**	**644,518**	**484,912**
Allowances	(13,730)	(16,133)	(15,050)
Total	**609,882**	**628,385**	**469,862**

8. TAX CREDITS

	3/31/2012	12/31/2011	1/1/2011
• Current			
Net value added tax	22,939	29,638	50,731
Income tax and alternative minimum income tax receivable	5,725	3,667	1,523
Turnover tax credit	10,898	3,567	4,933
Other tax credits	3,870	6,089	7,667
Total	**43,432**	**42,961**	**64,854**

	3/31/2012	12/31/2011	1/1/2011
• Non-current			
Net value added tax	14,079	16,426	24,173
Turnover tax credit	2,114		
Other tax credits	1,065	1,128	1,277
Total	**17,258**	**17,554**	**25,450**

9. OTHER RECEIVABLES

	3/31/2012	12/31/2011	1/1/2011
• Current			
Régime for the professionalization of transport	9,636	11,930	6,136
Prepaid expenses	8,662	6,767	3,810
Receivable from sale of subsidiary company	6,142	9,726	6,018
Guarantee deposits (Note 26)	3,457	3,527	3,906
Advances to services suppliers	909	806	1,488
Insurance receivable	542	458	214
Related parties (Note 27)			342
Receivables from customers in receivership and in bankruptcy	145	145	165
Other	3,720	5,130	5,443
Subtotal	**33,213**	**38,489**	**27,522**
Allowance for doubtful accounts	(656)	(638)	(621)
Total	**32,557**	**37,851**	**26,901**
• Non-current			
Receivables from customers in receivership and in bankruptcy	15,179	8,034	7,505
Receivable from sale of subsidiary company	9,803	9,557	13,284
Régime for the professionalization of transport	5,707		
Guarantee deposits (Note 26)	88	16	35
Other	1,692	1,820	2,122
Subtotal	**32,469**	**19,427**	**22,946**
Allowance for doubtful accounts	(10,840)	(6,622)	(7,501)
Total	**21,629**	**12,805**	**15,445**

The movement of allowance for doubtful accounts is as follows:

• Current			
Balance at the beginning of the year	638	621	617
Balance of acquired subsidiary			84
Decrease due to sale of subsidiary company			(30)
Additions (1)	18	17	
Write-offs			(50)
Balance at the end of period or year	**656**	**638**	**621**

	3/31/2012	12/31/2011	1/1/2011
• Non-current			
Balance at the beginning of the year	6,622	7,501	6,597
Balance of acquired subsidiary			444
Decrease due to sale of subsidiary company			(67)
Additions (1)	4,150	610	132
Transfers		1,574	(150)
Write-offs	(10)	(2,875)	(172)
Re-measurement of foreign subsidiaries allowances	78	(188)	717
Balance at the end of period or year	**10,840**	**6,622**	**7,501**

(1) Charged to selling expenses – in 2012, Note 21.

10. INVENTORIES

	3/31/2012	12/31/2011	1/1/2011
Resale goods	28,334	20,537	19,585
Finished goods	347,362	326,090	244,242
Work in progress	161,034	153,468	129,661
Raw materials, packaging and other materials	163,204	147,027	135,216
Goods in transit	6,015	26,795	35,349
Subtotal	**705,949**	**673,917**	**564,053**
Advances to suppliers	3,433	5,300	2,595
Total	**709,382**	**679,217**	**566,648**

11. PROPERTY, PLANT AND EQUIPMENT

	3/31/2012												
	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 period	
Land and buildings	876,890	772	1,269	10		878,941	72,108	402		2, 2.5, 3.3 and 5	7,179	79,689	799,252
Machinery and equipment, containers, tools and spare parts (1)	952,733	100	2,956	978	197	956,570	711,584	79		5 and 10	6,619	718,282	238,288
Fittings, laboratory equipment and furniture	726,746	372	1,442		20	728,540	519,132	313	17	5, 10, 25 and 33	5,980	525,408	203,132
Vehicles (2)	134,426	39	699		485	134,679	106,190	10	411	10 and 20	1,240	107,029	27,650
Trays	85,376		8,517			93,893	54,910			33	4,470	59,380	34,513
Work in progress	82,759		25,075	2,403	529	109,708							109,708
Advances to suppliers	7,211		8,030	(2,403)	17	12,821							12,821
Carrying amount as of March 31, 2012	**2,866,141**	**1,283**	**47,988**	**988**	**1,248**	**2,915,152**	**1,463,924**	**804**	**428**		**25,488**	**1,489,788**	**1,425,364**

(1) Includes machinery operated by Promas S.A. with a net value of 5,676 as of March 31, 2012.
(2) Includes vehicles operated by frighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 7,337 as of March 31, 2012.

