

# ANNUAL REPORT AND FINANCIAL STATEMENTS — 2015 —

AS OF DECEMBER 31, 2015 / 55<sup>th</sup> FISCAL YEAR



ANNUAL REPORT AND FINANCIAL STATEMENTS 2015



NOURISHING MAGICAL MOMENTS



# ANNUAL REPORT

55th FISCAL YEAR





# MESSAGE FROM THE PRESIDENT





The global economy during 2015 grew at a slightly slower pace than in the previous year, as a result of the slowdown of emerging markets and the weakening of the recovery of advanced economies. The estimated growth rate was 3.1%, as reported by the IMF.

United States grew by 2.5%, similarly to the previous year, but less than estimated in the projections made by the IMF. In turn, the economy of the Latin America and the Caribbean region fell by -0.4%, according to the ECLAC's preliminary report, which reflects a deeper economic slowdown process started in 2011.

According to the ECLAC's report, the Argentine economy grew by 2.0%, as compared to 2014, where the growth rate was 0.5%, as per the same report.

Within this global environment, Arcor Group ends the year with an increase in sales, as compared to the previous year. As regards its financial policy, Arcor continued focusing on generating the necessary funds for its growth and funding the investment plan in the local capital market. The Pesos-denominated debt terms were extended and in June 2015, in view of the excellent demand, Corporate Bonds Class No. 8 was issued.

All mass consumption businesses made important launches and business actions focused on the innovation and the development of products, which allowed us to continue strengthening our bond with consumers.

An event that should be highlighted was the opening of the Bicentenario Plant in Chile, a model plant that has an area of 21,000 square meters to produce chewing gums, dragées and chocolates in 16 production lines, which ensures a capacity of 31,000 tons annually.

During this year, the new Agribusiness division started up a corn syrup plant in Arroyito, which marks the beginning of a marketing stage of the Group's agribusiness products.

Undoubtedly, the most significant event for the Group was the association with Mastellone Hermanos, the leading producer and vendor of dairy products in Argentina with over 85 years of history. Arcor and Bagley invested in Mastellone and thus obtained about 25% of its shares. We are proud of taking this first step in the dairy product business, jointly with a so renowned company by all Argentine people.

On the other hand, the shareholders' commitment towards the Sustainability Policy strengthened during this year upon carrying out the third strategic planning cycle for the purpose of determining the guidelines that will govern the Company's sustainable management for the 2016-2020 period.

Year 2016, when we commemorate our 65th anniversary, will mark the beginning of a new period in Argentina. I trust that this renewed political situation will help us to strengthen our relationships with the countries in the region and the rest of the world.

The vision for the coming years is to keep our essence and, at the same time, evolve by renewing our dreams to continue being a leading food and confectionery company in Latin America and renowned in the international market, in addition to standing out for our sustainable practices and our capacity of looking towards new horizons that will allow us to develop new businesses and thus generate economic, social and environmental value.

  
**Luis A. Pagani**  
Arcor Group's President



# ARCOR GROUP TODAY

**3,000,000 KG**

OF PRODUCTS MANUFACTURED DAILY

**MORE THAN 8 MILLION**  
DOLLARS IN SOCIAL INVESTMENT

**THE WORLD'S FIRST**  
HARD CANDY MANUFACTURER

**LEADING COOKIE, ALFAJOR  
AND CEREAL COMPANY  
IN THE REGION**

**200**

PRODUCTS LAUNCHED  
**EVERY YEAR**

**MAIN FOOD**  
COMPANY IN ARGENTINA

**MORE THAN 10 MILLION**  
PEOPLE CONNECTED THROUGH THE SOCIAL NETWORKS

**270 MILLION**  
DOLLARS IN TOTAL EXPORTS

**WORLD-CLASS RETAIL  
DISTRIBUTION MODEL**

**MORE THAN 15,000  
SUPPLIERS**

**40 INDUSTRIAL  
PLANTS**

**EXPORTS TO MORE THAN  
120 COUNTRIES**

**21,000  
EMPLOYEES**

**11 COMMERCIAL OFFICES**  
DISTRIBUTED IN AMERICA, EUROPE AND ASIA

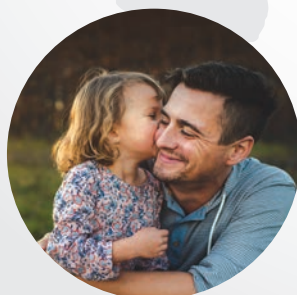


Presence in more than 120 countries\*

MEXICO •  
UNITED STATES •



BARBADOS  
HONDURAS • EL SALVADOR  
COSTA RICA | GUATEMALA • HAITÍ  
JAMAICA • PUERTO RICO PANAMA  
DOMINICAN REPUBLIC  
BAHAMAS • NICARAGUA



BOLIVIA • URUGUAY •  
• TRINIDAD AND TOBAGO | SURINAM  
COLOMBIA • ARGENTINA  
PERU • GUYANA • CHILE  
BRAZIL • PARAGUAY —

BULGARIA •  
LITHUANIA FRANCE  
ESTONIA • HUNGARY  
POLAND | ROMANIA  
THE NETHERLANDS SPAIN  
CZECH REPUBLIC • GEORGIA •



MADAGASCAR • ALGERIA • BENIN  
GAMBIA • MOZAMBIQUE  
CAPE VERDE GHANA —  
— CAMEROON | TUNISIA  
SIERRA LEONE • SOUTH AFRICA •

— AZERBAIJAN  
UNITED ARAB EMIRATES •  
INDIA | CHINA  
SAUDI ARABIA • ISRAEL  
JAPÓN SOUTH KOREA  
• THAILAND • MONGOLIA  
KAZAKHSTAN • RUSSIA



AUSTRALIA •  
— NEW ZEALAND

\*These are the main countries.



# ARCOR AROUND THE WORLD



## Commercial Offices

### SOUTH AMERICA

**UNIDAL VENEZUELA S.A.** Caracas, Venezuela (2005)

**INDUSTRIA DOS EN UNO DE COLOMBIA LTD.** Bogotá, Colombia (1998)

**UNIDAL ECUADOR S.A.** Guayaquil, Ecuador (1998)

**ARCOR ALIMENTOS BOLIVIA S.A.** Santa Cruz de la Sierra, Bolivia (2004)

**ARCORPAR S.A.** Asunción, Paraguay (1976)

**VAN DAM S.A.** Montevideo, Uruguay (1979)

**GAP REGIONAL SERVICES S.A.** Montevideo, Uruguay (2008)

**ARCOR S.A.I.C.** Buenos Aires, Argentina (Headquarters)

**ARCOR S.A.I.C.** Córdoba, Argentina (Headquarters)

### NORTH AMERICA

**ARCOR USA INC.** Miami, USA (1993)

**UNIDAL MÉXICO S.A. de C.V.** Mexico City, Mexico (2000)

### EUROPE

**ARCOR A.G. (S.A. LTD.) BRANCH IN SPAIN.** Barcelona, Spain (2002)

### ASIA

**ARCOR TRADING (SHANGHAI) CO., LTD.** Shanghai, China (2006)





# Industrial plants

## ARGENTINA

### Buenos Aires

Arcor S.A.I.C., San Pedro (1979)  
Bagley S.A., Salto (1995)  
Cartocor S.A. (Plant 1), Luján (1997)  
Cartocor S.A. (Plant 2), Luján (2012)  
Converflex Argentina S.A., Luján (2004)  
La Campagnola S.A.C.I., Mar del Plata (2006)

### Río Negro

La Campagnola S.A.C.I., Choele Choel (2006)

### Entre Ríos

Cartocor S.A., Paraná (1980)

### Catamarca

Arcor S.A.I.C., Recreo (1988)  
Arcor S.A.I.C., Recreo (1988)  
Arcor S.A.I.C., Recreo (1988)

### Tucumán

Arcor S.A.I.C., La Reducción (1972)  
Arcor S.A.I.C., La Reducción (1975)  
Arcor S.A.I.C., Río Seco (1994)

### Mendoza

La Campagnola S.A.C.I., San Rafael (1972)  
La Campagnola S.A.C.I., San Martín (2006)

### San Juan

La Campagnola S.A.C.I., Villa Krause (1985)

### Córdoba

Arcor S.A.I.C., Arroyito (1951)  
Cartocor S.A., Arroyito (1954)  
Arcor S.A.I.C., Arroyito (1958)  
Converflex Argentina S.A., Villa del Totoral (1979)  
Bagley S.A., Villa del Totoral (1975)

Arcor S.A.I.C., Arroyito (1994)  
Arcor S.A.I.C., Colonia Caroya (1994)  
Bagley S.A., Córdoba (1997)  
Arcor S.A.I.C., Arroyito (2015)

### San Luis

La Campagnola S.A.C.I., Villa Mercedes (1987)  
Converflex S.A., Villa Mercedes (1987)  
Arcor S.A.I.C., San Luis (1998)  
Bagley S.A., Villa Mercedes (2005)

## BRAZIL

Arcor do Brasil LTDA., Rio das Pedras, São Paulo (1981)  
Arcor do Brasil LTDA., Bragança Paulista, São Paulo (1999)  
Bagley do Brasil Alimentos LTDA., Campinas, São Paulo (2005)  
Bagley do Brasil Alimentos LTDA., Contagem, Minas Gerais (2005)  
Arcor do Brasil LTDA., Recife, Pernambuco (2007)

## CHILE

Industria de Alimentos Dos en Uno S.A. (Bicentenario), Santiago de Chile (2015)  
Bagley Chile S.A. (Cerrillos), Santiago de Chile (1998)  
Cartocor Chile S.A., San Francisco de Mostazal, O'Higgins (2007)

## MEXICO

Mundo Dulce S.A. de C.V., Toluca, Mexico (2008)

## PERU

Arcor de Perú S.A., Chancay, Huaral (1996)



# OUR PHILOSOPHY

Arcor updated its Corporate Philosophy, made up of the Vision, Mission and Values, which reflects its organizational culture and seeks to guide the actions of all those who are part of the Company.

## VISION

To be a leading food and confectionery company in Latin America, as well as in the international market, and be recognized for our sustainable practices and our ability to venture into new businesses.

## MISSION

To provide people all over the world with the opportunity to enjoy delicious and healthy food and confectionery products of high quality that will turn their everyday life into magical moments of gatherings and celebrations.





# VALUES

## DIVERSITY

We are convinced that diversity enriches our understanding of the world. That is why we promote a diverse internal culture in which the fusion of different views, opinions and perspectives are opportunity to grow.

## INTEGRITY

We obtain results through transparent, coherent and responsible behavior.

## HUMAN RELATIONS

We believe that only through trustworthy human relations lies the possibility to grow. Therefore, we foster a collaborative and close work environment within the company and towards the community where our employees develop their daily activities.



## ENTREPRENEURIAL ENVIRONMENT

We promote an environment that encourages innovative thinking and boosts new initiatives amongst our team members while optimizing the available resources and investments. We recognize and value teamwork, theoretical and practical knowledge and intuition gained through experience.

## PROXIMITY AND COMMITMENT THROUGHOUT THE VALUE CHAIN

We are closely committed to the entire value chain, which includes our suppliers, employees and shareholders as well as our clients, consumers and the general community. We are convinced that growth can only be achieved if we all grow together.



# ARCOR AND SUSTAINABILITY

## NOURISHING BONDS FOR DEVELOPMENTS

Since its inception, Arcor has been worried about generating socially responsible practices, fostering a business management committed to environmental care and the development of the communities of which it is part. This has been a distinctive feature of the Company, which currently poses a new challenge: to establish a sustainability vision in all the group's businesses and foster this commitment among all the consumers with which it relates.

As regards social investment, it focuses on creating equal education opportunities for children through the Arcor Foundation in Argentina and Chile, and the Brazil Arcor Institute, and contributes to the comprehensive development of communities by means of the Program of Relations with the Community.

The vision guiding the Company is thus nurtured by its best practices and reinforces the conviction of building together a sustainable future for everyone.





## ARCOR'S SUSTAINABILITY POLICY

The economic development should be aligned with the welfare and social inclusion, and the environment appreciation and protection. Therefore, we have undertaken a general commitment and five specific commitments towards the most significant and priority issues for our business.



### General Commitment



Active Life  
and Healthy Nutrition



Rational Use of  
Packaging



Rational Use  
of Water



Respect for and  
Protection of Human  
and Labor Rights



Energy Efficiency  
and Minimizing Impact  
on the Global Climate  
Change

For further information, please refer to [www.arcor.com](http://www.arcor.com)

# NOTICE OF SHAREHOLDERS' MEETING





# TO THE SHAREHOLDERS

Pursuant to the provisions of the Corporate Bylaws and regulations in force, the Board of Directors calls on the shareholders of ARCOR SOCIEDAD ANÓNIMA INDUSTRIAL Y COMERCIAL (the “Company”) to attend the Ordinary and Extraordinary General Meeting to be held at the registered office located at Avda. Fulvio S. Pagani 487, Arroyito, Province of Córdoba, Argentina on April 30, 2016, at 11:00 am to consider the following items on the agenda:

## AGENDA

- 01 ..... Appoint two shareholders to draft and sign the Minutes of the Shareholders’ Meeting.
- 02 ..... Consider the Board of Directors’ Report and Annex thereto, the Inventory, the Consolidated and Individual Financial Statements, the Summary of Events, the Auditors’ Report and the Syndic Committee’s Report for fiscal year No. 55 beginning January 1 and ended December 31, 2015.
- 03 ..... Consider the Board of Directors’ and Syndic Committee’s performance.
- 04 ..... Consider the surety offered to subsidiaries and affiliates.
- 05 ..... Ratify all the acts performed by the Board of Directors in connection with the investment made in Mastellone Hermanos S.A.
- 06 ..... Consider the allocation of Unappropriated Retained Earnings and Income for the fiscal year. Consider the creation of the Legal Reserve and other discretionary reserves. Consider the full or partial reversal of, or increase in the Special Reserve for Future Dividends. Consider the distribution of cash dividends in the amount of up to ARS 245,000,000 to be paid in two installments, the first of which amounts to up to ARS 65,000,000, payable as from May 12, 2016, and the second one, up to ARS 180,000,000, payable as from December 12, 2016.
- 07 ..... Consider the Board of Directors’ and Syndic Committee’s compensation.
- 08 ..... Consider the Board of Directors’ vacancy as a result of the resignation submitted by Mr. Luis María Blaquier. If applicable, determine the number of regular and alternate directors who will be part of the Company’s Board of Directors and, as the case may be, appoint a regular and/or alternate director.
- 09 ..... Appoint an External Auditor who will certify the Financial Statements for fiscal year No. 56 and establish their fees. Appoint an alternate External Auditor who will replace the former in case of any obstacle.
- 10 ..... Ratify the powers conferred upon the Board of Directors as broadly as possible as allowed by the applicable standards (including the power of conferring them upon others) regarding: (i) the Global Program of Issuance of Simple Corporate Bonds, nonconvertible into shares, as decided at the Shareholders’ Meeting held on February 27, 2010, extended by the decision made by the Shareholders’ Meeting held on November 28, 2014 and authorized by Resolution No. 17849 of the National Securities Commission (C.N.V., as per its initials in Spanish); and (ii) every class and/or series issued, reissued or reopened under such framework.

NOTE: Copy of the documentation to be addressed and the Board of Directors’ proposals are available to the shareholders at the registered office. The sixth item on the agenda will be discussed at the Ordinary and Extraordinary General Shareholders’ Meeting. To be able to attend the Shareholders’ Meeting, the shareholders shall deposit the shares or bank certificates at the registered office located at Avda. Fulvio S. Pagani 487, Arroyito, Province of Córdoba, Argentina from 9 am to 3 pm up to April 26, 2016. The shareholders are requested, if applicable, to consider and provide the information set forth in Sections 22, 24, 25 and 26 of Chapter II of Title II and Section 4 of Part III of Chapter I of Title XII and related provisions of the regulations approved by General Resolution No. 622/2013 of the National Securities Commission and related provisions.

THE BOARD OF DIRECTORS, ARCOR S.A.I.C.  
LUIS ALEJANDRO PAGANI, CHAIRMAN

# BOARD OF DIRECTORS AND SYNDIC'S COMMITTEE

## BOARD OF DIRECTORS

### CHAIRMAN

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Mr. Luis Alejandro PAGANI

### VICE-CHAIRMAN

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Mr. Alfredo Gustavo PAGANI

### SECRETARY

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Mr. Jorge Luis SEVESO

### REGULAR DIRECTORS

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Mr. José Enrique MARTÍN

Mr. Hugo Enrique LAFAYE

Mr. Alejandro Fabián FERNÁNDEZ

Mr. Víctor Daniel MARTÍN

Miss. Lilia María PAGANI

Mrs. Claudia Susana PAGANI de MARTIN

### ALTERNATE DIRECTORS

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Mrs. Karina Ana Mercedes PAGANI de CAÑARTE

Mrs. María Rosa PAGANI de BABINI

Mrs. Zunilda Ramona GIORDANO de MARANZANA

## SYNDIC'S COMMITTEE

### REGULAR SYNDICS

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Mr. Victor Jorge ARAMBURU

Mr. Gabriel Horacio GROSSO

Mr. Carlos Gabriel GAIDO

### ALTERNATE SYNDICS

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Mr. Hugo Pedro GIANOTTI

Mr. Alcides Marcelo Francisco TESTA

Mr. Daniel Alberto BERGESE



# BOARD OF DIRECTORS' REPORT

AS OF DECEMBER 31, 2015  
55<sup>TH</sup> FISCAL YEAR



# TO THE SHAREHOLDERS

The Board of Directors is pleased to submit for your consideration the Annual Report, Inventory Book, Consolidate Financial Statements, Auditor's Report, Syndic's Committee Report,

and the allocation of Income for the 55<sup>th</sup> fiscal year beginning on January 1 and ended December 31, 2015.

## OVERVIEW

During 2015 the world economy grew at a pace slightly inferior to the previous year due to the slowdown in the emerging markets and the fragile recovery of the advanced economies. The estimated growth rate was 3.1%, as reported by the IMF<sup>1</sup>.

The US grew at 2.5%, similar to the previous year, but less than the estimates included in the projections made by the IMF. This level of growth is partly due to a much lower capital expenditure in the oil sector. However, unemployment decreased once more.

The fall in oil prices and raw materials favored in general the economy of all those countries importing such products. The Japanese economy grew 0.6% in 2015 also due to the increase in the actual salary, and an active monetary policy implemented by the Central Bank of Japan.

China recorded an annual economic growth rate of 6.9% and 7.3% in 2015 and 2014, respectively. The economy in that country is slowing down as long as there is a change in its growth strategy, from one based on investment and manufacturing to another based on consumption and services. The lower level of Chinese growth, and the consequent decrease in its imports and lower demand of raw materials have produced an adverse effect in other emerging economies.

The slowdown of 3.7% in the Russian economy is highlighted among the main emerging economies, as a result of a constant fall in oil prices and a strong depreciation of its currency.

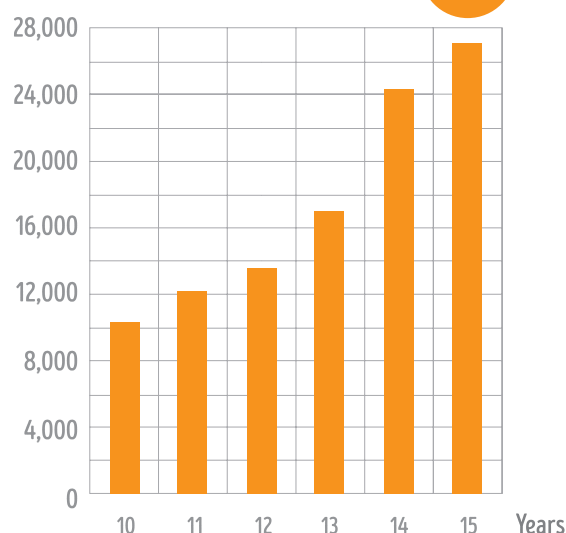
The Eurozone recorded a growth of 1.5% in 2015, higher than the growth prospect expected in the prior year. Growth, as estimated by the IMF, was promoted mainly by the strengthening of private consumption due to the fall in oil prices and the favorable financial conditions, which exceeded the weakness of net exports.

According to the ECLAC Report<sup>2</sup>, in 2015 there was a high degree of volatility in the international financial markets due to the problems in Greece in the first half of the year, and for

### Evolution of sales

Millions of pesos

27,553



<sup>1</sup> Source: International Monetary Fund, "Update on the World Economic Outlook", Washington, January 2016.

<sup>2</sup> Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean 2015" (LC/G.2655-P), Santiago, January 2016. Statistical data included in the report: 2015, Estimates; 2016, Projections.



the events in China in the second half. The high degree of financial volatility, as well as the increase in the interest rates in the US led to a lower level of global liquidity and a gradual increase in the cost of financial resources in the international markets, which mainly affected the emerging economies.

The region of Latin America and the Caribbean, according to the ECLAC preliminary report, recorded an economic contraction of 0.4%, reflecting a deepening of the economic slowdown process started in 2011. The causes of the economic contraction were the scarce dynamism of the economies of South America, which moved from a growth of 0.6% in 2014 to a fall of 1.6% in 2015, mainly due to the low growth of 3.5% and 7.1% recorded by Brazil and Venezuela, respectively. One of the reasons of the low growth or contraction were, among others, a lesser external demand due to the slowdown of emerging economies, above all China, which is the main commercial partner of several countries in the region.

Further, the fall in the price of raw materials, as well as the values of the energy sector, oil and its by-products being the most visible case, affected negatively the balance of trade of countries, such as Bolivia, Brazil, Ecuador and Venezuela.

The economies of Central America sped up their rate of growth in 2015, mainly Mexico, which moved from 2.2% in

2014 to a growth of 2.5% in 2015, since they grasped the benefits of the recovery in the US, leading to an increase in the exports to that country of North America.

For the first time since the economic crisis of 2009, Brazil ended the year 2015 with an economic contraction of 3.5% and an increase in inflation, due to the lack of trust of companies and consumers, mainly as a result of the political and institutional situation, as well as the decrease in the prices of raw materials and the increasing volatility of the international financial markets.

The Argentine economy, according to the ECLAC report, grew 2.0% compared with 2014, which recorded a rate of growth of 0.5%, according to the same report. Chile, ended 2015 with an increase in its GDP of 2.0%, similar to that of the previous year, when the economy grew 1.9%.

The ECLAC reported that the steady fall in the international prices of basic products, the rising expectations about the increase in interest rates by the US Federal Reserve, and the slowdown in the economies of the region translated into a depreciation of the main currencies. Thus, during 2015, the real was depreciated by 47%, the Argentine peso 53.1%, the Chilean peso 17.0%, and the Mexican peso 17.7%, in all cases against the US dollar.



# THE ECONOMY AND THE COMPANY

The Arcor Group ended the year with a sales increase compared with the previous year. The sales by foreign subsidiaries accounted for 24.8% of the Group's consolidated sales and the Argentine sales, including exports to third parties, accounted for 75.2% of consolidated sales for 2015.

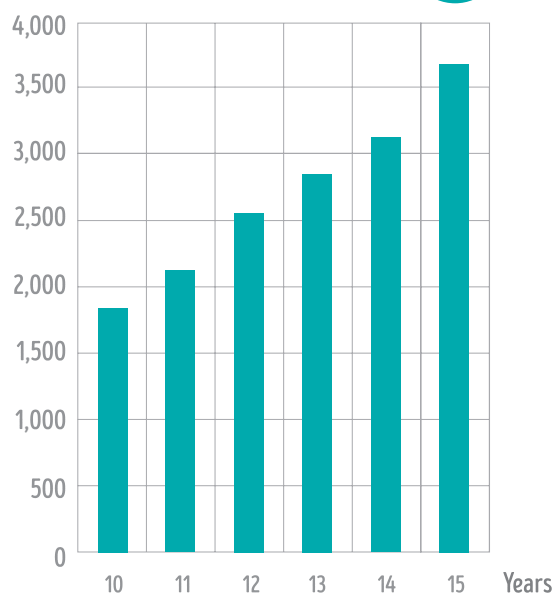
Total consolidated sales to third parties for 2015 amounted to ARS 27,553.5 million, with a net gain of ARS 801.2 million, accounting for 2.9% on sales. EBITDA amounted to ARS 3,165.7 million accounting for 11.5% on sales. The consolidated net cash flow generated by operations reached ARS 3,060.0 million, which was used in the financing activities for ARS 1,209.2 million and in investment activities for ARS 1,306.2 million.

The results for 2015 ascribed to the Company Shareholders amounted to ARS 327.3 million.

## Changes in shareholder's equity

Millions of pesos

3,697



# OUTLOOK

According to IMF<sup>3</sup> estimates, the world economy will grow by 3.4% in 2016. Projected growth for next year is slow and unequal, since it will show a slight recovery for the countries with advanced economies, among which are Japan, the US and the Eurozone. Meanwhile, developing economies face a new stage of slower growth due to the decrease in the price of raw materials, depreciation of the currencies and the rising volatility of financial markets.

The US is expected to continue with its recovery, with a growth rate of 2.6% due to the lower price of electricity and the strengthening of the housing and labor markets. An increase in GDP of 1.0% in 2016 is expected in Japan, generated by the increase in actual salaries and the fall in the prices of oil and raw materials.

According to the report, the recovery in Europe is expected to continue with a projected growth for 2016 of 1.7% as a result of the fall in the price of oil and the depreciation of the Euro against the US dollar. At the same time, potential growth continues being modest due to the legacy of the crisis, but also for demographic and political factors as the crisis of refugees in Iraq and Syria.

China would grow at 6.3% continuing with its policy of decreasing the investment growth rate to reduce the vulnerabilities generated by the rapid growth of credit and investment. India would follow with a growth of 7.5% in 2016, mainly based on the low prices of raw materials. Geopolitical tensions and the decrease in oil price would impact on Russia, causing a contraction of 1.0% for the year.

In Latin America and the Caribbean, according to the ECLAC<sup>4</sup>, the growth of GDP for 2016 would reach a rate of around 0.2%, marked by a complex external context and with growth dynamics differentiated according to countries and regions. Those countries depending on the export of

commodities where China is one of their main destinations will be more affected than those focused on the production of manufactures and services to more developed economies, mainly the US.

Brazil has projected an economic contraction of 2.0%, according to the ECLAC report. This growth will be affected by the different macroeconomic variables, such as the exchange rate, as well as the political and institutional situation.

Chile, according to the ECLAC report, expects a growth in the economic activity similar to that of the previous year, reaching an increase in GDP of 2.1% for 2016.

Regarding growth of Argentina, the ECLAC estimates that the country will grow at a rate of 0.8% in 2016.

Among the main issues that will define the course of the economy in the coming year, we can mention: the value of commodities, budget financing and tax deficit, the exchange rate, inflation rate, unbalance of certain relative prices, the outcome of the negotiations with the holdouts, the collective wage bargaining agreements, and the level of reserves.

In line with this international, national and regional outlook, the Board of Directors ratifies the strategy focused on mass consumption businesses, expense control, development of strategic association projects, increase in sales abroad through orientation and maintenance of international markets and business globalization, making liquidity and a healthy financing structure a priority, with the aim of ensuring compliance with the obligations and commitments undertaken, and ensuring the availability of the necessary funds to conduct its operations and carry out investment projects.

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<sup>3</sup> Source: International Monetary Fund, "Update on the World Economic Outlook", Washington, January 2016.

<sup>4</sup> Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean 2015" (LC/G.2655-P), Santiago, January 2016. Statistical data included in the report: 2015, Estimates; 2016, Projections.



# ANALYSIS OF BUSINESS UNITS

Below is a brief description of the main developments in the Arcor Group's different Business Segments for the fiscal year ended December 31, 2015.



## ARGENTINA

### Confectionery and Chocolates

In 2015, sales in ARS to third parties of the Confectionery Business amounted to ARS 6,820.7 million.

The most salient segments in the Sugar Confectionery Business were: chewing gum, nougat candies, Menthoplus, and jelly candies. The main launches in this business were: Topline Street Edition, Menthoplus Acid and regular with pectin, Butter Toffees Águila, Mogul 50% fruits and Mogul strawberries with cream.

The Topline Original Mints, Menthoplus Acid and Happy, Mogul *Camino a la frutalidad* and Plutonita advertising campaigns had an excellent impact.

During 2015, the Group renewed its co-branding agreement with Coca Cola, the largest soft drinks company in the world. This strategic alliance maintained since 2011 is based on a regional business model, aimed at developing and marketing a portfolio of products sold under brands of

the two companies in South American countries, including Menthoplus Powerade, Fanta Ice-cream and Topline Inca Kola Zero. The results for the year have been satisfactory and both companies are working to continue with the agreement in 2016.

The chocolate business continued with the successful advertising campaigns for the year, among which are: Cofler under the concept “*La felicidad no tiene recetas, Cofler sí*” (There is no recipe for happiness but Cofler has one), campaigns for supporting the second year of the launch of Citos and Águila with the celebration of its 135th anniversary, with a highly successful advertisement, winner of an Effie award, together with the launch of an special edition of Águila chocolate bars and a commemorative book, which was sold in the main bookstores of Argentina.

The Cofler brand continued with its excellent market performance and achieved growth in the Cofler *Aireados*, Cofler Block and Cofler *Rellenos* lines. The brand launched the new Cofler Mousse *Avellanas*.

In the segment of bonbons, it was focused on the communication of Bon o Bon Mix, and in the sweetness week with advertisements and a strong trading dynamic, holding a historical record in sales. Further, the new mint bonbon was launched.

The rest of the segments were also active. Tortuguita launched the strawberry yogurt version, Águila launched the new line of Premium Águila D’or chocolate bars with a new packaging technology, and Hamlet with the launch of the banana flavor, belonging to the peanut cover category.

Among the main investments in the industrial sector are: in the candy business, the commencement of the extension of the nougat candy line in Arroyito, and in the chocolate business, the building of a new wastewater treatment plant in Colonia Caroya in line with the commitment of the Group to Sustainable Policies.

The Colonia Caroya, Recreo, San Luis and Arroyito plants were successful in the audits for maintaining the certifications under OHSAS 18001, ISO 14001, ISO 9001 and BRC.







## ARGENTINA

### Agribusiness

Most part of the Business activities, such as the agricultural production, alcohol, dry and humid mills and sugar cane are destined to the Group's own consumption for its massive consumption Business in Argentina.

Sales to third parties for the Agro-Industries segment in 2015 amounted to ARS 972.7 million.

The Business has completed the construction of its new corn syrup plant in Arroyito. The plant has the capacity to

grind corn to produce high fructose, a supply to prepare beverages. This new plant has been built incorporating state-of-the-art technology and international processes which have allowed certifying the most stringent quality standards required by the customers.

In the San Pedro plant the OHSAS 18001, ISO 14001, ISO 9001 and BRC certifications were obtained in 2015, and in Arroyito, Molienda Húmeda Arroyito obtained the BRC certification.

## ARGENTINA

### Packaging

During 2015, sales to third parties by the Packaging Business in Argentina amounted to ARS 3,048.8 million.

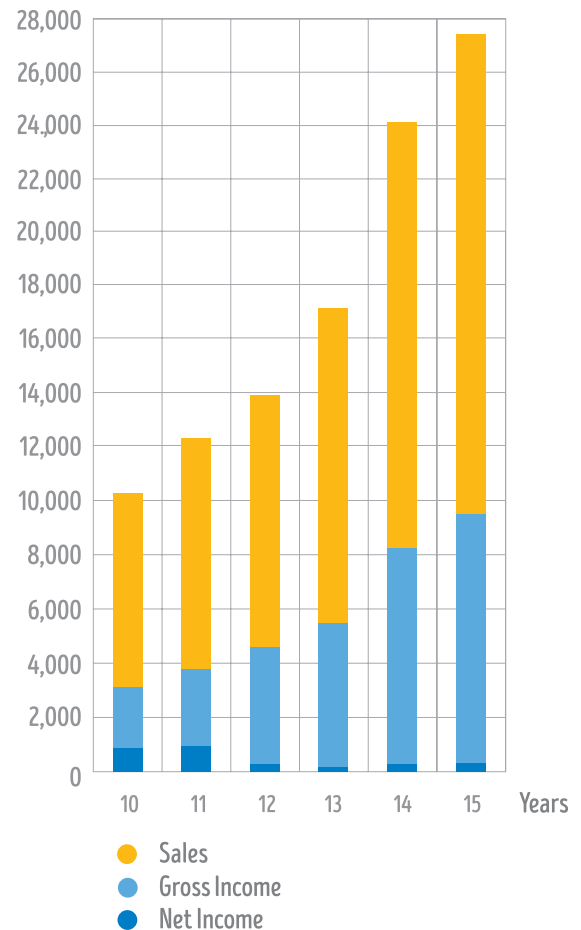
The Paper and Cardboard Business was focused on new developments; it improved customers loyalty and increased the volume of customers based on automation, the use of lighter materials and the offer of a differential product through boxes printed with the offset system.

During 2015 the Paraná, Arroyito and Luján plants successfully passed the audits for maintaining the certifications under OHSAS 18001, ISO 14001, ISO 9001 standards. The Arroyito paper and cardboard manufacturing plant achieved certification for FSC standard.

Business industrial investments were focused on automating the line ends to improve productivity, as well as the ergonomic conditions under which the work is performed aimed at reducing and preventing labor accidents. The building of the new warehouse, adjoins the conversion plant, to store print cylinders and finished products, was completed in the Villa del Totoral plant. This warehouse has a selective pallet racking system which enables substantial cost savings.

### Evolution of sales, gross income and net income

Millions of pesos







production capacity of laminated cookies.

During 2015, the Villa del Totoral, Salto and Córdoba plants successfully passed the audits for maintaining certification under OHSAS 18001, ISO 14001, ISO

9001 and BRC standards. The Villa Mercedes plant maintains the certifications for ISO 14001, ISO 9001 and BRC standards.



## BRAZIL

### Confectionery and Chocolates

Sales to third parties by the Confectionery and Chocolates Business for 2015 amounted to ARS 1,428.6 million; Easter sales had a similar performance as compared with 2014. Further, the packaging of the products was aligned with market trends.

In 2015, the launches during 2014 were consolidated on a secure footing, as well as the specific actions for communication within the overall Brazilian business strategy, which allowed retaining our leadership in the children's chewing gum segment, where the Poosh and Plutonita brands had great market acceptance. A new sugar-free line was launched for Poosh, as well as a line of conceptual flavors Crystal, Ink and Music. The regular line of Plutonita was renewed under the zombie theme with the launching of another flavor: *Corazón del Zombi* (Zombie's Heart). In a context of great competitiveness, costs increase, retracted consumption and economic instability, even so we achieved a very good performance in the growth of the volume of



Poosh products sold, 7 Belo chewy toffees and the lollipop line.

The ButterToffees brand celebrated 30 years in the Brazilian market and leads the milk candies segment. In this context, two flavors highly valued by the Brazilian consumers were launched in 2015: the coffee flavor in collaboration with the Três Corações brand (a very well-known brand of ground coffee in Brazil) and flambé banana, a dessert very popular in that country.

The Rio das Pedras and Bragança Paulista plants successfully passed the audits for maintaining certification under ISO 9001, ISO 14001 and BRC standards.





## BRAZIL

### Cookies

Sales to third parties for the cookies segment in 2015 amounted to ARS 979.7 million.

In 2015, the Aymoré brand received the Top of Mind prize in Minas Gerais for the 17<sup>th</sup> consecutive year in the category of Excellence in Cookies, a fact that asserted the leadership of the brand in the Minas Gerais and Gran Belo Horizonte region.

The great launch of 2015 was the Tortuguita cookie, which included the renown children's character in filled cookies at a very competitive starting price. The flavors are Brigadier, Strawberry, Chocolate with Vanilla, and Chocolate. In addition,

in the segment for children, products of the Danix brand were launched under license of children's movies.

We continued enlarging the portfolio of the Cereal Mix and Grãos da Terra lines, with new flavors, like banana and cinnamon and chocolate with hazelnuts.

The Campinas and Contagem plants maintain compliance with audit standards for ISO 9001 and ISO 14001 certifications. The BRC standard certificate for the Contagem plant was successfully obtained in 2015.

## ANDEAN REGION

### Confectionery and Chocolates

Sales to third parties in 2015 amounted to ARS 1,332.3 million. This shows a recovery of the domestic market compared to the level of growth recorded in 2014, with chocolates and chewing gums being the main drivers of such increase.

In 2015, the market continued with its trend towards healthier habits, with a choice for calorie-reduced, fortified, functional natural products. In addition, industry

is prepared for implementing in 2016 the regulatory decree of Law No. 20,606 on nutrition facts labeling for foodstuff.

New launches were focused on the chewing gum segment, through the BigTime brand, with the BigTime Original Mints product, with a modern format and new flavors. In the chocolate segment, the Bon o Bon product was launched in a gift format for the most important seasonal

events of the year, enhancing the brand leadership. Further, in the candies segment the launch of the Morf marshmallows with Bon o Bon filling was a success.

In Peru, the products portfolio strategy focused on the chocolate and candy categories was maintained in 2015. Consequently, the advertising investment was focused on the products of the Bon o Bon and Topline brands, in particular with the Topline Inka Kola flavor chewing gum, which resulted from the co-branding alliance with Coca Cola and gained a very significant share within its segment.

In Ecuador, the restrictions on imports imposed by the government became tighter in 2015, thus the portfolio of products sold had to be rationalized, focusing the sales on core brand products. Therefore, sales decreased compared with the previous year.

## CHILE

### Cookies

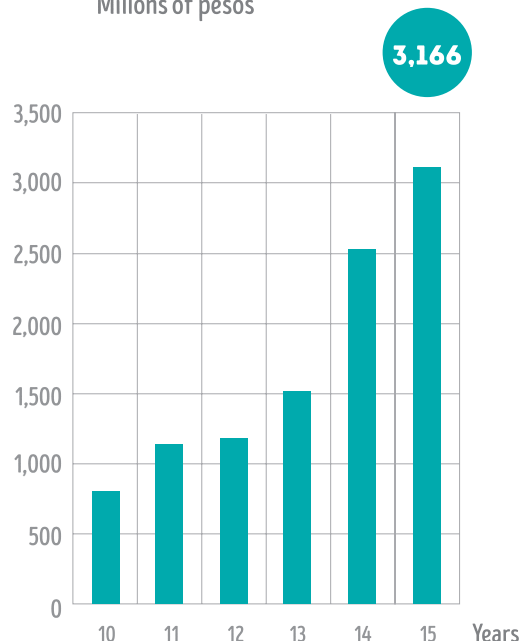
At the end of 2015, sales to third parties amounted to ARS 447.2 million.