	12/31/2011											1/1/2011
	Cost or deemed cost					Depreciation					Net value at the end of year	Net value at the end of year
	Value at the beginning of the year	Acquisi-tions	Transfers	Retirement and disposal	Value at the end of year	Accumulated depreciation at the beginning of the year	Retirement and disposal	Depreciation Rate %	Depreciation Of the year	Accumulated depreciation, at the end of year		
Land and buildings	874,830	2,182	34	156	876,890	14,473	95	2, 2.5, 3.3 and 5	57,730	72,108	804,782	860,357
Machinery and equipment, containers tools and spare parts (1)	969,444	7,371	15,661	39,743	952,733	717,460	38,098	5 and 10	32,222	711,584	241,149	251,984
Fittings, laboratory equipment and furniture	707,097	7,763	14,470	2,584	726,746	499,021	2,458	5, 10, 25 and 33	22,569	519,132	207,614	208,076
Vehicles (2)	127,781	9,844	2,433	5,632	134,426	106,371	4,462	10 and 20	4,281	106,190	28,236	21,410
Trays	60,538	24,838			85,376	41,591		33	13,319	54,910	30,466	18,947
Work in progress	47,254	66,741	(31,236)		82,759						82,759	47,254
Advances to suppliers	917	10,499	(4,205)		7,211						7,211	917
Carrying amount as of December 31, 2011	**2,787,861**	**129,238**	**(2,843)**	**48,115**	**2,866,141**	**1,378,916**	**45,113**		**130,121**	**1,463,924**	**1,402,217**	**1,408,945**

(1) Includes machinery operated by Promas S.A. with a net value of 5,838 as of December 2011 and of 1,058 as of January 1st, 2011.

(2) Includes vehicles operated by frighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 7,685 as of December 31, 2011 and of 7,053 as of January 1st, 2011.

12. TRADE PAYABLE

	3/31/2012	12/31/2011	1/1/2011
Trade payables	526,822	497,047	415,133
Related parties (Note 27)	129,307	120,822	85,207
Note payables	66,742	53,139	23,851
Foreign suppliers	5,183	7,661	7,770
Total	**728,054**	**678,669**	**531,961**

13. BORROWINGS

	3/31/2012	12/31/2011	1/1/2011
<u>Short-term debt</u>			
Principal:			
Senior notes and loan debt:			
Senior Notes:			
Senior Notes due 2012	15,538	19,941	
Senior Notes Series A, B and C – due 2018	31,183	30,648	
Senior Notes Series D – final due 2015	4,379	4,304	1,988
Subtotal	51,100	54,893	1,988
Loan:			
Loan debt – tranche A – final due 2015	14,649	14,398	8,100
Loan debt – tranche B – final due 2018	3,156	3,102	
Non-restructured Collateralized Floating Rate Debt			91
Subtotal	17,805	17,500	8,191
Subtotal – Senior Notes and loan debt	**68,905**	**72,393**	**10,179**
Other financial debt:			
Unsecured debt	11,758	17,402	1,674
Unsecured debt – related parties (Note 27)	16,203	1,150	1,062
Secured debt	71,388	66,602	21,134
Subtotal – Other financial debt	**99,349**	**85,154**	**23,870**
Total principal	**168,254**	**157,547**	**34,049**
Accrued interest:			
Unsecured - related parties (Note 27)	6	3	3
Unsecured and secured debt	23,202	1,335	887
Total accrued interest	**23,208**	**1,338**	**890**
Adjustment to net present value:			
Senior Notes due 2012	(169)	(332)	
Total adjustment to net present value	**(169)**	**(332)**	**-**
Total	**191,293**	**158,553**	**34,939**

	3/31/2012	12/31/2011	1/1/2011
Long-term debt			
Principal:			
Senior Notes and loan debt:			
Senior Notes:			
Senior Notes Series A, B and C – due 2018	592,469	582,321	576,822
Senior Notes Series D – final due 2015	37,222	36,584	37,772
Senior Notes due 2012			18,422
Senior Notes Series E – final due 2013 (net of commissions and expenses related to the issuance by 2,565 to 3/31/2012 and 3,003 to 12/31/2011 and 4,409 to 1/1/2011)	85,015	83,077	75,111
Subtotal	714,706	701,982	708,127
Loan:			
Loan debt – tranche A – final due 2015	124,513	122,380	137,285
Loan debt – tranche B – final due 2018	59,967	58,940	57,314
Subtotal	184,480	181,320	194,599
Subtotal – Senior Notes and loan debt	**899,186**	**883,302**	**902,726**
Other financial debt:			
Secured debt	5,958	6,271	703
Subtotal – Other financial debt	**5,958**	**6,271**	**703**
Total principal	**905,144**	**889,573**	**903,429**
Adjustment to net present value:			
Senior Notes Series A, B and C – due 2018	(66,076)	(70,907)	(91,171)
Senior Notes Series D – final due 2015	(6,392)	(6,963)	(9,176)
Senior Notes due 2012			(870)
Loan debt – tranche A – final due 2015	(21,430)	(23,342)	(33,352)
Loan debt – tranche B – final due 2018	(6,688)	(7,177)	(9,059)
Total adjustment to net present value	**(100,586)**	**(108,389)**	**(143,628)**
Total	**804,558**	**781,184**	**759.801**

13.1 Main loans agreements

13.1.1 Refinancing of the financial debt in 2010

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

a) Form of the refinancing:

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

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

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

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

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

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

b) Amount exchanged at the closing date:

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

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

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

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

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

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

c) Terms of the new debt:

1. Payment of principal and interests:

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

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

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

2. Implementation of the new debt:

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

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

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

3. Other conditions:

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

December 31, 2011 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 and December 31, 2012 accrue a contingent interest rate of 2.1% based on the 2011 EBITDA estimated for the fiscal year ended December 31, 2011.