Selz Natural Break was launched in 2015, a mix of dried fruits and nuts 100% natural to be in line with the trend towards healthier habits, one of the segments which grew most in the market. Thus, the investment in advertising was made through TV commercials, social media and public spaces.

In terms of the main industrial investments of the business, the building of a new line is expected for the next year to increase the installed capacity of laminated cookies, which has been currently exceeded. Therefore, we will respond to the increase in the demand for this product.

## Evolution of EBITDA

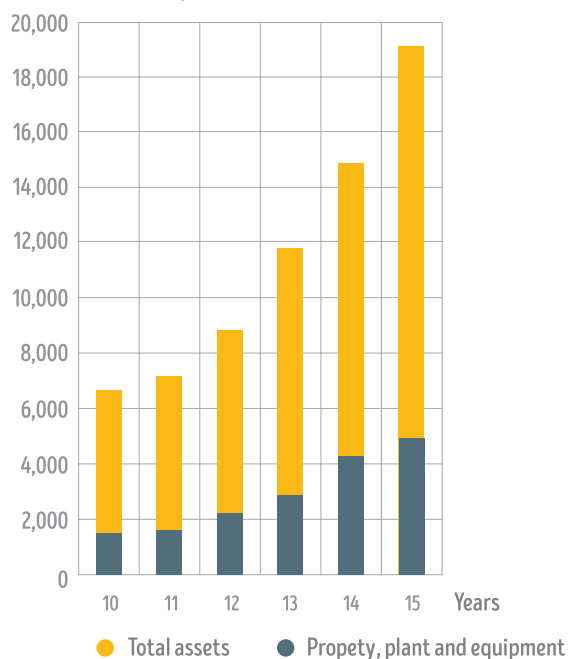
Millions of pesos





Evolution of the investment in property, plant and equipment vs. total assets

Millions of pesos



## CHILE

### Packaging

At the end of 2015, sales to third parties amounted to ARS 556.9 million.

In 2015 we continue strengthening the share in the fruit and vegetables market, with an original product consisting in the manufacturing of cardboard containers with preprinted papers with polyethylene sheets. This productive innovation allows delivering a product with a printing of superior quality and humidity-resistant.

## SOUTHERN SUBSIDIARIES

Sales to third parties for the Southern Subsidiaries segment in 2015 amounted to ARS 1,008.1 million.

In Paraguay, the devaluation of the local currency in 2015 affected the level of sales compared with the previous year. However, brands consolidation was continued in the market, with very successful advertising campaigns for the products Topline, Bon o Bon, chocolate bars, and ice creams, among others.

In Uruguay, growth in 2015 slowed down, with higher inflation and a devaluation of the currency against the US dollar. In this context, although sales were affected, leadership in Confectionery and Chocolates was consolidated in 2015 for third consecutive year, supported by the Topline, Cofler and Rocklets brands. The launch of a portfolio of products of the snack line under the Saladix brand should be highlighted, in which significant investment in advertising was made.

In Bolivia, sales decreased in 2015, due to macroeconomic factors mainly related to the changes in the exchange rates of the currencies of the neighboring countries. The major investment in advertising was focused on the Topline, Bon o Bon strategic brands and ice creams.

## OTHER INTERNATIONAL MARKETS

Arcor Group continued encouraging the international development and expansion of mass consumption businesses as a growth strategy, as was the policy set and sustained for years, which made it possible to expand in the international mass consumption markets, positioning Arcor as the Argentine Group with the largest number of open markets around the world, caused by globalizing its businesses and the development of strategic association agreements.

In relation to international markets, Mexico increased its volume of sales compared with the previous year, driven by the Supermarket and Wholesale channels. The launches which contributed with that increase were the Selection of Mexican ButterToffees, and the new Bon o

Bon Coco flavor; in both cases these are products closer to the taste of local consumers. A growth in sales in the domestic market as well as in exports is expected for 2016, focused on core brands and in the consolidation of sales to customers in Central America, the Caribbean, Asia and Africa.

Export transactions were adversely affected by macroeconomic issues, such as the fall in the price of oil and the generalized devaluation of the currencies in Africa and Europe. Therefore, commercial actions in Europe as well as in Asia-Pacific, Arab countries, India, China, Japan, Central America, the Caribbean and North America, among others, were focused on the major brands and on those markets with the potential for those brands.

## AGREEMENTS WITH MASTELLONE HERMANOS S.A. AND ITS SHAREHOLDERS

In December 2015, Arcor Group signed a historical agreement with Mastellone Hermanos S.A., an Argentine company with over 85 years leading the manufacture and sale of dairy products.

This agreement is a significant advance in the incorporation of new businesses, consolidating the Group as one of the strongest in the country. Further, it implies the association between big Argentine companies that unite to jointly face the challenges of the future.

Mastellone Hermanos S.A. and its shareholders offer Arcor S.A.I.C. and Bagley Argentina S.A. the subscription of shares to be issued for an amount that, if the additional subscription option is exercised, accounts for 30.04% of capital and voting rights, in exchange for a contribution totaling USD 85 million, to be paid up in pesos at the exchange rate of the single and free exchange market, in two stages and subject to the required approvals and other usual conditions for this type of transactions. This offer was accepted, and thus on December 4, 2015, the first irrevocable contribution was made for the equivalent in pesos of USD 50 million, which,

after the necessary authorizations, gave rise to the issue of shares on February 23, 2016 through the capitalization of the contribution. The subscription of additional shares is still pending, which may be exercised in January and February 2017 for the outstanding amount.

Simultaneously, on December 3, 2015, certain shareholders of Mastellone Hermanos S.A. offered to sell part of their shares to Arcor S.A.I.C. and Bagley Argentina S.A, which the next day accepted the offer and paid the purchase price for a total of shares accounting for 4.99% of the capital and voting rights.

The shareholders of Mastellone Hermanos S.A. offered Arcor S.A.I.C. and Bagley Argentina S.A. an agreement establishing purchase options in favor of those companies and sales options in favor of the shareholders, at a price whose calculation method was defined in the proposal, (i) up to 2020, and in several transactions, up to reaching 49% of the Company's capital and voting rights, and (ii) as from 2020 and up to 2025, for the outstanding balances which had not been previously transferred.



# FUNCTIONAL AREAS

## FINANCE

The financial policy was focused on generating the necessary funds for normal business operations and in the development of investment programs.

In Argentina, in 2015, the focus continued to be on the debts taken in the local capital market, and the terms for debts stated in pesos were extended. In June 2015, in view of the excellent demand, Class 8 of Corporate Bonds was issued in pesos for a total of ARS 500 million, at a mixed rate: for the first nine months at an annual nominal fixed rate of 25.45% and a BADLAR rate plus a margin applicable in the remaining months until its expiry, in June 2017.

After this issue, the Group totals Corporate Bonds for over ARS 1,500 million and it is one of the main debt issuers in the local capital market. These placements have allowed improving the debt profile in Argentina, with a greater participation of loans in pesos and an extension of the amortization terms.

At the same time, during the last quarter of 2015, the new Program of Corporate Bonds was filed with the National Securities Commission. It has been authorized by that entity for an amount of up to USD 800 million and for a five-year term.

In relation to the debts in dollars, and to reduce the effect of the devaluation of the peso, the group obtained exchange rate hedges in Argentina, and at the same time investments in assets stated in dollars were made to cover their exposure.

Further, capitalizations were made for a total of USD 18 million, mainly in Brazil and Chile.

The financial objectives for the Arcor Group in 2016 will be to secure suitable cash flow to cover its working capital needs and the envisaged investment plan, as well as meet its financial obligations.



## ADMINISTRATION AND SYSTEMS

The corporate reorganization process initiated in 2012 continued with the merger of Arcor Group companies aimed at optimizing processes and obtaining synergies in the business structures. In line with this, the statutory merger of Cartocor S.A. (surviving company) with Converflex Argentina S.A. and Converflex S.A. (merged companies) was completed in 2015. Different areas of the Company have taken active part in this process, seeking to comply with the terms and objectives previously set.

In terms of technology, the purchase management scorecard was implemented in Microstrategy and the Sustainability Scorecard was completed. The use of business management scorecard was implemented in Chile.

In 2015, the Brazil operations were integrated with the implementation of the second phase of the Antares Project, which included logistics, administrative and commercial processes. In relation to this integration, the Berlin project was conducted, focused on the update of the industrial operating model of the flexible product business plants.

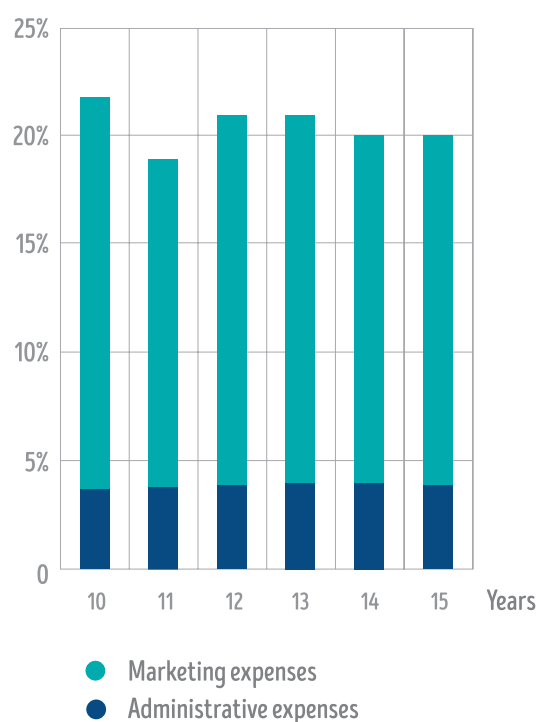
To give users access to the most innovative technological solutions, mobile phones were replaced in all countries. In the office software field, the initial stages of the Office365 implementation were completed, to replace the e-mail and instant communication tools of current Group users.

The technological infrastructure and communications networks were upgraded and improved, necessary to provide support to applications and continue with the expansion of digital telephony. Tools for monitoring network and applications were implemented, which made it possible to improve internal service.

As regards Information Security, in 2015, the processes for network securing and work positions were continued, in addition to ongoing certification and monitoring.

### Evolution of administrative expenses and marketing expenses

Stated as a % of sales



For the year 2016 we plan to continue with the expansion of the Antares operating model, through the implementation in Chile, Mexico, Ecuador, the US and Spain, comprising the industrial, logistics, commercial, financial, industrial, purchases, supplies and maintenance processes.

It is expected to start a process for upgrading and improving Agribusiness, Transport and Human Resources Performance management systems. The implementation of Office365 will be continued with the purpose of deepening collaboration and internal communication with mobile, integrated and secure solutions. Projects related to information security, access to networks and infrastructure upgrade will be continued, and the models for cloud computing, virtualization and high availability will be improved.





## HUMAN RESOURCES

During the year 2015, actions and processes were implemented at a global level with the aim of continuing the collaborators development, commitment and improving the organizational environment. Thus, the Arcor University continued encouraging the development of employees within the Company, as it has been doing since 2008. The project for the construction of Specialized Technical Schools continued; the Industrial School continued also with its activities in the Logistics area focusing on the improvement of key processes and continued with the development of the areas of Quality and Maintenance at a regional level. Further, the internal program continued to be developed in the Marketing School to systematize management tools to Marketing managers of all the group and the analysis with consultants and experts was started for the future definition of the MAPHI School.

Another objective is to cover internal management positions based on the identification of talents and pools for replacements defined in the PRE (Strategic Resources Planning) process. As a complement to this process, there were performance evaluations of the group's managers with specialized consultants, with the corresponding feedback interviews personalized for each of them.

The Group continued with its Young Professionals Program who join the Operations, Management, Marketing, Trade Marketing, Commercial and Systems sectors. Further, within the inclusion program, disabled persons joined the industrial operations, logistics and in the commercial sector for transactions in Argentina, Brazil and Chile.

The implementation of the new corporate system for controlling entry hours in the offices of the Peru group continued. The technical-functional aspects to reach a .Net version of the system to control hours were validated, as well as its unification with the control of entries system.

Regarding climate management, the businesses have carried out the action plans defined and agreed upon once the results of the survey that took place in August 2013 were made available, based on the priorities and emerging issues from the analysis of the dimensions and the qualitative survey workshops. Currently, there was progress in the action plans defined for the different businesses and sectors, with a systematized follow-up of the global climate management and of labor relationships through a module of the People Soft tool. A new edition of the Group Corporate Climate Survey is expected for 2016.

# ARCOR'S SUSTAINABILITY

During 2015, Arcor Group carried out the third part of the strategic sustainability planning, with the purpose of determining the group of elements that will guide the sustainable management for the 2016-2020 period. The process was conducted in three stages, which included an internal and external analysis and an evaluation of the situation, development of the strategic guidelines, and lastly the formulation of the strategy and components of the action plan for the coming years.

To raise the corporate value of the Arcor Group through business management and sustainable governance, the sustainability strategy defined for the 2016-2020 period is materialized in three components: sustainable identity, operational continuity and increasing demand.

Throughout the year, Arcor continued with the plan developed in the 2013-2015 Sustainability Strategy, advancing in approaching the challenges and goals





## Sustainability in the Business Strategy

In the year 2015, 840 sustainability initiatives were included under the Group Business's Operating Plans, of these, 38% were directed to a commitment toward respect and the protection of human and labor rights; 14% related to the efficient use of energy and minimizing the impact on global climate change; 14% related to active living habits and healthy nutrition; 11% to the rational use of water; 12% to the rational use of packaging; and 11% to the general commitment with Sustainable Development.

These initiatives were complemented with 14 corporate projects, which included the Energy Efficiency Program, the Corporate Policy for Sustainable Paper Supply, the Nutrition Platform, the Healthy Life Habits Project, the Sustainable Agriculture Program, the Gender Equality Project, the Work Inclusion Project for the Physically Challenged, and the Ergonomics Program among others.





## Sustainability in People's Performance

During the year, we also continued deepening the incorporation of sustainability in the Performance Management System (PMS) for Group managers and heads. Under this system, a total of 780 collaborators established goals, and undertook to contribute to their achievement from

their work area to make Arcor a sustainable company. In addition, this year a pilot test was implemented where six businesses of the company set sustainability objectives for their divisions, whose scope included more than 37% of the collaborators covered by the PMS in the whole group.

## Sustainability in the Management System

The Arcor Group has a Sustainability Corporate Committee, and with sustainability committees in Chile and Brazil. These instances, along with Corporate Sustainability Management, form the system of management and governance of this issue in the Company, that reports to the Company's top management. In 2015, these committees regularly met to supervise the progress

made and make strategic decisions.

Further, the visualization screens of the Sustainability Scorecard were installed this year and we worked on their improvement. The scorecard is a control board which allows measuring and reporting the progress of the Arcor Group as regards compliance with its Sustainability Strategy.



## SOCIAL INVESTMENT IN ARCOR

Through its Social Investment Policy, the Arcor Group contributes to promote the integral development of communities where it operates, by means of the initiatives implemented by the Community Relations area; further, from the Arcor Foundation in Argentina and Chile and the Arcor Institute in Brazil it seeks to promote equality of opportunities for children.

The total amount destined to these investments amounted to ARS 78,385,132, of which ARS 66,178,080 were channeled through donation of products and contributions in cash and materials to implement various initiatives of community involvement. ARS 12,207,052 were destined for the activity performed by the Arcor Foundation in Argentina and Chile and the Arcor Institute in Brazil.



## Community Relations Program

In 2015, the Arcor Group continued promoting the comprehensive development of the communities where their operating facilities are located and prepared strategies for the management of impacts on each town.

Through the 19 corporate relations committees with the community locally consolidated in the industrial plants and distribution centers, Arcor has covered 100% of the territory where the company operates in Argentina and Chile. Throughout the year, these committees continued planning and implementing their operating plans and carrying out community actions, which were

supplemented by corporate projects where various sectors of the company are involved.

In addition, a significant milestone in 2015 was the conduction of perception studies in 112 Argentine communities, and the development and design of a matrix of community impacts:

- Perception study: a study was conducted in 12 communities of 16 operating facilities located in 7 Argentine provinces to know the perception of the various Arcor interest groups of the “Company - Community

relation". The 12 in-depth interviews and 21 focus groups conducted were aimed at inquiring what the community that lives in its territory knows about the company, which impacts the various interest groups assume are exerting, and what is their valuing of them to identify improvement opportunities.

- Company-community impact matrix: a matrix of economic, environmental and social impacts was

designed to enable the compilation and record of homogeneous and comparable information to manage the potential impacts of Arcor on the local development of the communities where it works. The matrix includes own operations and the company's local suppliers, and addresses those impacts generated directly or indirectly by Arcor on each community through 100 economic, social and environmental indicators.



## Arcor Foundation in Argentina and Chile and Arcor Brazil Institute

Contributing to make education a tool for equal opportunity for children is the mission of Arcor Foundation in Argentina and Arcor Brazil Institute.

In this line, Arcor Foundation in Chile was founded in June 2015, an organization that formalizes the actions and initiatives already developed in the country. Thus, Arcor Group reinforces its commitment to promoting and contributing to the rights of children in the region, as it has been doing since 1991 with Arcor Foundation in Argentina and since 2004 with Arcor Brazil Institute.

These three entities through which Arcor Group makes its social investment promote and support projects from

non-profit organizations focused on two issues: infancy and the promotion of an active lifestyle.

In 2015, the Arcor Foundation achieved nation-wide coverage (19 provinces) with the implementation of 83 projects, in which 84,498 children and 110,490 adults who worked on childhood issues participated. Arcor Foundation in Chile, in its first 6 months, supported 8 projects where 849 children participated, as well as 506 adults from 7 communities of the municipality of Santiago. Arcor Brazil Institute supported 36 educational projects from 26 municipalities in 7 Brazilian states. 12,040 children and 22,055 adults participated in a direct and indirect manner.



## Proposal for the Allocation of Unappropriated Retained Earnings and Dividends Distribution

The Separate Statement of Changes in Equity for the year ended December 31, 2015, under the item Unappropriated retained earnings/losses, records a positive balance of ARS 350,755,151 which includes, among others, the income for the year for ARS 327,312,735 (gain), ARS 22,650,958 (gain) corresponding to prior year adjustments originated in a change in accounting criteria as detailed in Note 43 to the Separate Financial Statements at 12.31.2015 and ARS 780,400 (gain) corresponding to actuarial gains and losses from the defined benefit plans of the Group, whose activity for the year is recognized in other comprehensive income.

The Board of Directors, considering the liquidity level and the financial commitments taken by the Company, considers it convenient to submit the following proposals to consideration of the Shareholders' Meeting:

1) Proposal for allocation of unappropriated retained earnings.

The proposed allocation of the balance of the Unappropriated retained earnings/losses account is as follows:

- (i) ARS 10,554,547 to the creation of a Legal Reserve,
- (ii) ARS 95,200,604 to increase the Special Reserve for Future Dividends, and
- (iii) ARS 245,000,000 to distribute cash dividends.

2) Proposal for dividends distribution:

The following distribution of cash dividends is submitted to consideration of the Shareholders' Meeting: ARS 245,000,000, to be paid in two installments, made available on these dates:

- (a) first installment: the amount of ARS 65,000,000 as from May 12, 2016; and
- (b) second installment: the amount of ARS 180,000,000 as from December 12, 2016.

## Directors' and Syndics' Fees, Remuneration Policy for the Board of Directors and Managerial Staff

As of December 31, 2015, remunerations to the Board of Directors have been accrued in the amount of ARS 78,002,009. This amount includes the following items:

- (i) remunerations paid, for ARS 26,264,456; (ii) remunerations accrued but not paid, for ARS 25,430,410, (iii) fees accrued for management duties performed during the year ended December 31, 2015, for ARS 26,307,143. In addition, fees to the Committee of Syndics have been accrued in the amount of ARS 1,338,534 for the duties performed during the year ended December 31, 2015.

It should be noted that the fees accrued will be allocated

individually and paid following their approval by the Shareholders' Meeting summoned to consider this Annual Report. The compensation of the Board of Directors is fixed and approved by the Shareholders' Meeting, taking into account the limit established in article 261 of The General Companies Law and relevant rules of the Argentine Securities and Exchange Commission (CNV).

As regards the compensation policy for management positions, the Company has established a compensation system based on a fixed portion and a variable portion. The fixed remuneration relates to the level of responsibility required for the position and market conditions; the variable

remuneration relates to the objectives established at the beginning of the year and the degree of compliance throughout the year to fulfill the corresponding duties. Furthermore, the Company has instituted and communicated a pension plan

(defined benefits plan) for employees including, among others, management positions. The Company has not established stock option plans for its staff.

## Decision-making and Internal Control

### A) Governance: the Shareholders' Meeting

The Company's body of corporate governance is the Shareholders' Meeting, at which each class "A" share is entitled to five votes and each class "B" common share is entitled to one vote. In all cases, for the appointment of regular and alternate Statutory Auditors, and the cases

covered by the final paragraph of Article 244 of the General Companies Law, all common shares, including those carrying multiple voting rights, will only entitle holders to one vote per share.

### B) Management and Administration

#### THE BOARD OF DIRECTORS

The Company is managed and administered by a Board of Directors made up of five to twelve regular directors and an equal or lower number of alternate directors, as decided by the Shareholders' Meeting. Directors remain in office for three fiscal years, and may be re-elected indefinitely. Each Director's term of office can be extended until a substitute has been appointed at the Shareholders' Meeting, even where the term for which they may have been elected has expired, until the new Director takes office.

In accordance with the Corporate By-Laws, the Board of Directors has extensive powers to manage the Company's business. The Board of Directors will meet at the request of the Chairman, as regularly as the interests of the Company may require, but at least once every three months. Resolutions will be recorded in a sealed book of minutes as required by the Argentine Commercial Code.

Below is a detail of the Board of Directors' members at December 31, 2015, whose terms of office expire on December 31, 2016.

<b>CHAIRMAN</b>
Mr. Luis Alejandro PAGANI
<b>VICE-CHAIRMAN</b>
Mr. Alfredo Gustavo PAGANI
<b>SECRETARY</b>
Mr. Jorge Luis SEVESO
<b>REGULAR DIRECTORS</b>
Mr. José Enrique MARTÍN
Mr. Hugo Enrique LAFAYE
Mr. Alejandro Fabián FERNÁNDEZ
Mr. Víctor Daniel MARTÍN
Miss. Lilia María PAGANI
Mrs. Claudia Susana PAGANI de MARTÍN
<b>ALTERNATE DIRECTORS</b>
Mrs. Karina Ana Mercedes PAGANI de CAÑARTE
Mrs. María Rosa PAGANI de BABINI
Mrs. Zunilda Ramona GIORDANO de MARANZANA



## C) Audit Committee

In 2010, the Company set up an Audit Committee with the following duties: (a) monitoring the operation of internal control and the accounting-administrative systems, as well as the reliability of the latter and of all financial information and other significant events; (b) monitoring the application of policies regarding information on the Company's risk management; (c) reviewing internal and external auditors planning, as well as assessing their performance; (d)

considering the budget for the internal and external audit; and (e) assessing the various services provided by the external auditors and their relation with independence issues as set forth by current professional standards.

This Committee does not apply the regulations set forth by the National Securities Commission, since the company is not under the obligation to establish an Audit Committee pursuant with prevailing regulations.

## D) Syndic's Committee

The Company's supervision is held by a Syndic's Committee made up of three regular members and three alternate members, elected at the General Shareholders' Meeting for a three-year term, and who may be re-elected indefinitely according to the Company By-laws. The terms of the current members of the Statutory Auditors' Committee expire on December 31, 2016.

REGULAR SYNDICS	Mr. Victor Jorge ARAMBURU Mr. Gabriel Horacio GROSSO Mr. Carlos Gabriel GAIDO
ALTERNATE SYNDICS	Mr. Hugo Pedro GIANOTTI Mr. Alcides Marcelo Francisco TESTA Mr. Daniel Alberto BERGESE

## E) External Auditors

Every year the General Shareholders' Meeting appoints the independent external auditors who will be in charge of auditing and certifying the Company's accounting records. The law N° 26,831, the decree No. 1023/2013 and the regulations of the Argentine Securities and Exchange Commission (CNV new

text 2013), approved by General Resolution 622/2013, have established the requirements to be met by external auditors of listed companies and by the companies appointing them, in order to ensure the auditors' independence and professional qualification.

## F) Internal Control

The Group has internal systems and procedures designed respecting the basic criteria of internal control. An effective budgetary control system has been implemented to monitor progress of the businesses and to prevent and detect any deviations.

The Information Technology Security area of the Systems Corporate Department keeps centralized functions with high control levels based on world-class methodologies within the framework of a program of ongoing updates and continual improvement, by documenting and standardizing

initiatives and procedures related to the Group's IT assets and responsible for complying with privacy and data protection regulations.

The Internal Audit Department depends on an Arcor S.A.I.C.'s Director and reports to the Audit Committee. Its aim is to minimize any potential impact which may be caused by operational risks, by meeting corporate goals, supporting various areas by means of the implementation and optimization of controls and procedures.

## G) Corporate Governance

The Corporate Governance Code Compliance Report for fiscal year 2015 is attached as Schedule I, fulfilling the Section IV “Periodic reporting requirements” of the Argentine Securities and Exchange Commission -CNV- (N.T. 2013) approved by General Resolution N° 622/13, and its amendments.

## I) Finance, Investments and Strategies Committee

In 2010, a Finance, Investments and Strategies Committee was set up; among other responsibilities, the most important are reviewing the final budget, evaluating alternative sources of financing, investment plans and new business lines.

## K) Sustainability Committee

The Company's Sustainability Committee, among other functions, is in charge of:

- Providing advice to Management in all aspects related to sustainability, supporting identification and treatment of risks and opportunities with relevant impact for the Group.
- Setting priorities and implementing policies, strategies and corporate actions, related to the sustainability of Arcor's business.
- Evaluating the Company's performance in connection with the sustainability of its business, and monitoring and minimizing environmental and social impact of its operations.
- Evaluating and giving recommendations on sustainability

## H) Human Capital Committee

In 2015, the Board of Directors created a Human Capital Committee, whose duties include monitoring that the remunerations structure for key employees is related to their performance, the risks involved and the long-term performance; proposing criteria for selection, and applying the policies on training, retention and succession for the members of the senior management.

## J) Ethics and Conduct Committee

The Company has an Ethics and Conduct Committee, whose main function is to monitor compliance with the Code of Ethics and Conduct.

regarding the Company's relationship strategy with its various groups of incumbents.

- Doing a follow-up and evaluating the implementation of Arcor's Sustainability Plan.
- Ensuring that adequate communication policies are in place and that they are effective in building and protecting Arcor's reputation as a sustainable company, internally and externally.

## L) Procurement Committee

In 2015, the Board of Directors set up a Procurement Committee, whose main function is to manage and mitigate the risks related to the Group's supply chain.

# ARCOR S.A.I.C.'S INDIVIDUAL FINANCIAL STATEMENTS INFORMATION

The Board of Directors would also like to report the following information regarding Arcor S.A.I.C.'s Individual Financial Statements, Investments and Transactions with Parent, Subsidiaries and Associates.

## ARCOR S.A.I.C.'S INDIVIDUAL BALANCE SHEET

For Arcor S.A.I.C.'s year under analysis, the Board of Directors would like to point out the following:

### A) BALANCE SHEET VARIATIONS IN ADJUSTED VALUES

	2015 %	2014 %	2013 %
Current assets / Total Assets	37.15	35.85	36.02
Non-Current assets / Total Assets	62.85	64.15	63.98
Current Liabilities / Total Liabilities + Shareholders' Equity	36.19	30.39	28.87
Shareholders' equity / Total liabilities + Shareholders' equity	31.05	32.31	37.10

### B) INCOME AND EXPENSE VARIATIONS WITH RESPECT TO SALES

	2015 %	2014 %
Gross profit	41.37	40.41
Selling expenses	(23.49)	(23.47)
Administrative expenses	(6.74)	(6.96)
Other income / losses, net	(1.11)	(1.14)
Net gain on investments in associates	3.47	4.64
Exceptional Results	(0.30)	0.00
Net financial results	(10.22)	(11.41)
Income tax	(0.01)	0.72
Net Income for the year	2.97	2.79

### INVESTMENTS OF ARCOR S.A.I.C.

The main investments of Arcor S.A.I.C. discharged during the year ended December 31, 2015 were as follows:

Caption	Amount in ARS
Land and constructions	752,332
Machinery and facilities	12,449,769
Furniture, tools, vehicles and other equipment	16,183,912
Construction works and equipment in transit	333,232,847



## BALANCES AND TRANSACTIONS WITH PARENT, SUBSIDIARIES, ASSOCIATES AND JOINT CONTROL COMPANIES

COMPANIES	LOANS GRANTED	
	ARS	
<b>ARCOR A.G. (S.A. Ltd.)</b>		-
Paid-in shares: CHF	8,690,000.00	
Irrevocable contributions: ARS	1,184.00	
<b>ARCOR ALIMENTOS BOLIVIA S.A.</b>		-
Paid-in shares: BOB	-	
<b>ARCOR DE PERÚ S.A.</b>		-
Paid-in shares: PEN	-	
<b>ARCOR DO BRASIL LIMITADA</b>		-
Paid-in shares: BRL	203,339,709.00	
<b>ARCOR U.S.A. INC.</b>		-
Paid-in shares: USD	9,990.00	
<b>ARCORPAR S.A.</b>		-
Paid-in shares: PYG	6,400,000,000.00	
<b>BAGLEY ARGENTINA S.A.</b>		-
Paid-in shares: ARS	9,279.00	
<b>BAGLEY CHILE S.A.</b>		-
Paid-in shares: CLP	-	
<b>BAGLEY LATINOAMÉRICA S.A.</b>		-
Paid-in shares: EUR	49,700,611.00	
<b>CARTOCOR S.A.</b>		16,950,992
Paid-in shares: ARS	7,399,778.00	
<b>CARTOCOR CHILE S.A.</b>		-
Paid-in shares: CLP	6,221,551,426.34	
<b>CARTOCOR DO BRASIL S.A.</b>		-
Paid-in shares: BRL	1.00	
<b>CARTOCOR PERÚ S.A.</b>		-
Paid-in shares: PEN	3,510.00	
<b>CONSTRUCTORA MEDITERRÁNEA S.A.C.I.F.I.</b>		2,263,989
Paid-in shares: ARS	2,330,279.36	
<b>CONVERFLEX ARGENTINA S.A.</b>		385,331,269
Paid-in shares: ARS	303,202.00	
<b>CONVERFLEX S.A.</b>		14,290,829
Paid-in shares: ARS	46,171,258.00	
<b>DOS EN UNO DO BRASIL LTDA.</b>		-
Paid-in shares: BRL	3,000,000.00	
<b>GAP INVERSORA S.A.</b>		164,399
Paid-in shares: ARS	33,686.00	
<b>GAP REGIONAL SERVICES S.A.</b>		-
Paid-in shares: UYU	-	
<b>GAP INTERNATIONAL HOLDING S.A.</b>		-
Paid-in shares: USD	49,950.00	
<b>INDALAR S.A.</b>		12,176,583
Paid-in shares: ARS	331,428.00	
<b>INDUSTRIA ALIMENTOS DOS EN UNO S.A.</b>		-
Paid-in shares: CLP	47,967,636,639.71	
<b>INDUSTRIA DOS EN UNO DE COLOMBIA LTDA.</b>		-
Paid-in shares: COP	1,023,023,160.00	
<b>LA CAMPAGNOLA S.A.C.I.</b>		268,819,158
Paid-in shares: ARS	372,820,735.00	
<b>MUNDO DULCE S.A. DE C.V.</b>		-
Paid-in shares: MXN	-	
<b>UNIDAL ECUADOR S.A.</b>		-
Paid-in shares: USD	-	
<b>UNIDAL MÉXICO S.A. DE C.V.</b>		-
Paid-in shares: MXN	933,785,300.00	
<b>UNIDAL VENEZUELA S.A.</b>		-
Paid-in shares: VEF	57,974,964.00	
<b>VAN DAM S.A.</b>		-
Paid-in shares: UYU	70,000,000.00	

LOANS RECEIVED	TRADE ACCOUNTS RECEIVABLE	TRADE ACCOUNTS PAYABLE	OTHER RECEIVABLES
ARS	ARS	ARS	ARS
-	4,229,822	16,011,177	258,800
-	26,865,469	-	-
-	18,365,547	-	-
-	903,870	1,139,696	-
-	22,219,592	3,858,133	-
-	44,423,299	-	-
223,425,685	164,168,211	204,537,329	-
-	228,080	-	-
-	-	-	-
-	11,943,340	3,079,588	-
-	2,105,662	-	-
-	-	-	-
-	-	-	-
-	151,257	572,745	-
-	900,821	12,653,378	-
-	-	371,448	-
-	159,425	-	-
-	-	-	-
-	-	17,956,002	-
-	-	-	-
-	-	-	-
-	103,327,106	484,840	-
-	1,333,981	-	-
-	34,322,941	5,797,948	-
-	7,673,433	-	-
-	31,777,383	-	-
-	6,536,693	2,886,960	-
-	1,558,076	-	99,438
-	23,496,209	-	-

## BALANCES AND TRANSACTIONS WITH PARENT, SUBSIDIARIES, ASSOCIATES AND JOINT CONTROL COMPANIES (CONT'D)

COMPANIES	SALES OF GOODS AND SERVICES	RECOVERY OF EXPENSES	PURCHASES OF GOODS
	ARS	ARS	ARS
ARCOR A.G. (S.A. Ltd.)	21,592,527	-	-
ARCOR ALIMENTOS BOLIVIA S.A.	77,474,600	766,322	-
ARCOR DE PERÚ S.A.	19,698,906	-	-
ARCOR DO BRASIL LIMITADA	15,876,221	-	22,471,389
ARCOR TRADING (SHANGAI) CO.LTD.	-	-	-
ARCOR U.S.A. INC.	72,145,265	2,821,512	-
ARCORPAR S.A.	139,751,926	2,489,228	-
BAGLEY ARGENTINA S.A.	1,070,465,438	14,678,432	35,134,633
BAGLEY CHILE S.A.	325,829	-	-
CARTOCOR CHILE S.A.	1,901,459	1,312,710	-
CARTOCOR S.A.	199,084,726	5,410,476	182,337,616
CONSTRUCTORA MEDIT. S.A.C.I.F.I.	206,704	70,207	-
CONVERFLEX ARGENTINA S.A.	43,068,005	1,771,954	240,886,071
CONVERFLEX S.A.	2,515,817	322,559	44,543,208
GAP INVERSORA S.A.	-	-	-
GRUPO ARCOR S.A.	109,488	-	-
INDALAR S.A.	83,880	-	-
INDUSTRIA ALIMENTOS DOS EN UNO S.A.	172,524,785	-	2,561,473
INDUSTRIA DOS EN UNO DE COLOMBIA LTDA.	2,581,677	-	-
LA CAMPAGNOLA S.A.C.I.	399,821,055	8,441,840	27,734,596
MUNDO DULCE S.A. DE C.V.	5,481,824	-	-
UNIDAL ECUADOR S.A.	41,183,701	-	-
UNIDAL MÉXICO S.A. DE C.V.	4,689,726	-	-
UNIDAL VENEZUELA S.A.	174,121	-	-
VAN DAM S.A.	91,901,594	1,146,986	-



PURCHASES OF SERVICES	OTHER EXPENSES	INTEREST FINANCIAL INCOME	INTEREST FINANCIAL EXPENSES
ARS	ARS	ARS	ARS
26,080,054	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	537,180	-	-
-	1.079,716	-	-
-	-	-	-
9,385,751	-	-	52,845,038
-	-	-	-
-	-	-	-
-	-	-	10,053,872
4,192,955	-	116,630	115,107
5,232,734	-	64,526,871	-
-	-	6,492,999	-
-	-	99,312	-
-	-	-	-
-	-	1,684,295	-
-	-	-	-
-	-	-	-
238,665	-	48,329,785	-
-	-	-	-
-	-	-	-
2,599,671	-	-	-
-	-	-	-
-	-	-	-

We submit for the consideration of the Shareholders the Annual Report and related documentation. The notes referred to correspond to the Individual Financial Statements for the year 2015.

The Board of Directors wishes to thank the shareholders, clients, suppliers and all the staff for their collaboration throughout the year.

March 9th, 2016.