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

According to the terms established in the new debt and in addition to all scheduled amortization payments, the Company had to reduce the aggregate principal amount outstanding of its new debt in the amount of US$20.0 million by December 31, 2011 ("mandatory debt reduction"), or, otherwise, the new 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 before December 31, 2011, the interest rate for such debt increased by 0.25% in 2012.

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

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

d) Summary as of March 31, 2012 of debt refinanced in May 2010:

Debt restructured	Amount in the original currency – in thousands		Amount in thousand pesos (as of March 31, 2012)
Senior Notes Series A, B and C – final due 2018	U$S	142,419	623,652
Senior Notes Series D – final due 2015	U$S	9,500	41,601
New loan debt – tranche A – final due 2015	U$S	31,779	139,162
New loan debt – tranche B – final due 2018	U$S	14,415	63,123

13.1.2 <u>Senior Notes – due 2012</u> (which greatest portion was refinanced in May 2010, see paragraph 13.1.1)

The Senior Notes due 2012 accrue interest at a rate of 8% per annum, payable semi-annually (every June 30 and December 31), in arrears and due on June 30, 2012. Principal amounted to US$ 166,684 thousand while the remaining principal not restructured in May 2010 of these Senior Notes amounts to U$S 3,548 thousand as of March 31, 2012.

If certain conditions are met, on each June 30, the Company should apply the excess cash (as defined in the terms of the Senior Notes) from the preceding year to redeem ratably and at par certain part of the principal amount of the remaining senior notes. As of December 31, 2011, from the calculation performed by the Company, there was no excess cash according to the definitions of the Senior Notes terms, which might have required the payment in advance of a portion of such debt.

The Senior Notes due 2012 contemplate commitments and conditions that are usual for this kind of agreements, which included certain collaterals and limitations to perform certain type of financial or investments transactions, and events of default which in case of existence, could entail the creditors the right of acceleration of payment of the principal and accrued interest.

13.1.3 <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.

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

14. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

	3/31/2012	12/31/2011	1/1/2011
Payroll and bonus to management	91,820	97,360	68,556
Social security taxes	37,126	40,340	26,209
Total	**128,946**	**137,700**	**94,765**

15. TAXES PAYABLE AND ACCRUAL FOR TAX RELIEF

	3/31/2012	12/31/2011	1/1/2011
• Current			
Tax withholdings	40,972	41,903	29,266
Taxes, rates and contributions (net from advances)	17,157	14,567	14,288
Payment plan – Law N° 26,476	6,097	5,989	2,376
Tax – Law N° 23,966	3,467	2,522	2,566
Total	**67,693**	**64,981**	**48,496**
• Non-current			
Payment plan – Law N° 26,476	37,093	37,932	43,922
Accrual for tax relief	22,894	22,894	22,894
Taxes, rates and contributions	484	921	4,313
Total	**60,471**	**61,747**	**71,129**

Régime for industrial promoted activities of subsidiaries

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

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

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

16. PROVISIONS

	3/31/2012	12/31/2011	1/1/2011
• Current			
Accrued litigation expenses	876	951	1,365
Other accrued expenses	477	8,665	7,615
Total	**1,353**	**9,616**	**8,980**
• Non-current			
Accrued litigation expenses	19,680	16,391	18,375
Other accrued expenses	2,414	1,614	1,891
Total	**22,094**	**18,005**	**20,266**

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

	3/31/2012	12/31/2011	1/1/2011
• Current			
Balance at the beginning of the year	9,616	8,980	6,586
Balance of acquired subsidiary			335
(Reversal) increases (1)	(4,510)	1,137	888
Payments made	(163)	(671)	(1,267)
Re-measurement of foreign subsidiaries allowances	389	(267)	525
Transfer (to) from non-current allowance	(3,979)	437	1,913
Balance at the end of period or year	**1,353**	**9,616**	**8,980**
• Non-current			
Balance at the beginning of the year	18,005	20,266	15,579
Balance of acquired subsidiary			8,991
Decrease due to sale of subsidiary company			(262)
Increases (reversals) (1)	110	(1,184)	(1,462)
Payments made		(640)	(667)
Transfer from (to) current allowance	3,979	(437)	(1,913)
Balance at the end of period or year	**22,094**	**18,005**	**20,266**

(1) Net reversal, credited to other gain and losses - in 2012, Note 23.

17. OTHER LIABILITIES

	3/31/2012	12/31/2011	1/1/2011
• Current			
Debt for acquisition of company	4,416	4,350	4,052
Related parties (Notes 27)			8
Other	4,256	2,537	3,736
Total	**8,672**	**6,887**	**7,796**
• Non – current			
Debt for acquisition of company		1,076	4,970
Deferred revenue	928	922	872
Other	2,189	2,153	2,026
Total	**3,117**	**4,151**	**7,868**

18. DEFERRED TAX

Deferred tax assets:

	3/31/2012	12/31/2011	1/1/2011
Temporary differences:			
Provisions and other non-deductible accrued expenses	8,300	7,878	6,676
Inventories	5,494	3,788	2,209
Property, plant and equipment	452	362	79
Tax loss carry-forwards	27,916	31,411	33,103
Alternative minimum income tax	9,026	8,584	7,624
Valuation allowance for alternative minimum income tax and deferred income tax	(43,625)	(43,984)	(36,267)
Total	**7,563**	**8,039**	**13,424**

Deferred tax liabilities:

	3/31/2012	12/31/2011	1/1/2011
Temporary differences:			
Provisions and other non-deductible accrued	9,345		11,605
expenses		10,955	
Inventories	18,646	23,693	9,542
Intangible assets	529	497	361
Other assets	(476)	(476)	(470)
Property, plant and equipment	(316,139)	(322,254)	(344,325)
Credits deducted for tax purposes	(1,872)	(1,767)	(1,543)
Adjustment to present value	(35,497)	(38,285)	(50,552)
Tax loss carry-forwards	56,672	42,974	66,893
Alternative minimum income tax	98,423	94,202	77,563
Valuation allowance for alternative minimum income tax and deferred income tax	(18,039)	(15,416)	(11,730)
Total	**(188,408)**	**(205,877)**	**(242,656)**

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. as of March 31, 2012 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
2007	7,886	35%	2,760		2012
2008	94,524	35%	33,083		2013
2009	40,327	35%	14,114		2014
2010	19,344	35%	6,770		2015
2011	37,879	35%	13,258		2016
	199,960		69,985		
(1)	26,469	34%	4,491		Unlimited
			74,476		
Tax loss carry-fowards of the period			11,901	(2)	
Uses of tax loss carry-fowards			(1,789)	(2)	
			84,588		

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

(2) Corresponds to the tax income (loss) estimated for the three-month period ended March 31, 2012, which will turn into a tax loss carry-forward arising from the tax return provided that the tax income (loss) remains at the end of fiscal year 2012.

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	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	(315,609)			4,391	(311,218)
Tax loss carry-forwards	74,385	(3,687)		13,890	84,588
Total as of March 31, 2012	**(241,224)**	**(3,687)**	-	**18,281**	**(226,630)**
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(366,418)			50,809	(315,609)
Tax loss carry-forwards	99,996	(27,304)	(1,754)	3,447	74,385
Total as of December 31, 2011	**(266,422)**	**(27,304)**	**(1,754)**	**54,256**	**(241,224)**

(1) Charged to income tax – In 2012, Note 24.

19. REVENUE

	3/31/2012	**3/31/2011**
Product sales	1,711,302	1,364,318
Services provided	56,871	40,562
Turnover tax	(42,624)	(37,242)
Sales discounts and volume rebates	(82,582)	(58,631)
Sales returns	(29,905)	(23,367)
Total	**1,613,062**	**1,285,640**

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 2,900 tons with an estimated contract value of US$10,200,000.

- The Company has entered into agreements with provincial and national public agencies for the sale of approximately 4,700 tons of powdered and fluid milk with an estimated contract value of 144,100.

20. COST OF SALES

	3/31/2012		3/31/2011	
Cost of goods sold:				
Inventories at the beginning of the year				
Resale goods	20,537		19,585	
Finished goods	326,090		244,242	
Work in progress	153,468		129,661	
Raw materials, packaging and other materials	147,027		135,216	
Goods in transit	26,795	673,917	35,349	564,053
Purchases		886,529		715,580
Production expenses (Note 21)		315,773		241,256
Write-off of spare parts				526
Re-measurement of foreign subsidiaries inventories		2,457		2,768
Benefits from industrial promotion		(6,925)		(11,500)
Inventories at the end of the period				
Resale goods	(28,334)		(23,546)	
Finished goods	(347,362)		(212,083)	
Work in progress	(161,034)		(132,034)	
Raw materials, packaging and other materials	(163,204)		(154,218)	
Goods in transit	(6,015)	(705,949)	(27,550)	(549,431)
Subtotal - cost of goods sold		**1,165,802**		**963,252**
Cost of services rendered:				
Purchases		6,294		2,385
Production expenses (Note 21)		25,741		19,801
Subtotal - cost of services rendered		**32,035**		**22,186**
Total cost of sales		**1,197,837**		**985,438**

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, with a guaranteed minimum. On December 29, 2011, this agreement was modified (effective January 1st, 2012) by eliminating the guaranteed minimum that Lar S.A. was obliged to deliver according to the previous contract.