**THE BOARD OF DIRECTORS**

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## REPORT ON THE DEGREE OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Annex IV to Chapter I of Title IV of National Securities Commission's Regulations (N.T. 2013)

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLAIN
	FULL	PARTIAL		
PRINCIPLE I. MAKE THE RELATIONSHIP TRANSPARENT AMONG THE ISSUER, THE GROUP HEADED THEREBY AND/OR OF WHICH IT IS A MEMBER AND ITS RELATED PARTIES				
RECOMMENDATION I.1:				
Ensure the disclosure by the Management Body of the applicable policies to the Issuer's relationship with the group headed thereby and/or of which it is a member and its related parties.		X		Arcor Sociedad Anónima Industrial y Comercial (hereinafter "Arcor S.A.I.C." or "the Company" indistinctly) complies with the legal regulations in force, which include matters such as conflicts of interests, related party transactions and the disclosure of this type of transactions. In addition, considering that the Company does not publicly offer its shares, the guidelines set out in Section 72, and related provisions of Law No. 26,831 are not applicable thereto. Notwithstanding the foregoing, the Board of Directors approved a Code of Ethics and Conduct (hereinafter, the "Code of Ethics and Conduct") and a Conflict-of-Interest Procedure (hereinafter, the "Conflict-of-Interest Procedure"), by which the members of the Statutory Audit Committee abide and are applied both to members of the Management Body and all Arcor Group's payroll employees. The Ethics and Conduct Committee is responsible for solving situations arising from compliance with the Code of Ethics and Conduct and the Conflict-of-Interest Procedure. Such Code is based on eight ethical principles, which include, to act with transparency and respect the agreements established with the different publics to which the Company relates, encouraging long-standing and reliability relationships; to promote a communication based on the truthfulness of information and facts; respect national and international laws and conventions integrating our value chain into this commitment and encouraging a sustainable and competitive business environment, among others.
Answer whether the Issuer has an internal standard or policy to authorize related party transactions, pursuant to Section 73 of Law No. 17,811, transactions executed with shareholders and members of Management Bodies, first-line managers and statutory auditors and/or members of the oversight committee in the sphere of the group headed thereby or of which it is a member.				The Ethics and Conduct Committee is made up of a regular director, the General Human Resources Manager, the Corporate Environment, Health and Industrial Protection Manager (MAHPI, as per its initials in Spanish), the Corporate Sustainability Manager and a Legal Affairs Manager.
Specify the main guidelines of the internal standard or policy.				The Company's Board of Directors understands that the level of transparency and control reached through the above-mentioned practices and policies is adequate.
RECOMMENDATION I.2:				
Recommendation I.2: Ensure the existence of mechanisms that would prevent conflicts of interest.		X		The Company has a Code of Ethics and Conduct, by which the members of Arcor S.A.I.C.'s Board of Directors, Statutory Audit Committee, and Arcor Group's employees abide, and a Conflict-of-Interest Procedure, both applicable to the members of the Board of Directors, members of the Statutory Audit Committee and all the staff that has a direct labor relationship with the Company and Arcor Group's companies.
Answer whether, notwithstanding effective regulations, the Issuer has clear policies and specific procedures to identify, manage and solve conflicts of interest that may arise among members of the Management Body, first-line managers, statutory auditors and/or members of the oversight committee in their relationship with the Issuer or persons related thereto.				For Arcor Group, a conflict of interest takes when the conduct, participation or interests of an employee or a member of the Board of Directors (or his/her spouse, children, parent, brother or sister) interferes or seems

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RECOMMENDATION I.2:			
Describe the significant aspects thereof.			<p>to interfere in any manner with the Company's interests.</p> <p>In addition, the Company has an Ethics and Conduct Committee, a body responsible for solving any arising situations in relation to the compliance with the Code of Ethics and Conduct, and the Conflict-of-Interest Procedure. This Committee receives help from the Internal Audit Management Division, which is responsible for managing the ethics line whereby cases to be submitted to the Committee are received, recorded and analyzed. All Arcor Group's employees, including general management officers and those performing sensitive duties for the Company, shall annually complete as affidavit a personal statement regarding potential conflicts of interest. Such statement is prepared through the Performance Management System (SGD, as per its initials in Spanish).</p>
RECOMMENDATION I.3:			
Prevent the misuse of inside information.	X		<p>Notwithstanding compliance with effective regulations regarding the use of inside information, by means of the Code of Ethics and Conduct, the Company has a mechanism that contemplates preventing the members of the Company's Board of Directors and Statutory Audit Committee, and all Arcor Group's payroll employees from using inside information. In this respect, conduct standards establish: (i) that Arcor Group ensures that the information on their actions to the press and the society in general be communicated in an open, transparent, truthful and qualified manner; and (ii) that all that information considered to be confidential shall be treated by the Group and the employees with integrity and confidentiality, ensuring its exclusive use for business management-related matters. There are also IT security policies in place regarding the Company's data protection. The Company has certified ISO/IEC 27001, an international standard for the information security regarding the Company's data protection and treatment. It is also reported that several Company' suppliers should sign confidentiality commitments.</p>
Answer whether, notwithstanding effective regulations, the Issuer has policies and feasible mechanisms that prevent the misuse of inside information by members of the Management Body, first-line managers, statutory auditors and/or members of the oversight committee, controlling shareholders or those who exert significant influence, professionals involved and the other persons listed in Sections 7 and 33 of Decree No. 677/01.			
Describe the significant aspects thereof.			
PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER			
RECOMMENDATION II 1:			
Ensure that the Management Body assumes the management and supervision of the Issuer and its strategic focus.			



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PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER			
II.1.1:			
Answer whether the Management Body approves:			
II.1.1.1:			
Answer whether the Management Body approves the strategic or business plan, as well as performance goals and annual budgets.	X		Pursuant to effective regulations, the Board of Directors is the Company's top management body and, as such, assesses and approves the Company's strategic and operational plans, the budget for the next calendar year and the current-year goals.
II.1.1.2:			
Answer whether the Management Body approves the policy on investments (in financial assets and capital assets) and financing.	X		<p>The policy on investments and financing arises from the budget and plan guidelines approved by the Board of Directors. Additionally, the Company has a Finance, Investments and Strategies Committee in charge of assessing the alternative financing sources, the investment plans and the new businesses, making investment and financing proposals through Management to the Board of Directors.</p> <p>The above-mentioned committee is made up of two regular directors of the Company, one of whom being Arcor S.A.I.C.'s Chief Executive Officer and the General Financial Manager takes part therein.</p>
II.1.1.3:			
Answer whether the Management Body approves the Corporate Governance Policy (compliance with the Code of Corporate Governance).		X	The Company has implemented a series of policies and/or mechanisms contemplated in good corporate governance practices, mainly related to the ethics and conduct of its Management Body and payroll employees, such as: management control, goal setting and compliance, communication between the Board of Directors and senior management, sustainability and environmental care. Regardless of the above-mentioned policies and/or mechanisms, the Company does not currently have a Code of Corporate Governance.
II.1.1.4:			
Answer whether the Management Body approves the policy on the selection, assessment and compensation of first-line managers.		X	<p>Senior management members are selected based on the descriptions of the duties and responsibilities of each Management Division, and the competencies required for performance in those positions. We recommend reading this answer, together with those provided in items II.5.1 and II.5.2.2.</p> <p>The general managers' assessment is based on a performance tool called Performance Management System (hereinafter "SGD", as per its initials in Spanish), which consists in setting goals and later assessing the degree of compliance, in addition to assessing</p>

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II.1.1.4:			
			<p>the management skills defined in the description of the competencies required for each general manager position. We recommend reading this answer, together with that provided in item II.2.2.</p> <p>In connection with senior management's compensation, please refer to the answers provided in items VII.2.1, VII.2.2, VII.2.3 and VII.2.4.</p>
II.1.1.5:			
Answer whether the Management Body approves the policy on the assignment of duties to first-line managers.		X	The Company has descriptions of duties, responsibilities and competencies required for each senior management position.
II.1.1.6:			
Answer whether the Management Body approves the control over first-line managers' succession plans.	X		<p>Arcor Group manages succession plans for every managerial level through the so-called Strategic Resources Planning Process (PRE, as per its initials in Spanish). Additionally, the Board of Directors has created a Human Resources Committee, which should verify the existence of a succession plan for senior management members.</p> <p>Such process is focused on achieving a better identification of our talents through tools that validate their development potential.</p> <p>PRE is a key process that contributes to managing the organization's future. By means thereof we seek to ensure our talents' generation, development and retention for the business sustainability.</p> <p>The Human Resources Management Division periodically reports to the Company's Board of Directors regarding significant PRE indicators, such as internal coverage rate of managerial positions, positions mapped with internal replacement charts, training and development of high potentials. Moreover, the evolution of the system in question is verified upon preparing the Annual Report.</p>
II.1.1.7:			
Answer whether the Management Body approves the Corporate Social Responsibility Policy.	X		The Company has a Code of Ethics and Conduct, which guides the Company's and its employees' acts towards a responsible management and entails an explicit statement on values, ethical principles and conduct standards. Also, the Group has a Sustainability Policy, which is made up of a general commitment and five specific commitments, with the most significant and priority issues for our business from the sustainability standpoint.

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II.1.1.7:			
		<div><div>(i) General Commitment:</div><div><div>a) Establish a sustainable process management, based on balance among the economic, social and environmental aspects.</div><div>b) Foster the comprehensive development of the communities where we act and contribute to the sustainable development of the regions where we operate.</div><div>c) Support and respect the protection of human rights within our area of influence, ensuring not to be accomplices in cases of infringements of these rights.</div><div>d) Facilitate and sponsor actions and projects to promote sustainability and human development.</div><div>e) Apply the best practices of environmental preservation, minimizing and compensating the impact of our operations.</div><div>f) Promote awareness and training programs, seeking to make each member of our company and the whole value chain, as active agents, aware of building a corporate culture committed towards sustainability.</div></div><div>(ii) Specific commitments:</div><div><div>a) Rational use of water.</div><div>b) Rational use of packaging.</div><div>c) Energy efficiency and minimizing impact on the global climate change.</div><div>d) Respect and protection of human and labor rights.</div><div>e) Active life and healthy nutrition.</div></div><div>Furthermore, Arcor Group has an organizational structure for the sustainability management and governance, of which the Sustainability Committee is part, which is made up of senior management members and the Board of Directors' Chairman, and the Corporate Sustainability Management Division. Such structure helps prepare, monitor and assess corporate projects and operational plans of the different businesses' sustainability.</div><div>Based on the Sustainability Policy, the Risk Matrices and Sustainability Opportunities defined for the Group, as well as for each business, and their respective priority lines of action, the corporate sustainability projects and the operational sustainability plans for the next year are annually defined.</div><div>In addition, Arcor Group has a strategy to manage community impact focused on recognizing and managing the impact of the Company-community relation, strategically managing risks and opportunities, and promoting integrated community development actions.</div><div>Finally, the Group's Social Childhood Investment Policy guides the work performed by the Arcor Foundation in Argentina, the Brazil Arcor Institute and the Arcor</div></div>	



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II.1.1.7:			
			Foundation in Chile, whose mission is to contribute so that education may be a tool of equal education opportunities for childhood.
II.1.1.8:			
Answer whether the Management Body approves the integrated risk, internal control and fraud prevention management policies.	X		<p>The Company has a Sustainability Committee, an Audit Committee, an Ethics and Conduct Committee, a Finance, Investments and Strategies Committee, a Human Resources Committee and a Purchase Committee, which assess and report to the Board of Directors different aspects of their field of competence related to risk management, internal control and fraud prevention. In addition, the Board of Directors requests specific reports from senior management and specialized consultants, performs a periodic control over compliance with the budget, and monitors the strategic goals and the evolution of key variables.</p> <p>Additionally, the Company's senior management supports its decisions about business risk management through interdisciplinary work and reports from specialized sources. The specific risks of each area of responsibility are managed by the respective management division. It is noteworthy that Arcor Group has prepared Risk and Control Matrices.</p> <p>As regards sustainability, Arcor Group has identified the main business risks derived from the economic, social and environmental development, and has extended this methodology to each of its business units, which have their own sustainability matrices.</p> <p>Furthermore, as regards community management, Arcor Group has a matrix of economic, environmental and social impacts in order to facilitate the collection and log of homogeneous and comparable information that allows managing Arcor's potential impacts on the local development of the communities where it operates. The matrix includes the sphere of influence of the Company's own operations and addresses those effects caused directly or indirectly by Arcor's presence in each location through 100 quantitative and qualitative, economic, social and environmental indicators. Additionally, the Sustainability Scorecard platform was started up, a scorecard to measure and report systematically and at corporate level Arcor Group's progress on compliance with its Sustainability Strategy.</p>
II.1.1.9:			
Answer whether the Management Body approves the ongoing training policy for members of the Management Body and first-line managers.	X		<p>By applying the SGD and describing the duties, responsibilities and competencies, the Company encourages and guides senior management members' training.</p> <p>The Human Resources Committee is in charge of preparing, updating and monitoring compliance with the ongoing Training and Development Programs of senior management members, among other duties, and should report thereon to the Board of Directors.</p> <p>Additionally, both members of the Board of Directors and senior management attend the different courses, forums, conferences, fairs and take part in several chambers, update and refresher course activities for the purpose of keeping up to date regarding regulations, situations and environments that affect their areas of responsibility.</p>
If such policy is in place, describe the main aspects thereof.			

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PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.2:				
If considered material, add other policies applied by the Management Body that have not been mentioned and specify significant issues.	X			<p>Notwithstanding the above-mentioned policies, Arcor Group has developed the Comprehensive Management System (CMS or SGI, as per its initials in Spanish). The SGI is a tool designed by and for Arcor Group to manage industrial and logistics operations, taking into account the Company's culture and the world-class concepts, requirements and tools of improvement. The SGI integrates Arcor Group's Vision, Mission, Ethical Values and Principles, Code of Ethics and Conduct and Sustainability Policy, international standards including Occupational Health and Safety Management Systems (OHSAS 18001), Quality Management Systems (ISO 9001), Environmental Management Systems (ISO 14001), the Good Manufacturing Practices (GMP or BPM, as per its initials in Spanish), the Business Excellence Management Model (MGEE, as per its initials in Spanish), which contains the criteria defined in the National Quality Award, the Global Food Safety Standard of the British Retail Consortium (BRC) and the Good Agricultural Practices (GAP or BPA, as per its initials in Spanish), as well as improvement tools such as total productive maintenance (TPM), a Japanese philosophy focused on people self-management and loss reduction, the management philosophy focused on loss reduction and value added to the whole chain, Lean Manufacturing, the 6 Sigma methodology, based on ongoing improvement to the process capacity seeking zero defect, the Japanese philosophy for the order, cleanliness and standardization called 5S, the Theory of Constraints (TOC) and the methodology to achieve quick product changes in manufacturing processes (Single Minute Exchange of Die, SMED). The SGI is supported by six components that are the focal point on which the system is structured: (I) Management's Commitment and Leadership, (II) Focus on Customers, Consumers and the Community, (III) Key Process Management, (IV) Support Process Management, (V) People Management and (VI) Ongoing Improvement.</p> <p>The system is applicable to activities, products and services carried out within the environment of Arcor Group's operations and supply chain, and is focused on meeting our stakeholders' needs. The guidelines designed under the SGI framework comprise, among others, those related to managing customer and community relations, the product design, the integrated supply chain management, the manufacturing processes, the good manufacturing processes, the identification and assessment of environmental impact, the identification and assessment of health and safety risks, the evaluation and selection of suppliers, and the verification of whether SGI requirements were implemented in Arcor Group's processes.</p> <p>The Chief Executive Officer, the General Supply Chain and Industrial Operations, the Corporate Strategy and Industrial Management, the Corporate MAHPI and Financial Soundness, the Corporate Quality and Food</p>

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PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER			
II.1.2:			
			<p>Laws and Corporate Human Resources, Logistics and Engineering Management Divisions are in charge of designing, implementing and assessing the strategies defined under the SGI framework. In this context, Arcor Group's plants have been subject to third-party audits and have achieved certification under ISO 9001 and ISO 14001 at most of its plants, OHSAS 18001 at 24 plants and three dairy farms, BRC at 17 plants and the Food Safety Standard FSSC 22000 was recently certified at two packaging plants. The paper manufacturing and corrugated cardboard box plants achieved certification by the Forest Stewardship Council (FSC).</p> <p>Additionally, under the framework of the Conflict-of-Interest Procedure, the Board of Directors approved the standard to accept and offer gifts, which sets out that employees shall refrain from giving or receiving gifts, benefits or favors that condition Arcor Group's business relationship with third parties. The above-mentioned standard specifies the conditions under which gifts or entertainment may be accepted or offered, how to act if a gift is received, in breach of the guidelines set out, and the situations that shall be communicated to the Ethics and Conduct Committee.</p>
II.1.3:			
Answer whether the Issuer has a policy aimed at ensuring the availability of information material to its Management Body's decision-making and a direct consultation of the managerial lines in such a way that it is symmetrical for all members (external and independent executives) and quite in advance so as to allow an appropriate analysis of its contents.	X		<p>The Company's Bylaws state in Section 30 that it is the responsibility of the Board of Directors' Chairman to submit for the Management Body's consideration all the Company's matters or businesses, with the necessary background information and data for their due consideration and resolution. In addition, senior management has periodic reports related to the Company's management and the national and international environments, which are made available to all the members of the Board of Directors at their request. Furthermore, there are committees in which several Company's managers and members of the Board of Directors take part. Finally, it should be noted that the several management divisions and committees make periodic submissions to the Board of Directors, reporting about their areas of responsibility and establishing such opportunity as a suitable environment to share opinions among the members of the Board of Directors and the speakers.</p>
Please specify.			
II.1.4:			
Answer whether the matters submitted for the Management Body's consideration are supported by an analysis of risks associated with the decisions that may be made, considering the business risk level defined as acceptable by the Issuer.	X		<p>The matters submitted for the Board of Directors' consideration are previously analyzed by the areas with the respective technical knowledge and then submitted to the Board of Directors by senior management members with responsibility for the matter in question. The risks associated with the decisions that may be made are specified in such submission, if appropriate.</p>
Please specify.			



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Recommendation II.2:			
Ensure an effective business management control.			
II.2.1:			
Answer whether the Management Body verifies compliance with the annual budget and business plan.	X		Senior management periodically submits the evolution of operations to the Board of Directors, comparing the budget with its level of execution and the performance in the same period of the previous year. The reasons for deviations from the budget are explained in this instance.
II.2.2:			
Answer whether the Management Body verifies the first-line managers' performance and their compliance with the goals set for them (the level of expected profits against the level of profits achieved, financial rating, accounting report quality, market share, etc.).	X		Additionally, as reported in item II.1.1.4, upon approving the budget, the Board of Directors approves goals for general management divisions. Also, the management divisions periodically submit management reports to the Management Body regarding the evolution of the different businesses and aspects of the Company, which allows following up and verifying the degree of compliance with goals.
Describe the significant aspects of the Issuer's Management Control Policy specifying techniques used and the frequency of the Management Body's monitoring.			The Company's Management Control Policy consists in issuing and communicating a report on results to senior management members on a monthly basis. The results obtained by each business, and by the Company on a consolidated basis, are compared in such report with the budgeted levels and the previous-year performance, specifying the reasons for the main deviations that may occur. This report is periodically submitted to the Board of Directors. During 2015, the Board of Directors held five meetings at which the Company's consolidated results of operations and financial position were reported.
Recommendation II.3:			
Report the Management Body's performance evaluation process and the related impact.			
II.3.1:			
Answer whether each member of the Management Body complies with the Corporate Bylaws and, as the case may be, with the Regulations governing the Management Body's operation.	X		All the members of the Board of Directors comply with the Company's Bylaws. It is also reported that the Board of Directors does not have operation regulations under the provisions set out in Section 5 and related provisions of the General Companies Law.
Specify the main guidelines set out in the Regulations.			
State the degree of compliance with the Corporate Bylaws and Regulations.			
II.3.2:			
Answer whether the Management Body discloses the results of its management considering the goals set at the beginning		X	The Board of Directors makes the information and documentation available to the shareholders under the provisions set out in effective legal regulations

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II.3.2:				
of the period so that the shareholders may assess the degree of compliance with such goals, which include both financial and non-financial aspects.				so that they may perform an adequate management assessment upon holding the Shareholders' Meeting. The above-mentioned documents, and the Sustainability Report, disclose both financial and non-financial data and the description of the global goals for the next year, as well as the strategy to be used, and the degree and means of compliance. The last Shareholders' Meeting that addressed the above-mentioned documents was held on April 25, 2015. The Board of Directors' Report, the Financial Statements and the Summary of Events for the fiscal year ended December 31, 2014 were approved on the second item of the Agenda, and the Board of Directors' management for the fiscal year ended December 31, 2014 was approved on the third item on the Agenda.
Additionally, the Management Body submits a diagnosis about the degree of compliance with the policies mentioned in Recommendation II, items II.1.1 and II.1.2.				
Specify the main aspects of the assessment of the General Shareholders' Meeting about the degree of compliance by the Management Body with the goals set and the policies mentioned in Recommendation II, items II.1.1 and II.1.2, stating the date of the Shareholders' Meeting where such assessment was submitted.				
Recommendation II.4:				
That the number of external and independent members represents a significant proportion in the Management Body.				
II.4.1:				
Answer whether the proportion of external and independent executive members (the latter defined according to this Commission's regulations) of the Management Body correlates with the Issuer's capital structure.		X		Considering that the controlling shareholder holds 99.68% of the Company's votes, the Board of Directors considers that its structure is adequate for the Company's capital structure.
Please specify.				
II.4.2:				
Answer whether during the current year, at the General Shareholders' Meeting, the shareholders agreed on a policy aimed at keeping a proportion of less than 20% of independent members of the total number of members of the Management Body.			X	Section 14 of the Company's Bylaws sets forth that the Company will be run and managed by a Board of Directors made up of five to twelve regular members and the same or lower number of alternates, as resolved by the Shareholders' Meeting. Moreover, it provides that directors will hold office for three years and may be reelected indefinitely. In turn, Section 15 of the Company's Bylaws provides that while the Company is admitted into the Public Offering System and is mandatory, it will have an Audit Committee made up of three regular members and three alternates, out of which most of them shall qualify as independent in accordance with National Securities Commission's Regulations and all of them belong to the Company's Board of Directors. With respect to the provisions of Section 15 of the Company's Bylaws, it should be noted that the Company has no authorization to issue shares and, therefore, the Audit Committee's creation is not mandatory under such terms. Additionally, it is reported that (i) the Company has not become aware of the existence of shareholders' agreements, (ii) the independence declared by the
Describe the significant aspects of such policy and any shareholders' agreement that allows understanding the way in which the members of the Management Body are appointed and for how much time.				
State whether the independence of the members of the Management Body was challenged in the course of the year and if there have been abstentions due to conflicts of interest.				

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II.4.2:					
					Company's directors was not challenged in the last fiscal year, and (iii) there were no abstentions for conflicts of interest in the last fiscal year.
Recommendation II.5:					
Agree on the existence of standards and procedures inherent to selecting and proposing members of the Issuer's Management Body and first-line managers.					
II.5.1:					
Answer whether the Issuer has an Appointment Committee:				X	The duties assigned by General Resolution No. 606/2012 and the 2013 revised text of the National Securities Commission's Regulations to the Appointment Committee are appropriately fulfilled by the Shareholders' Meeting, the Company's Board of Directors, the Human Resources Committee and the Human Resources Management Division.
II.5.1.1:					
Answer whether the Issuer has an Appointment Committee made up of at least three members of the Management Body, most of who are independent.				X	The Company's Human Resources Committee is made up of two regular non-independent directors, according to the criteria set forth by the CNV's regulations, and the General Human Resources Manager.
II.5.1.2:					
Answer whether the Issuer has an Appointment Committee chaired by an independent member of the Management Body.				X	The directors who are part of the Human Resources Committee do not qualify as independent, according to the criteria set forth by the CNV's regulations.
II.5.1.3:					
Answer whether the Issuer has an Appointment Committee that has members proving to be qualified and experienced enough in matters related to human capital policies.				X	Human Resources Committee members have vast experience in business management and human capital policies.
II.5.1.4:					
Answer whether the Issuer has an Appointment Committee that meets at least twice a year.				X	Having been created on October 23, 2015, the Human Resources Committee has met once during 2015.



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II.5.1.5:			
Answer whether the Issuer has an Appointment Committee whose decisions are not necessarily binding for the General Shareholders' Meeting, but for consultation as regards the selection of the members of the Management Body.		X	According to the General Companies Law, the Company's Shareholders' Meeting has the power to appoint the members of the Board of Directors. The Human Resources Committee does not have powers in this respect.
II.5.2:			
If there is an Appointment Committee, answer whether it:			
II.5.2.1:			
Answer whether the Appointment Committee verifies the annual review and evaluation of its regulations and suggests changes to the Management Body for its approval.		X	The Human Resources Committee does not have regulations.
II.5.2.2:			
Answer whether the Appointment Committee proposes the development of criteria (qualification, experience, professional reputation and ethics, others) to select new members of the Management Body and first-line managers.	X		One of the duties of the Human Resources Committee is to propose criteria that shall be considered upon selecting new members to be part of senior management.
II.5.2.3:			
Answer whether the Appointment Committee identifies the candidates for members of the Management Body to be proposed by the Committee to the General Shareholders' Meeting.		X	The Human Resources Committee does not have powers in this respect.
II.5.2.4:			
Answer whether the Appointment Committee suggests members of the Management Body who will be the members of the different Management Body's Committees according to their track record.		X	The Human Resources Committee does not have powers in this respect.
II.5.2.5:			
Answer whether the Appointment Committee recommends that the Board of Directors' Chairman is not also the Issuer's General Manager.		X	The Human Resources Committee does not have powers in this respect.
II.5.2.6:			
Answer whether the Appointment Committee ensures the availability of the curricula vitae of the members of the Management Body and first-line managers on the Issuer's web page, where in the first case the term of their office is specified.		X	The Human Resources Committee does not have powers in this respect.

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II.5.2.7:				
Answer whether the Appointment Committee validates the existence of a succession plan of the Management Body and first-line managers.		X		As part of its duties, the Human Resources Committee should verify the existence of a succession plan for senior management members.  See also the answer provided in item II.1.1.6.
II.5.3:				
If deemed significant, add policies implemented by the Issuer's Appointment Committee that were not mentioned in the preceding point.	X			The Board of Directors has also established the following as duties of the Human Resources Committee: (i) prepare, update and monitor compliance with ongoing Development and Training Programs of senior management members; (ii) define and take part in the general strategy of Labor Relations, which includes own staff unions, contractors and third parties; and (iii) participate in the results of surveys and in the definition of strategies to improve the organizational environment.
Recommendation II.6:				
Assess whether it is advisable for members of the Management Body and/or statutory auditors and/or members of the oversight committee to perform duties at several Issuers.  Answer whether the Issuer establishes a limitation on the members of the Management Body and/or statutory auditors and/or members of the oversight committee to fulfill duties at other entities that are not part of the group headed by the Issuer or of which the Issuer is a member.  Specify such limitation and detail if any breach of such limitation was verified in the course of the year.		X		The Board of Directors considers that, as long as its members and/or statutory auditors duly meet their responsibilities, it is not necessary to establish limitations on taking part in the Board of Directors or other companies' oversight committee. However, the Code of Ethics and Conduct and the Conflict-of-Interest Procedure, documents by which the members of the Company's Statutory Audit Committee abide, determine that the employees or directors who perform external labor activities personally shall ensure they do not cause any conflict of interest with Arcor Group.
Recommendation II.7:				
Ensure the training and development of members of the Management Body and first-line managers of the Issuer.				
II.7.1:				
Answer whether the Issuer has ongoing Training Programs related to the existing needs of the Issuer for the members of the Management Body and first-line managers, which include matters about their roles and responsibilities, the integrated business risk management, specific business knowledge and the related regulations, the dynamics of corporate governance and corporate social responsibility matters. In the case of the members of the Audit Committee, international accounting, auditing and internal control standards, as well as specific capital market regulations.  Describe the programs that were carried out in the course of the year and their degree of compliance.		X		The members of the Board of Directors and senior management attend forums, courses, conferences, fairs and take part in several chambers, update and refresher course activities.  By applying the SGD and describing the duties, responsibilities and competencies required for each position, the Company encourages and guides the courses of action to be taken by senior management members regarding their education and training needs. Furthermore, the Company's Human Resources Committee is in charge of preparing, updating and monitoring compliance with the ongoing Development and Training Programs of senior management members.

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II.7.2:			
Answer whether the Issuer, through other means not mentioned in II.7.1, encourages the Management Body and first-line managers to be constantly trained so as to supplement their education level thus adding value to the Issuer.  State how this is done.	X	The SGD and the description of positions are means used by the Company to encourage its employees to keep an ongoing training attitude that supplements its education level.  Within the SGD, the Company's employees shall annually put forward their development plan, considering the Company's descriptions of duties, responsibilities and competencies required for each position and their performance during the previous period.	
PRINCIPLE III. GUARANTEE AN EFFECTIVE POLICY TO IDENTIFY, ASSESS, MANAGE AND DISCLOSE THE BUSINESS RISK			
Recommendation III:			
The Management Body shall have a policy on the integrated business risk management and monitors its appropriate implementation.			
III.1:			
Answer whether the Issuer has integrated business risk policies (on compliance with strategic, operational, financial, accounting reporting, laws and regulations goals, among others). Describe the most significant aspects thereof.	X	The Company has a Sustainability Committee, an Audit Committee, an Ethics and Conduct Committee, a Finance, Investments and Strategies Committee, a Human Resources Committee and a Purchase Committee, which assess and report to the Board of Directors different aspects of their field of competence related to risk management, internal control and fraud prevention. In addition, the Board of Directors requests specific reports from senior management and specialized consultants, performs a periodic control over compliance with the budget, and monitors the strategic goals and the evolution of key variables.  Additionally, the Company's senior management supports its decisions about business risk management through interdisciplinary work and reports from specialized sources. The specific risks of each area of responsibility are managed by the respective management division. It is noteworthy that Arcor Group has prepared Risk and Control Matrices.  As regards sustainability, Arcor Group has identified the main business risks derived from the economic, social and environmental development, and has extended this methodology to each of its business units, which have their own sustainability matrices.  Furthermore, as regards community management, Arcor Group has a matrix of economic, environmental and social impacts in order to facilitate the collection and log of homogeneous and comparable information that allows managing Arcor's potential impacts on the local development of the communities where it operates. The matrix includes the sphere of influence of the Company's own operations and addresses those effects caused directly or indirectly by Arcor's presence in each location through 100 quantitative and qualitative, economic, social and environmental indicators. Additionally, the Sustainability Scorecard platform was started up, a scorecard to	



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PRINCIPLE III. GUARANTEE AN EFFECTIVE POLICY TO IDENTIFY, ASSESS, MANAGE AND DISCLOSE THE BUSINESS RISK			
III.1:			
			measure and report systematically and at corporate level Arcor Group's progress on compliance with its Sustainability Strategy.
III.2:			
Answer whether there is a Risk Management Committee inside the Management Body or General Management Division. Report on the existence of manuals of procedures and detail the main risk factors that are specific to the Issuer or its activity and the mitigation actions implemented. If there is not such a Committee, the risk management supervision role performed by the Audit Committee shall be described.	X		<p>In addition to what is reported in items II.1.1.8, II.1.3 and II.1.4, both management and senior management make risk assessments on an ongoing basis for decision-making and evaluate the business management. As regards risk management, the Audit Committee receives from the Internal Audit Management Division and analyzes the evaluations used in planning and conducting the audit work.</p> <p>Arcor Group manages its industrial operations according to documented guidelines. To manage these documents (policies, manuals, procedures, instructions, program, records, lists) there is an IT system called Loyal ISO, with broad access to employees, which meets the requirements set forth in the international standards for the matter and evaluated on several occasions during external audits, such as ISO 9001, ISO 14001, OHSAS 18001, BRC.</p> <p>Customers are subject to the policies, procedures and controls established by the Group, which are detailed in a Manual of Loans.</p> <p>In addition, most of Arcor Group's administrative tasks are standardized in procedure manuals.</p> <p>The methodology defined for the control over documents ensures their preparation by the staff with deep knowledge of the process associated with each document and the authorization by the appropriate executives according to each case.</p> <p>The main risk factors related to our Company are detailed in the Risk Factors chapter of the Prospectuses published in relation to the Global Program for the Issuance of Corporate Bonds and in the notes related to Financial Risk Management included in our financial statements. In order to mitigate the risks mentioned above, Arcor Group has established internal control processes, performs budgetary controls, monitors the evolution of key variables and has created special committees.</p> <p>The Company's committees have been structured in such a way that both members of the Management Body and senior management members take part in them, thus achieving an adequate risk management interaction.</p>

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III.3:			
Answer whether there is an independent function within the Issuer's General Management Division that implements the integrated risk management policies (Risk Management Officer function or equivalent one).		X	There is no independent Risk Management Officer function or equivalent one.
Please specify.			
III.4:			
Answer whether the integrated risk management policies are permanently updated according to authoritative recommendations and methodologies in the field.		X	Arcor Group's industrial processes are based on the certifications mentioned in item II.1.2. Additionally, it is reported that Internal Audit has developed Risk and Control Matrices taking as reference the International Standards for the Professional Practice of Internal Auditing issued by the IIA. Finally, the Company supports its standards on ISO/IEC 27001 regarding the Company's data protection and access.
Please state which.			
III.5:			
Answer whether the Management Body reports the results of monitoring the risk management performed jointly with the General Management Division in the financial statements and the Annual Report.	X		The Board of Directors reports in its Financial Statements, Annual Report and Sustainability Report on the environment in which the Company's activities were carried out and its outlook, as well as the actions undertaken and the goals attained, along with the Company's main goals, its different businesses and functional areas, thus communicating not only the Company's financial income (expense), but also the challenges and courses of action planned and executed.
Please specify the main aspects of the above disclosures.			
PRINCIPLE IV. SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION WITH INDEPENDENT AUDITS			
Recommendation IV:			
Ensure the independence and transparency of the duties the Audit Committee and the External Auditor are entrusted with.			
IV.1:			
Answer whether the Management Body, when appointing the members of the Audit Committee, considering that most of them shall be independent, assesses whether it is advisable to be chaired by an independent member.		X	The Company has an Audit Committee created by the Board of Directors' voluntary decision, as the Company does not publicly offer its shares.  The Audit Committee is made up of four members of the Board of Directors. Also, the Corporate Internal Audit Manager takes part in the Audit Committee.
IV.2:			
Answer whether there is an internal audit function that reports to the Audit Committee or the Management Body's Chairperson and that is responsible for assessing the internal control system.	X		The Internal Audit area is accountable to one of Arcor S.A.I.C.'s directors and functionally reports to the Audit Committee. Its purpose is to contribute to mitigating the potential impact the operational risks may cause on attaining the Group's goals, supporting the different

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IV.2:			
State whether the Audit Committee or the Management Body annually assesses the internal audit area's performance and the degree of independence of their professional work, understanding as such that the professionals in charge of such function are independent from the other operating areas and also meet the independence requirements regarding the controlling shareholders or related entities that exert significant influence on the Issuer.			areas by implementing and optimizing controls and procedures.  The Audit Committee assesses both the internal and external auditors' performance and independence. Such assessments are documented in the related Audit Committee's minutes, the results of which are reported to the Company's Board of Directors.  The professionals in charge of the Internal Audit function are independent from the other operational areas of the Company.  The Internal Audit Area performs its tasks respecting the guidelines set forth in the International Standards for the Professional Practice of Internal Auditing issued by the IIA.
Also specify whether the internal audit function performs its work in conformity with the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (IIA).			
IV.3:			
Answer whether the members of the Audit Committee annually assess the qualification, independence and performance of the External Auditors appointed by the Shareholders' Meeting. Describe the significant aspects of the procedures used to perform the assessment.	X		The Audit Committee's duties are, among others, to review the external auditors' plans, assess the different services provided, their performance and whether they keep the independence condition, as established by effective auditing standards.  In this regard, such annual assessments are entered in the related Audit Committee's minutes, the results of which are reported to the Company's Board of Directors.  The material aspects of the procedures used by the Audit Committee to perform the assessment are mainly to verify that the audit plan carried out is executed according to the conditions previously agreed upon under contract and assess the performance of the external auditors and evaluate the external auditors' independence in connection with the fees billed by the firm PRICE WATERHOUSE & CO. S.R.L. to Arcor Group, and request a statement in this regard from the external auditors.
IV.4:			
Answer whether the Issuer has a policy on the turnover of the members of the Statutory Audit Committee and/or the External Auditor, and, in the case of the latter, if turnover includes the external audit firm or only natural persons.		X	The members of the Statutory Audit Committee are appointed by the Shareholders' Meeting for a three-year term of office and may be reelected indefinitely, according to the Company's Bylaws. According to effective standards, the Shareholders' Meeting appoints the Company's external auditors so that they perform duties for annual periods.

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PRINCIPLE V. RESPECT THE SHAREHOLDERS' RIGHTS				
Recommendation V.1:				
Ensure that the shareholders have access to the Issuer's information.				
V.1.1:				
Answer whether the Management Body fosters periodic informative meetings with the shareholders, which take place at the same time with the presentation of the interim financial statements. Specify stating the number and frequency of meetings held in the course of the year.			X	The Company complies with the effective standards regarding the financial statements presentation and disclosure of information established by the National Securities Commission ("CNV"), and with the related laws regarding the shareholders' access to information.
V.1.2:				
Answer whether the Issuer has mechanisms for reporting to investors and a specialized area to answer inquiries. It also has a website, which may be accessed by shareholders and other investors and which allows an access channel for them to establish contact between them.		X		The Company uses its website (www.arcor.com), the CNV's website (www.cnv.gob.ar), the filings made as a result of the issuance of marketable securities and the Shareholders' Meetings as means of communication with investors.
Please specify.				
Recommendation V.2:				
Encourage the active participation of all shareholders.				
V.2.1:				
Answer whether the Management Body takes measures to encourage the participation of all the shareholders at the General Shareholders' Meetings. Specify by differentiating the measures required by law from those voluntarily offered by the Issuer to its shareholders.		X		The Company complies with the legal regulations in force in order to encourage all the shareholders' participation at Shareholders' Meetings.
V.2.2:				
Answer whether the General Shareholders' Meeting has Regulations to govern its operation, which ensure that the information is available well in advance for decision-making. Describe the main guidelines thereof.			X	The Company complies with effective legal regulations as regards making available to the shareholders the necessary information and documentation for decision-making. Therefore, prior to holding the Shareholders' Meeting, as required by the legal regulations in force, the necessary information and documentation for decision-making is made available to the shareholders at the registered office.