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

	3/31/2012				
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				7,351	7,351
Fees and compensation for services	32,703		78,967	7,229	118,899
Payroll, bonus and social security charges	133,176	13,934	47,777	22,760	217,647
Depreciation of property, plant and equipment	20,555	2,454	1,703	776	25,488
Amortization of intangible assets	90			96	186
Provision for bad debts			4,527		4,527
Freights	73,530		163,858		237,388
Maintenance and repair	13,946	585	2,042	53	16,626
Office and communication	211	50	98	414	773
Fuel, gas and energy	20,614	3,229	1,908	12	25,763
Vehicles expenses	2,529		1,781	262	4,572
Publicity and advertising			42,025		42,025
Taxes, rates and contributions	13,313	2,343	306	16,339	32,301
Insurance	3,741	50	1,520	277	5,588
Travelling	121		382	80	583
Export and import			5,475	47	5,522
Harvest expenses	88				88
Supplies and chemicals	53				53
Miscellaneous	1,103	3,096	3,325	2,444	9,968
Total	**315,773**	**25,741**	**355,694**	**58,140**	**755,348**

	3/31/2011				
	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				5,635	5,635
Fees and compensation for services	22,281	11	55,576	5,990	83,858
Payroll, bonus and social security charges	89,546	9,504	28,213	20,058	147,321
Depreciation of property, plant and equipment	25,862	2,875	1,276	578	30,591
Amortization of intangible assets	112			95	207
Provision for bad debts			403		403
Freights	56,050		123,902		179,952
Maintenance and repair	11,044	599	1,303	78	13,024
Office and communication	198		53	391	642
Fuel, gas and energy	15,855	3,342	2,333	12	21,542
Vehicles expenses	1,435		1,297	157	2,889
Publicity and advertising			29,685		29,685
Taxes, rates and contributions	13,556	2,013	252	12,602	28,423
Insurance	2,739	6	1,121	226	4,092
Travelling	95	14	440	60	609
Export and import			4,072	25	4,097
Harvest expenses	774				774
Supplies and chemicals	139				139
Miscellaneous	1,570	1,437	1,193	2,011	6,211
Total	**241,256**	**19,801**	**251,119**	**47,918**	**560,094**

22. FINANCIAL COST

	3/31/2012	3/31/2011
Senior Notes and long-term loans interest	29,587	25,921
Other loans interest	3,137	2,506
Other interests	1,809	2,346
Total	**34,533**	**30,773**

23. OTHER GAINS AND LOSSES

	3/31/2012	3/31/2011
Gain on sale of property, plant and equipment	1,562	435
Charges to freighters	480	1,102
Royalties and licenses	244	12
Reversal of valuation allowance for other assets		4
Reversal (charge) of provision for litigation and other expenses	4,400	(626)
Donations	(207)	(198)
Depreciation of investment property	(42)	(1)
Miscellaneous	(947)	(306)
Total – net gain	**5,490**	**422**

24. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	3/31/2012	3/31/2011
Current income tax	(7,865)	(5,716)
Tax loss carry-forwards for the period	13,890	15,898
Net change in temporary differences	4,391	5,128
Subtotal	**10,416**	**15,310**
Valuation allowance on alternative minimum income tax and deferred income tax	(2,264)	(3,824)
Total	**8,152**	**11,486**

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

	3/31/2012	3/31/2011
Net loss before income tax and alternative minimum income tax	(38,871)	(43,369)
Statutory income tax rate	35%	35%
Income tax at statutory income tax rate	13,605	15,179
Permanent differences	(3,189)	131
Valuation allowance on alternative minimum income tax and deferred income tax	(2,264)	(3,824)
Total	**8,152**	**11,486**

25. CHANGES IN WORKING CAPITAL

	3/31/2012	3/31/2011
Trade accounts receivable	15,995	(23,907)
Other receivables	1,394	42,556
Tax credits	(12,975)	(24,823)
Inventories	(31,153)	17,989
Trade payables	49,385	24,046
Accrued salaries, wages and payroll taxes	(8,754)	1,529
Taxes payable and accrual for tax relief	(4,100)	2,037
Advances from customers	(914)	(22,329)
Provisions	(163)	(186)
Other liabilities	1,722	281
Total	**10,437**	**17,193**

26. PLEDGED AND RESTRICTED ASSETS

Certain assets owned by the Company are pledged as collateral for bank and financial liabilities, notes payable, and tax debt (tax régime for promoted activities) for a total amount of 71,960 as of March 31, 2012 (57,069 as of December 31, 2011 and 28,062 as of January 1st, 2011). Detail of pledged assets is as follows:

	3/31/2012	12/31/2011	1/1/2011
Trade accounts receivable			1,982
Inventories	38,857	16,477	16,025
Property, plant and equipment	10,183	10,370	8,669
Equity value of holding in subsidiary company Promas S.A.	71,049	71,339	77,601

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 27,020 as of March 31, 2012, 37,304 as of December 31, 2011 and 17,351 as of January 1, 2011.

Additionally, as of March 31, 2012 there were other receivables for an amount of 3,545 (3,543 as of December 31, 2011 and 3,941 as of January 1, 2011) in guarantee of financial and commercial transactions.

See also commitments and collaterals granted by the stockholders for the restructured financial debt in 2004 and in 2010 in Note 13.1.1 and 13.1.2.

27. RELATED PARTIES OUTSTANDING BALANCES

Company	Trade account receivables (current)			Other receivables (current)
	3/31/2012	12/31/2011	1/1/2011	1/1/2011
Afianzar S.G.R.	2	1		
Danone Argentina S.A. (1)	85,088	101,092	111,773	
Fideicomiso Formu	10	52	35	
Frigorífico Nueva Generación S.A.	216	132	41	342
Juan Rocca S.R.L.		35		
Logística La Serenísima S.A.	108,692	72,714	54,524	
Los Toldos S.A.	384	229	104	
TOTAL	**194,392**	**174,255**	**166,477**	**342**

(1) Includes receivables arising from sales of raw milk purchased for and on behalf of Danone Argentina S.A. by 73,895 at March 31, 2012, 83,850 at December 31, 2011 and 88,902 at 1 January 2011.

Company	Trade payable (current)			Borrowings (current)			Other liabilities (current)
	3/31/2012	12/31/2011	1/1/2011	3/31/2012	12/31/2011	1/1/2011	1/1/2011
Afianzar S.G.R.	15	11					
Danone Argentina S.A.	13,523	30,959	24,067				8
Fideicomiso Formu				15,033			
Frigorífico Nueva Generación S.A.			2				
Juan Rocca S.R.L.				1,176	1,153	1,065	
Logística La Serenísima S.A.	115,393	89,343	60,861				
Los Toldos S.A.	232	337	129				
Masleb S.R.L.	144	172	148				
TOTAL	**129,307**	**120,822**	**85,207**	**16,209**	**1,153**	**1,065**	**8**

28. RELATED PARTIES OPERATIONS

Transactions with related parties for the three-month periods ended March 31, 2012 and 2011 were as follows:

	3/31/2012	3/31/2011
Revenues		
Afianzar S.G.R.	2	
Danone Argentina S.A.	49,017	44,166
Fideicomiso Formu	134	103
Frigorífico Nueva Generación S.A.	74	89
Logística La Serenísima S.A.	4,552	4,519
Los Toldos S.A.	226	100
Purchase of goods and services		
Danone Argentina S.A.	23,266	13,451
Logística La Serenísima S.A.	70,394	61,031
Los Toldos S.A.	889	519
Masleb S.R.L.	429	507
Financial cost		
Fideicomiso Formu	(954)	
Juan Rocca S.R.L.	(29)	(29)
Other gain and losses		
Logística La Serenísima S.A.	857	459

During the three-month periods ended March 31, 2012 and 2011, the Company paid a total of 19,869 and 15,582, 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.

29. FINANCIAL INSTRUMENTS

29.1 – Capital management

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

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

Capital structure and debt ratio

	3/31/2012	12/31/2011	1/1/2011
Debt (1)	995,851	939,737	794,740
Cash and cash equivalent	73,503	64,101	39,907
Net debt	922,348	875,636	754,833
Equity	774,621	801,638	813,637
Indebtness ratio	1.19	1.09	0.93

(1) Debt is defined as current and non-current borrowings, as detailed in Note 13.

29.2 – Financial instruments categories

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

	3/31/2012	12/31/2011	1/1/2011
Financial assets			
Amortized cost:			
Cash and cash equivalent	41,602	43,768	36,907
Other financial assets	13,098	11,822	2,110
Trade accounts receivable	609,882	628,385	469,862
Tax credits	60,690	60,515	90,304
Other receivables	54,186	50,656	42,346
At fair value with changes to profit and loss			
Cash and cash equivalent	31,901	20,333	3,000
	811,359	**815,479**	**644,529**

	3/31/2012	12/31/2011	1/1/2011
Financial liabilities			
Amortized cost:			
Trade payables	728,054	678,669	531,983
Borrowings	995,851	939,737	794,740
Other liabilities	278,997	286,478	254,412
	2,002,902	**1,904,884**	**1,581,135**

29.3 – Risk management

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

It is not a practice of the Company and its subsidiaries to trade financial instruments for speculative purposes. As of March 31, 2012, December 31, and January 1, 2011 there were no outstanding derivative financial contracts.

29.4 – Management of foreign exchange risk

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

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

	3/31/2012	12/31/2011	1/1/2011
Assets			
United States Dollar	65,082	113,725	69,871
Euro	747	835	1,379
Brazilian Reais	71,881	65,512	72,320
Liabilities			
United States Dollar	1,097,356	1,051,739	977,976
Euro	499	206	171
Brazilian Reais	21,488	16,206	15,955
Danish krone			190
Net currency exposure	(981,633)	(888,080)	(850,722)

<u>Foreign currency sensitivity analysis</u>

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

The impact of each 1% increase in the exchange rate of foreign currency in Argentina Pesos is as follows:

	Profit (Loss)		
	3/31/2012	**12/31/2011**	**1/1/2011**
Impact for each 1% increase in the exchange rate of foreign currency in thousand of Argentine pesos	(9,817)	(8,881)	(8,505)

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

	3/31/2012 (three months period)	Fiscal year 2011	Fiscal year 2010
Exports and foreign sales (consolidated amounts)	175,565	870,745	498,736

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

29.5 – Management of the interest rates risk

The Company performs borrowings transactions for both fixed and variable interest rates. The outstanding debt bearing variable interest rate as of March 31, 2012 amounted to 180,763 (contractual amounts), corresponding to tranche A of its loan debt and to the Senior Notes Series D, in both cases, maturing in 2015. Both loans bear a floating interest rate based on LIBO plus a spread, provided that total rate shall not exceed 6% per annum (for the first semester of 2012 rate determined was 3.56% annual). Consequently, the highest impact that the Company could suffer in case of interest rate increases applicable to this debt would be of 2.44%, or approximately 4,400.