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## REPORT ON THE DEGREE OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Annex IV to Chapter I of Title IV of National Securities Commission's Regulations (N.T. 2013)

COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLAIN
FULL	PARTIAL		
PRINCIPLE V. RESPECT THE SHAREHOLDERS' RIGHTS			
V.2.3:			
Answer whether the mechanisms implemented by the Issuer are applicable so that minority shareholders propose matters to be discussed at the General Shareholders' Meeting, in conformity with the provisions set out in effective regulations. Please specify the results.	X		The Board of Directors shall ensure compliance with the standards applicable to the Company and, in this respect; there are no obstacles for the minority shareholders to propose matters to be addressed at the Shareholders' Meeting to the Board of Directors. It is reported that to date there are no precedents regarding matters to be addressed at the Shareholders' Meeting proposed by the minority shareholders.
V.2.4:			
Answer whether the Issuer has policies to encourage the participation of the most significant shareholders, such as institutional investors. Please specify.		X	The Board of Directors considers it appropriate that the Company does not make any distinction among its shareholders upon calling on them to attend the Shareholders' Meetings or provide them with information. Therefore, the possibility of implementing policies with these characteristics has not been considered.
V.2.5:			
Answer whether at the Shareholders' Meetings, where appointments of members of the Management Body are proposed, the following is informed prior to voting: (i) each candidate's position regarding whether to adopt or not a Code of Corporate Governance; and (ii) the grounds for such position.		X	The standards that are applicable to the Company upon appointing and accepting positions of members of the Board of Directors do not require such statements.
Recommendation V.3:			
Ensure the principle of equity between share and vote.		X	Although the Company's capital is represented by Class A shares entitled to five votes each and Class B shares entitled to one vote each, Class A shares represent only 0.024 % of the total shares issued by the Company and entitled to 0.118 % possible votes of the Company. Over the last three years, the relative structure of votes by share classes has not been changed.
Answer whether the Issuer has a policy that fosters the principle of equity between share and vote. State how the structure of outstanding shares by Class has changed over the last three years.			
Recommendation V.4:			
Establish mechanisms of protection for all shareholders against takeovers.		X	The Company has no authorization for the public offering of shares and, therefore, is under no legal obligation to implement those mechanisms. If authorization for the public offering of shares is requested and, according to effective regulations, the Company shall mandatorily join the public offering system for mandatory acquisition.
Answer whether the Issuer joins the public offering system for mandatory acquisition. Otherwise, specify whether there are other alternative mechanisms, set forth in the bylaws, such as the tag-along one or others.			

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FULL	PARTIAL		
PRINCIPLE V. RESPECT THE SHAREHOLDERS' RIGHTS			
Recommendation V.5:			
Encourage the Issuer's dispersion of shares.		X	<p>The Company does not publicly offer its shares and, therefore, has no policy to increase its dispersion in the market. Arcor Group owns 99.6865% of the shares representing the capital stock. No significant changes have occurred over the last three years.</p> <p>Grupo Arcor S.A.'s shareholders (Arcor S.A.I.C.'s controlling company, organized and existing under the laws of Argentina) do not have individually economic and/or political rights that allow them to have the Company's corporate will.</p>
Answer whether the Issuer has a dispersion of shares of at least 20% for its common shares. Otherwise, the Issuer has a policy to increase its dispersion of shares in the market.			
State the percentage of dispersion of shares as a percentage of the Issuer's capital stock and how it has changed over the last three years.			
Recommendation V.6:			
Ensure that there is a transparent policy on dividends.			
V.6.1:			
Answer whether the Issuer has a policy on the distribution of dividends provided in the Corporate Bylaws and approved by the Shareholders' Meeting, in which the conditions to distribute dividends in cash or on shares are established. If there is such a policy, state the criteria, frequency and conditions that shall be met for the payment of dividends.		X	<p>The Board of Directors annually submits for the consideration of the Shareholders' Meeting the allocation of the Company's income for the fiscal year and reserves, stated in the Annual Report and other relevant documents, the proposed distribution of profits and the limitations that the Shareholders' Meeting shall consider regarding the above-mentioned allocation of funds.</p>
V.6.2:			
Answer whether the Issuer has documented processes to prepare the proposal for allocation of the Issuer's Unappropriated Retained Earnings that result in legal, statutory and voluntary reserves, carryforward to new fiscal year and/or payment of dividends.	X		<p>In the Financial Statements and the Board of Directors' Report of each fiscal year, the Board of Directors reports on the effects and restrictions set out in effective standards regarding the allocation of unappropriated retained earnings. In addition, the Company's Board of Directors submits for the shareholders' consideration, prior to holding the Shareholders' Meeting called to such end, a proposal for the distribution of dividends. For the purposes described above, it is based on the reports prepared by senior management regarding matters such as profits that may be distributed, the Company's financial position, economic outlook and investment plans.</p>
Specify those processes and detail the Minutes of the General Shareholders' Meeting whereby the distribution of dividends (in cash or on shares) was or was not approved, if this is not provided in the Corporate Bylaws.			<p>The following was resolved at the Shareholders' Meeting held on April 25, 2015: (i) to create a Legal Reserve in the amount of ARS 11,822,437; (ii) to increase the Special Reserve for Future Dividends in the amount of ARS 24,646,871; and (iii) distribute cash dividends with charge to the Unappropriated Retained Earnings account in the amount of ARS 200,000,000. The following was resolved at the Shareholders' Meeting held on November 27, 2015: (i) partially reverse the Special Reserve for Future Dividends in the amount of ARS 65,000,000; and (ii) apply the reversed amount of the Special Reserve for Future Dividends to distribute cash dividends in the amount of ARS 65,000,000.</p>

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COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLAIN
FULL	PARTIAL		
PRINCIPLE VI. KEEP A DIRECT AND RESPONSIBLE RELATION WITH THE COMMUNITY			
Recommendation VI:			
Provide the community with the disclosure of matters relating to the Issuer and a channel of direct communication with the Company.			
VI.1:			
Answer whether the Issuer has an updated website of public access, which does not only furnish material information of the Company (Corporate Bylaws, group, members of the Management Body, financial statements, Annual Report, among others), but it also gathers inquiries of users in general.	X		<p>The Company has several channels that gather the inquiries of users in general, such as:</p> <ul style="list-style-type: none"><li>- Institutional website (www.arcor.com): from where the Sustainability Report and the CNV's section can be accessed, where the Company makes its Corporate Bylaws, information about the members of its Management Body and the financial statements, among other reports and documents, to the public in general. In addition, the contact information of each of the Company's subsidiaries is available on the website www.arcor.com: e-mail, telephone, postal address and other interesting data for the public in general.</li><li>- Websites: www.arcor.com.ar, www.arcor.com.br and www.arcor.com.cl</li><li>- Social Networks</li><li>- Consumer Service</li><li>- Arcor Buy Portal to contact suppliers</li></ul> <p>Additionally, under the framework of its strategy of building relations with the communities where it operates, Arcor Group encourages several instances of dialogue with key community stakeholders, including face-to-face interviews with referent people in the area (members of organizations and neighbors), face-to-face meetings based on talks and workshops carried out in local organizations (schools, community kitchens, associations), alliances created with local, provincial governments and civil society organizations for the local management and projects organized with social organizations.</p> <p>Taking a further step in the dialogue with communities, in 2015, a qualitative study was conducted in 12 communities, which comprised 16 operation bases located in 7 Argentine provinces, to know the perception several stakeholders of Arcor have about the Company-community relation." Through 112 deep interviews and 21 focus groups, Arcor sought to know what the Company's community located in its territory knows; which impacts the different stakeholders suppose to cause and their appreciation, identifying improvement opportunities.</p>
VI.2:			
Answer whether the Issuer issues a Social and Environment Responsibility Report on a yearly basis, which is verified by an independent External Auditor. If any, state the legal or geographic scope or coverage thereof and		X	<p>Since 2005, Arcor Group annually publishes its Sustainability Report to provide all stakeholders with transparent and systematized information on its economic, social and environmental performance. To prepare its Sustainability Report, Arcor Group follows the guidelines</p>

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COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLAIN
FULL	PARTIAL		
PRINCIPLE VI. KEEP A DIRECT AND RESPONSIBLE RELATION WITH THE COMMUNITY			
VI.2:			
where it is available. Specify the standards or initiatives adopted to carry out its policy on corporate social responsibility (Global Reporting Initiative and/or the Global United Nations Compact, ISO 26000, SA 8000, Millennium Development Goals, SGE 21-Foretica, AA 1000, Equator Principles, among others).			<p>and indicators proposed by the Global Reporting Initiative (GRI). Specific indicators of the food processing sector supplement that are relevant to the Company's operations were also used.</p> <p>Additionally, the Sustainability Report follows the reporting recommendations of ISO 26000 - Social Responsibility, the guidance developed by UNICEF on the Children's Rights, and discloses the aspects required by the United Nations Global Compact's Communication on Progress (COP) Advanced Level.</p> <p>Although there is no External Assurance for the Report, many of the processes disclosed therein have been certified by independent third parties under renowned international standards.</p> <p>Arcor Group's Sustainability Report is available on the Company's website (<a href="http://www.arcor.com">www.arcor.com</a>).</p>
PRINCIPLE VII. COMPENSATE FAIRLY AND RESPONSIBLY			
Recommendation VII:			
Establish clear policies on the compensation of the members of the Management Body and first-line managers, with special focus on establishing conventional or statutory limitations based on the existence or inexistence of profits.			
VII.1:			
Answer whether the Issuer has a Compensation Committee:	X		The duties assigned by General Resolution No. 606/2012 and the 2013 revised text of the CNV's Regulations to the Compensation Committee are appropriately fulfilled by the Shareholders' Meeting, the Company's Board of Directors, the Human Resources Committee and the Human Resources Management Division.
VII.1.1:			
Answer whether the Issuer has a Compensation Committee made up of at least three members of the Management Body, most of who are independent.		X	The Company's Human Resources Committee is made up of two regular non-independent directors, according to the criteria set forth by CNV's regulations, and Arcor S.A.I.C.'s General Human Resources Manager.
VII.1.2:			
Answer whether the Issuer has a Compensation Committee chaired by an independent member of the Management Body.		X	The directors who are part of the Human Resources Committee do not qualify as independent, according to the criteria set forth by the CNV's regulations.



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	FULL	PARTIAL		
PRINCIPLE VII. COMPENSATE FAIRLY AND RESPONSIBLY				
VII.1.3:				
Answer whether the Issuer has a Compensation Committee that has members proving to be qualified and experienced enough in matters related to human resources policies.	X			Human Resources Committee members have vast experience in business management and human capital policies.
VII.1.4:				
Answer whether the Issuer has a Compensation Committee that meets at least twice a year.			X	Having been created on October 23, 2015, the Human Resources Committee has met once during 2015.
VII.1.5:				
Answer whether the Issuer has a Compensation Committee whose decisions are not necessarily binding for the General Shareholders' Meeting or the Oversight Committee, but for consultation as regards the compensation of the members of the Management Body.			X	According to the General Companies Law, the Company's Shareholders' Meeting has the power to determine the fees of the members of the Board of Directors. The Human Resources Committee does not have powers in this respect.
VII.2:				
Answer whether the Compensation Committee, if any:				
VII.2.1:				
Answer whether the Compensation Committee ensures that there is a clear relationship between the key personnel's performance and their fixed and variable compensation, considering the risks taken and their management.	X			<p>The Human Resources Committee is in charge of monitoring that the key personnel's compensation structure properly corresponds with their performance and the risk management.</p> <p>The Policy for Management's Compensation is based on a compensation system made up of a fixed portion and a variable portion. The fixed compensation is related to the level of responsibility required for the position and market competitiveness. The variable compensation is related to the goals set at the beginning of the fiscal year and the degree of compliance therewith through performance throughout the fiscal year. In order to assess the relationship among the senior management's compensation, the risks assumed and their management, the SGD of each Company's employee is annually approved, in which the employee's primary responsibilities and specific goals are determined. Compliance therewith is finally controlled at each year-end. Additionally, it is periodically reviewed whether each manager's position has an annual compensation (salary and benefits) according to what is being established by the local market. This comparison is made based on the HAY Grade (parameter used in salary and structure management arising from the HAY position assessment implemented for the whole company) of each position, supported in positions cards and descriptions prepared with the HAY Compensation System globally.</p>

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FULL	PARTIAL		
PRINCIPLE VII. COMPENSATE FAIRLY AND RESPONSIBLY			
VII.2.2:			
Answer whether the Compensation Committee monitors that the variable portion of compensation of members of the Management Body and first-line managers matches with the Issuer's mid- and long-term performance.		X	<p>The Human Resources Committee is in charge of supervising that the variable segment of the compensation of senior management members is linked to the mid- and long-term performance.</p> <p>Ten per cent of the general managers' variable compensation is affected by attaining the goals set in Arcor's Sustainability Policy, the sustainability plans of the Group's businesses, the corporate projects encouraged from the Sustainability Committee and the respective Risks and Sustainability Opportunities Matrices and the Arcor Group's priority lines of action, thus associating the variable compensation portion with the Company's performance in the mid- and long-term.</p> <p>Under this framework, in 2015, a total of 780 employees set their specific goals, committing to contributing from their work area for Arcor to be a sustainable company. Moreover, this year a pilot test was implemented, whereby six businesses of the Company defined divisional goals related to sustainability, the scope of which was broadened to over 37% of the employees covered by the SGD throughout the Group.</p> <p>The fees of the members of the Board of Directors are proposed by the Management Body to the Shareholders' Meeting based on the applicable standards (Section 261 of General Companies Law and related provisions of 2013 Revised Text of the CNV's Regulations), the tasks performed and the Company's performance.</p>
VII.2.3:			
Answer whether the Compensation Committee reviews the competitive position of the Issuer's policies and practices regarding comparable companies' compensation and benefits, and recommends changes or not.		X	<p>The Human Resources Committee is in charge of (i) reviewing Arcor Group's policies and practices regarding personnel's compensation and benefits in order to adjust them to market uses, recommending changes, if necessary; and (ii) reviewing and proposing updates to policies on retention, promotion, dismissal and suspension of key personnel.</p>
VII.2.4:			
Answer whether the Compensation Committee defines and communicates the policy on retention, promotion, dismissal and suspension of key personnel.		X	<p>The Board of Directors, exercising its duties, together with the Human Resources Management Division, has established descriptions of duties, responsibilities and competencies required for each senior management position, as well as the Human Resources Management Division has reported all the Company's employees the Arcor Group's Competency Model, the Performance Management System, the HAY Method-Based Compensation System and the Strategic Resources Plan, which, along with the Code of Ethics and Conduct, are the policy for the retention, promotion, dismissal, training and</p>

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COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLAIN
FULL	PARTIAL		
PRINCIPLE VII. COMPENSATE FAIRLY AND RESPONSIBLY			
VII.2.4:			
			<p>suspension of the whole Arcor Group's staff.</p> <p>The Human Resources Committee is in charge of reviewing and proposing (i) updates to policies on retention, promotion, dismissal and suspension of key personnel; and (ii) the criteria that shall be considered upon selecting new members to be part of senior management.</p>
VII.2.5:			
Answer whether the Compensation Committee reports the guidelines to determine the retirement plans of the members of the Management Body and first-line managers of the Issuer.	X		<p>The Human Resources Committee is in charge of reviewing, reporting and submitting for the Board of Directors' consideration the guidelines regarding retirement plans that affect the members of senior management.</p> <p>The Board of Directors has established a Pension Plan and an Early Retirement Plan, which include, among others, senior management and the members of the Board of Directors who perform duties as payroll employees.</p>
VII.2.6:			
Answer whether the Compensation Committee regularly informs the Management Body and the Shareholders' Meeting about the actions taken and the matters discussed at their meetings.	X		<p>The Human Resources Committee should give advice and report to the Company's Board of Directors within the areas of responsibility assigned thereto.</p> <p>The Board of Directors is accountable to the shareholders regarding the issues addressed in this recommendation, by means of the information made available in the Board of Directors' Report, the Sustainability Report and the annual financial statements.</p>
VII.2.7:			
Answer whether the Compensation Committee guarantees the attendance of the Compensation Committee's Chairperson at the General Shareholders' Meeting that approves the compensation payable to the Management Body so that he/she may explain the Issuer's policy on compensation of the members of the Management Body and first-line managers.		X	<p>The members of the Board of Directors are at the disposal of the shareholders at the Shareholders' Meetings in order to clear up any doubt that may arise from the Company's policies.</p>
VII.3:			
If deemed significant, add policies applied by the Issuer's Compensation Committee that were not mentioned in the preceding point.	X		<p>See answer in II.5.3.</p>

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PRINCIPLE VII. COMPENSATE FAIRLY AND RESPONSIBLY				
VII.4:				
If there is no Compensation Committee, explain how the duties described in VII. 2 are performed within the Management Body itself.			Not applicable.	
PRINCIPLE VIII. ENCOURAGE THE BUSINESS ETHICS				
Recommendation VIII:				
Ensure ethical behaviors at the Issuer.				
VIII.1:				
Answer whether the Issuer has a Code of Business Conduct. State the main guidelines and whether it is publicly known. Such code is signed by, at least, the members of the Management Body and first-line managers. Indicate whether its application to suppliers and customers is encouraged.	X		<p>Arcor Group's Code of Ethics and Conduct formally establishes the set of values, principles and rules guiding the Company's responsible conduct. In order to ensure compliance therewith, a procedure was developed to manage it, an Ethics and Conduct Committee was created and an ethics line was enabled for all employees, suppliers and customers of Arcor Group to be able to make inquiries or anonymous and confidential reporting.</p> <p>The provisions of the Code of Ethics and Conduct, by which the members of Arcor S.A.I.C.'s Statutory Audit Committee abide, are applied to the members of the Company's Board of Directors and all the staff that has a direct labor relationship with Arcor Group's companies.</p> <p>The members of the Board of Directors and the Company's management level (managers) have signed their formal agreement to the Code of Ethics and Conduct.</p> <p>The application of Arcor Group's ethical principles is encouraged at customers and suppliers by communicating the ethics line to them. Likewise, upon beginning the business relationship, Arcor Group's suppliers are requested to sign a letter whereby they agree to the basic responsible management principles and during 2012 the same policy began being applied to Arcor Group's customers.</p>	
VIII.2:				
Answer whether the Issuer has mechanisms to receive any unlawful or unethical conduct reporting, either personally or electronically, ensuring that the information furnished is aligned with the highest confidentiality and integrity standards, as well as the record and conservation of the information. State whether the service to receive and assess reporting is	X		<p>The Company has an ethics line whereby inquiries, reporting and comments are received, and an Ethics and Conduct Committee, which ensures compliance with the Code of Ethics and Conduct.</p> <p>The ethics line is a tool to facilitate the anonymous and confidential submission of inquiries or events that may show a breach of the Code of Ethics and Conduct. It is a</p>	



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PRINCIPLE VIII. ENCOURAGE THE BUSINESS ETHICS			
VIII.2:			
rendered by the Issuer's staff or by external and independent professionals for further protection of those who report these events.			fax number, e-mail and postal address.  The service to receive and analyze reporting is internal and is under the charge of the Internal Audit Management Division.
VIII.3:			
Answer whether the Issuer has policies, processes and systems to manage and resolve the reporting mentioned in item VIII.2. Describe the most significant aspects thereof and indicate the Audit Committee's degree of involvement in such resolutions, particularly in that reporting associated with internal control matters for accounting reporting and as regards the behaviors of the members of the Management Body and first-line managers.	X		To manage compliance with the Code of Ethics and Conduct and ensure its consistent implementation in the business's daily activities, Arcor Group has established a procedure, the steps of which are stated below:  1)RECEPTION: with complete confidentiality and reserve, the Internal Audit Management Division receives and analyzes the cases presented.  2)RECORD: each case is recorded and the analysis process to be submitted to the Ethics and Conduct Committee begins.  3)ANALYSIS: an analysis of the case is carried out, for which purpose explanatory questions may be made and actions are performed to establish the truthfulness of the situations posed.  4)DECISION: the Ethics and Conduct Committee holds a meeting to address the cases and the decisions are communicated to the stakeholders, performing a follow-up to ensure compliance therewith.  The Internal Audit Area informs the Audit Committee about material reporting related to internal control matters and frauds.
PRINCIPLE IX: BROADEN THE SCOPE OF THE CODE			
Recommendation IX:			
Foster the inclusion of provisions related to good corporate governance practices in the Corporate Bylaws.  Answer whether the Management Body evaluates whether the provisions of the Code of Corporate Governance shall be reflected, either fully or partially, in the Corporate Bylaws, including the general and specific responsibilities of the Management Body. State the provisions actually included in the Corporate Bylaws from the effectiveness of the Code to date.		X	Given the regulatory framework governing the Company's activities and those of its corporate bodies, the provisions set out in the Company's Bylaws, and the principles and policies adopted thereby do not consider it necessary to include in the Corporate Bylaws the set of corporate governance guidelines. However, the Board of Directors does not disregard the future evaluation of the possibility of including in the Bylaws new corporate governance practices.

ARCOR S.A.I.C.

  
Luis Alejandro Pagani  
Chairman



# CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND 2014

FREE TRANSLATION FROM THE ORIGINAL IN SPANISH FOR PUBLICATION IN ARGENTINA





# CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2015 AND 2014

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# CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2015 AND 2014

## GLOSSARY TERMS

Term	Definition
ARG PCGA	TP (technical pronouncements) issued by the FACPCE with the exception of TP No. 26 (amended by TP No. 29) which adopts the IFRS. These TP include general and specific standards for valuation and disclosure in effect in Argentina, for the companies that are not obliged or have not opted to adopt IFRS
ARS	Argentine Peso
Associates	Companies over which Arcor S.A.I.C. has significant influence as established by IAS 28
BOB	Bolivian Peso
B.N. DES.	Brazilian Development Bank
BRL	Brazilian Real
CAD	Canadian Dollar
CLP	Chilean Peso
CNV	National Securities Commission of the Argentine Republic
GCL	General Companies Law (Law No. 19,550 and amendments)
COP	Colombian Peso
EUR	Euro
FACPCE	Argentine Federation of Professional Councils in Economic Sciences
FASB	Financial Accounting Standards Board
Group/Arcor Group	Economic group formed by the Company and its subsidiaries
IAS	International Accounting Standard
IASB	International Accounting Standard Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
The Company / Arcor S.A.I.C.	Indistinctively, Arcor Sociedad Anónima, Industrial y Comercial
MXN	Mexican Peso
PEN	Peruvian Nuevo Sol
PYG	Paraguayan Guaranies
RG / CNV	General Resolutions issued by the CNV
RMB	Renminbis
RT / FACPCE	Technical Pronouncements issued by the FACPCE
Subsidiaries	Companies on which is exposed or have right to variable yields and have the capacity to exert influence on the amount of this variable yields through its control over the subsidiary, as set forth by IFRS 10
TO / CNV	Restated Text of the National Securities Commission
USD	United States Dollar
US GAAP	General Accepted Accounting Principles in the United States
UYU	Uruguayan peso
VEF	Venezuelan Bolivar
VPP	Proportional Equity Value or Equity Method



# CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2015, 2014 AND 2013  
(Values expressed in Argentine Peso)

ASSETS	Notes	12.31.2015	12.31.2014	12.31.2013
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	5	4,946,221,011	4,259,922,234	2,938,085,126
Investment properties	6	36,320,022	39,743,759	34,699,123
Intangible assets	7	427,562,403	410,963,386	384,122,693
Investment in associates	8	25,890	7,042	23,536
Biological assets	9	60,717,190	68,120,301	44,309,192
Deferred tax assets	10	375,450,110	275,849,395	228,144,596
Other investments	13	96,518,389	4,645,210	5,256,290
Other receivables	11	964,385,249	402,501,942	500,313,194
Trade accounts receivable	11	190,641	2,841,224	45,781
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,907,390,905</b>	<b>5,464,594,493</b>	<b>4,134,999,531</b>
<b>CURRENT ASSETS</b>				
Biological assets	9	62,886,105	49,621,254	29,650,507
Inventories	12	4,646,748,737	4,092,788,575	3,424,707,435
Other receivables	11	1,197,029,400	1,017,554,648	816,566,013
Trade accounts receivable	11	3,903,446,148	3,139,369,113	2,628,114,791
Other investments	13	13,611	4,936,335	1,672,098
Derivative financial instruments	14	349,291,579	11,311,368	466,037
Cash and cash equivalents	15	2,033,482,102	1,191,473,026	866,597,053
<b>TOTAL CURRENT ASSETS</b>		<b>12,192,897,682</b>	<b>9,507,054,319</b>	<b>7,767,773,934</b>
<b>TOTAL ASSETS</b>		<b>19,100,288,587</b>	<b>14,971,648,812</b>	<b>11,902,773,465</b>

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

Victor Jorge Aramburu  
Chairman  
Syndics Committee

Jorge Luis Seveso  
Secretary Member of the  
Board

Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.

C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)

# CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2015, 2014 AND 2013  
(Values expressed in Argentine Peso)

LIABILITIES AND EQUITY	Notes	12.31.2015	12.31.2014	12.31.2013
<b>EQUITY</b>				
<b>Capital and reserves attributable to shareholders of the Company</b>				
Outstanding shares	17	700,000,000	700,000,000	700,000,000
Treasury stock		(70,244)	(70,244)	(70,244)
Legal reserve		129,445,453	117,623,016	109,854,221
Optional reserve for future investments		799,713,359	799,713,359	799,713,359
Special reserve for future dividends		170,755,722	211,108,851	343,501,746
Special reserve, adoption of IFRS		203,256,621	203,256,621	203,256,621
Retained earnings	18	350,755,151	259,120,266	162,834,459
Other equity components	19	1,342,837,412	899,053,796	563,812,372
<b>SUBTOTAL</b>		<b>3,696,693,474</b>	<b>3,189,805,665</b>	<b>2,882,902,534</b>
Non-controlling interest	20	1,846,571,918	1,291,196,170	1,011,744,916
<b>TOTAL EQUITY</b>		<b>5,543,265,392</b>	<b>4,481,001,835</b>	<b>3,894,647,450</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Loans	21	4,059,657,469	3,715,813,075	2,918,400,128
Deferred tax liabilities	10	8,875,326	53,845,319	39,315,246
Employee retirement benefits obligations	22	194,049,904	131,822,559	79,183,303
Provisions	23	188,751,153	155,260,404	88,094,820
Trade accounts payable and other liabilities	24	16,238,804	17,744,025	65,504,051
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,467,572,656</b>	<b>4,074,485,382</b>	<b>3,190,497,548</b>
<b>CURRENT LIABILITIES</b>				
Loans	21	3,057,336,971	1,966,969,846	1,293,445,895
Derivative financial instruments	14	312,850	23,099,642	1,212,652
Income tax payable		311,989,929	168,797,177	80,460,769
Employee retirement benefits obligations	22	41,012,978	32,238,123	20,552,351
Provisions	23	86,190,494	68,724,311	60,129,034
Advances from customers		82,747,494	92,427,400	64,962,680
Trade accounts payable and other liabilities	24	5,509,859,823	4,063,905,096	3,296,865,086
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,089,450,539</b>	<b>6,416,161,595</b>	<b>4,817,628,467</b>
<b>TOTAL LIABILITIES</b>		<b>13,557,023,195</b>	<b>10,490,646,977</b>	<b>8,008,126,015</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,100,288,587</b>	<b>14,971,648,812</b>	<b>11,902,773,465</b>

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

Victor Jorge Aramburu  
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Jorge Luis Seveso  
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Board

Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.

C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)

# CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Values expressed in Argentine Peso)

	Notes	For the years ended	
		12.31.2015	12.31.2014
Sales of goods and services	26	27,553,487,879	24,059,757,539
Cost of products sold and services provided	27	(17,870,583,164)	(15,851,299,639)
<b>SUBTOTAL</b>		<b>9,682,904,715</b>	<b>8,208,457,900</b>
Results generated by biological assets	30	6,207,398	63,934,769
<b>GROSS PROFIT</b>		<b>9,689,112,113</b>	<b>8,272,392,669</b>
Selling expenses	28	(5,497,766,779)	(4,891,321,468)
Administrative expenses	28	(1,250,909,334)	(1,109,233,894)
Other income / (losses) – net	31	(272,157,749)	(188,100,531)
<b>OPERATING INCOME</b>		<b>2,668,278,251</b>	<b>2,083,736,776</b>
Exceptional results	32	6,777,827	120,187,560
Financial income	33	579,248,843	372,493,263
Financial expense	33	(1,123,005,054)	(973,330,296)
Net foreign exchange difference	34	(646,241,150)	(548,290,606)
<b>NET FINANCIAL RESULTS</b>		<b>(1,189,997,361)</b>	<b>(1,149,127,639)</b>
Net income / (loss) on investments in associates	8	2,476,689	(19,832)
<b>INCOME BEFORE INCOME TAX</b>		<b>1,487,535,406</b>	<b>1,054,776,865</b>
Income tax	35	(686,363,045)	(530,653,525)
<b>NET INCOME FOR THE YEAR</b>		<b>801,172,361</b>	<b>524,123,340</b>
<b>Income attributable to:</b>			
Company's shareholders		327,312,735	251,869,177
Non-controlling interest	20	473,859,626	272,254,163
<b>TOTAL</b>		<b>801,172,361</b>	<b>524,123,340</b>
<b>Earnings per share attributable to Company's shareholders</b>			
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	36	0.00468	0.00360

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



Victor Jorge Aramburu  
Chairman  
Syndics Committee



Jorge Luis Seveso  
Secretary Member of the  
Board



Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.



C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Values expressed in Argentine Peso)

	Notes	For the years ended	
		12.31.2015	12.31.2014
<b>NET INCOME FOR THE YEAR</b>		<b>801,172,361</b>	<b>524,123,340</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
<b>Items that can later be reclassified to income/loss</b>			
Cash flow hedges	19	917,651	1,212,652
Income tax effect	19 and 35	(321,178)	-
<b>SUBTOTAL</b>		<b>596,473</b>	<b>1,212,652</b>
Currency translation differences	19	539,901,420	396,687,282
Hyperinflation effect of companies	19	10,694,688	3,526,704
Income tax effect	19 and 35	(1,999,196)	(2,617,805)
<b>SUBTOTAL</b>		<b>548,596,912</b>	<b>397,596,181</b>
<b>Total items that can later be reclassified to income/loss</b>		<b>549,193,385</b>	<b>398,808,833</b>
<b>Items that will not be reclassified to income/loss</b>			
Actuarial gain/(loss) of defined benefit plans	22	1,781,727	(937,751)
Tax effect	35	(624,205)	470,765
<b>Total items that will not be reclassified to income/loss</b>		<b>1,157,522</b>	<b>(466,986)</b>
Reclassification of translation difference to Net income for the year	8 and 19	(2,488,353)	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>547,862,554</b>	<b>398,341,847</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,349,034,915</b>	<b>922,465,187</b>
<b>Other comprehensive income for the year attributable to:</b>			
Company's shareholders		444,564,016	335,013,383
Non-controlling interest		103,298,538	63,328,464
<b>TOTAL</b>		<b>547,862,554</b>	<b>398,341,847</b>
<b>Total comprehensive income for the year attributable to:</b>			
Company's shareholders		771,876,751	586,882,560
Non-controlling interest		577,158,164	335,582,627
<b>TOTAL</b>		<b>1,349,034,915</b>	<b>922,465,187</b>

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

Victor Jorge Aramburu  
Chairman  
Syndics Committee

Jorge Luis Seveso  
Secretary Member of the  
Board

Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.

C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Values expressed in Argentine Peso)

CAPTIONS	OWNERS' CONTRIBUTIONS	TREASURY STOCK	RETAINED EARNINGS		
	COMMON STOCK OUTSTANDING SHARES		LEGAL RESERVE	OPTIONAL RESERVE FOR FUTURE INVESTMENTS	SPECIAL RESERVE FOR FUTURE DIVIDENDS
Balances at January 1, 2015	700,000,000	(70,244)	117,623,016	799,713,359	211,108,851
Prior year adjustments (Note 42)	-	-	-	-	-
<b>Total at January 1, 2015 - corrected</b>	<b>700,000,000</b>	<b>(70,244)</b>	<b>117,623,016</b>	<b>799,713,359</b>	<b>211,108,851</b>
Net income for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Setting-up of reserves (2)	-	-	11,822,437	-	24,646,871
Cash dividend (3)	-	-	-	-	(65,000,000)
Prescribed Dividend (4)	-	-	-	-	-
<b>Total at december 31, 2015</b>	<b>700,000,000</b>	<b>(70,244)</b>	<b>129,445,453</b>	<b>799,713,359</b>	<b>170,755,722</b>

- (1) Special reserve that may only be allocated to capitalization or absorption of possible negative balances of the Unappropriated Retained Earnings account, as established by the CNV and as resolved by the Ordinary and Extraordinary Shareholders' Meeting held on April 27, 2013.
- (2) As per the Ordinary and Extraordinary Shareholders' Meeting held on April 25, 2015.
- (3) Distribution of cash dividends which amounts to ARS 200,000,000 as per Ordinary and Extraordinary Shareholders' Meeting held on April 25, 2015 and ARS 65,000,000 as per Ordinary and Extraordinary Shareholders' meeting held on November 27, 2015. The non-controlling interest includes mainly the distribution of cash dividends for ARS 20,365,847 of the subsidiary Arcorpar S.A. and ARS 1,406,670 of the subsidiary Bagley Argentina S.A.
- (4) As set out by article 40 of the Corporate Bylaws, the unclaimed uncollected dividends become prescribed in favor of the company 3 years after they have been made available.

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



Victor Jorge Aramburu  
Chairman  
Syndics Committee



Jorge Luis Seveso  
Secretary Member of the  
Board

RETAINED EARNINGS		OTHER EQUITY COMPONENTS		SUBTOTAL ATTRIBUTABLE COMPANY'S SHAREHOLDERS	NON- CONTROLLING INTEREST (Note 20)	TOTAL EQUITY
SPECIAL RESERVE, ADOPTION OF IFRS (1)	RETAINED EARNINGS (note 18)	TRANSLATION RESERVE (note 19)	RESERVE FOR CASH FLOW HEDGES (note 19)			
203,256,621	236,469,308	899,053,796	-	3,167,154,707	1,291,191,469	4,458,346,176
-	22,650,958	-	-	22,650,958	4,701	22,655,659
<b>203,256,621</b>	<b>259,120,266</b>	<b>899,053,796</b>	<b>-</b>	<b>3,189,805,665</b>	<b>1,291,196,170</b>	<b>4,481,001,835</b>
-	327,312,735	-	-	327,312,735	473,859,626	801,172,361
-	780,400	443,187,143	596,473	444,564,016	103,298,538	547,862,554
<b>-</b>	<b>328,093,135</b>	<b>443,187,143</b>	<b>596,473</b>	<b>771,876,751</b>	<b>577,158,164</b>	<b>1,349,034,915</b>
-	(36,469,308)	-	-	-	-	-
-	(200,000,000)	-	-	(265,000,000)	(21,782,416)	(286,782,416)
-	11,058	-	-	11,058	-	11,058
<b>203,256,621</b>	<b>350,755,151</b>	<b>1,342,240,939</b>	<b>596,473</b>	<b>3,696,693,474</b>	<b>1,846,571,918</b>	<b>5,543,265,392</b>



Luis Alejandro Pagani

Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.



(Partner)

C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Values expressed in Argentine Peso)

CAPTIONS	OWNERS PARTNERS CONTRIBUTIONS	TREASURY STOCK	RETAINED EARNINGS		
	COMMON STOCK OUTSTANDING SHARES		LEGAL RESERVE	OPTIONAL RESERVE FOR FUTURE INVESTMENTS	SPECIAL RESERVE FOR FUTURE DIVIDENDS
Balances at January 1, 2014	700,000,000	(70,244)	109,854,221	799,713,359	343,501,746
Prior year adjustments (Note 42)	-	-	-	-	-
<b>Total at January 1, 2014 - corrected</b>	<b>700,000,000</b>	<b>(70,244)</b>	<b>109,854,221</b>	<b>799,713,359</b>	<b>343,501,746</b>
Increase of capital (Note 40)	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
<b>Income overall of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital contribution of non-controlling interest	-	-	-	-	-
Setting-up of reserves (2)	-	-	7,768,795	-	-
Cash dividend (3)	-	-	-	-	(132,392,895)
Prescribed dividend (4)	-	-	-	-	-
<b>Total at december 31, 2014</b>	<b>700,000,000</b>	<b>(70,244)</b>	<b>117,623,016</b>	<b>799,713,359</b>	<b>211,108,851</b>

- (1) Special reserve that may only be allocated to capitalization or absorption of possible negative balances of the Unappropriated Retained Earnings account, as established by the CNV and as resolved by the Ordinary and Extraordinary Shareholders' Meeting held on April 27, 2013.
- (2) As per the Ordinary and Extraordinary Shareholder's Meeting held on April 26, 2014.
- (3) Distribution of cash dividends which amounts to ARS 150,000,000 as per Ordinary and Extraordinary Shareholders' Meeting held on April 26, 2014 and ARS 130,000,000 as per Ordinary and Extraordinary Shareholders' meeting held on November 28, 2014. The non-controlling interest includes mainly the distribution of cash dividends for ARS 28,452,536 of the subsidiary Bagley Latinoamerica S.A., ARS 21,450,825 of the subsidiary Arcorpar S.A. and ARS 6,211,895 of the subsidiary Mundo Dulce S.A. de C.V.
- (4) As set out by article 40 of the Corporate Bylaws, the unclaimed uncollected dividends become prescribed in favor of the company 3 years after they have been made available.

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



Victor Jorge Aramburu  
Chairman  
Syndics Committee



Jorge Luis Seveso  
Secretary Member of the  
Board

RETAINED EARNINGS		OTHER EQUITY COMPONENTS		SUBTOTAL ATTRIBUTABLE COMPANY'S SHAREHOLDERS	NON- CONTROLLING INTEREST (Note 20)	TOTAL EQUITY
SPECIAL RESERVE, ADOPTION OF IFRS (1)	RETAINED EARNINGS (note 18)	TRANSLATION RESERVE (note 19)	RESERVE FOR CASH FLOW HEDGES (note 19)			
203,256,621	155,375,900	565,025,024	(1,212,652)	2,875,443,975	1,011,745,577	3,887,189,552
-	7,458,559	-	-	7,458,559	(661)	7,457,898
<b>203,256,621</b>	<b>162,834,459</b>	<b>565,025,024</b>	<b>(1,212,652)</b>	<b>2,882,902,534</b>	<b>1,011,744,916</b>	<b>3,894,647,450</b>
-	251,869,177	-	-	251,869,177	272,254,163	524,123,340
-	(228,041)	334,028,772	1,212,652	335,013,383	63,328,464	398,341,847
-	<b>251,641,136</b>	<b>334,028,772</b>	<b>1,212,652</b>	<b>586,882,560</b>	<b>335,582,627</b>	<b>922,465,187</b>
-	-	-	-	-	1,084	1,084
-	(7,768,795)	-	-	-	-	-
-	(147,607,105)	-	-	(280,000,000)	(56,132,457)	(336,132,457)
-	20,571	-	-	20,571	-	20,571
<b>203,256,621</b>	<b>259,120,266</b>	<b>899,053,796</b>	<b>-</b>	<b>3,189,805,665</b>	<b>1,291,196,170</b>	<b>4,481,001,835</b>



Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.