At period or year-end, the Company´s net exposure to interest rates over financial assets and liabilities is the following:

	Net financial assets (liabilities)		
Features	**3/31/2012**	**12/31/2011**	**1/1/2011**
Non-interest bear	(217,681)	(161,321)	(169,715)
Fixed-rate financial instruments	(850,946)	(800,336)	(623,026)
Variable-rate financial instruments	(122,916)	(127,748)	(143,865)
	(1,191,543)	**(1,089,405)**	**(936,606)**

29.6 – Management of the credit risks

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

- sales in the domestic markets of Argentina and Brazil are highly diversified to a large number of customers in different locations. At the same time, due to the nature of the products, sales operations are conducted on an ongoing basis, making it easier to track the status of the client. For larger customers, there is individual monitoring. In the year 2011 and the first quarter of 2012, no single customer sales represented more than 10% of total revenues of each year or period. Receivables from customers in receivership and in bankruptcy have been reclassified to other receivables and adequately provisioned.

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

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

29.7 – Management of liquidity risk

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

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

	3/31/2012	12/31/2011	1/1/2011
Less than three months	1,027,417	898,541	758,134
Between three months and a year	107,511	159,593	53,276
Between one and five year	522,699	515,409	455,395
More than five years	446,030	440,062	457,958
	2,103,657	**2,013,605**	**1,724,763**

The following table details the expected cash flows as from each period or year end.

	3/31/2012	12/31/2011	1/1/2011
Less than three months	749,084	716,662	593,442
Between three months and a year	19,606	24,111	10,192
Between one and five years	33,972	50,537	39,177
More than five years	8,696	24,169	1,718
	811,359	**815,479**	**644,529**

29.8 – Fair value of financial instruments

Fair value of financial instruments measured at amortized cost

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

	03/31/2012		12/31/2011		1/1/2011	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Senior Notes due 2018	573,244	536,341	542,062	530,218	485,651	516,256

30. 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 Notes 2 and 3.

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 (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.

- **Other:** Includes principally services related to the transportation of raw milk and other associated to the coordination of such transport (purchases and sales of trucks, spare parts, etc.)

Information	3/31/2012			
	Dairy	**Olive**	**Other**	**Total**
Revenue	1,530,462	1,059	81,541	1,613,062
Net loss for the period	(22,392)	(7,251)	(1,076)	(30,719)
Assets allocated to the business lines	2,762,631	89,719	137,038	2,989,388
Liabilities allocated to the business lines	2,128,779	11,201	74,777	2,214,757
Additions to property, plant and equipment	46,941	21	1,026	47,988
Depreciation of property, plant and equipment	23,685	824	979	25,488
Amortization of intangible assets	186			186
Depreciation of investment property	42			42
Net domestic revenue	1,354,897	1,059	81,541	1,437,497

	3/31/2011			
	Dairy	**Olive**	**Other**	**Total**
Revenue	1,220,967	3,742	60,931	1,285,640
Net (loss) income for the period	(24,678)	(3,959)	592	(28,045)
Assets allocated to the business lines	2,546,322	96,994	62,065	2,705,381
Liabilities allocated to the business lines	1,863,999	12,050	43,730	1,919,779
Additions to property, plant and equipment	20,495	116	101	20,712
Depreciation of property, plant and equipment	29,440	861	290	30,591
Amortization of intangible assets	207			207
Depreciation of investment property	1			1
Net domestic revenue	1,078,843	3,742	60,931	1,143,516

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

Period	Revenue		
	Domestic market	**Exports**	**Total**
3/31/2012	1,437,497	175,565	1,613,062
3/31/2011	1,143,516	142,124	1,285,640

31. RECONCILIATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS TO ARGENTINE ACCOUNTING STANDARDS EXCEPT FOR RESOLUTIONS N° 26 AND 29

Reconciliations between equity as determined in accordance with the IFRS used for the preparation of the current financial statements (described in Notes 2 and 3 to these interim consolidated financial statements) and the amount of equity that would have been determined should the Argentine accounting standards (Technical Resolutions issued by the F.A.C.P.C.E. other than Technical Resolutions N° 26 and 29) have been applied as of two dates: last fiscal year-end (December 31, 2011) and the date of transition to IFRS (January 1st, 2011), are presented below.

	12/31/11	1/1/11
Total equity according to IFRS	**801,648**	**813,647**
Non-controlling interests	**10**	**10**
Equity according to IFRS attributable to owners of the parent	**801,638**	**813,637**
Reconciling items:		
Ref.		
1. Inventories and spare parts and supplies	28,401	22,321
2. Property, plant and equipment	(520,049)	(550,635)
3. Deferred income tax	193,512	228,076
Net equity according to Argentine GAAP	**503,502**	**513,399**

A reconciliation between total comprehensive loss for the three-month period ended on March 31, 2011 determined in accordance with the IFRS used for the preparation of the current interim consolidated financial statements and the net loss for such period should the Argentine accounting standards have been applied, are also presented below.

	3/31/11
Comprehensive loss for the period	**(28,045)**
Other comprehensive loss for the period	
Ref.	
4. Translation adjustments of foreign subsidiaries operations	(3,838)
Net loss for the three-month period ended March 31, 2011 according to IFRS	**(31,883)**
Reconciling items:	
1. Inventories and spare parts and supplies	(873)
2. Property, plant and equipment	8,025
3. Deferred income tax	(20,766)
4. Translation adjustments of foreign subsidiaries operations	3,838
Resultado neto del período según normas contables argentinas	**(41,659)**

Explanation of the reconciling items:

1. Inventory, spare parts and supplies

In accordance with Argentine accounting standards, inventory, spare parts and supplies were valued at their replacement or reproduction cost, which did not exceed their estimated recoverable value at each year end. In accordance with IFRS, these items are valued at their cost, which do not exceed their estimated recoverable value.

2. Property, plant and equipment

In accordance with Argentine accounting standards, property, plant and equipment were valued at cost as restated to reflect the effects of inflation, net of their accumulated depreciation, which did not exceed their recoverable value at each year end. Following the application of IFRS 1 (paragraph D5 of appendix D), the Company elected, at the date of transition to IFRS, to value certain items of property, plant and equipment (properties) at their fair value and use that fair value as their deemed cost at that date. The fair value was determined based on an estimate performed by an independent valuation appraiser. As of that date, and in accordance with IFRS, the Company elected to value these items at their cost, which does not exceed their estimated recoverable value.

3. Deferred tax

In accordance with Argentine accounting standards, the Company had considered the residual value of the restatement of property, plant and equipment balances to reflect the impact of inflation as a permanent difference for deferred taxation purposes. As per the International Accounting Standard ("IAS") 12, this difference is temporary in order to determine the deferred income tax; therefore, the Company recorded such deferred tax liability. Likewise, the Company recorded the deferred tax liability that arose from the difference in valuation of property, as stated in previous paragraph 2. Additionally, the Company has considered the effect of the adjustments included in previous paragraph 1 on the deferred tax, considering the income tax rate in force.

4. Translation adjustments of foreign subsidiaries operations

This item includes the reclassification of the exchange differences derived from the translation of assets and liabilities of foreign subsidiaries operations, which are recorded in the income of the year in accordance with Argentine accounting standards, and, as per IAS 21, they are disclosed under other comprehensive income.

Reconciling items between cash and cash equivalents for the three-month period ended March 31, 2011 and the totals for the activities (operating, investing and financing) that cause changes during the period, determined in accordance with the IFRS used for the preparation of the current financial statements, and the same lines should Argentine accounting standards have been applied, are not material; consequently such reconciliations is not presented.

In preparing the reconciliations described in the preceding paragraphs, the Company has considered, those IFRS that are deemed to be applied in financial statements for the fiscal year ending December 31, 2012, the first fiscal year in which application of IFRS is mandatory. It should be mentioned that items and figures included in such reconciliations could be modified if the IFRS in force as of that date were different from the ones considered in their preparation.

32. APPROVAL OF THESE FINANCIAL STATEMENTS

These interim consolidated financial statements were approved by the Board of Directors and authorized to be issued on May 18, 2012.

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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 consolidated interim 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 2.4 to the interim consolidated financial statements) which comprise the consolidated statement of financial position as of March 31, 2012 and the related consolidated statements of comprehensive income, changes in equity and cash flows, with their Notes 1 to 32 (a summary of significant accounting policies is disclosed in Notes 2 and 3) for the three-month period ended March 31, 2012.

The figures and other information for the fiscal year ended December 31, 2011 and as of January 1, 2011 (the latter being the date of transition to the International Financial Reporting Standards) and for the three-month period ended on March 31, 2011 are an integral part of these consolidated interim 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 fair 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 consolidated interim financial statements attached, in accordance with International Financial Reporting Standard 34 , "Interim Financial Reporting". Moreover, the Board of Directors is responsible for the existence of an internal control system that is considered necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to issue a limited review report on the consolidated interim 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 March 31, 2012, or the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows for the three-month period then ended.

3. As indicated in note 2.1 to the consolidated interim financial statements mentioned in the first paragraph, section 1 of this report, these statements have been prepared in conformity with International Accounting Standard 34, "Interim Financial Reporting", this being the first fiscal year of application of the International Financial Reporting Standards. The effects of changes caused by the application of this new accounting basis are presented in Note 31 to the consolidated interim financial statements. The items and figures included in the reconciliations presented in such note may vary as a result of changes in the International Financial Reporting Standards finally applied, and may only be deemed final upon preparation of the annual financial statements for the fiscal year in which they are applied for the first time.

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 consolidated interim 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 interim consolidated financial statements referred to in section 1, have been translated into English for the convenience of English-speaking readers. The accompanying 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.
May 18, 2012

DELOITTE S.C.

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