(Partner)  
C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Values expressed in Argentine Peso)

	Notes	12.31.2015	12.31.2014
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>			
<b>Net income for the year</b>		<b>801,172,361</b>	<b>524,123,340</b>
Income tax and minimum notional income tax	35	686,363,045	530,653,525
<b>Adjustments to reconcile the income for the year to the net cash generated by operations:</b>			
Depreciation of property, plant and equipment and investment properties	28	475,171,818	399,301,415
Amortization of intangible assets	28	22,287,253	23,208,973
Setting up of allowances deducted from assets and provisions included in liabilities, net		109,448,614	210,201,456
Financial results, net	33 and 34	1,189,997,361	1,149,127,639
Net gain (loss) on investments in associates		(2,476,689)	19,832
Results from initial recognition and changes in the fair value of biological assets	20	(8,279,992)	(64,024,606)
Results from the sale of property, plant and equipment and investment properties	31	(17,142,620)	(63,671,301)
Deletion of inventories and property, plant and equipment caused by casualties	32	198,305,390	-
Deletions of bearer plants	5 and 30	471,594	565,845
Collections Net acquisitions of derivative financial instruments		222,504,796	(22,722,113)
Payments for purchases, net of collections from sales of biological assets (4)	9	(64,941,558)	(50,592,244)
Payment of income tax and minimum notional income tax		(884,498,765)	(485,863,920)
Net variation in operating assets and liabilities (3)		331,576,659	(307,136,260)
<b>Net cash flows provided by operating activities</b>		<b>3,059,959,267</b>	<b>1,843,191,581</b>
<b>CASH FLOWS FOR INVESTMENT ACTIVITIES</b>			
Payments for advances and acquisition of property, plant and equipment, intangible assets and others (3)		(750,271,660)	(1,240,249,573)
Sale of property, plant, equipment and investment properties (1)		13,906,411	91,924,090
Contributions to companies	8	(27,258)	-
Payment on account of the future subscription of shares	41	(486,000,000)	-
Payment for purchase of shares	41	(96,033,600)	-
Net variation of financial receivables		356,462	(4,362,740)
Net collection of acquisitions of investments at amortized cost		11,827,058	(297,693)
<b>Net cash flows (used in) financing activities</b>		<b>(1,306,242,587)</b>	<b>(1,152,985,916)</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>			
Collections from bank loans taken (1)		1,808,516,094	1,518,652,169
Payment of bank loans		(1,828,795,265)	(1,418,914,076)
Net variation in short-term loans		(150,954,451)	163,723,570
Collections for corporate bonds issuance net of associated costs		495,300,894	494,871,053
Payment of debt for corporate bonds		(251,823,333)	-
Payment of finance leases		(8,552,919)	(5,624,475)
Payment of interest		(882,696,207)	(828,741,487)
Capital contributions from non-controlling interest		-	1,084
Repayment of debt and costs with former shareholders of the parent company		(75,958,858)	(77,891,303)
Dividends paid (2)		(314,271,074)	(307,679,920)
<b>Net cash flows (used in) financing activities</b>		<b>(1,209,235,119)</b>	<b>(461,603,385)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>544,481,561</b>	<b>228,602,280</b>
<b>Cash, cash equivalents at the beginning of the year</b>	<b>15</b>	<b>1,191,473,026</b>	<b>866,597,053</b>
Net financial results and currency translation differences from cash and cash equivalents		297,527,515	96,273,693
Net increase in cash and cash equivalents		544,481,561	228,602,280
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>2,033,482,102</b>	<b>1,191,473,026</b>

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

- (1) At December 31, 2014, the effects of purchases of property, plant and equipment through finance leases were eliminated (notes 5 and 21). At December 31, 2015.  
(2) At December 31, 2015 it includes the payment of dividends to the non-controlling interest of the subsidiary Bagley Latinoamérica S.A. for ARS 27,488,657, approved by the Universal and Extraordinary Board of Shareholders dated December 18, 2014.  
At December 31, 2014, the effects of the distribution of dividends of the subsidiary Bagley Latinoamérica S.A. for ARS 28,452,536 were eliminated.  
(3) Includes the effect of eliminating purchases for the year not paid at year end.  
(4) Includes the effect of eliminating additions of biological assets not paid.

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(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 1. GENERAL INFORMATION

### 1.1 Company's background

Arcor Sociedad Anónima, Industrial y Comercial, is an entity organized under the laws of the Argentine Republic (Law 19,550 and amendments). The legal address is Av. Fulvio Salvador Pagani 487, Arroyito, Province of Córdoba.

With its subsidiaries, they jointly form a multinational corporation producing a wide range of products for mass consumption (candies, chocolates, cookies, food, etc.) and industrial products (corrugated cardboard, printing of flexible films, etc.) in Argentina, Brazil, Chile, Mexico and Peru and it sells them in many countries worldwide.

The Company's Bylaws were registered in the Public Registry of Commerce on January 19, 1962. The last amendment thereto was introduced by the Ordinary and Extraordinary Shareholder's Meeting held on November 2, 2013 and approved through Resolution No. 512/2014 –B– of the Superintendency of Commercial Companies of the Province of Córdoba on April 7, 2014, issued on File N° 0007-108775/2013, and recorded in the Public Registry of Commerce – Protocol of Agreements and Dissolution – under Registration 76-A27, in Córdoba, on April 7, 2014. The Company's term of duration will expire on January 19, 2061.

On February 27, 2010, the Ordinary Shareholders' Meeting approved the Global Program of Issuance of non-convertible Notes, in accordance with the 23,576 law modified by the 23,962 law. On October 15, 2010, the Superintendency of Commercial Companies of the Province of Córdoba, through the Resolution 1,931/2010-B, registered the mentioned program in the Public Registry of Commerce. Lastly, on October 25, 2010, the CNV through the Resolution No. 16,439 authorized the Company to create a program of non-convertible Corporate Bonds. On November 28, 2014, the extension of the Program for another five-year term was approved by the Ordinary and Extraordinary Shareholders' Meeting, to be counted as from the authorization of such extension by the CNV. On October 30, 2015, the CNV through Resolution No. 17849 authorized the Company to extend the maximum issue amount of the mentioned program (from a nominal maximum issue value of USD 500 million to a nominal maximum issue value of up to USD 800 million, or its equivalent in other currencies) for a new period of five years, counted as from the due date of the original term.

These consolidated financial statements, corresponding to the 55th year, have been approved by the Board of Directors' Minute No. 2,252 dated on March 9, 2016.

### 1.2 Data of the parent company

The Company is controlled by Grupo Arcor S.A., holding 99.686534% and 99.679719% of interest in equity and votes, respectively and it is engaged in investment and financial transactions.

Grupo Arcor S.A. is an entity organized under the laws of the Argentine Republic (Law 19,550 and amendments) with legal address at Maipú N° 1210, 6to floor, Office "A", Autonomous City of Buenos Aires.

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

Below are some of the most relevant accounting standards used by the Group to prepare these consolidated financial statements.

### 2.1 Basis for preparation

These consolidated financial statements were prepared in accordance with IFRS issued by the IASB and they represent the full, explicit and unreserved adoption of those international standards. Figures that are disclosure at these consolidated financial statements are stated in pesos without cents as in the notes, except for net earnings per share.

The accounting policies applied are based on the IFRS issued by the IASB and interpretations issued by the IFRIC that are applicable at the date of these consolidated financial statements.

The preparation of these consolidated financial statements in accordance with IFRS requires the Company to make estimates and assessments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of issue of these consolidated financial statements as well as recorded income and expenses.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.1 Basis for preparation

The Company makes estimates to calculate, for example, depreciation and amortization, the value of biological assets, the recoverable value of non-current assets, the income tax charge, the certain labor charges provision for contingencies, labor, civil and commercial lawsuits and allowances for bad debts and provisions for discounts and rebates to customers. Actual future results may differ from those estimates and assessments made at the date these consolidated financial statements were prepared.

#### Going concern

At the date of these consolidated financial statements, there are no uncertainties as regards events or conditions that might give rise to doubts as to the possibility that the Group continues operating normally as a going concern.

### 2.2 Changes in accounting policies. New accounting standards

**(a) New standards, amendments and interpretations which have come into force for fiscal year beginning on January 1, 2015 and have not generated impacts on the comparative consolidated financial statements:**

**IAS 19 "Employee benefits":** the amended standard requires an entity to consider contributions from employees or third parties when recording for defined benefit plans. If the amount of contributions is independent of the number of years of service, the entity is allowed to recognize these contributions as a reduction of service cost in the period in which the related service is rendered. If the amount of contributions varies according to the number of years of service, the entity is required to attribute those contributions to the remaining periods of service. The application of the amendments made by this standard had no significant impact on the Group's consolidated financial statements.

**(b) New published standards, amendments and interpretations which have not yet come into force for fiscal years beginning on or after January 1, 2015 and have been early adopted:**

**Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" by "Bearer plants":** amendments are introduced to the model of accounting of "bearer plants" which must be accounted similarly as property, plant and equipment as they are comparable in their operation production schemes. "Bearer plants" are defined as a plant that is used in the production or supply of agricultural produce, that is expected to bear produce for more than one period and which has a remote probability of being sold or traded as agricultural produce. These amendments require that "bearer plants" be accounted for as elements of "Property, plant and equipment" under the scope of IAS 16, maintaining agricultural products developed therein under the scope of IAS 41. Note 42 describes and discusses the effects of these changes on the comparative financial statements.

**(c) New published standards, amendments and interpretations which have not yet come into force for fiscal years beginning on or after January 1, 2015 and have not been early adopted:**

**IFRS 15 "Revenue from contracts with customers":** is a new method of revenue recognition jointly agreed by the IASB and FASB (Financial Accounting Standards Board) which allows for improvements in financial reporting on revenue, and eases its comparability at an international level. It was published in May 2014, and is effective for annual periods commencing on January 1, 2017. The Group is assessing the impacts that could result in the application of this rule, which are not considered significant, and it intends to apply from January 1, 2017.

**IFRS 9 "Financial Instruments" (issued in 2014):** the complete version of this regulation was issued in July 2014 and it adds Chapter 6 on hedge accounting. IFRS 9 relaxes the requirements for effectiveness of hedge instruments by replacing the rules on effectiveness tests for those instruments. It requires the existence of an economic relationship between the item hedged and the hedge instrument and that the reason for hedging be the same as that used by risk management. It maintains the requirement for formal documentation on the initial hedging ratio but it is different to that prepared under IAS 39. Also, this standard adds a model of expected receivable losses which replaces the financial assets impairment model used under IAS 39. The standard becomes effective for accounting periods commencing on or after January 1, 2018. Early adoption is permitted. The Group is analyzing the impact of IFRS 9 issued in 2014, but no significant impacts are expected from the application of this standard to the consolidated financial statements.

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(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.2 Changes in accounting policies. New accounting standards

**Amendments to IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets” on acceptable depreciation and amortization method:** in this amendment clarifies that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Also, these amendments clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These regulatory amendments are effective for the annual periods commencing on or after January 1, 2016. The Group has decided not to apply these amendments early in these financial statements.

**IFRS 16 “Leases”:** in January 2016, the IASB issued IFRS 16 “Leases”, which sets out the principles for recognition, measurement, presentation and disclosure of leases. This standard is applicable for all years commencing on or after January 1, 2019.

There are no other IFRS or IFRIC interpretations effective yet and which are expected to have a significant effect on the Group.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.3 Shares in subsidiaries and associates

#### (a) Subsidiaries

Subsidiaries are all those entities over which the group has the control. The company controls a subsidiary when is exposed or have right to variable yields from its involvement/participation in the subsidiary and have the capacity to use the power to govern the financial and operating policies of the subsidiary to exert influence over its variable yields. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are de-consolidated from the date on which that control ceases.

In the table below there is a detail of the subsidiaries included in the consolidation:

COMPANIES	COUNTRY	LOCAL CURRENCY	FUNCTIONAL CURRENCY	CLOSING DATE	PERCENTAGE OF INTEREST (*)			
					12.31.2015		12.31.2014	
					DIRECT	DIRECT PLUS INDIRECT	DIRECT	DIRECT PLUS INDIRECT
Arcor Canada Inc. (11)	Canada	CAD	CAD	-	-	-	99.00000	99.05000
Arcor A.G. (S.A., Ltda.) (1)	Switzerland	EUR	EUR	12.31.2015	100.00000	100.00000	100.00000	100.00000
Arcor Alimentos Bolivia S.A. (9)	Bolivia	BOB	BOB	12.31.2015	-	99.00000	-	99.00000
Arcor de Peru S.A.	Peru	PEN	PEN	12.31.2015	-	99.93329	-	99.93329
Arcor do Brasil Ltda. (2)	Brazil	BRL	BRL	12.31.2015	75.87232	99.97755	75.87232	99.97755
Arcor U.S.A. Inc.	USA	USD	USD	12.31.2015	99.90000	99.90500	99.90000	99.90500
Arcorpar S.A.	Paraguay	PYG	PYG	12.31.2015	50.00000	50.00000	50.00000	50.00000
Arcor Trading (Shanghai) Co. Ltda.	China	RMB	RMB	12.31.2015	-	100.00000	-	100.00000
Bagley Argentina S.A.	Argentina	ARS	ARS	12.31.2015	0.00401	50.64327	0.00401	50.64327
Bagley Chile S.A.	Chile	CLP	CLP	12.31.2015	-	51.00000	-	51.00000
Bagley do Brasil Alimentos Ltda.	Brazil	BRL	BRL	12.31.2015	-	51.00000	-	51.00000
Bagley Latinoamerica S.A. (3)	Spain	EUR	EUR	12.31.2015	51.00000	51.00000	51.00000	51.00000
Cartocor S.A. (4) (10)	Argentina	ARS	ARS	12.31.2015	99.99700	99.99715	99.99700	99.99715
Converflex Argentina S.A. (10)	Argentina	ARS	ARS	12.31.2015	0.99990	99.99718	0.99990	99.99718
Cartocor Chile S.A.	Chile	CLP	CLP	12.31.2015	28.07196	99.99787	28.07196	99.99787
Cartocor do Brasil Ind. Com. e Serv. Ltda.	Brazil	BRL	BRL	12.31.2015	0.00016	99.99715	0.00016	99.99715
Cartocor de Peru S.A.	Peru	PEN	PEN	12.31.2015	0.22653	99.99716	0.45321	99.99716
Constructora Mediterránea S.A.C.I.F.I.	Argentina	ARS	ARS	12.31.2015	99.92857	99.92857	99.92857	99.92857
Converflex S.A. (10)	Argentina	ARS	ARS	12.31.2015	99.99220	99.99259	99.90000	99.90500
Dos en Uno do Brasil Imp. e Com. de Alim. Ltda.	Brazil	BRL	BRL	12.31.2015	26.38242	99.98347	26.38242	99.98347
GAP International Holding S.A. (5)	Chile	CLP	USD	12.31.2015	99.90000	99.90500	99.90000	99.90500
GAP Regional Services S.A.	Uruguay	UYU	USD	12.31.2015	-	99.90500	-	99.90500
Indalar S.A.	Argentina	ARS	ARS	12.31.2015	96.45807	96.45820	96.45807	96.45820
Industria de Alimentos Dos en Uno S.A. (6)	Chile	CLP	CLP	12.31.2015	100.00000	100.00000	100.00000	100.00000
Industrias Dos en Uno de Colombia Ltda.	Colombia	COP	COP	12.31.2015	16.36437	100.00000	51.36849	100.00000

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(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.3 Shares in subsidiaries and associates (Cont'd)

COMPANIES	COUNTRY	LOCAL CURRENCY	FUNCTIONAL CURRENCY	CLOSING DATE	PERCENTAGE OF INTEREST (*)			
					12.31.2015		12.31.2014	
					DIRECT	DIRECT PLUS INDIRECT	DIRECT	DIRECT PLUS INDIRECT
La Campagnola S.A.C.I.	Argentina	ARS	ARS	12.31.2015	99.91801	99.92211	99.91801	99.92211
Mundo Dulce S.A. de C.V. (7)	Mexico	MXN	MXN	12.31.2015	-	49.99993	-	49.99993
Unidal Ecuador S.A.	Ecuador	USD	USD	12.31.2015	-	99.98129	-	99.98129
Unidal Mexico S.A. de C.V. (8)	Mexico	MXN	MXN	12.31.2015	99.99985	99.99985	99.99985	99.99985
Unidal Venezuela S.A.	Venezuela	VEF	VEF	12.31.2015	99.99993	99.99993	99.99993	99.99993
Van Dam S.A.	Uruguay	UYU	UYU	12.31.2015	100.00000	100.00000	100.00000	100.00000

(\*) Percentage of shares/capital stock and voting rights.

- (1) It consolidates Arcor Alimentos Bolivia S.A. and Arcor Trading (Shanghai) Co., Ltda. and includes the branches in Spain and South Africa.
- (2) It consolidates Dos en Uno do Brasil Importação and Comercio de Alimentos Ltda.
- (3) It consolidates Bagley Chile S.A., Bagley do Brasil Alimentos Ltda. and Bagley Argentina S.A.
- (4) It consolidates Converflex Argentina S.A., Cartocor Chile S.A., Cartocor do Brasil Industria Comercio e Servicios Ltda. and Cartocor de Perú S.A.
- (5) It consolidates GAP Regional Services S.A.
- (6) It consolidates Arcor de Perú S.A. and Unidal Ecuador S.A. and Industrias Dosen Unode Colombia Ltda. At 12.31.2014 it consolidates Arcor de Perú S.A. and Unidal Ecuador S.A.
- (7) According to the articles of incorporation, Arcor Group, through Unidal México, S.A. de C.V., assumed corporate control of Mundo Dulce, S.A. de C.V. by holding the simple majority of voting rights, and in addition it took charge of the operating and financial management of this company, with competence to chair the Administrative Council and to appoint the key officers in charge of operations.
- (8) It consolidates Mundo Dulce S.A. de C.V.
- (9) In July 30th, 2014, the subsidiary "La Serrana S.A.", and modified its business name to "Arcor Alimentos Bolivia S.A."
- (10) On December 18, 2015, the Board of Directors of Cartocor S.A., Converflex Argentina S.A. and Converflex S.A. approved a preliminary merger agreement whereby, if approved by the pertinent Shareholders' Meetings, Cartocor S.A. will absorb the assets and liabilities of the other companies, effective as from January 1, 2016 (Note 40).
- (11) On December 23, 2015, the liquidation of the company Arcor Canada Inc. was decided.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.3 Shares in subsidiaries and associates (Cont'd)

The Group applies the acquisition method to account for the acquisition of subsidiaries. The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The price agreed includes, where applicable, the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are considered expenses as incurred. Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the acquisition cost on the fair value of the Group's interest over the net identifiable assets acquired is recorded as goodwill. If the acquisition cost is lower than the fair value of net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

Transactions, balances, incomes and expenses originated from operations between group companies are eliminated. Also, intercompany profits and losses included in the final balances of assets resulting from those transactions are eliminated.

The financial statements used in the consolidation process were prepared with a closing date that agrees with the consolidated financial statements date, for equal periods. They are also prepared using consistent valuation and disclosures criteria to those used by the Company.

#### (b) Transactions with non-controlling interest

The Group applies the policy to consider transaction with non-controlling interest as transactions with Group's shareholders. In the case of acquisitions of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals, as long as control is held, are also recorded in equity.

#### (c) Associates

The associates are all entities over which the Group has a significant influence, namely the power to intervene in the decisions about the financial and operating policies of the subsidiary, without having control. Investments in associates are accounted using the equity method of accounting and are initially recognized at cost. The group's investment in associates includes goodwill identified on acquisition, net of any loss for accumulated impairment, where applicable.

The group's share in post-acquisition profit or loss is recognized in statement of income, and its share in other comprehensive income post-acquisition is recognized in other comprehensive income. Post-acquisition movements are adjusted to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it incurred in obligations or made payments on behalf of the associate.

Unrealized profit resulting from transactions between the Group and its associates, if any, are eliminated based on the Company's equity percentage. Unrealized losses, where applicable, are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of income.

### 2.4 Segment information

Segment information is presented in a consistent manner with the internal reporting provided to:

- (i) Senior Management, who is the maximum authority in operating decision-making and is responsible for allocating resources and assessing the performance of operating segments, and
- (ii) The Board of Directors, who takes the strategic decisions for the Group.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.5 Financial reporting in hyperinflationary economies

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, shall be stated in terms of the measuring unit current at the end of the reporting period, in accordance with the method established by IAS No. 29 "Financial reporting in hyperinflationary economies".

In Venezuela, the cumulative inflation rate over the last three years was close to or exceeded 100%. This situation, combined with other economic indicators have led the Group to classify the economy of this country as hyperinflationary. As a consequence, the financial statements of the subsidiary Unidal Venezuela S.A. were restated in constant currency at year-end, using coefficients calculated based on the National Consumer Price Index (INPC) published by the Central Bank of Venezuela. The value of this index and its variations over the last three years is disclosed in the table below:

Date	INPC	Annual variation	Accumulated variation over the last three years
12.31.2013	498.1	56.2%	139.2%
12.31.2014	839.5	68.5%	216.1%
12.31.2015	2,357.9	180.9%	639.4%

Gains and losses on the net monetary position shall be disclosed in the caption financial results, net of the consolidated income statement.

In Argentina, the accumulated rate of inflation over the last three years does not come close to or exceed 100%, considering for such purpose the internal wholesale price index published by the National Institute of Statistics and Census, and it is accordingly not considered as an hyperinflationary economy; therefore, the conditions set forth by IAS 29 "Financial Reporting in Hyperinflationary Economies" did not occur, and these financial statements must not be restated.

### 2.6 Foreign currency translation

#### (a) Functional and presentation currency

The figures included in the financial statements for each of the Group's entities are stated in their functional currency. In general, for the case of foreign Group's entities, functional currency has been defined as the currency of each country, since it is the currency of the primary economic environment in which the entities operate. The consolidated financial statements are presented in ARS which is the functional currency of the Company and the Group's presentation currency. The closing exchange rates used in the currency translation process are as follows:

COUNTRY	LOCAL CURRENCY	LOCAL CURRENCY PER ARS	
		12.31.2015	12.31.2014
Bolivia	BOB	0.5379	0.8236
Brazil	BRL	0.3018	0.3143
Canada (1)	CAD	0.1070	0.1373
Chile	CLP	54.8810	71.9424
China	RMB	0.5018	0.7241
Colombia	COP	243.3903	282.1410
Ecuador	USD	0.0773	0.1183
Spain	EUR	0.0711	0.0974
USA	USD	0.0773	0.1183
Mexico	MXN	1.3400	1.7436
Paraguay	PYG	449.2998	549.3030
Peru	PEN	0.2635	0.3538
Switzerland	CHF	0.0764	0.1156
Uruguay	UYU	2.3144	2.8836
Venezuela	VEF	15.3554	1.4200

(1) On December 23, 2015, the liquidation of the company Arcor Canada Inc. was decided.

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(Partner)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.6 Foreign currency translation (Cont'd)

#### (b) Transactions and balances

Foreign currency transactions are converted into the functional currency at the exchange rate prevailing at the date of the transactions or valuation when the items are measured at closing date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income, under the caption "Net foreign exchange difference" except when deferred in equity as qualifying cash flow hedges, where applicable.

#### (c) Translation of financial statements of companies whose functional currency corresponds to a hyperinflationary economy

The results and financial position of the Group's entities which have a different functional currency from the presentation currency and which is not related to a hyperinflationary economy, are converted as follows:

- (i) assets and liabilities are translated at the exchange rate prevailing at year end;
- (ii) income and expenses are translated at the average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates prevailing at the date of each transaction, in which case the income and expenses are translated at the exchange rates prevailing at the date of each transaction); and
- (iii) resulting exchange differences are recorded in other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of investments are treated as assets and liabilities of the entity acquired and are translated into the presentation currency at the exchange rate prevailing at closing date. Resulting exchange differences are recorded in other comprehensive income.

When an investment is sold or disposed off, the exchange differences are recognized in the statement of income as part of the gain or loss on that sale/disposal.

#### (d) Translation of financial statements of companies whose functional currency is related to that of a hyperinflationary economy

The results and financial position of the Group's companies that have a functional currency different from the presentation currency and which are related to a hyperinflationary economy are restated firstly in accordance with IAS 29 "Financial reporting in hyperinflationary economies" (Note 2.5 to these consolidated financial statements) and then, all assets, liabilities, equity items and income statement accounts are translated at the exchange rate prevailing at year end.

### 2.7 Property, plant and equipment

They were valued at acquisition cost or construction cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost includes expenses which are directly attributable to the acquisition or construction of these items.

Property, plant and equipment acquired through business combinations were valued initially at fair value estimated at the time of acquisition. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Also, as explained in Notes 2.11 and 42, bearer plants are recorded separately from the biological assets produced in them, and are disclosed as elements of property, plant and equipment. Measurement criteria for those assets are discussed in former paragraphs.

Greater maintenance costs are recognized as part of the cost value of the asset as long as general recognition criteria for assets is met, and are depreciated in the period estimated until the next great maintenance. Any resulting net carrying value from prior maintenance is charged to results.

The Group has capitalized interest on the construction of plant and equipment which necessarily require a substantial period before they are ready for use.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTA 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.7 Property, plant and equipment (Cont'd)

Depreciation of these assets is computed by the straight-line method, using annual rates sufficient to extinguish asset values by the end of their estimated useful lives. In case of an asset includes significant components with different useful lives, they are recognized and depreciated as separate items.

Below is the useful life for each of the items that make up the property, plant and equipment caption:

ITEM	USEFUL LIFE
Land	without depreciation
Buildings	30 – 50 years
Machinery and facilities	10 years
Bearer plants	5 – 30 years
Furniture, tools, vehicles and other equipment	3 – 10 years
Works in progress and equipment in transit	without depreciation

The net carrying values of property, plant and equipment, the useful lives and the depreciation methods are reviewed and adjusted, if appropriate, at the closing date of each year.

The carrying value of property, plant and equipment is immediately reduced to its recoverable amount when the carrying value is higher than the estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment, are calculated comparing the proceeds with the carrying amount of the respective asset and are included in the caption Other gain/(losses), net of the consolidated statement of income.

The Company has used the option foreseen in IFRS 1 "First time adoption of IFRS" as to the use of the deemed cost of property, plant and equipment. In this way, the cost of property, plant and equipment, restated in accordance with ARG GAAP was adopted as deemed cost at the transition date to IFRS (January 1st 2011), since it can be similar to the cost or depreciated cost in accordance with IFRS, adjusted to reflect the changes in a general or specific price index.

### 2.8 Investment properties

Investment properties are formed by property (land and/or buildings) held by the Group to obtain a rent and/or to appreciate capital or both, rather than for its use in the production of goods and services or for administrative purposes.

Investment properties were valued at acquisition cost or construction cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost includes expenses which are directly attributable to the acquisition or construction of these items.

Land is not depreciated. The estimated useful life of buildings ranges from 30 to 50 years.

The net carrying values of investment properties, their useful life and the depreciation methods are reviewed and adjusted, if appropriate, at the closing date of each year.

The carrying value of investment property is immediately reduced to its recoverable amount when the carrying value is higher than the estimated recoverable amount.

Gains and losses on disposals of investment property are calculated comparing the proceeds with the carrying amount of the respective asset and are included in the caption Other gain/(losses), net of the consolidated statement of income.

Repairs and maintenance expenses are recognized in the caption Other gain/(losses), net in the consolidated income statement during the financial year in which they are incurred.

The Company has used the option foreseen in IFRS 1 "First time adoption of IFRS" as to the use of deemed cost of investment property. In this way, the cost restated in accordance with ARG GAAP was adopted as deemed cost at the transition date to IFRS (January 1st 2011), since it can be similar to the cost or depreciated cost in accordance with IFRS, adjusted to reflect the changes in a general or specific price index.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.9 Intangible assets

Intangible assets are non-monetary assets, without physical substance, that are identifiable separately or which result from legal or contractual rights. They are recorded when they can be measured reliably and are expected to produce benefits for the Group.

#### (a) Goodwill

Goodwill arose on the acquisition of subsidiaries, represents the excess of:

- (i) the cost of an acquisition, which is measured as the consideration transferred, valued at fair value at the date of acquisition, plus the amount of the non-controlling interest; and
- (ii) the fair value of the identifiable assets acquired, the liabilities assumed and contingent liabilities from the acquiree.

Goodwill is included in the caption intangible assets in the consolidated balance sheet.

Goodwill is not amortized. The Group assesses at least annually the recoverability of goodwill based on the future discounted cash flows plus other information available at the date of preparation of the consolidated financial statements. Impairment losses once recorded are not reversed. Gains and losses from the sale of an entity include the balance of goodwill related to the entity sold.

Goodwill is assigned to cash generating units to do the recoverability tests. The assignment is made between those cash generating units (or group of units), identified in accordance with the criteria of the operating segment, which benefit from the business combination from which goodwill arose.

For goodwill resulting from business combinations prior to the transition date to IFRS, the Company used the option foreseen in IFRS 1 "First time adoption of IFRS", as to the retroactive application of IFRS 3 "Business combinations".

#### (b) Brands, registrations, and patents

Brands, registrations and patents individually acquired are valued at cost, whereas those acquired through business combinations are recognized at fair value estimated at the date of acquisition.

At the closing date of these financial statements, intangible assets with a finite useful life are disclosed net of accumulated amortization and/or accumulated impairment losses, if any. These assets are tested for impairment when there are events or circumstances that indicate that their carrying value may not be recovered.

Intangible assets with an indefinite useful life are those arising from contracts or other legal rights that might be renewed without a significant cost and for which, on the basis of the analysis of all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash flows for the entity. These intangible assets are not amortized and they are tested annually for impairment either individually or at the level of the cash generating unit. The classification of the indefinite useful life is reviewed on an annual basis to confirm its sustainability.

Brands acquired by the Group are classified as intangible assets with indefinite useful lives. The main factors considered for this classification include years that have been in service and their recognition among customers in the industry.

#### (c) Intangible assets added as a consequence of a business combination

It is comprised mainly of brands, measured at fair value in local currency, estimated at acquisition date and translated into Argentine pesos, if applicable, at the historical exchange rate of the moment of the business combination.

The Group considers that brands have an indefinite useful life (thus, no amortization is calculated) since, through investments in marketing and commercial actions, their value is maintained. These values have an indefinite useful life. The value of these assets does not exceed their estimated recoverable value.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.9 Intangible assets (Cont'd)

#### (d) Software and related licenses

Costs associated with maintaining computer software are recognized as an expense as incurred. Development, acquisition and implementation costs, that are directly attributable to the design and testing of identifiable and unique software products controlled by the group, are recognized as intangible assets.

Development, acquisition or implementation costs, initially recognized as expenses over the financial year, are not subsequently recognized as costs of the intangible asset. Costs incurred in software development, acquisition or implementation recognized as intangible assets, are amortized applying the straight-line method during their estimated useful lives, in a period not exceeding 5 years.

Licenses acquired by the Group have been classified as intangible assets with a finite useful life, they are amortized on a straight-line basis throughout the period of the license, which does not exceed 5 years.

### 2.10 Impairment of non-financial assets

Assets having indefinite useful life are not subject to amortization and are tested annually for impairment. Assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment losses are recognized when the carrying value exceeds recoverable value. The recoverable value of assets is the higher of the net amount to be obtained from its sale or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level in which they generate identifiable cash flows (cash generating units). Carrying value of non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.11 Biological assets

Basically, it is made up by dairy cattle and beef cattle, grain sown land, sugar cane sown land and fruit crops.

Beef or dairy cattle comprise the biological assets in livestock activity.

Grain and sugar cane sown land and fruit crops comprise the biological assets in farming activity. In particular, sugar cane sown land and fruit crops are biological assets coming from "bearer plants", for which the changes in accounting policies described in Note 42 to the consolidated financial statements were applied.

In general, these assets are valued at fair value less direct costs to sell, with the peculiarities applicable to each specific asset as discussed in the paragraphs that follow.

Gains and losses from the initial recognition of a biological asset at fair value less the estimate of direct costs to sell /transfer and those related to subsequent changes in the fair value, are disclosed as gains and losses in the consolidated statement of income for the year in which they are generated, in the item "Income from biological assets".

#### (a) Dairy cattle

These biological assets are used by the Group, mainly for the production of milk (biological product), which will be consumed in the manufacture of other products such as candies, chocolate or cookies.

Cattle is recorded at fair value estimated based on the price of transactions close to the year-end date of the consolidated financial statements, for animals with similar features, net of the estimate of direct expenses to sell.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.11 Biological assets (Cont'd)

These biological assets are expected to be used for production during five lactation periods (representing approximately five years), until they reach the category of dry cow, when they are destined for slaughter. As a result, they are classified as non-current assets.

Changes in the fair value of these biological assets and the difference between the fair value of the biological products (milk) gathered during the year and the respective production costs are charged to the item "Income from biological assets", in the consolidated statement of income.

#### (b) Sugar cane sown land

Sugar cane sown land is a biological asset growing in sugar cane plantations (bearer plants). These biological assets are used by the Group for obtaining sugar cane (biological product), which is later destined to the production of sugar (an input that will be consumed in the manufacture of other products such as candies, chocolate or cookies).

Sugar cane plantations are bearer plants and, therefore, are recorded and disclosed as elements of "Property, plant and equipment" (Note 2.7). Sugar cane sown land that develops biologically in sugar cane plantations is accounted for as "Biological assets" until harvest. Sugar cane, biological product resulting from those sown land plots, is transferred to "Stocks" (Note 2.14) at fair value, once it is harvested.

At the initial phase of biological development, i.e. until the sugar cane sown land reaches the phenological status from which on yields can be reasonably estimated, they are valued at historical cost, which includes mainly the costs of farming, labor and related inputs. Once this stage is gone through, they are valued at fair value at the point of harvest. Their fair value is determined separately from that of the bearer plants on which they develop and of the land on which they are planted, which are measured in accordance with the criteria adopted for "Property, plant and equipment" (Note 2.7). Since there is no active market for this type of biological assets (sugar cane sown land not yet harvested) in their location and condition prior to their harvest, the fair value is estimated based on the present value of the net cash flows to be received (mainly, fair value of the biological products to be harvested), discounted using an appropriate rate under the circumstances. For the purposes of the estimate, other factors are considered as the phenological status of crops, expected yield, sugar cane price and estimated costs of farm work and inputs up to the harvest date.

Given that, at the end of the year, the land plots sown with sugar cane are at the initial stage of development, they are valued at historical cost. Also, as these biological assets are harvested within the next twelve months and are subsequently consumed in other industrial processes, they are classified as current assets.

The difference between the fair value of the biological products (sugar cane) gathered during the year and the respective production costs are charged to the item "Income from biological assets", in the consolidated statement of income.

#### (c) Fruit crops

Basically, it includes peach crops, which are biological assets growing on fruit-bearing trees (bearer plants). These biological assets are used by the Group mainly to obtain fruit (biological products), which will then be consumed in the manufacture of other food products such as jam, canned fruits, etc.

Fruit trees are bearer plants and, therefore, are recorded and disclosed as elements of "Property, plant and equipment" (Note 2.7). Fruit crops that develop biologically on those trees are accounted for as "Biological assets" until harvest. The harvested fruit, biological product resulting from the crops, is transferred to "Stocks" (Note 2.14) at fair value, once it is collected.

At the initial phase of biological development, i.e. until the fruit crops reach the phenological status from which on yields can be reasonably estimated, they are valued at historical cost, which includes mainly the costs of farming, labor and related inputs. Once this stage is gone through, they are valued at fair value less harvest costs. Their fair value is determined separately from that of the bearer plants on which they develop and of the land on which they are planted, which are measured in accordance with the criteria adopted for "Property, plant and equipment" (Note 2.7).



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.11 Biological assets (Cont'd)

Given that, at the end of the year, the fruit crops are at an advanced stage of biological development, they are valued at fair value. Since there is no active market for this type of biological assets (fruit crops not yet harvested) in their location and condition at the date of these consolidated financial statements, the fair value is estimated based on the present value of the net cash flows to be received (mainly, fair value of the biological products to be harvested), discounted using an appropriate rate under the circumstances. For the purposes of the estimate, other factors are considered as the phenological status of crops, expected yield per hectare, fruit price and estimated costs of farm work and inputs up to the harvest date.

Also, as these biological assets are harvested within the next twelve months and are subsequently consumed in other industrial processes, they are classified as current assets.

The difference between the fair value of the biological products (fruit) gathered during the year and the respective production costs, as well as the difference between the fair value of the biological assets not harvested at year end and their respective historical cost, are charged to the item "Income from biological assets", in the consolidated statement of income.

#### (d) Grain sown land

Corresponds mainly to land sown with corn and soy. Biological products from corn sown land are intended to be used as forage for feeding daily cattle. Instead, soy (biological product) is destined for sale.

These corn and soy sown land plots do not comply with the definition of "bearer plant" in IAS 41 – *Agriculture*, because they are not expected to produce for more than one year. For this reason, considering that the biological products mentioned are harvested within the next twelve months and are subsequently consumed in other industrial processes, these biological assets are classified as current assets.

At the initial phase of their biological development, i.e. until the sown land reaches the phenological status from which on yields can be reasonably estimated, they are valued at historical cost. Once this stage is gone through, they are valued at fair value less harvest costs. Since there is no active market for this type of biological assets in their location and condition prior to their harvest, the fair value is estimated based on the present value of the net cash flows to be received (mainly, fair value of the biological products to be harvested), discounted using an appropriate rate under the circumstances. For the purposes of the estimate, other factors are considered as the phenological status of crops, expected yield per hectare, grain price and estimated costs of farm work and inputs up to the harvest date. Also, the fair value of these biological assets is determined on a separate basis from the land in which they have been planted, which is measured in accordance with criteria adopted for "Property, plant and equipment".

Given that, at the end of the year, the land plots sown with corn and soy are at the initial stage of development, they are valued at historical cost.

The difference between the fair value of the biological products (corn, forage and soy) harvested during the year, their subsequent selling value, if applicable, and their respective production costs, is charged to the item "Income from biological assets", in the consolidated statement of income.

#### (e) Beef cattle

This category comprises basically calves and yearlings to be sold as cattle for slaughter, and also dry cows that exhausted their dairy production and were transferred to this category. Since these biological assets are expected to be sold within twelve months after year end, they are classified as current assets.

They are valued at fair value less direct costs to sell, estimated in accordance with the quotations at the closing date, per kilogram of live weight at the Liniers Market (Mercado de Liniers).

Changes in the fair value of these biological assets and the difference between sales prices and pertinent marketing and maintenance costs are allocated to the caption "Results generated by biological assets" in the consolidated statement of income.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.12 Financial assets

#### 2.12.1 Classification

The Group classifies its financial assets into the following categories:

- (i) Financial assets at amortized cost, and
- (ii) Financial assets at fair value.

This classification depends on the business model that the Group applies to manage its financial assets and the characteristics of the asset's contractual cash flows.

##### (i) Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- (a) the asset is held within a business model aimed at maintaining the assets to obtain contractual cash flows; and
- (b) contractual conditions of the financial asset give rise on specified dates to cash flows that are only payments of the principal and interest on the outstanding principal amount.

In addition, and for the assets meeting the conditions mentioned above, IFRS 9 includes an option to designate a financial asset at fair value, at initial recognition, if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any financial asset at fair value exercising this option.

##### (ii) Financial assets at fair value

Financial assets at fair value are those that are not measured at amortized cost.

#### 2.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, when the Group commits to purchase or sell them.

Financial assets classified as "at amortized cost" are initially recognized at fair value, plus the transaction costs. These assets accrue interest according to the effective interest rate method.

Financial assets classified as "at fair value" through profit or loss are initially recognized at fair value, and the transaction costs are recognized as an expense in the consolidated statement of income. Subsequently, they are valued at fair value.

Financial assets are derecognized when the rights to receive cash flows from investments have expired or have been transferred and the Group has transferred substantially all the risks and benefits of ownership.

Gains and losses from changes in the fair value are included in the consolidated statement of income, in the item "Financial results, net", in the period in which the mentioned changes in the fair value take place.

The Group assesses, at each period-end date, if there is objective evidence of impairment of a financial asset, or a group of financial assets, measured at amortized cost.

Some examples of objective evidence include those cases of certain Group's debtors having financial difficulties or defaulting their payments, non-compliance in the payment of accounts receivable, probability that those debtors file for reorganization proceedings or bankruptcy, and also experience on the performance and characteristics of the credit portfolio.

A financial asset or a group of financial assets is impaired and an impairment loss is recognized if there is objective evidence of the impairment of value as a result of one or more events that have occurred after the initial recognition of the asset, and such an event (or events) has an impact on the estimated future cash flows from the financial asset or group of financial assets.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.12 Financial assets (Cont'd)

The resulting loss, determined as the difference between the accounting value of the asset and the present value of estimated future cash flows, is recognized in the consolidated statement of income. If, in a subsequent period, the amount of the impairment loss decreases and this can be related to an event occurred after the measurement, the reversal of the impairment loss is recognized in the consolidated statement of income.

Impairment tests on accounts receivable are described in Note 2.15.

### 2.13 Derivative financial instruments and hedging transactions

Derivative financial instruments are initially recognized at fair value on the date when the contract of the derivative instrument is contracted or negotiated, and are subsequently measured at fair value at period-end date. The method for recognizing the gain or loss from changes in the fair value of derivatives depends on whether they are designated as hedging instruments and, if so, of the nature of the item hedged.

The Group applies hedging accounting only for certain interest rate derivatives designated as "Cash flow hedge", the objective of which is to obtain a hedge on variable financial costs. Furthermore, it applies hedging accounting to cocoa derivatives, also designated as "Cash flow hedge", the objective of which is to obtain a hedge on the purchase price of raw materials derived from cocoa.

If the related gain or loss corresponds to the non-effective part, it is immediately recognized in the consolidated statement of income, under the item "Financial results, net", for the case of hedging on variable financial costs and in the caption "Cost of sales and services provided" for the case of hedge on prices derived from cocoa.

The amounts accumulated in other comprehensive income are reclassified to the consolidated statement of income in the period in which the hedged item affects income.

At the inception of the transaction, the Group documents the relationship between the hedging instruments and the items hedged, and also the objectives for risk management and the strategy to implement hedging transactions. In addition, the Group evaluates, both at the beginning and on a continuous basis, whether the derivatives used in the hedging transactions are highly effective to compensate changes in the fair value or in the cash flows of the items being hedged.

When a hedging instrument expires or is sold, or when it ceases to meet the criteria to be recognized through hedge accounting, any gain or loss accumulated in other comprehensive income to that date remains there, and it is recognized when the transaction originally intended to be hedged affects the consolidated statement of income. When a projected transaction is not expected to occur, the gain or loss accumulated in other comprehensive income is immediately transferred to the item "Financial results, net" of the consolidated statement of income.

Total fair value of the derivatives used as cash flow hedging is classified into non-current assets or liabilities when the maturity date of the remaining balance of the hedged item is in more than twelve months. Otherwise, it is classified as current assets or liabilities.

Changes in the reserve for cash flow hedges are shown in Note 19 – Other components of equity.

The gains or losses for changes in the fair value of derivatives not designated as hedging instruments are recognized in the consolidated statement of income, under the item "Financial results, net". These financial instruments are classified as current assets or liabilities.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.14 Inventories

Inventories are recorded at the lower of cost or net realizable value. Cost is determined applying the weighted average price method. The cost of finished products and work in process includes the costs of raw material, direct labor, other direct costs and overhead manufacturing expenses, based on normal operating capacity, and it excludes financing costs. Net realizable value is the sale price estimated in the normal course of operation, less direct costs of sales.

A provision for inventories impairment and obsolescence is calculated for those goods that at period-end have a net realizable value lower than their historical cost, and to reduce certain slow-moving or obsolete stock to their probable realizable / service value, at the corresponding dates.

Inventories include the agricultural produce that the Group has harvested or gathered from its biological assets, such as milk, sugarcane, fruits, crops, etc. For initial recognition, they are measured at market value at that date, less direct costs of sales or transfer estimated at the moment of their harvest, milking or gathering.

### 2.15 Trade accounts receivable and other receivables

Trade and other receivables are initially recognized at fair value and subsequently valued at amortized cost applying the effective interest rate method, less the allowances for doubtful accounts.

Allowances for doubtful accounts for trade and other receivables are set up when there is objective evidence that the Group will not be able to collect all amounts pending according to the original terms of the receivables. The allowance has been determined based on estimates as to the probability of collecting the receivables, taking into account the reports from legal advisors, collections after closing, securities received and the debtors' financial condition.

The carrying value of trade accounts receivable is reduced through an allowance account and the amount of the loss is recognized in the consolidated statement of income in the item "Selling expenses". When an account receivable is considered uncollectible, it is recorded against the corresponding allowance for doubtful accounts. Subsequent recovery of amounts previously recognized as losses is recorded by crediting the item "Selling expenses" in the consolidated statement of income.

### 2.16 Cash and cash equivalents – Statement of Cash Flows

Cash and cash equivalents include available cash, freely available bank deposits and other short-term highly liquid investments originally falling due within three months or less.

Assets recorded under cash and cash equivalent are measured at fair value or at historical cost that approximates fair value.

### 2.17 Share capital

Ordinary shares are classified as equity and recorded at nominal value. When company's shares (treasury shares) are acquired, the payment made, including all costs directly attributable to the transaction (net of taxes) is deducted from equity until the shares are canceled or sold.

### 2.18 Loans

Loans are initially recognized at fair value, net of the transaction costs incurred. These loans are subsequently recorded at amortized cost. Any difference between the funds received (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the term of the loan, using the effective interest rate method.

### 2.19 Trade accounts payable and other liabilities

Trade accounts payable are initially recognized at fair value and subsequently they are valued at amortized cost, according to the effective interest rate method.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.20 Income tax and minimum notional income tax

#### (a) Income tax

The income tax charge for the year comprises current and deferred taxes. Taxes are recognized in the consolidated statement of income, except for the items that must be recognized directly in other comprehensive income. In this case, the income tax related to these items is also recognized in that statement.

##### - Current income tax

The charge for consolidated current income tax corresponds to the addition of the charges for the various companies that form the Group, which were determined, in each case, by applying the tax rate on the taxable income, in accordance with the Income Tax Law of the countries in which each company operates.

The Group regularly assesses the positions on the tax returns regarding situations where the applicable tax regulation is subject to interpretation. If applicable, the Group establishes provisions based on the amounts payable to the tax authorities.

##### - Deferred income tax

The Company and each of its subsidiaries applied the deferred tax method to account the income tax. This methodology implies accounting recognition of the estimated future tax effect generated by the temporary differences between the accounting and tax valuation of assets and liabilities.

It also considers the effect of the future utilization of accumulated tax loss carryforwards, based on the probability of their use.

In order to determine deferred assets and liabilities, the tax rate expected to be effective at the time of their reversal or use, considering the tax laws enforced in each country at the end of the reporting period for these consolidated financial statements has been applied on identified temporary differences and tax loss carryforwards, if applicable.

Deferred tax assets are recognized only to the extent that tax benefits are likely to be obtained in the future to be able to offset the temporary differences.

The Company records a deferred tax liability on taxable temporary differences related to investments in subsidiaries and associates, unless both the following conditions are met:

- (i) The Group controls the timing of reversal of the temporary differences;
- (ii) It is probable that the temporary difference will not reverse in the foreseeable future.

The balances of deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to the same taxation authority for the Company or the different subsidiaries where there is an intention and possibility to settle the tax balances on a net basis.

#### (b) Minimum notional income tax

The Company and its subsidiaries in Argentina compute the minimum notional income tax by applying the current 1% rate on computable assets at the end of the period. This tax complements income tax. The Company's tax obligation will be the higher of the two taxes. If in a fiscal year, however, the minimum notional income tax obligation exceeds income tax liability, the surplus will be computable as a payment on account of income tax through the next ten years.

The minimum notional income tax credit disclosed under Other non-current receivables is the portion that the Company and its Argentine subsidiaries expect to offset against income tax in excess of the minimum notional income tax to be generated in the next ten fiscal years.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.21 Employee benefits

#### (a) Defined contributions plan

The Company offers post-employment benefits to certain senior managers, who are specifically selected as beneficiaries, within the framework of a pension plan. The right to obtain these benefits is subject to the permanence of the employee until he/she meets certain requirements of the plan, such as retirement, death, total and permanent disability, etc., and during a minimum period of time. These obligations assumed by the Company qualify as "Defined Benefit Plans" as per the classification of IAS 19 "Employee benefits". Expected costs of these benefits are accrued over the working life of employees. The liability recognized in the consolidated balance sheet is the present value of the obligation at the closing date. The obligation from defined benefits is calculated annually in accordance with the projected unit credit method. The current value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using the interest rates of high-quality corporate bonds, denominated in the same currency in which the benefits will be paid, and whose maturity terms are similar to those of the relevant obligations. In those countries where there is no developed market for those bonds, interest rates of securities are used.

Actuarial gains and losses arising from adjustments due to the experience and changes on actuarial assumptions are recognized in Other Comprehensive Income in the period when they occur.

Costs of past services are recognized to profit or loss immediately.

#### (b) Retirement bonuses

This represents accrued but non-claimable benefits established in the collective bargaining agreements in favor of employees that retire at the required age or before, in case of disability. These benefits consist in the payment of a certain sum, equivalent to three wages, at the moment of retiring due to retirement age or disability. Collective bargaining agreements do not foresee other benefits, such as life insurance, health care plan or others. These obligations assumed by the Company qualify as "Defined Benefit Plans" as per the classification of IAS 19 "Employee benefits". There is no specific fund to face the payment of these benefits. Expected costs of these benefits are accrued over the working life of employees using the same accounting method that is used for defined benefit plans. Actuarial gains and losses arising from adjustments due to the experience and changes of actuarial assumptions are recognized in other comprehensive income in the period when they occur. Costs of past services are recognized to profit or loss immediately.

#### (c) Early retirement benefits

Early retirement benefits are recognized when employment is terminated before the normal retirement date, or when an employee accepts voluntary termination in exchange for these benefits. These benefits are paid during a period of time that is generally extended until one year after the foreseen retirement date of the employee. The Group recognizes termination benefits when it is demonstrably committed to either: i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or ii) providing termination benefits as a result of an offer made to encourage voluntary retirement. These benefits are recognized at present value of the cash flows expected to be disbursed by the Group.

#### (d) Bonuses for personnel

The Group recognizes a liability and an expense for bonuses when the benefit is accrued. The Group also records a provision when is legal or contractually obliged or when a past practice has created a constructive obligation.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.22 Provisions

Provisions are recorded when the Group has a present legal or constructive obligation as a result of past events, it is likely that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are measured at present value of the expenditure required to settle the obligation applying an interest rate that reflect current market conditions on the time value of money and the specific risks of such obligation. The increase in the provision as a result of the passage of time is recognized under the caption "Financial results, net" in the consolidated statement of income. The following provisions are recognized:

**For labor, civil and commercial lawsuits:** this provision has been determined based on legal advisors' reports on the status of lawsuits and the estimate on any possible losses to be borne by the Group, as well as on additional information related to these lawsuits.

**Other various provisions:** it has been set up to cover for contingent situations that could create obligations for the Group. In estimating the amounts, the likelihood of occurrence is considered, taking into account the opinion of the Group's professional and legal advisors.

At the date of these consolidated financial statements, the Managements of the Company and of its subsidiaries understand that there are no elements which may determine the existence of other probable contingencies that could materialize and have a negative impact on these consolidated financial statements.

### 2.23 Leases / Leasing

Leases where the lessor retains a significant portion of the risks and benefits of ownership are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

The Group leases buildings, machinery and equipment, and vehicles, and when the Group takes substantially all the risks and benefits of ownership they are classified as financial leases, and capitalized at the lease's inception at the lower of fair value of the leased asset and the present value of the minimum lease payments.

Each lease payments shall be apportioned between the finance charge and the reduction of the liability so as to achieve a constant rate on the balance outstanding. The corresponding lease installment obligation, net of finance charges, is included in "Obligations for financial leases" under the caption Loans, in the consolidated balance sheet. The interest element in the financial cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the outstanding debt for each period.

Assets acquired through a financial lease are depreciated, whichever is shortest, the useful life of the asset or the leasing period.

### 2.24 Distribution of dividends

Distribution of dividends among the equity holders of the Company and its subsidiaries are recognized as a liability in the financial statements in the year in which the dividends are approved by the equity holders of the Company or its subsidiary companies.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

### 2.25 Revenue recognition on sales

#### (a) Revenue recognition on sales of goods and services provided

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided in the ordinary course of the Group's operation. Revenue from sales are disclosed net of discounts and taxes.

The Group recognizes revenue when the amounts can be measured reliably, when the products have been delivered or the services provided, and when it is probable that future economic benefits will flow to the entity. It is considered that the amount of revenue cannot be measured reliably until all contingencies related to sale or provision of services are solved.

Regarding sales of services, revenue is recognized in the period when the service is rendered, according to the degree of compliance.

In the case of products, they are not considered as delivered until they are dispatched to the place specified by the customer and the risks of obsolescence and loss have been transferred to the buyer.

The Group records provisions for returns based on historical information and accumulated experience, so that provisions are recorded in the same period as the original sale.

#### (a.1) Local market sales

The Group obtains its incomes mainly from the sale of products for mass consumption and industrial products. Mass consumption products include candies, chocolate, cookies and foodstuff businesses, which are sold mainly through three channels: distributors, wholesalers and supermarkets.

Industrial products comprise sales of corrugated cardboard to industrial and fruit and vegetable customers. The Group also sells other industrial products such as films, industrial chocolate, corn and sorghum by-products, etc.

Incomes from sales, net of value added tax, returns and discounts to customers are recognized after the Group transfers the risks and benefits of ownership of those goods to the purchaser and do not maintain the right to dispose of them, which generally occurs with the delivery and reception at the purchaser's warehouse.

#### (a.2) Exports

Revenue recognition is based on Incoterms 2010, which are the official regulations for the interpretation of commercial terms, issued by the International Chamber of Commerce.

In case of discrepancies between the commercial agreements and the Incoterms defined for operation, those established in the agreements shall prevail.

#### (a.3) Commercial agreements with distributors, wholesalers and supermarket chains

The Group enters into commercial agreements with its customers, distributors, wholesalers and supermarkets establishing discounts, rebates and other compensations in exchange of advertising and publicity, etc.

Payment for services and granting of compensations are recognized when the advertising activities agreed with the customer are performed, and they are recorded as advertisement and publicity, under selling expenses of the income statement.

Items that do not imply compensation are recognized as a reduction of the sales price of the products sold.

#### (b) Interest

Interest revenue is recognized based on the proportion of time elapsed, using the effective interest rate method.

#### (c) Rental

Revenue from rental of investment properties is recognized in the consolidated statement of income on a straight-line basis over the term of the lease.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND POLICIES

These consolidated financial statements depend on accounting criteria, assumptions and estimates used in their preparation.

The following accounting estimates, related assumptions and uncertainties inner to our accounting policies have been identified, which are deemed essential to understand the underlying accounting and financial reporting risks and the effect of those accounting estimates, assumptions and uncertainties on these consolidated financial statements.

The Company has evaluated that a reasonably plausible change in one of the significant assumptions would not generate a material impact on these consolidated financial statements.

### (a) Recoverability of elements of property, plant and equipment

The Group assesses recoverability of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of property, plant and equipment is considered impaired by the Group when the value-in-use, calculated based on the estimated cash flows expected from those assets, discounted and separately identifiable, or their net realizable values is lower than their carrying amounts.

A previously recognized impairment loss is reversed when there is a subsequent change in the estimates used in computing the asset recoverable amount. In that case, the new amount may not exceed the amount it would have had at the new measurement date if the impairment had not been recognized. Both the impairment charge and its reversal are recognized in income.

The value-in-use calculation requires the use of estimates (Note 2.10) and is based on cash flow projections prepared based on financial budgets for a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates, which do not exceed the long-term average growth rate of each of the business segments involved.

The main key assumptions are related to gross margins which are determined based on past performance, other external sources of information and expectations of market development.

The discount rates used are the respective weighted average cost of capital (WACC), which is considered as a good indicator of the cost of capital. Each WACC used is estimated by industry, country and size of business.

Net realizable values calculation, where necessary, is made based on valuations prepared by independent appraisers, according to the criteria defined by the International Valuation Standards (IVS).

### (b) Estimated loss for goodwill impairment

The Group annually assesses the recoverable amount of goodwill. To determine the recoverable amount of goodwill, future cash flow projections of the cash generating unit are used, which have the same characteristics as those detailed for property, plant and equipment.

The Group considers that the estimates are consistent with the presumptions that market operators would use in their estimates of the recoverable amount.

### (c) Allowances for doubtful accounts

Allowances for doubtful accounts are calculated on the basis of the estimated losses resulting from customers' ability to meet payments. These estimates are based, when assessing the sufficiency of allowances, on the aging of accounts receivable, our historical uncollectibility experience, the creditworthiness of customers and changes in the payment terms for those accounts. The Group has a policy for provisions based on the aging of trade receivables more than three months past-due and an individual analysis of those receivables. Those cases of items included in a provision and aged less than three months, in general, correspond to balances of customers with a specific fact situation.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND POLICIES

### (d) Provisions

Provisions are recognized for certain civil, commercial, labor and tax probable contingencies which occasionally take place in the ordinary course of business. With the aim of determining the sufficiency of the provisions for these contingencies, we have considered, based on the advice of our internal and external legal counsel, the probability of adverse judgments or resolutions regarding these matters, as well as the range of probable losses that could result from potentially adverse resolutions. When applicable, the amount of the provisions required for these contingencies is determined after a careful analysis of each particular case.

### (e) Income tax

We must estimate our income taxes in each of the jurisdictions where we operate. This process includes the jurisdiction by jurisdiction estimate of the final tax exposure and the determination of temporary differences arising from the deferred treatment of certain items, such as accruals and amortization, for accounting and tax purposes. These differences may result in deferred tax assets and liabilities, which are included in our consolidated Balance Sheet. In the course of our tax planning procedures, we must determine the fiscal year of reversal of our deferred tax assets and liabilities and whether there will be future taxable profits in those periods. The deferred tax assets and liabilities due to temporary differences that were timely registered are reversed in the pertinent year, if we anticipate that the future reversal will take place in a year with tax losses. A detailed analysis from management is required to determine our provisions for income tax and deferred tax assets and liabilities.

This analysis involves making estimates of taxable profits in the jurisdictions where we operate and the period over which the deferred tax assets and liabilities will be recoverable. If the final results differ from the estimated amounts, or if we adjust these estimates in future periods, our financial condition and results could be affected.

### (f) Revenue recognition - Discounts and rebates

It is necessary to assess at each period end the degree to which our customers achieve the goals of volume and other commercial actions agreed upon for them to be entitled to discounts and rebates. In some cases it is necessary to assess compliance with sales volumes in future periods when the goals are set over periods of several months.

### (g) Biological assets

In order to measure the fair value of these assets, we have estimated the present value of the expected net cash flows discounted using the rate applicable to the asset in question. Other factors are considered, such as the phenological status of crops / plantations, the expected yield per hectare subject to climatic changes, the price of grains or production and the estimated costs of labor and inputs until the gathering or harvest date.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 4. SEGMENT INFORMATION

The Group has determined the operating segments based on performance reports that are reviewed by the Board of Directors and the Senior Management, and they are adjusted whenever they are changed.

The Group considers the business both from a geographic and product perspective. Geographically, Management considers the performance of the following segments: (i) Argentina; (ii) Brazil; (iii) Andean Region (including Chile, Peru, Ecuador, Colombia and Venezuela); (iv) Northern, Center and Overseas (including Mexico, USA, Canada, Spain and China); (v) Southern Branches (including operations in Uruguay, Paraguay and Bolivia); and (vi) Rest of countries and businesses. In these locations the industrial plants and commercial units are located. Further, in some geographic segment, the Group is organized according to the following products: (i) Confectionery; (ii) Cookies; (iii) Foodstuff; (iv) Packaging; (v) Agro-industries; (vi) other industrial products.

During the year ended December 31, 2015, the reporting segments were changed. The segments described above are a result of those changes. In view of the above, the information referred to the year ended December 31, 2014 was restated for comparative purposes.

Confectionery, cookies and foodstuff business segment revenues derive from sales to distributors, wholesalers, supermarkets, and others. In the countries where the Group has commercial offices, sales are made in the currencies of those countries. Exports are in general denominated in USD. The main costs of confectionery, cookies and foodstuff business segments are incurred in raw materials, packaging, labor and transport expenses. The main raw materials of the products of those segments are sugar, corn (and its byproducts), cocoa (and its byproducts), flour, milk and fruit.

Packaging segment revenues derive primarily from sales of corrugated cardboard to fruit and vegetables producers and industrial customers in Argentina and Chile.

The agro-industries and other industrial products segment forms part of the vertical integration of the Group in Argentina. Products obtained from these business segments are used basically as raw materials for the confectionery, cookies and foodstuff business in Argentina.

The Board of Directors and the Senior Management assess the performance of the operating segments by measuring: (i) sales; and (ii) Adjusted EBITDA.

Adjusted EBITDA is a measure resulting from the aggregate of operating profit plus depreciation of property, plant and equipment and amortization of intangible assets, both of them included in operating profit. This measurement excludes the effects of exceptional results, such as insured losses, etc.

The eliminations are made with the purpose of excluding the effect of the transactions between the Group's segments that affect Adjusted EBITDA, considering the unrealized income/loss resulting from such transactions.

The results of discontinued operations, if any, are not included in the measurement of adjusted EBITDA.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 4. SEGMENT INFORMATION

a) Segment information at December 31, 2015:

	Argentina						Brazil	
	Confectionery	Cookies	Foodstuffs	Packaging	Agro-industries	Other industrial products	Confectionery	Cookies
Sales to third parties	6,820,747,244	6,530,667,759	3,321,434,443	3,048,847,013	972,679,982	33,497,941	1,428,644,555	979,666,674
Inter-segment sales	1,820,595,077	300,115,409	132,081,752	798,809,705	1,047,306,056	421,213,247	56,529,191	19,025,577
<b>TOTAL SALES</b>	<b>8,641,342,321</b>	<b>6,830,783,168</b>	<b>3,453,516,195</b>	<b>3,847,656,718</b>	<b>2,019,986,038</b>	<b>454,711,188</b>	<b>1,485,173,746</b>	<b>998,692,251</b>
<b>Adjusted EBITDA</b>	<b>1,034,064,476</b>	<b>1,333,033,751</b>	<b>275,450,627</b>	<b>459,033,436</b>	<b>87,402,978</b>	<b>10,644,621</b>	<b>(99,016,114)</b>	<b>(34,926,801)</b>
Depreciation and amortization	(94,594,134)	(65,836,289)	(26,163,451)	(56,811,197)	(59,682,275)	(8,488,041)	(52,112,130)	(20,613,454)
Income tax	(153,237,188)	(545,411,844)	17,762,957	(28,955,532)	75,244,358	(33,899)	-	-
Net result on investments in associates	-	-	-	-	-	-	-	-

b) Segment information at December 31, 2014:

	Argentina						Brazil	
	Confectionery	Cookies	Foodstuffs	Packaging	Agro-industries	Other industrial products	Confectionery	Cookies
Sales to third parties	5,395,530,516	5,235,279,962	2,640,169,966	2,613,995,571	816,844,819	35,176,817	1,742,110,332	1,241,081,403
Inter-segment sales	1,600,872,697	286,855,286	109,323,883	733,122,760	981,245,590	330,027,413	67,076,301	19,462,077
<b>TOTAL SALES</b>	<b>6,996,403,213</b>	<b>5,522,135,248</b>	<b>2,749,493,849</b>	<b>3,347,118,331</b>	<b>1,798,090,409</b>	<b>365,204,230</b>	<b>1,809,186,633</b>	<b>1,260,543,480</b>
<b>Adjusted EBITDA</b>	<b>595,450,759</b>	<b>831,074,290</b>	<b>226,126,037</b>	<b>598,852,032</b>	<b>223,632,480</b>	<b>11,273,909</b>	<b>(103,682,880)</b>	<b>(15,715,179)</b>
Depreciation and amortization	(92,922,269)	(53,604,335)	(22,789,133)	(43,110,320)	(16,901,738)	(2,525,822)	(61,628,572)	(25,016,848)
Income tax	163,276,235	(313,850,887)	(47,008,419)	(230,701,590)	(80,491,698)	(1,381,647)	-	-
Net result on investments in associates	-	-	-	-	-	-	-	-

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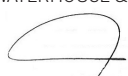
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Andean Region			Northern, Center and Overseas	Southern Branches	Rest of countries and abroad business	Adjustments and eliminations	Total at 12.31.2015
Confectionery	Cookies	Packaging					
1,332,314,907	447,184,949	556,883,012	1,070,480,526	1,008,119,572	2,319,302	-	27,553,487,879
299,476,725	1,610,187	9,814,021	34,273,834	1,967,558	26,629,614	(4,969,447,953)	-
1,631,791,632	448,795,136	566,697,033	1,104,754,360	1,010,087,130	28,948,916	(4,969,447,953)	27,553,487,879
83,299,169	20,111,212	18,361,215	55,298,268	41,106,634	(28,638,827)	(89,487,323)	3,165,737,322
(41,746,425)	(3,399,424)	(21,434,917)	(35,155,396)	(13,344,613)	(451,701)	2,374,376	(497,459,071)
(33,487,194)	(2,534,684)	12,913,665	(7,725,058)	2,720,878	(23,619,504)	-	(686,363,045)
-	-	-	-	-	2,476,689	-	2,476,689

Andean Region			Northern, Center and Overseas	Southern Branches	Rest of countries and abroad business	Adjustments and eliminations	Total at 12.31.2014
Confectionery	Cookies	Packaging					
1,380,058,337	434,200,146	492,690,576	1,014,673,659	1,016,382,714	1,562,721	-	24,059,757,539
346,460,665	2,081,057	8,118,768	59,008,286	1,729,641	25,980,582	(4,571,365,006)	-
1,726,519,002	436,281,203	500,809,344	1,073,681,945	1,018,112,355	27,543,303	(4,571,365,006)	24,059,757,539
41,313,354	6,320,626	32,086,604	5,135,804	74,794,284	(30,287,855)	9,872,899	2,506,247,164
(31,852,040)	(2,668,316)	(22,363,106)	(36,332,716)	(11,857,819)	(1,092,530)	2,155,176	(422,510,388)
(2,939,908)	431,593	-	(11,185,680)	(6,383,816)	(417,708)	-	(530,653,525)
-	-	-	-	-	(19,832)	-	(19,832)

  
 Luis Alejandro Pagani  
 Chairman

See our report date March 9, 2016  
 PRICE WATERHOUSE & CO. S.R.L.

  
 (Partner)  
 C.P.C.E.Cba. N° 21.00004.3  
 Dr. Andrés Suarez. Public Accountant (UBA)  
 Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 4. SEGMENT INFORMATION

Inter-segment sales are made at similar prices to those charged to unrelated third parties.

Reported revenues on sales of goods and services to third parties are measured in the same manner as for the preparation of this consolidated statement of income.

Reconciliation of Adjusted EBITDA to the profit before taxes is shown below:

	12.31.2015	12.31.2014
<b>Adjusted EBITDA by reportable segments</b>	<b>3,165,737,322</b>	<b>2,506,247,164</b>
Depreciation of property, plant and equipment and investment properties	(475,171,818)	(399,301,415)
Amortization of intangible assets	(22,287,253)	(23,208,973)
Insured losses / Casualties	6,777,827	120,187,560
Financial income	579,248,843	372,493,263
Financial expenses	(1,123,005,054)	(973,330,296)
Net foreign exchange difference	(646,241,150)	(548,290,606)
Net result on investments in associates	2,476,689	(19,832)
<b>INCOME BEFORE INCOME TAX</b>	<b>1,487,535,406</b>	<b>1,054,776,865</b>

### Information on geographical areas

Information on non-current assets located in Argentina (legal domicile of the Company) and abroad is disclosed in the following tables:

	12.31.2015					
	Argentina	Brazil	Chile	Mexico	Abroad	Total
Property, plant and equipment (1)	2,801,165,211	628,595,506	1,001,646,463	399,078,930	115,734,901	<b>4,946,221,011</b>
Investment properties	17,793,863	9,886,634	7,759,047	-	880,478	<b>36,320,022</b>
Intangible assets	343,900,285	77,674,948	5,987,170	-	-	<b>427,562,403</b>
Biological assets	60,717,190	-	-	-	-	<b>60,717,190</b>

(1) Intercompany income/loss was eliminated in the purchasing company.

	12.31.2014					
	Argentina	Brazil	Chile	Mexico	Abroad	Total
Property, plant and equipment (1)	2,498,583,949	624,554,618	755,911,066	292,442,977	88,429,624	<b>4,259,922,234</b>
Investment properties	17,433,678	15,804,039	5,931,010	-	575,032	<b>39,743,759</b>
Intangible assets	335,056,079	70,808,879	5,098,428	-	-	<b>410,963,386</b>
Biological assets	68,120,301	-	-	-	-	<b>68,120,301</b>

(1) Intercompany income/loss was eliminated in the purchasing company.

Information on consolidated sales to customers located in Argentina (legal domicile of the Company) and abroad is disclosed in the following table:

	12.31.2015			12.31.2014		
	Argentina	Abroad	Total	Argentina	Abroad	Total
Sales	20,102,532,374	7,450,955,505	<b>27,553,487,879</b>	15,995,943,667	8,063,813,872	<b>24,059,757,539</b>



Victor Jorge Aramburu  
Chairman  
Syndics Committee



Jorge Luis Seveso  
Secretary Member of the  
Board



Luis Alejandro Pagani  
Chairman

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Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 5. PROPERTY, PLANT AND EQUIPMENT

The following tables detail the composition and evolution of the caption property, plant and equipment:

	Land	Constructions	Bearer plants (3)	Machinery and facilities	Furniture, tools, vehicles and other equipment	Construction works and in transit equipment	Total
<b>Cost</b>							
<b>Original value at the beginning of year</b>	<b>208,399,088</b>	<b>2,202,608,001</b>	<b>22,764,100</b>	<b>5,056,039,041</b>	<b>675,499,378</b>	<b>1,177,165,648</b>	<b>9,342,475,256</b>
Effect of currency translation	44,554,852	239,317,840	-	436,038,440	64,654,831	32,070,972	816,636,935
Additions	-	3,739,518	117,728	18,859,181	56,300,158	740,452,155	819,468,740
Transfers	-	438,617,357	16,195,988	794,612,525	33,335,039	(1,282,760,909)	-
Deletions	-	(19,984,127)	(2) (649,041)	(29,724,565)	(26,450,075)	(2,880,625)	(79,688,433)
<b>Original value at the end of year</b>	<b>252,953,940</b>	<b>2,864,298,589</b>	<b>38,428,775</b>	<b>6,275,824,622</b>	<b>803,339,331</b>	<b>664,047,241</b>	<b>10,898,892,498</b>
<b>Depreciation</b>							
<b>Accumulated depreciation at beginning of year</b>	-	<b>(1,085,843,743)</b>	<b>(1,652,932)</b>	<b>(3,481,668,875)</b>	<b>(513,387,472)</b>	-	<b>(5,082,553,022)</b>
Effect of currency translation	-	(80,901,667)	-	(308,454,752)	(47,922,863)	-	(437,279,282)
Transfers	-	(348,409)	(2) 177,447	29,568,621	14,983,384	-	44,381,043
Depreciation for the year (1)	-	(93,814,360)	(4,054,361)	(310,521,656)	(68,829,849)	-	(477,220,226)
<b>Accumulated depreciation at end of year</b>	-	<b>(1,260,908,179)</b>	<b>(5,529,846)</b>	<b>(4,071,076,662)</b>	<b>(615,156,800)</b>	-	<b>(5,952,671,487)</b>
<b>TOTAL AT 12.31.2015</b>	<b>252,953,940</b>	<b>1,603,390,410</b>	<b>32,898,929</b>	<b>2,204,747,960</b>	<b>188,182,531</b>	<b>664,047,241</b>	<b>4,946,221,011</b>

(1) The accounting allocation of the charge to income/loss for the year is shown in Note 28.

(2) The accounting allocation of deletions for the year is shown in Note 30.

(3) Initial balances for the year include the impact of the change in accounting policies described in Note 42.

Information required by Schedule A, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV. The useful life of components of the item is detailed in Note 2.7.

Victor Jorge Aramburu  
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Syndics Committee

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Board

Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
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(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 5. PROPERTY, PLANT AND EQUIPMENT

	Land	Constructions	Bearer plants (5)	Machinery and facilities	Furniture, tools, vehicles and other equipment	Construction works and in transit equipment	Total
<b>Cost</b>							
<b>Original value at</b>							
<b>the beginning of year</b>	<b>187,086,908</b>	<b>1,667,731,415</b>	<b>(3) 10,440,108</b>	<b>4,194,551,950</b>	<b>604,251,792</b>	<b>778,198,700</b>	<b>7,442,260,873</b>
Effect of currency translation	21,334,524	117,654,639	-	294,840,835	44,382,571	46,184,355	524,396,924
Additions	-	10,853,168	-	18,217,810	60,188,016	1,426,872,765	1,516,131,759
Transfers	(12,776)	413,584,116	12,889,837	613,639,971	28,322,611	(1,070,716,131)	(1) (2,292,372)
Deletions	(9,568)	(7,215,337)	(4) (565,845)	(65,211,525)	(61,645,612)	(3,374,041)	(138,021,928)
<b>Original value at the end of year</b>	<b>208,399,088</b>	<b>2,202,608,001</b>	<b>22,764,100</b>	<b>5,056,039,041</b>	<b>675,499,378</b>	<b>1,177,165,648</b>	<b>9,342,475,256</b>
<b>Depreciation</b>							
<b>Accumulated depreciation</b>							
<b>at beginning of year</b>	-	<b>(954,504,391)</b>	<b>(3)</b>	<b>- (3,071,718,262)</b>	<b>(473,769,969)</b>	-	<b>(4,499,992,622)</b>
Effect of currency translation	-	(66,731,441)	-	(199,538,678)	(32,941,642)	-	(299,211,761)
Deletions	-	4,338,678	-	57,077,923	55,532,281	-	116,948,882
Depreciation for the year (1)	-	(68,946,589)	(1,652,932)	(267,489,858)	(62,208,142)	-	<b>(400,297,521)</b>
<b>Accumulated depreciation at end of year</b>	-	<b>(1,085,843,743)</b>	<b>(1,652,932)</b>	<b>(3,481,668,875)</b>	<b>(513,387,472)</b>	-	<b>(5,082,553,022)</b>
<b>Impairment of property, plant and equipment (2)</b>							
<b>Opening balance</b>	-	<b>(3,506,428)</b>	-	<b>(640,128)</b>	<b>(36,569)</b>	-	<b>(4,183,125)</b>
Effect of currency translation	-	(815,723)	-	(143,741)	(7,863)	-	(967,327)
Decrease / Consumption (1)	-	4,322,151	-	783,869	44,432	-	5,150,452
<b>Closing balance</b>	-	-	-	-	-	-	-
<b>TOTAL AT 12.31.2014</b>	<b>208,399,088</b>	<b>1,116,764,258</b>	<b>21,111,168</b>	<b>1,574,370,166</b>	<b>162,111,906</b>	<b>1,177,165,648</b>	<b>4,259,922,234</b>

(1) The accounting allocation of the charge to income/loss for the year is shown in Note 28.

(2) It corresponds to the subsidiary Arcor de Perú S.A.

(3) While applying the amendments to IAS 16 and IAS 41 (Note 42), the Group decided to value "bearer plants" at fair value at January 1, 2014 as attributed cost at that date.

(4) The accounting allocation of deletions for the year is shown in Note 30.

(5) Initial balances for the year include the impact of the change in accounting policies described in Note 42.

Information required by Schedule A, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV. The useful life of components of the item is detailed in Note 2.7.

Victor Jorge Aramburu  
Chairman  
Syndics Committee

Jorge Luis Seveso  
Secretary Member of the  
Board

Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Machinery and facilities include the following amounts of which the Arcor Group is a lessee under the terms of financial lease agreements:

	12.31.2015	12.31.2014
Cost – Capitalized finance lease	40,957,037	41,275,814
Accumulated depreciation	(15,336,601)	(11,034,486)
<b>TOTAL</b>	<b>25,620,436</b>	<b>30,241,328</b>

The most significant financial lease periods are until April 2022, date on which the purchase options envisaged in the agreements may be exercised.

## NOTE 6. INVESTMENT PROPERTIES

The following table details the composition and evolution of the caption:

	12.31.2015	12.31.2014
	Land and constructions	Land and constructions
<b>Cost</b>		
<b>Original value at beginning of year</b>	<b>50,636,837</b>	<b>45,492,804</b>
Effect of currency translation	2,129,147	2,812,996
Additions	605,368	636,942
Transfers (1)	-	2,292,372
Decreases	(5,935,297)	(598,277)
<b>Original value at the end of year</b>	<b>47,436,055</b>	<b>50,636,837</b>
<b>Depreciation</b>		
<b>Accumulated depreciation at beginning of year</b>	<b>(10,893,078)</b>	<b>(10,793,681)</b>
Decreases	-	145,045
Depreciation for the year (2)	(222,955)	(244,442)
<b>Accumulated depreciation at the end of year</b>	<b>(11,116,033)</b>	<b>(10,893,078)</b>
<b>TOTAL</b>	<b>36,320,022</b>	<b>39,743,759</b>

(1) Transfer from Property, Plant and Equipment (Note 5).

(2) The accounting allocation of depreciation for the year is shown in Note 28.

Information required by Schedule D, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV. The useful life of components of the item is detailed in Note 2.8.

Investment properties are carried at amortized cost. Their fair value at December 31, 2015 and 2014 are ARS 999,052,166 and ARS 858,587,240, respectively. Those values were prepared by an approach of selling prices of comparable properties located in geographically nearby areas from reports prepared by independent professional appraisers (Level 2 of the fair value hierarchy).

Gain and expenses generated by investment properties at December 31, 2015 and 2014 respectively, they are recognized in "Other income/(losses), net", in the consolidated statement of income (Note 31).

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Syndics Committee

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Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 7. INTANGIBLE ASSETS

The following tables detail the composition and evolution of the caption intangible assets:

	Brands, registrations and patents	Goodwill	Software and related licenses	Total
<b>Cost</b>				
<b>Original value at beginning of year</b>	<b>143,982,841</b>	<b>252,288,391</b>	<b>132,933,540</b>	<b>529,204,772</b>
Effect of currency translation	3,567,469	2,824,969	1,663,380	8,055,818
Additions	-	-	32,750,146	32,750,146
<b>Original value at end of year</b>	<b>147,550,310</b>	<b>255,113,360</b>	<b>167,347,066</b>	<b>570,010,736</b>
<b>Amortization</b>				
<b>Accumulated amortization at beginning of year</b>	<b>(35,117,031)</b>	-	<b>(83,124,355)</b>	<b>(118,241,386)</b>
Effect of currency translation	(684,760)	-	(1,234,934)	(1,919,694)
Amortization for the year (1)	-	-	(22,287,253)	(22,287,253)
<b>Accumulated amortization at the end of year</b>	<b>(35,801,791)</b>	-	<b>(106,646,542)</b>	<b>(142,448,333)</b>
<b>TOTAL AT 12.31.2015</b>	<b>111,748,519</b>	<b>255,113,360</b>	<b>60,700,524</b>	<b>427,562,403</b>

(1) The accounting allocation of amortization for the year is shown in Note 28.

Information required by Schedule B, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV. The useful life of components of the item is detailed in Note 2.9.

	Brands, registrations and patents	Goodwill	Software and related licenses	Total
<b>Cost</b>				
<b>Original value at beginning of year</b>	<b>132,794,147</b>	<b>250,529,449</b>	<b>91,755,909</b>	<b>475,079,505</b>
Effect of currency translation	11,188,694	1,758,942	2,071,167	15,018,803
Additions	-	-	39,106,464	39,106,464
<b>Original value at end of year</b>	<b>143,982,841</b>	<b>252,288,391</b>	<b>132,933,540</b>	<b>529,204,772</b>
<b>Amortization</b>				
<b>Accumulated amortization at beginning of year</b>	<b>(32,968,562)</b>	-	<b>(57,988,250)</b>	<b>(90,956,812)</b>
Effect of currency translation	(2,146,991)	-	(1,928,610)	(4,075,601)
Amortization for the year (1)	(1,478)	-	(23,207,495)	(23,208,973)
<b>Accumulated amortization at the end of year</b>	<b>(35,117,031)</b>	-	<b>(83,124,355)</b>	<b>(118,241,386)</b>
<b>TOTAL AT 12.31.2014</b>	<b>108,865,810</b>	<b>252,288,391</b>	<b>49,809,185</b>	<b>410,963,386</b>

(1) The accounting allocation of amortization for the year is shown in Note 28.

Information required by Schedule B, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV. The useful life of components of the item is detailed in Note 2.9.

The expenses in research and development that do not meet the criteria for capitalization were recorded under Other miscellaneous expenses in the Consolidated Statement of Income at December 31, 2015 and 2014 for ARS 54,284,041 and ARS 48,353,800, respectively.

These expenses are allocated to selling expenses and production expenses, which in 2015 amounted to ARS 45,163,432 and ARS 9,120,609, respectively, and in 2014 were ARS 39,369,944 and ARS 8,983,856.

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(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 7. INTANGIBLE ASSETS

### Goodwill recoverability testing

Goodwill is allocated to the cash generating units of Arcor Group on an operating segment basis.

Goodwill allocation at the level of the operating segments is shown below:

	12.31.2015	12.31.2014
Cookies Argentina	135,903,319	135,903,319
Confectionery Argentina	104,190,421	104,190,421
Confectionery Chile	3,610,322	2,759,732
Southern subsidiaries	11,409,298	9,434,919
<b>TOTAL</b>	<b>255,113,360</b>	<b>252,288,391</b>

The recoverable amount of a cash generating unit is determined by value-in-use calculations. These calculations use the cash flow projections based on financial budgets approved covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 1%, which does not exceed the long-term average growth rate of each of the business segments involved.

The main key assumptions relate to gross margins which are determined based on past performance, other external sources of information and its expectations of market development.

The discount rates used are the respective weighted average cost of capital (WACC), which is considered as a good indicator of the cost of capital. A specific WACC was determined for each cash generating unit where assets are allocated, considering the industry, country and size of business. Discount rates used were between 18% and 24% in 2015 and 2014.

Long-term growth rates used to extrapolate cash flow projections beyond the period covered by the budgets were of 0.9% for cash generating units based in Argentina and 1% for the rest.

No impairment was recognized as a result of these analyses.

## NOTE 8. INVESTMENTS IN ASSOCIATES

The following tables details the evolution and composition of the caption investment in associates:

	12.31.2015	12.31.2014
<b>Opening balance</b>	<b>7,042</b>	<b>23,536</b>
Loss in associates	(11,664)	(19,832)
Participation in other comprehensive income for actuarial gains of defined benefit plans of companies	(60)	-
Capital contributions	27,258	-
Translation reserve	3,314	3,338
<b>CLOSING BALANCES</b>	<b>25,890</b>	<b>7,042</b>

Company	Country	Non-Current assets	Current assets	Non-Current liabilities	Current liabilities	Equity	Income	Other reserves of equity	Interest Percentage	Carrying value at 12.31.15
GAP Inversora S.A. (1)	Argentina	635,805	36,490	330	254,272	417,693	(334,090)	215,715	5,00,000	25,890

(1) Financial information prepared under IFRS for the only purpose of being used by the Company to the valuation of its investments in associates.

The breakdown of results of investments in associates of the Consolidated Statement of Income can be shown below:

	12.31.2015	12.31.2014
Results on investment in associate Gap Inversora S.A.	(11,664)	(19,832)
Reclassification from Other Comprehensive Income of translation differences of companies	2,488,353	-
<b>TOTAL</b>	<b>2,476,689</b>	<b>(19,832)</b>

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(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 9. BIOLOGICAL ASSETS

The following tables disclose the composition and evolution of biological assets:

	Fruit Crops	Grain sown land (2)	Sugar cane sown land (2)	Beef or dairy cattle	TOTAL
Total non-current at January 1, 2015	-	-	-	68,120,301	68,120,301
Total current at January 1, 2015	13,290,173	10,675,695	20,078,328	5,577,058	49,621,254
<b>TOTAL AT JANUARY 1, 2015 (3)</b>	<b>13,290,173</b>	<b>10,675,695</b>	<b>20,078,328</b>	<b>73,697,359</b>	<b>117,741,555</b>
Additions at historical cost	22,574,524	22,294,811	32,592,193	-	77,461,528
Initial recognition and changes in fair value (1)	1,790,954	5,052,327	(4,663,797)	6,100,508	8,279,992
Decreases due to harvest of biological products (1)	(19,470,516)	(26,943,905)	(23,216,752)	-	(69,631,173)
Decreases due to sale of biological assets	-	-	-	(10,248,607)	(10,248,607)
<b>TOTAL AT DECEMBER 31, 2015</b>	<b>18,185,135</b>	<b>11,078,928</b>	<b>24,789,972</b>	<b>69,549,260</b>	<b>123,603,295</b>
Total non-current at December 31, 2015	-	-	-	60,717,190	60,717,190
Total current at December 31, 2015	18,185,135	11,078,928	24,789,972	8,832,070	62,886,105

- (1) The offsetting entry is shown in the item "Initial recognition and changes in the fair value of biological assets", in Note 30.  
(2) Depending on the phenological status at year end, they were valued at historical cost (Note 2.11).  
(3) Initial balances for the year include the impact of the change in accounting policies described in Note 42.

	Fruit Crops	Grain sown land (2)	Sugar cane sown land (2)	Beef or dairy cattle	TOTAL
Total non-current at January 1, 2014	-	-	-	44,309,192	44,309,192
Total current at January 1, 2014	2,663,742	7,161,109	16,483,700	3,341,956	29,650,507
<b>TOTAL AT JANUARY 1, 2014</b>	<b>2,663,742</b>	<b>7,161,109</b>	<b>16,483,700</b>	<b>47,651,148</b>	<b>73,959,699</b>
Additions at historical cost	14,501,386	19,237,158	26,259,065	-	59,997,609
Initial recognition and changes in fair value (1)	9,693,622	14,052,725	6,067,231	34,211,028	64,024,606
Decreases due to harvest of biological products (1)	(13,568,577)	(29,775,297)	(28,731,668)	-	(72,075,542)
Decreases due to sale of biological assets	-	-	-	(8,164,817)	(8,164,817)
<b>TOTAL AT DECEMBER 31, 2014</b>	<b>13,290,173</b>	<b>10,675,695</b>	<b>20,078,328</b>	<b>73,697,359</b>	<b>117,741,555</b>
Total non-current at December 31, 2014	-	-	-	68,120,301	68,120,301
Total current at December 31, 2014	13,290,173	10,675,695	20,078,328	5,577,058	49,621,254

- (1) The offsetting entry is shown in the item "Initial recognition and changes in the fair value of biological assets", in Note 30.  
(2) Depending on the phenological status at year end, they were valued at historical cost (Note 2.11).  
(3) Initial balances for the year include the impact of the change in accounting policies described in Note 42.

Information related to the harvest of biological products and physical quantities of the main classes of biological assets is as follows:

	Fruit Crops	Grain sown land	Beef or dairy cattle	Sugar cane sown land
Harvest of biological products for the fiscal year ended 12.31.2015 per biological asset	8,620 Tn.	22,245 Tn.	(1) 24,135 Tn.	(3) 225,117 Tn.
Area intended for biological assets at 12.31.2015	249 Has.	6,724 Has.	-	5,458 Has.
Physical quantities of biological assets at 12.31.2015	-	-	(2) 6,548 heads	-
Estimated useful lives	7 months	7 months	5 lactation periods	10 months

- (1) It corresponds to tons of fluid milk.  
(2) From the total, 4,768 are dairy cattle and the remaining 1,780 are cattle for slaughter.  
(3) It corresponds to tons of sugar cane plantations.

Victor Jorge Aramburu  
Chairman  
Syndics Committee

Jorge Luis Seveso  
Secretary Member of the  
Board

Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.

C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 9. BIOLOGICAL ASSETS

Information as of December 31, 2014, relating to the collection of biological products and physical quantities of the main classes of biological assets is as follows:

	Fruit Crops	Grain sown land	Beef or dairy cattle	Sugar cane sown land
Harvest of biological products for the fiscal year ended 12.31.2014 per biological asset	2,518 Tn.	20,674 Tn.	(1) 24,745 Tn.	(3) 225,282 Tn.
Area intended for biological assets at 12.31.2014	240 Has.	4,857 Has.	-	5,284 Has.
Physical quantities of biological assets at 12.31.2014	-	-	(2) 6,803 heads	-
Estimated useful lives	7 months	7 months	5 lactation periods	10 months

(1) It corresponds to tons of fluid milk.

(2) From the total, 5,222 are dairy cattle and the remaining 1,581 are cattle for slaughter.

(3) It corresponds to tons of sugar cane plantations.

The method for measuring the fair value of each of these biological assets is described in Note 2.11 to the consolidated financial statements.

The biological assets of the Group are disclosed measured based on fair value hierarchy at December 31, 2015 and 2014, in accordance with the explanation mentioned in Note 39.2:

	Level 1	Level 2	Level 3	Total
Biological assets at fair value				
Beef or dairy cattle	-	69,549,260	-	69,549,260
Fruit crops	-	-	18,185,135	18,185,135
<b>Total Biological assets at fair value at 12.31.15</b>	<b>-</b>	<b>69,549,260</b>	<b>18,185,135</b>	<b>87,734,395</b>

	Level 1	Level 2	Level 3	Total
Biological assets at fair value				
Beef or dairy cattle	-	73,697,359	-	73,697,359
Fruit crops	-	-	13,290,173	13,290,173
<b>Total Biological assets at fair value at 12.31.14</b>	<b>-</b>	<b>73,697,359</b>	<b>13,290,173</b>	<b>86,987,532</b>

The following non-observable data was used to measure fruit trees plantations:

Biological assets at fair value	Fair value at 12.31.15	Measurement techniques	Non-observable data	Connection of non-observable data with fair value
			Yield of fruits per Has.	Greater the number of yield, higher the fair value.
			Market price of fruit to be harvested	Higher the market price, higher the fair value.
			Discount rate	Higher the discount rate, lower the fair value.
			Cost of crops and harvest	Greater the cost of the crops and harvest, lower the fair value.
Fruit crops	18,185,134	Present value of net cash flows		

Victor Jorge Aramburu  
Chairman  
Syndics Committee

Jorge Luis Seveso  
Secretary Member of the  
Board

Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
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C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 10. DEFERRED TAX ASSETS / LIABILITIES

Deferred income tax is made up of the following for the year ended at December 31, 2015:

	01.01.2015	Prior year adjustments and reclassification of differences	01.01.2015 corrected
<b>Assets</b>			
Tax loss carryforward	871,546,274	-	871,546,274
Trade accounts receivable and other receivables	99,266,338	-	99,266,338
Inventories	74,160,551	-	74,160,551
Biological assets	(16,285,126)	(15,304,019)	(31,589,145)
Property, plant and equipment and investment property	(72,010,142)	3,100,848	(68,909,294)
Intangible assets	119,349,819	-	119,349,819
Derivative financial instruments	-	-	-
Other investments	(19,743,223)	-	(19,743,223)
Provisions	62,904,134	-	62,904,134
Trade accounts payable and other liabilities	93,661,908	-	93,661,908
Loans	2,456,363	-	2,456,363
<b>Subtotal - Deferred assets before allowances</b>	<b>1,215,306,896</b>	<b>(12,203,171)</b>	<b>1,203,103,725</b>
Allowance for doubtful recoverability of tax loss carryforwards (1)	(696,309,325)	-	(696,309,325)
Allowance for doubtful recoverability of other net deferred assets (1)	(230,945,005)	-	(230,945,005)
<b>Subtotal - Deferred assets</b>	<b>288,052,566</b>	<b>(12,203,171)</b>	<b>275,849,395</b>
<b>Liabilities</b>			
Trade accounts receivable and other receivables	(44,099,791)	-	(44,099,791)
Inventories	4,047,171	-	4,047,171
Property, plant and equipment and investment property	(852,695)	-	(852,695)
Intangible assets	(13,299,743)	-	(13,299,743)
Other investments	(13,387)	-	(13,387)
Provisions	226,186	-	226,186
Trade accounts payable and other liabilities	146,940	-	146,940
<b>Subtotal - Deferred liabilities</b>	<b>(53,845,319)</b>	<b>-</b>	<b>(53,845,319)</b>
<b>Total Net Deferred Tax assets / liabilities</b>	<b>234,207,247</b>	<b>(12,203,171)</b>	<b>222,004,076</b>

(1) As indicated in Note 2.20, deferred tax assets are recognized only to the extent that tax benefits are likely to be obtained in the future to be able to offset them. In this sense, lines "provisions" must be considered as accounts that regulate the deferred positions to which reference is made, as required by point 81 (e) of IAS 12.



Victor Jorge Aramburu  
Chairman  
Syndics Committee

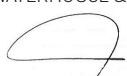


Jorge Luis Seveso  
Secretary Member of the  
Board

Translation difference	Application of allowance	Expense charged to income	Expense charged to other comprehensive income	12.31.2015
93,490,866	(5,349,450)	25,655,300	-	985,342,990
16,937,351	-	3,470,864	-	119,674,553
2,270,025	-	96,879,391	-	173,309,967
-	-	(6,178,943)	-	(37,768,088)
(1,136,812)	-	(56,080,708)	-	(126,126,814)
5,778,470	-	(1,362,244)	-	123,766,045
-	-	(10,968,428)	(321,178)	(11,289,606)
-	-	(18,627,201)	(1,999,196)	(40,369,620)
898,409	-	10,455,825	-	74,258,368
12,106,613	-	29,092,998	(629,949)	134,231,570
450,757	-	3,836,490	-	6,743,610
<b>130,795,679</b>	<b>(5,349,450)</b>	<b>76,173,344</b>	<b>(2,950,323)</b>	<b>1,401,772,975</b>
(69,909,540)	5,349,450	14,544,294	-	(746,325,121)
(42,693,708)	-	(6,364,775)	5,744	(279,997,744)
<b>18,192,431</b>	<b>-</b>	<b>84,352,863</b>	<b>(2,944,579)</b>	<b>375,450,110</b>
-	-	44,099,791	-	-
-	-	(4,047,171)	-	-
-	-	5,277,112	-	4,424,417
-	-	-	-	(13,299,743)
-	-	13,387	-	-
-	-	(226,186)	-	-
-	-	(146,940)	-	-
-	-	<b>44,969,993</b>	<b>-</b>	<b>(8,875,326)</b>
<b>18,192,431</b>	<b>-</b>	<b>129,322,856</b>	<b>(2,944,579)</b>	<b>366,574,784</b>

  
 Luis Alejandro Pagani  
 Chairman

See our report date March 9, 2016  
 PRICE WATERHOUSE & CO. S.R.L.

  
 (Partner)  
 C.P.C.E.Cba. N° 21.00004.3  
 Dr. Andrés Suarez. Public Accountant (UBA)  
 Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DICEMBER 31, 2015 and 2014

## NOTE 10. DEFERRED TAX ASSETS / LIABILITIES

Deferred income tax is made up of the following for the year ended at December 31, 2014:

	01.01.2014	Prior year adjustments and reclassification of differences	01.01.2014 corrected
<b>Assets</b>			
Tax loss carryforward	603,092,116	-	603,092,116
Trade accounts receivable and other receivables	91,650,163	-	91,650,163
Inventories	90,453,306	-	90,453,306
Biological assets	(11,453,322)	(9,547,511)	(21,000,833)
Property, plant and equipment and investment property	(40,233,231)	5,527,750	(34,705,481)
Intangible assets	99,765,715	-	99,765,715
Other investments	(15,902,277)	-	(15,902,277)
Provisions	41,259,018	-	41,259,018
Trade accounts payable and other liabilities	53,778,439	-	53,778,439
Loans	1,267,421	-	1,267,421
<b>Subtotal - Deferred assets before allowances</b>	<b>913,677,348</b>	<b>(4,019,761)</b>	<b>909,657,587</b>
Allowance for doubtful recoverability of tax loss carryforwards (1)	(494,488,685)	-	(494,488,685)
Allowance for doubtful recoverability of other net deferred assets (1)	(187,024,306)	-	(187,024,306)
<b>Subtotal - Deferred assets</b>	<b>232,164,357</b>	<b>(4,019,761)</b>	<b>228,144,596</b>
<b>Liabilities</b>			
Trade accounts receivable and other receivables	(35,491,102)	-	(35,491,102)
Inventories	2,305,052	-	2,305,052
Property, plant and equipment and investment property	6,956,685	-	6,956,685
Intangible assets	(13,299,743)	-	(13,299,743)
Other investments	-	-	-
Provisions	224,552	-	224,552
Trade accounts payable and other liabilities	(10,690)	-	(10,690)
<b>Subtotal - Deferred liabilities</b>	<b>(39,315,246)</b>	<b>-</b>	<b>(39,315,246)</b>
<b>Total Net Deferred Tax assets / liabilities</b>	<b>192,849,111</b>	<b>(4,019,761)</b>	<b>188,829,350</b>

(1) As indicated in Note 2.20, deferred tax assets are recognized only to the extent that tax benefits are likely to be obtained in the future to be able to offset them. In this sense, lines "provisions" must be considered as accounts that regulate the deferred positions to which reference is made, as required by point 81 (e) of IAS 12.



Victor Jorge Aramburu  
Chairman  
Syndics Committee

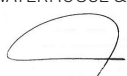


Jorge Luis Seveso  
Secretary Member of the  
Board

Translation difference	Application of allowance	Expense charged to income	Expense charged to other comprehensive income	12.31.2014
81,398,216	(9,557,912)	196,613,854	-	871,546,274
10,223,131	-	(2,606,956)	-	99,266,338
5,526,087	-	(21,818,842)	-	74,160,551
-	-	(10,588,312)	-	(31,589,145)
268,382	-	(34,472,195)	-	(68,909,294)
17,109,584	-	2,474,520	-	119,349,819
-	-	(1,223,141)	(2,617,805)	(19,743,223)
391,305	-	21,253,811	-	62,904,134
3,770,690	-	35,567,258	545,521	93,661,908
1,413,941	-	(224,999)	-	2,456,363
<b>120,101,336</b>	<b>(9,557,912)</b>	<b>184,974,998</b>	<b>(2,072,284)</b>	<b>1,203,103,725</b>
(78,677,230)	9,557,912	(132,701,322)	-	(696,309,325)
(30,422,770)	-	(13,463,758)	(34,171)	(230,945,005)
<b>11,001,336</b>	<b>-</b>	<b>38,809,918</b>	<b>(2,106,455)</b>	<b>275,849,395</b>
32,836	-	(8,641,525)	-	(44,099,791)
-	-	1,742,119	-	4,047,171
-	-	(7,809,380)	-	(852,695)
-	-	-	-	(13,299,743)
-	-	(13,387)	-	(13,387)
-	-	1,634	-	226,186
-	-	198,215	(40,585)	146,940
<b>32,836</b>	<b>-</b>	<b>(14,522,324)</b>	<b>(40,585)</b>	<b>(53,845,319)</b>
<b>11,034,172</b>	<b>-</b>	<b>24,287,594</b>	<b>(2,147,040)</b>	<b>222,004,076</b>

  
 Luis Alejandro Pagani  
 Chairman

See our report date March 9, 2016  
 PRICE WATERHOUSE & CO. S.R.L.

  
 (Partner)  
 C.P.C.E.Cba. N° 21.00004.3  
 Dr. Andrés Suarez. Public Accountant (UBA)  
 Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 10. DEFERRED TAX ASSETS / LIABILITIES

The term for reversal of deferred assets and liabilities is as follows:

	12.31.2015	12.31.2014
<b>Assets</b>		
Deferred taxes to be recovered over 12 months	277,294,010	219,764,294
Deferred taxes to be recovered in 12 months	98,156,100	56,085,101
<b>Subtotal - Deferred tax assets</b>	<b>375,450,110</b>	<b>275,849,395</b>
<b>Liabilities</b>		
Deferred taxes to be settled over 12 months	(8,875,326)	(13,862,099)
Deferred taxes to be settled in 12 months	-	(39,983,220)
<b>Subtotal - Deferred tax liabilities</b>	<b>(8,875,326)</b>	<b>(53,845,319)</b>
<b>TOTAL</b>	<b>366,574,784</b>	<b>222,004,076</b>

The tax rates in effect in each of the countries in which the Group operates are as follows:

COUNTRY	12.31.2015	12.31.2014
Argentina	35.00%	35.00%
Bolivia	25.00%	25.00%
Brazil	34.00%	34.00%
Canada (1)	26.50%	26.50%
Chile (2)	22.50%	21.00%
China	25.00%	25.00%
Colombia	25.00%	25.00%
Ecuador	22.00%	22.00%
Spain	28.00%	30.00%
USA	34.00%	34.00%
Mexico	30.00%	30.00%
Paraguay	10.00%	10.00%
Peru	28.00%	28.00%
Switzerland	14.60%	30.00%
Uruguay	25.00%	25.00%
Venezuela	34.00%	34.00%

(1) On December 23, 2015, the liquidation of the company Arcor Canada Inc. was decided.

(2) In accordance with current legislation, the tax rate will be increased up to 25% in the year 2018.



Victor Jorge Aramburu  
Chairman  
Syndics Committee



Jorge Luis Seveso  
Secretary Member of the  
Board



Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.



(Partner)

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 10. DEFERRED TAX ASSETS / LIABILITIES

Companies	Maturity Year				Total	Tax rates	Total at the tax rate	Allowance	Net
	2016	2017	2018 to 2032	Without maturity					
Arcor AG S.A.	-	-	40,701,270	-	40,701,270	30%	12,210,381	(12,210,381)	-
Arcor de Peru S.A.	13,955,761	31,135,283	50,925,816	-	96,016,860	26%	24,964,384	(24,964,384)	-
Arcor do Brasil Ltda.	-	-	-	828,482,710	828,482,710	34%	281,684,123	(262,212,348)	19,471,775
Arcor S.A.I.C.	-	5,286,101	377,749,821	-	383,035,922	35%	134,062,573	-	134,062,573
Arcor U.S.A. Inc.	-	-	-	23,915,628	23,915,628	38%	9,087,939	(9,087,939)	-
Bagley Argentina S.A.	-	-	-	-	-	35%	-	-	-
Bagley do Brasil Alimentos Ltda.	-	-	-	805,339,272	805,339,272	34%	273,815,352	(273,815,352)	-
Bagley Latinoamérica S.A.	-	-	184,613,397	-	184,613,397	30%	55,384,019	(55,384,019)	-
Cartocor Chile S.A.	-	-	-	95,060,164	95,060,164	25%	23,715,712	-	23,715,712
Cartocor Perú S.A.	2,384,249	2,289,192	1,147,707	-	5,821,148	26%	1,513,498	(1,513,498)	-
Constructora Mediterránea S.A.C.I.F.I.	-	-	4,113,624	-	4,113,624	35%	1,439,768	(1,439,768)	-
Converflex S.A.	-	-	-	-	-	35%	-	-	-
Converflex Argentina S.A.	-	-	164,105,193	-	164,105,193	35%	57,436,818	-	57,436,818
Indalar S.A.	1,417,883	1,941,957	12,456,670	-	15,816,510	35%	5,535,778	(5,535,778)	-
Industria Dos en Unode Colombia Ltda.	390,558	282,238	1,045,605	8,554,982	10,273,383	25%	2,568,346	(2,568,346)	-
Unidal Mexico S.A. de C.V.	-	66,163,560	259,147,468	-	325,311,028	30%	97,593,308	(97,593,308)	-
Van Dam S.A.	-	-	-	17,323,963	17,323,963	25%	4,330,991	-	4,330,991
<b>TOTAL</b>	<b>18,148,451</b>	<b>107,098,331</b>	<b>1,096,006,571</b>	<b>1,778,676,719</b>	<b>2,999,930,072</b>		<b>985,342,990</b>	<b>(746,325,121)</b>	<b>239,017,869</b>

Victor Jorge Aramburu  
Chairman  
Syndics Committee

Jorge Luis Seveso  
Secretary Member of the  
Board

Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.

C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 11. TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The following table shows the breakdown of trade receivables and other receivables:

### Trade accounts receivable

	12.31.2015	12.31.2014
<b>Non-Current</b>		
Trade accounts receivable with third parties	190,641	2,841,224
<b>Total Non-Current</b>	<b>190,641</b>	<b>2,841,224</b>
<b>Current</b>		
Trade accounts receivable with third parties	3,834,587,124	3,052,394,224
Documentary credits	253,486,661	200,583,031
Doubtful account balances and in litigation	118,579,367	140,046,080
Less: Allowances for doubtful accounts	(303,207,004)	(253,654,222)
<b>Total Current</b>	<b>3,903,446,148</b>	<b>3,139,369,113</b>
<b>TOTAL</b>	<b>3,903,636,789</b>	<b>3,142,210,337</b>

### Other receivables

	12.31.2015	12.31.2014
<b>Non-current</b>		
Tax credits	61,814,185	62,074,591
Refunds receivables	-	61,392,732
Minimum notional income tax credits	249,749,955	159,480,451
Ordinary financial debtors	-	4,225,500
Guarantee deposits	111,144,681	74,752,473
Advances to suppliers for purchases of property, plant and equipment	70,890,295	53,558,516
Receivable for future subscription of shares (Note 41)	486,000,000	-
Miscellaneous	4,043,671	3,569,078
Less: Allowance for other doubtful accounts	(19,257,538)	(16,551,399)
<b>Total Non-current</b>	<b>964,385,249</b>	<b>402,501,942</b>
<b>Current</b>		
Refunds receivables	83,777,795	219,495,369
Guarantee deposits	11,842,312	27,367,922
Debtors due to investments sold	42,458	42,458
Tax credits	629,979,595	407,696,569
Advances to suppliers for purchases of inventories and other products and services	237,359,693	135,032,340
Ordinary financial debtors	5,585,551	7,002,909
Financial debtors with related parties (Note 38)	424,044	858,052
Prepaid expenses	134,215,467	119,335,239
Insurance reimbursements receivable (Note 32)	86,894,792	85,510,000
Miscellaneous	27,748,160	28,192,688
Less: Allowance for other doubtful accounts	(20,840,467)	(12,978,898)
<b>Total Current</b>	<b>1,197,029,400</b>	<b>1,017,554,648</b>
<b>TOTAL</b>	<b>2,161,414,649</b>	<b>1,420,056,590</b>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 11. TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The accounting values of the financial instruments classified as trade accounts receivable and other receivables are close to their fair value due to the short-term nature of those financial instruments.

Trade accounts receivable with related parties arise mainly from sale transactions. They are due within twelve months after the sales date and do not accrue interest. These accounts receivable are not secured. No allowances have been recorded for accounts payable with related parties.

At December 31, 2015 and 2014 there are ARS 146,737,384 and ARS 136,215,590, respectively, of trade accounts receivable which are past due but not impaired. They are related to a specific number of customers either with no recent record of events of non-compliance or from which the Group has different guarantees for an amount equivalent to the receivables past due but not covered by an allowance. The aging of these trade accounts receivable is as follows:

	12.31.2015	12.31.2014
From three to six months	34,957,455	30,244,534
From six to twelve months	45,052,629	42,222,329
Over a year	66,727,300	63,748,727
<b>TOTAL DUE – NOT IMPAIRED</b>	<b>146,737,384</b>	<b>136,215,590</b>

At December 31, 2015 and 2014, the amounts of the allowances for impairment of trade accounts receivable were ARS 303,207,004 and ARS 253,654,222, respectively. The aging of these trade accounts receivable is as follows:

	12.31.2015	12.31.2014
To three months	10,374,387	14,311,469
From three to six months	8,231,854	10,370,873
From six to twelve months	10,256,713	5,409,630
Over a year	274,344,050	223,562,250
<b>TOTAL DUE – NOT IMPAIRED</b>	<b>303,207,004</b>	<b>253,654,222</b>

The values recorded for the Group's trade accounts receivable and other receivables are denominated in the following currencies:

	12.31.2015	12.31.2014
ARS	3,403,125,500	2,205,846,482
BOB	57,054,002	42,762,170
BRL	665,866,176	575,820,701
CAD	-	74,279
CLP	685,582,768	539,470,625
COP	5,239,674	6,047,783
EUR	15,197,474	15,300,746
MXN	120,740,488	127,998,747
PEN	57,899,085	44,248,671
PYG	77,198,891	54,693,844
RMB	5,529,784	4,150,730
USD	872,500,868	862,956,363
UYU	98,647,534	65,076,613
VEF	469,194	17,819,173
<b>TOTAL</b>	<b>6,065,051,438</b>	<b>4,562,266,927</b>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 11. TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The evolution in allowances for trade accounts receivables and other receivables arise from the table below:

	Trade accounts receivable	Other receivables	TOTAL
At January 1, 2015	253,654,222	29,530,297	283,184,519
Increases	37,436,443	11,248,964	48,685,407
Decreases	(25,358,105)	(1,320,912)	(26,679,017)
Uses	(16,446,727)	(765,546)	(17,212,273)
Effect of currency translation	53,921,171	1,405,202	55,326,373
<b>TOTAL AL 12.31.2015</b>	<b>303,207,004</b>	<b>40,098,005</b>	<b>343,305,009</b>

Information required by Schedule E, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

	Trade accounts receivable	Other receivables	TOTAL
At January 1, 2014	193,558,501	31,702,110	225,260,611
Increases	71,403,221	3,328,537	74,731,758
Decreases	(28,266,854)	(5,031,075)	(33,297,929)
Uses	(14,467,503)	(1,893,500)	(16,361,003)
Effect of currency translation	31,426,857	1,424,225	32,851,082
<b>TOTAL AT 12.31.2014</b>	<b>253,654,222</b>	<b>29,530,297</b>	<b>283,184,519</b>

Information required by Schedule E, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

## NOTE 12. INVENTORIES

The following table details the composition of caption inventories:

	12.31.2015	12.31.2014
Raw materials and materials	2,093,367,787	1,924,035,066
Raw materials and materials in transit	111,544,735	106,743,017
Work in process	194,566,943	186,274,420
Finished products	2,361,549,191	1,979,487,876
Less: Allowance for inventory losses	(114,279,919)	(103,751,804)
<b>TOTAL</b>	<b>4,646,748,737</b>	<b>4,092,788,575</b>

Changes in allowances for inventory losses for years ended December 31, 2015 and 2014 are as follows:

	TOTAL
At January 1, 2015	103,751,804
Increases	81,743,546
Decreases	(58,180,165)
Uses	(20,400,638)
Effect of currency translation	7,365,372
<b>TOTAL AT 12.31.2015</b>	<b>114,279,919</b>

Information required by Schedule E, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 12. INVENTORIES

	TOTAL
At January 1, 2014	77,876,519
Increases	98,175,753
Decreases	(42,279,077)
Uses	(27,079,198)
Effect of currency translation	(2,942,193)
<b>TOTAL AT 12.31.2014</b>	<b>103,751,804</b>

Information required by Schedule E, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

## NOTE 13. OTHER INVESTMENT

The following table details the composition of caption other investment at amortized cost:

	12.31.2015	12.31.2014
<b>Non-Current</b>		
Government securities	14,351	4,234,872
Other (1)	96,504,038	410,338
<b>NON-CURRENT TOTAL</b>	<b>96,518,389</b>	<b>4,645,210</b>
	<b>12.31.2015</b>	<b>12.31.2014</b>
<b>Current</b>		
Government securities	13,611	4,936,335
<b>CURRENT TOTAL</b>	<b>13,611</b>	<b>4,936,335</b>
<b>TOTAL</b>	<b>96,532,000</b>	<b>9,581,545</b>

(1) At December 31, 2015 includes ARS 96,033,600 for the purchase of unlisted shares of Mastellone Hermanos S.A. (Note 41).

## NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

The tables below show the balances of derivative financial instruments:

	Assets	Liabilities
Foreign currency term contracts	343,086,039	312,850
Cocoa forward contracts and financial options	6,205,540	-
<b>TOTAL CURRENT AT DECEMBER 31, 2015</b>	<b>349,291,579</b>	<b>312,850</b>
	Assets	Liabilities
Foreign currency term contracts	11,311,368	23,099,642
<b>TOTAL CURRENT AT DECEMBER 31, 2014</b>	<b>11,311,368</b>	<b>23,099,642</b>

The fair value of a hedge derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

### Forward agreement for purchase foreign currency

The Company and some of its subsidiaries entered into forward transactions to purchase US dollars with the purpose of hedging that currency's foreign exchange risk in connection with their financial liabilities. These transactions for years ended December 31, 2015 and 2014 were as follows:

#### - Arcor S.A.I.C.

At December 31, 2015, Arcor S.A.I.C. holds US dollar forward purchase transactions with due date between April and July 2016, for a total of USD 200,000,000, at a weighted average price of ARS 11.81 per US dollar. As a result of these transactions, the Company has a receivable of ARS 343,086,039 which is disclosed in the item Derivative financial instruments in the consolidated balance sheet. The Company, in connection with the transactions mentioned and others that have been settled, recognized gains for ARS 543,075,000, which were charged to the item Financial results, net in the consolidated statement of income.

At December 31, 2014, Arcor S.A.I.C. holds US dollar purchase transactions with due date in March and May 2015, for a total of USD 12,000,000, at a weighted average price of ARS 9.95 per US dollar. As a result of these transactions, the Company has a receivable of ARS 11,311,368 which is disclosed in the item Derivative financial instruments in the consolidated balance sheet. The Company, in connection with the transactions mentioned and others that have been settled, recognized losses of ARS 11,611,500, which were charged at the caption Financial results, net in the consolidated statement of income.

#### - Unidal Mexico S.A. de C.V.

At December 31, 2015, the subsidiary holds forward contracts for the sale of US dollars with due dates between January and April 2016 for USD 4,000,000, at an average weighted price of MXN 17.30 per US dollar. As a result of these transactions, the subsidiary has a liability for ARS 312,850 which is disclosed in the item Derivative financial instruments in the consolidated balance sheet. The subsidiary, in connection with the transactions mentioned and others that have been settled, recognized losses of ARS 17,229,184, which were charged to the item Financial results, net in the consolidated statement of income.

At December 31, 2014, the subsidiary holds forward contracts for sale of US dollars with monthly due dates in the year 2015 for USD 29,000,000, at an average weighted price of MXN 13.50 per US dollar. As a result of these transactions, the subsidiary has a liability for ARS 23,099,642 which is disclosed in the item Derivative financial instruments in the consolidated balance sheet. The subsidiary, in connection with the transactions mentioned and others that have been settled, recognized losses of ARS 23,744,664, which were charged to the item Financial results, net in the consolidated statement of income.

#### - Arcor do Brasil Ltda.

At December 31, 2015, the subsidiary participated in forward contracts for the purchase of US dollars with due dates between July and September 2015 for USD 3,000,000, at an average weighted price of BRL 3.69 per US dollar. As a result of these transactions, the subsidiary has recognized gains for ARS 4,720,814 which were charged to the item Financial results, net in the consolidated statement of income. In the year ended December 31, 2014, no transactions of this type have been performed.

#### - Bagley do Brasil Ltda.

At December 31, 2015, the subsidiary participated in forward contracts for the purchase of US dollars with due dates between July and September 2015 for USD 3,000,000, at an average weighted price of BRL 3.69 per US dollar. As a result of these transactions, the subsidiary has recognized gains for ARS 4,720,814 which were charged to the item Financial results, net in the consolidated statement of income. In the year ended December 31, 2014, no transactions of this type have been performed.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

### Forward agreement for purchase foreign currency (Cont'd)

#### - Bagley Chile S.A.

At December 31, 2015, the subsidiary participated in forward contracts for the purchase of US dollars with due dates between June and October 2015 for USD 5,000,000, at an average weighted price of CLP 667.40 per US dollar. As a result of these transactions, the subsidiary has recognized gains for ARS 3,876,422 which were charged to the item Financial results, net in the consolidated statement of income. In the year ended December 31, 2014, no transactions of this type have been performed.

#### - Industria de Alimentos Dos en Uno S.A.

At December 31, 2015, the subsidiary participated in forward contracts for the purchase of US dollars with due dates between May and September 2015 for USD 10,000,000, at an average weighted price of CLP 652.67 per US dollar. As a result of these transactions, the subsidiary has recognized gains for ARS 5,527,682 which were charged to the item Financial results, net in the consolidated statement of income. In the year ended December 31, 2014, no transactions of this type have been performed.

### Cocoa forward contracts and financial options

#### - Arcor S.A.I.C.

Arcor S.A.I.C. entered into cocoa financial options and forward contracts aimed at covering the price risk of that raw material. These instruments do not provide the physical delivery of cocoa but are aimed at cash flow hedges to offset the effects of changes in the price of that raw material.

At December 31, 2015, Arcor S.A.I.C. holds forward contracts for the purchase of cocoa with due date in March 2016, for a total of 20 tons of cocoa grain at a price of USD 3,330 per ton. Furthermore, Arcor S.A.I.C. holds forward contracts for the purchase of cocoa with due date in April 2016, for a total of 500 tons with the option of paying an average price of USD 3,000 per ton.

As a result of these transactions, Arcor S.A.I.C. has a receivable of ARS 6,205,540 which is disclosed in the item current derivative financial instruments in the consolidated balance sheet. Furthermore, the Company, in connection with the transactions mentioned and others that have been settled in the year, recognized net comprehensive income for ARS 290,921, which was charged to the item "Cost of sales and services provided" (loss for ARS 626,729) in the statement of income and in the item "Cash flow hedge" (gains for ARS 917,650) of the statement of other comprehensive income as described in Note 2.13 to these consolidated financial statements.

At December 31, 2014, the Company did not hold cocoa financial options and forward purchases in effect.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 15. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents at December 31, 2015 and 2014 are disclosed below:

	12.31.2015	12.31.2014
Cash and short-term bank deposits	782,083,953	479,378,607
Time deposits	184,883,927	145,991,108
Financial assets at fair value (1)	1,066,514,222	566,103,311
<b>TOTAL</b>	<b>2,033,482,102</b>	<b>1,191,473,026</b>

(1) Correspond to mutual funds and government securities with quotation.

## NOTE 16. RESTRICTION ON THE DISTRIBUTION OF PROFITS

In accordance with GCL, the Company's by-laws and the restated text of the National Securities Commission, 5% of the year profits plus (less) prior years' adjustments, transfers from Other Comprehensive Income to Retained Earnings and accumulated losses from previous years, must be appropriated to the Legal Reserve, until such reserve reaches 20% of the adjusted capital.

As required by the CNV, retained earnings generated by adoption of IFRS, amounting to ARS 203,256,621, were reallocated to a special reserve which can only be released for capitalization or to absorb any future negative balances in the account retained earnings. This reallocation was approved on April 27, 2013 by the Ordinary and Extraordinary Shareholders' Meeting that considered the separate and consolidated financial statements for the year 2012.

## NOTE 17. CHANGES IN COMMON STOCK

The evolution in the common stock in the last three periods is the following:

	2015	2014	2013
Common stock at the beginning of the year	700,000,000	700,000,000	700,000,000
<b>Common stock at the end of the year</b>	<b>700,000,000</b>	<b>700,000,000</b>	<b>700,000,000</b>

At December 31, 2015 the common stock, of ARS 700,000,000, is represented by 16,534,656 registered, non-endorsable Class A shares with a par value of ARS 0.01 each and entitled to 5 votes per share, and by 69,983,465,344 ordinary, registered, non-endorsable Class B shares with a par value of ARS 0.01 each and 1 vote per share.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 18. RETAINED EARNINGS

The following tables outline the changes in Retained Earnings for the year ended December 31, 2015 and 2014, respectively:

	TOTAL
Balances at January 1, 2015	236,469,308
Prior year adjustments (Note 42)	22,650,958
<b>Total at January 1, 2015 - corrected</b>	<b>259,120,266</b>
Net income for the year	327,312,735
Actuarial gains (losses) of defined benefit plans	780,400
Setting-up of reserves:	
- Legal reserve (1)	(11,822,437)
- Special Reserve for Future Dividends (1)	(24,646,871)
Distribution of dividends (1)	(200,000,000)
Dividends prescribed (2)	11,058
<b>TOTAL AT 12.31.2015</b>	<b>350,755,151</b>

(1) As per the Ordinary and Extraordinary Shareholder's Meeting held on April 25, 2015.

(2) As set out by Article 40 of the Company Bylaws, dividends uncollected, or claimed prescribe in favor of the Company for the three years of its availability.

	TOTAL
Balances at January 1, 2014	155,375,900
Prior year adjustments (Note 42)	7,458,559
<b>Total at January 1, 2014 - corrected</b>	<b>162,834,459</b>
Net income for the year	251,869,177
Actuarial gains (losses) of defined benefit plans	(228,041)
Setting-up of reserves:	
- Legal reserve (1)	(7,768,795)
Distribution of dividends (1)	(147,607,105)
Dividends prescribed (2)	20,571
<b>TOTAL AT 12.31.2014</b>	<b>259,120,266</b>

(1) As per the Ordinary and Extraordinary Shareholder's Meeting held on April 26, 2014.

(2) As set out by Article 40 of the Company Bylaws, dividends uncollected, or claimed prescribe in favor of the Company for the three years of its availability.

## NOTE 19. OTHER EQUITY COMPONENTS

Following is the evolution of Other equity components:

	Translation reserve	Reserve for cash flow hedges	TOTAL
Balances at January 1, 2015	899,053,796	-	899,053,796
Cash flow hedges:			
- Gains and losses for hedge instruments	-	596,473	596,473
Currency translation difference:			
- Currency translation difference in the Group and associates	436,980,004	-	436,980,004
- Hyper inflationary effects in the Group and associates	10,694,688	-	10,694,688
- Effect on income tax (Notes 10 and 35)	(1,999,196)	-	(1,999,196)
- Reclassification to the result for the year of currency translation difference of companies (1)	(2,488,353)	-	(2,488,353)
<b>TOTAL AT 12.31.2015</b>	<b>1,342,240,939</b>	<b>596,473</b>	<b>1,342,837,412</b>

(1) Resulting from the liquidation of the subsidiary Arcor Canada Inc. The contra item of this reclassification is disclosed in the item "Gain/loss on investment in associates" (Note 8) of the Consolidated Statement of Income.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 19. OTHER EQUITY COMPONENTS

	Translation reserve	Reserve for cash flow hedges	TOTAL
Balances at January 1, 2014	565,025,024	(1,212,652)	563,812,372
Cash flow hedges:			
– Gains and losses for hedge instruments	-	(36,417)	(36,417)
– Transfers to financial results, net	-	1,249,069	1,249,069
Currency translation difference:			
– Currency translation difference in the Group and associates	333,119,873	-	333,119,873
– Hyper inflationary effects in the Group and associates	3,526,704	-	3,526,704
– Effect on income tax (Notes 10 and 35)	(2,617,805)	-	(2,617,805)
<b>TOTAL AT 12.31.2014</b>	<b>899,053,796</b>	<b>-</b>	<b>899,053,796</b>

## NOTE 20. NON-CONTROLLING INTEREST

The following tables describe the evolution of non-controlling interest:

	TOTAL
Balances at January 1, 2015	1,291,191,469
Prior year adjustments (Note 42)	4,701
<b>Total at January 1, 2015 - corrected</b>	<b>1,291,196,170</b>
Interest in net income for the year	473,859,626
Translation reserve	102,921,416
Actuarial gains (losses) from defined benefit plans	377,122
Cash dividends	(21,782,416)
<b>TOTAL AL 12.31.2015</b>	<b>1,846,571,918</b>

	TOTAL
Balances at January 1, 2014	1,011,745,577
Prior year adjustments (Note 42)	(661)
<b>Total at January 1, 2014 - corrected</b>	<b>1,011,744,916</b>
Interest in net income for the year	272,254,163
Translation reserve	63,567,409
Actuarial gains (losses) from defined benefit plans	(238,945)
Cash dividends	(56,132,457)
Cash contributions	1,084
<b>TOTAL AL 12.31.2014</b>	<b>1,291,196,170</b>



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 21. LOANS

The composition of loans is disclosed below:

	12.31.2015	12.31.2014
<b>Non-Current</b>		
Bank loans	592,247,397	927,943,350
Corporate Bonds	3,424,723,421	2,753,540,034
Obligations for financial leases	42,686,651	34,329,691
<b>Total Non-Current</b>	<b>4,059,657,469</b>	<b>3,715,813,075</b>
<b>Current</b>		
Bank loans	2,213,239,006	1,646,232,473
Corporate Bonds	797,339,925	302,618,710
Obligations for financial leases	13,077,900	8,983,340
Discounts of documents	33,680,140	9,135,323
<b>Total Current</b>	<b>3,057,336,971</b>	<b>1,966,969,846</b>
<b>TOTAL</b>	<b>7,116,994,440</b>	<b>5,682,782,921</b>

The breakdown of consolidated loans by subsidiary and the percentage owed by the subsidiaries arises from the following tables:

Company	12.31.2015			
	Current	Non-Current	Total	%
Arcor S.A.I.C.	1,824,449,358	3,640,541,408	5,464,990,766	76.79%
Arcor do Brasil Ltda.	597,281,473	272,110,044	869,391,517	12.22%
Arcor A.G. (S.A., Ltda.)	25,989,072	-	25,989,072	0.37%
Arcor Alimentos Bolivia S.A.	3,919,435	-	3,919,435	0.06%
Arcorpar S.A.	25,595,379	-	25,595,379	0.36%
Bagley Argentina S.A.	2,591,200	-	2,591,200	0.04%
Bagley Chile S.A.	30,804,458	-	30,804,458	0.43%
Bagley do Brasil Alimentos Ltda.	81,123,128	-	81,123,128	1.14%
Cartocor S.A.	69,504,361	-	69,504,361	0.98%
Cartocor Chile S.A.	58,412,634	-	58,412,634	0.82%
Converflex Argentina S.A.	11,035,941	-	11,035,941	0.16%
Industria de Alimentos Dos en Uno S.A.	228,411,438	104,319,366	332,730,804	4.68%
La Campagnola S.A.C.I.	418,754	-	418,754	0.01%
Unidal Ecuador S.A.	5,176,000	-	5,176,000	0.07%
Van Dam S.A.	79,546,440	-	79,546,440	1.12%
<b>Subtotal of loans</b>	<b>3,044,259,071</b>	<b>4,016,970,818</b>	<b>7,061,229,889</b>	<b>99.22%</b>
La Campagnola S.A.C.I. – Financial leases	12,910,791	42,686,651	55,597,442	0.78%
Van Dam S.A. – Financial leases	167,109	-	167,109	0.00%
<b>Subtotal financial leases</b>	<b>13,077,900</b>	<b>42,686,651</b>	<b>55,764,551</b>	<b>0.78%</b>
<b>TOTAL</b>	<b>3,057,336,971</b>	<b>4,059,657,469</b>	<b>7,116,994,440</b>	<b>100.00%</b>

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(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 21. LOANS

Company	12.31.2014			
	Current	Non-Current	Total	%
Arcor S.A.I.C.	1,385,194,514	3,235,642,337	4,620,836,851	81.31%
Arcor do Brasil Ltda.	136,256,690	314,422,279	450,678,969	7.93%
Arcor A.G. (S.A., Ltda.)	18,590,543	-	18,590,543	0.33%
Arcor U.S.A. Inc.	23,724,774	-	23,724,774	0.42%
Bagley Chile S.A.	125,508	-	125,508	0.00%
Bagley do Brasil Alimentos Ltda.	86,904,954	-	86,904,954	1.53%
Cartocor Chile S.A.	65,272,779	-	65,272,779	1.15%
Converflex Argentina S.A.	12,880,051	10,712,859	23,592,910	0.42%
Industria de Alimentos Dos en Uno S.A.	190,755,708	120,705,909	311,461,617	5.48%
La Campagnola S.A.C.I.	132,708	-	132,708	0.00%
Van Dam S.A.	38,148,277	-	38,148,277	0.67%
<b>Subtotal of loans</b>	<b>1,957,986,506</b>	<b>3,681,483,384</b>	<b>5,639,469,890</b>	<b>99.24%</b>
La Campagnola S.A.C.I. - Financial leases	8,467,365	34,268,707	42,736,072	0.75%
Van Dam S.A. – Financial leases	515,975	60,984	576,959	0.01%
<b>Subtotal of financial leases</b>	<b>8,983,340</b>	<b>34,329,691</b>	<b>43,313,031</b>	<b>0.76%</b>
<b>TOTAL</b>	<b>1,966,969,846</b>	<b>3,715,813,075</b>	<b>5,682,782,921</b>	<b>100.00%</b>

A breakdown of the carrying value of the consolidated loans according to due dates is below:

- Balances at December 31, 2015:

Non-Current	From one to two years	From two to three years	From three to five years	Over five years	Total
Bank loans	541,518,172	50,729,225	-	-	592,247,397
Corporate bonds	3,424,723,421	-	-	-	3,424,723,421
Obligations for financial leases	22,054,867	4,517,525	8,795,923	7,318,336	42,686,651
<b>TOTAL AT 12.31.2015</b>	<b>3,988,296,460</b>	<b>55,246,750</b>	<b>8,795,923</b>	<b>7,318,336</b>	<b>4,059,657,469</b>
Current	Within to three months	From three to six months	From six to nine months	From nine to one year	Total
Bank loans	1,155,976,641	435,100,100	269,734,650	352,427,615	2,213,239,006
Corporate bonds	223,438,764	25,724,494	160,000,000	388,176,667	797,339,925
Obligations for financial leases	4,101,727	3,021,681	2,998,003	2,956,489	13,077,900
Discounts of documents	33,680,140	-	-	-	33,680,140
<b>TOTAL AT 12.31.2015</b>	<b>1,417,197,272</b>	<b>463,846,275</b>	<b>432,732,653</b>	<b>743,560,771</b>	<b>3,057,336,971</b>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 21. LOANS

- Balances at December 31, 2014:

Non-Current	From one to two years	From two to three years	From three to five years	Over five years	Total
Bank loans	410,818,886	478,346,874	38,777,590	-	927,943,350
Corporate bonds	728,908,352	2,024,631,682	-	-	2,753,540,034
Obligations for financial leases	7,436,130	13,520,300	5,768,069	7,605,192	34,329,691
<b>TOTAL AT 12.31.2014</b>	<b>1,147,163,368</b>	<b>2,516,498,856</b>	<b>44,545,659</b>	<b>7,605,192</b>	<b>3,715,813,075</b>

Current	Within to three months	From three to six months	From six to nine months	From nine to one year	Total
Bank loans	1,139,073,953	229,220,720	158,566,894	119,370,906	1,646,232,473
Corporate bonds	174,360,340	128,258,370	-	-	302,618,710
Obligations for financial leases	2,771,584	1,424,336	2,058,747	2,728,673	8,983,340
Discounts of documents	4,674,211	2,691,634	1,769,478	-	9,135,323
<b>TOTAL AT 12.31.2014</b>	<b>1,320,880,088</b>	<b>361,595,060</b>	<b>162,395,119</b>	<b>122,099,579</b>	<b>1,966,969,846</b>

The carrying value and fair value of loans at December 31, 2015 and 2014 are as follows:

	Carrying value	Fair value
Bank loans	2,805,486,403	2,801,256,715
Corporate bonds	4,222,063,346	4,293,081,441
Obligations for financial leases	55,764,551	55,764,549
Discounts of documents	33,680,140	33,680,140
<b>TOTAL AT 12.31.2015</b>	<b>7,116,994,440</b>	<b>7,183,782,845</b>

	Carrying value	Fair value
Bank loans	2,574,175,823	2,634,044,413
Corporate bonds	3,056,158,744	3,127,676,017
Obligations for financial leases	43,313,031	43,313,031
Discounts of documents	9,135,323	9,135,323
<b>TOTAL AT 12.31.2014</b>	<b>5,682,782,921</b>	<b>5,814,168,784</b>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 21. LOANS

Bank loans include debt at fixed and variable interest rate with a portion at short term where interest has already been fixed. Fair values are estimated based on discounted cash flows, applying a relevant market rate at year end. The fair value of Corporate Bonds is estimated based on the market value at year end. (Note 39).

In the following table are exposed the Company loans which are measured at fair value hierarchy at December 31, 2015 and 2014, according to the explanation of Note 39.2:

	Level 1	Level 2	Level 3	Total
Loans at Fair Value				
Bank loans	-	2,801,256,715	-	2,801,256,715
Corporate Bonds	2,715,498,187	1,577,583,254	-	4,293,081,441
Obligations for financial leases	-	55,764,549	-	55,764,549
Discounts of documents	-	33,680,140	-	33,680,140
<b>Total Loans at fair value at 12.31.15</b>	<b>2,715,498,187</b>	<b>4,468,284,658</b>	<b>-</b>	<b>7,183,782,845</b>

	Level 1	Level 2	Level 3	Total
Loans at Fair Value				
Bank loans	-	2,634,044,413	-	2,634,044,413
Corporate Bonds	1,794,549,297	1,333,126,720	-	3,127,676,017
Obligations for financial leases	-	43,313,031	-	43,313,031
Discounts of documents	-	9,135,323	-	9,135,323
<b>Total Loans at fair value at 12.31.14</b>	<b>1,794,549,297</b>	<b>4,019,619,487</b>	<b>-</b>	<b>5,814,168,784</b>

The carrying values in ARS of the Group loans are stated in the following currencies:

	12.31.2015	12.31.2014
ARS	2,361,532,379	2,737,759,606
BOB	3,919,435	-
BRL	950,514,645	537,583,923
CLP	363,535,262	311,587,125
EUR	25,989,069	18,590,543
PYG	25,595,378	-
USD	3,306,361,830	2,077,261,724
UYU	79,546,442	-
<b>TOTAL</b>	<b>7,116,994,440</b>	<b>5,682,782,921</b>



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 21. LOANS

### Main loans taken by the Group - Financing programs - Corporate Bonds

#### a. Issuance of Corporate Bonds

##### a.1. Global Program of Corporate Bonds for up USD 800,000,000

On February 27, 2010, the Company's Annual Shareholders' Meeting considered and approved the creation of a new Global Program for the issue of non-convertible Notes for a maximum amount of USD 500 million or the equivalent thereof in other currencies, for a maximum term of five (5) years as from the date of authorization by the CNV or any other extended term generally authorized under the current regulations and in accordance with provisions of the Law on Corporate Bonds, and vested upon the Board of Directors of the Company the power to determine the terms of issue and the performance of any and all formalities necessary and/or advisable for the implementation of such decisions.

On October 25, 2010, the C.N.V. by Resolution N° 16,439 approved the above program.

On November 28, 2014, the Shareholders of the Company in the Ordinary and Extraordinary Shareholders' Meeting approved the extension of the Global Program for the Issue of Corporate Bonds. On October 30, 2015, the CNV through Resolution No. 17849 authorized the Company to extend the maximum issue amount of the mentioned program (from a nominal maximum issue value of USD 500 million to a nominal maximum issue value of up to USD 800 million, or its equivalent in other currencies) for a new period of five years, counted as from the due date of the original term.

##### a.2. Issuance of Corporate Bonds

On November 9, 2010, the Company issued Class 1 fixed-rate Corporate Bonds, non-convertible into shares for a total of USD 200 million under the Global Program of Corporate Bonds, as described in above.

The uses of the net proceeds arising from the offer and sale of Corporate Bonds issued under this Program were the refinancing, repayment and/or cancellation of loans to local and foreign financial institutions and/or multilateral lending agencies, both ARS and USD, and work capital requirements in Argentina.

On July 22, 2013, the Company issued Class 2 Corporate Bonds and Class 3 Corporate Bonds at floating rate, non-convertible into shares, for a nominal value which in the aggregate amounts to ARS 300 million. The net proceeds were allocated in full to refinance bank debts. The public offering of these Class 2 and Class 3 Corporate Bonds issued was authorized by the Under-management of Issuers of the CNV on July 10, 2013.

On December 17, 2013, the Company issued Class 4 Corporate Bonds and Class 5 Corporate Bonds at floating rate, non-convertible into shares, for a nominal value which in the aggregate amounts to ARS 500 million. The net proceeds were allocated in full to refinance bank debts. The public offering of these Class 4 and Class 5 Corporate Bonds issued was authorized by the Under-management of Issuers of the CNV on December 5, 2013.

On July 15, 2014, the Company issued Class 6 Corporate Bonds and Class 7 Corporate Bonds at floating rate, non-convertible into shares, for a nominal value which in the aggregate amounts to ARS 500 million. The net proceeds were allocated in full to refinance bank debts. The public offering of these Class 6 and Class 7 issued was authorized by Management of Issuers of the CNV on July 2, 2014.

On June 15, 2015, the Company issued Class 8 Corporate bonds, at a mixed rate, non-convertible into shares for a face value amounting to ARS 500 million. The net proceeds were allocated in full to refinance bank debts. The public offering of these corporate bonds issued was authorized by the Under-management of Issuers of the CNV on June 2, 2015.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 21. LOANS

### a.3. Principal terms

	Corporate Bonds Class 1	Corporate Bonds Class 2 (1)	Corporate Bonds Class 3
Aggregate Principal Amount	USD 200,000,000	ARS 140,000,000	ARS 160,000,000
Issuance date	November 9, 2010	July 22, 2013	July 22, 2013
Price of the issuance	100% of the nominal value	100% of the nominal value	100% of the nominal value
Specified Currency	USD	ARS	
Interest rate	Annual nominal fixed rate of 7.25%	Annual Nominal Variable	
Applicable Margin	Does not have	2.50% annual nominal rate	3.69% annual nominal rate
Amortization and Maturity date	November 9, 2017 (84 months from the date of issuance)	January 22, 2015 (18 months from the date of issuance)	July 22, 2016 (36 months from the date of issuance)
Interest Payment Dates	Biannual, in arrears, on May 9 and November 9 of each year, until the due date. The first one falls due on May 9, 2011.	Quarterly, in arrears, on January 22, April 22, July 22 and October 22 of each year, until the due date. The first one falls due on October 22, 2013.	Quarterly, in arrears, on January 22, April 22, July 22 and October 22 of each year, until the due date. The first one falls due on October 22, 2013.

(1) Paid in full at maturity in the year, Class 2 dated January 22, 2015 and Class 4 dated June 17, 2015.

(2) Paid in full at maturity, dated January 15, 2016.

(3) The first nine months at a fixed annual rate of 25.45%. As from month 10 until maturity at a floating rate equivalent to Badlar plus a 3.75% annual nominal markup.



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Corporate Bonds Class 4 (1)	Corporate Bonds Class 5	Corporate Bonds Class 6 (2)	Corporate Bonds Class 7	Corporate Bonds Class 8
ARS 111,823,333	ARS 388,176,667	ARS 184,447,777	ARS 315,552,223	ARS 500,000,000
December 17, 2013	December 17, 2013	July 15, 2014	July 15, 2014	June 15, 2015
100% of the nominal value	100% of the nominal value	100% of the nominal value	100% of the nominal value	100% of the nominal value
ARS				Mixed rate (3)
rate equivalent to the aggregate of Badlar rate plus an applicable margin.				
3.10% annual nominal rate.	4.19% annual nominal rate.	2.24% annual nominal rate	3.38% annual nominal rate	
June 17, 2015 (18 months from the date of issuance)	December 17, 2016 (36 months from the date of issuance)	January 15, 2016 (18 months from the date of issuance)	July 15, 2017 (36 months from the date of issuance)	June 15, 2017 (24 months from the date of issuance)
Quarterly, in arrears, on March 17, June 17, September 17 and December 17 of each year, until the due date. The first one falls due on March 17, 2014.	Quarterly, in arrears, on March 17, June 17, September 17 and December 17 of each year, until the due date. The first one falls due on March 17, 2014.	Quarterly, in arrears, on January 15, April 15, July 15 and October 15 of each year, until the due date. The first one falls due on October 15, 2014.	Quarterly, in arrears, on January 15, April 15, July 15 and October 15 of each year, until the due date. The first one falls due on October 15, 2014.	Quarterly, in arrears, on March 15, June 15, September 15 and December 15 of each year, until the due date. The first one falls due on September 15, 2015.



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Chairman

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 21. LOANS

### a.4. Covenants and transfer restrictions included in the Corporate Bonds

The terms and conditions of Corporate Bonds include certain commitments and restrictions agreed by the Company that are usual to this type of operations, the most relevant are:

- For Class 1 Corporate Bonds under the Global Program, the Company assumes the obligation to offer to repurchase the Corporate Bonds at 101% of the principal amount, plus the interest accrued and not paid, in the case of a "Change in Control", defined in the terms of the Pricing Supplement corresponding to Class 1 Corporate Bonds. In addition, the Company and its Subsidiaries can incur additional indebtedness if the Fixed Charge Coverage Ratio (as defined for Class 1 Corporate Bonds in the terms of the Pricing Supplement to the Global Program) for the most recently ended four quarters has been at least 3 to 1. This limitation does not apply to certain permitted indebtedness mentioned in the Pricing Supplement.
- The Company will not, and will not permit any of its Subsidiaries to, create a lien on its assets or income to secure payment of any debt provided that the Corporate Bonds are secured on an equivalent and proportional basis. This restriction does not apply to certain permitted liens and will only become effective if the Company or its subsidiaries have created a lien to secure debts the principal of which exceeds 10% of their Net Tangible Assets (as defined in the Global Program).

### b. Financing program subscribed with the International Finance Corporation (IFC) – World Bank Group

**b.1.** On December 20, 2007 the Company was granted financing from IFC, instrumented in two tranches:

Tranche A is for USD 50,000,000, which contemplates a 2-year grace period with half-yearly payments as from January 2010. Due date of the final balance is scheduled for July 15, 2017. The amount of each payment is USD 2,940,000, except for the last installment, which amounts to USD 5,900,000. At December 31, 2015 the outstanding principal corresponding to this tranche amounts to USD 14,720,000.

Tranche B is for USD 80,000,000, which contemplates a 2-year grace period with half-yearly payments as from January 2010. It was fully paid as maturity of the last payment of January 15, 2014.

In the aggregate, the loans with IFC accrue interest at a variable rate based on Libor 180 days plus a weighted average differential spread of 2.74%, to be paid on a half-yearly basis.

### Compliance of financial ratios and other restrictions

IFC financing programs establish certain conditions and commitments to be fulfilled by the Company during their effective-term, among which are the compliance with specific financial ratios, certain conditions for the distribution of dividends and the restriction to grant loans in excess of certain amount.

### c. Long-term loans with other financial entities of Arcor S.A.I.C.

During the year ended December 31, 2015, the Company has not taken out long-term loans by local banking institutions.

In May 2014, the Company was granted loans with local banking institutions for ARS 400,000,000, at a BADLAR rate, adjusted plus markup, with quarterly interest and payments as from May 2015. The due date of the final balance is scheduled for May 2017.

The principal owed for these loans at December 31, 2015 and 2014 amounts to ARS 266,680,000 and ARS 400,000,000 with an annual nominal weighted average indebtedness rate of 30.2% and 32.0%, respectively.

In the year ended December 31, 2013, the Company was granted loans with local banking institutions according to the following detail:

- In January, the Company obtained financing, at a fixed rate with monthly interest, for ARS 8,000,000, to be paid on a quarterly basis as from January 2014. The due date of the final balance is scheduled for January 28, 2016, which has been fully paid at the date of issue of these financial statements.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 21. LOANS

### c. Long-term loans with other financial entities of Arcor S.A.I.C. (Cont.)

- In March, the following loans were taken out:
  - (i) For ARS 225,000,000, at a fixed rate during the first 12 months and at BADLAR rate, adjusted plus markup over the remaining term until maturity, with quarterly interest and 9 quarterly payments as from March 2014. The due date of the final balance is scheduled for March 2016.
  - (ii) For ARS 150,000,000, at a fixed rate during the first 12 months and at BADLAR rate, adjusted plus markup over the remaining term until maturity, with quarterly interest and 12 quarterly payments as from June 2014. The due date of the final balance is scheduled for March 2017.
  - (iii) For ARS 7,800,000 at a fixed rate with monthly interest and 9 quarterly payments as from March 2014. The due date of the final balance is scheduled for March 2016.
- In October, the Company obtained financing, at a fixed rate with monthly interest, for ARS 9,000,000, to be paid on a quarterly basis as from January 2015. The due date of the final balance is scheduled for October 31, 2016.

The principal owed for these loans taken out in the year ended December 31, 2013, amount at December 31, 2015 and 2014 to ARS 95,511,680 and ARS 255,288,480, with an annual nominal weighted average indebtedness rate of 37.3% and 20.6%, respectively.

### d. Long-term loans of related companies

#### d.1 Arcor do Brasil Limitada

During the year ended December 31, 2014, the subsidiary Arcor do Brasil Limitada was granted the following loans by local banking institutions:

- (i) In February 2014, for BRL 20,000,000 with final due date in February 2017,
- (ii) In November 2014, for BRL 16,401,650 with final due date in October 2016,
- (iii) In November 2014, for BRL 35,000,000 with final due date in October 2017,
- (iv) In November 2014, for BRL 32,111,724 with final due date in January 2017.

At December 31, 2015 and 2014 the amount owed for these loans amounts to ARS 343,841,271 and ARS 312,422,279, and the weighted average indebtedness nominal annual rate is 11.13% and 10.31% respectively.

In addition, in November 2015, the subsidiary Arcor do Brasil Limitada was granted a new loan with a local banking institution for BRL 20,000,000 with due date in October 2017. The balance owed for such loan at December 31, 2015 amounts to ARS 67,584,715.

#### d.2 Industria de Alimentos Dos en Uno S.A.

During the year ended December 31, 2014 and 2013, the subsidiary Industria de Alimentos Dos en Uno S.A. obtained long-term loans with local banking entities, which were used to fund the project of building the "Bicentennial Plant", for an amount equivalent to USD 30,000,000. The conditions of the loans are: (i) specified currency: Chilean pesos, (ii) variable interest rate plus applicable margin, (iii) payment of interest and/or principal upon maturity, which will occur in 2018. At December 2015 and 2014, the weighted average indebtedness nominal annual rate amounts to 5.53 % and 5.13 % respectively.

Loans taken out with those entities establish certain conditions and commitments to be fulfilled by the Company during their effective term, among which is the compliance with specific financial ratios. In the year ended December 31, 2014, the Company was released from compliance with one of the financial ratios that relates net financial debt with EBITDA until June 30, 2016.

At December 31, 2015 and 2014, the amount owed for these loans amounts to ARS 159,124,070 and ARS 162,814,629, respectively.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 21. LOANS

### d.3 Converflex Argentina S.A.

In the year ended December 31, 2013, the subsidiary Converflex Argentina S.A. obtained loans with local banks for:

- (i) In May 2013, for ARS 2,700,000 at fixed rate with monthly interest and quarterly amortized as from May 2014. The due date of the final balance is scheduled for May 2016,
- (ii) In June 2013, for ARS 5,500,000 at fixed rate with monthly interest and quarterly amortized as from June 2014. The due date of the final balance is scheduled for June 2016,
- (iii) In November 2013, for ARS 20,000,000 at fixed rate with monthly interest and quarterly amortized as from November 2014. The due date of the final balance is scheduled for November 2016.

At December 31 2015 and 2014, the balance owed for these loans amounts to ARS 10,799,074 and ARS 23,592,917, respectively, and the weighted average indebtedness nominal annual rate is 15.25%.

### Financial leases

The obligations for financial leases subscribed by the subsidiaries La Campagnola S.A. and Van Dam S.A. are actually secured, since ownership rights over the assets will be restored to the lessor in the event of non-compliance.

	12.31.2015	12.31.2014
<b>Obligations for financial leases - minimum payments:</b>		
Up to a year	13,449,502	8,956,483
From a year to two years	24,871,623	8,402,499
From two to three years	4,727,730	16,309,604
From three to five years	9,455,460	6,200,433
Over five years	8,133,740	8,530,293
<b>Total minimum payments</b>	<b>60,638,055</b>	<b>48,399,312</b>
Future financial charges on financial leases	(4,873,504)	(5,086,281)
<b>PRESENT VALUE OF THE OBLIGATIONS FOR FINANCIAL LEASES</b>	<b>55,764,551</b>	<b>43,313,031</b>
	<b>12.31.2015</b>	<b>12.31.2014</b>
<b>Present value of the obligations for financial leases:</b>		
Up to a year	13,077,900	8,983,340
From a year to two years	22,054,866	7,436,130
From two to three years	4,517,525	13,520,300
From three to five years	8,795,923	5,768,069
Over five years	7,318,337	7,605,192
<b>PRESENT VALUE OF THE OBLIGATIONS FOR FINANCIAL LEASES</b>	<b>55,764,551</b>	<b>43,313,031</b>

Purchases of property, plant and equipment financed through financial leases are recorded at the estimated price for cash transactions with counterpart to Loans for the amount to be paid discounted at the rate of return determined at the time of the initial measurement (including the final payment for the purchase option).

On July 21, 2010 the subsidiary Dulciora S.A. (currently merged with La Campagnola S.A.C.I.), entered into two lease agreements for the provision of machinery and equipment for the elaboration and packaging of juice; these agreements establish 84 payments of monthly installments of USD 20,357 and USD 37,855, respectively, with options to purchase for an amount of USD 450,098 and USD 836,989, respectively, which could be exercised in October 2017.

On May 21, 2014, the subsidiary La Campagnola S.A.C.I., undertook a new lease contract for new packing equipment payable in 96 monthly installments of USD 30,213, with a purchase option for USD 2,900,448 which may be exercised in April 2022. As a result of the new addition, on June 24, 2014, the subsidiary amended the existing contract for packing juices by withdrawing one of the equipment pieces and substituting through novation the obligation to a new fee of USD 27,751 and a purchase option for USD 613,595.

During 2013 and 2012 the subsidiary Van Dam S.A. entered into lease contracts for the acquisition of utility vehicles.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 22. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

Balances of the caption of retirement benefit obligations are presented below:

	12.31.2015	12.31.2014
<b>Non-Current</b>		
Retirement benefits	33,738,522	32,398,801
Retirement bonus (a)	81,373,773	55,312,649
Pension plans	78,937,609	44,111,109
<b>Total non-current</b>	<b>194,049,904</b>	<b>131,822,559</b>
<b>Current</b>		
Retirement benefits	37,915,647	30,207,951
Retirement bonus (a)	3,097,331	2,030,172
<b>Total current</b>	<b>41,012,978</b>	<b>32,238,123</b>
<b>TOTAL</b>	<b>235,062,882</b>	<b>164,060,682</b>

The charge allocated to the consolidated income statement is as follows:

	12.31.2015	12.31.2014
<b>Charge to comprehensive income</b>		
Pension plans (*)	44,792,247	24,638,058
Retirement benefits	63,292,182	45,929,909
Retirement bonus	25,393,213	17,161,860
<b>Subtotal</b>	<b>133,477,642</b>	<b>87,729,827</b>
<b>Charge to other comprehensive income</b>		
Retirement benefits	(1,003,525)	(1,458,347)
Pension plans	(778,202)	2,396,098
<b>Actuarial gains / losses of defined benefit plans</b>	<b>131,695,915</b>	<b>88,667,578</b>
Translation difference	5,292,282	2,737,252
<b>Subtotal – Charges allocated to Other Comprehensive Income</b>	<b>3,510,560</b>	<b>3,675,003</b>
<b>TOTAL</b>	<b>136,988,202</b>	<b>91,404,830</b>

(\*) For the year ended December 31, 2015 the charged to results ARS 3,520,751 are shown under Managers, directors and syndics' fees and the charge of, ARS 24,903,655 under Salaries, wages and other benefits and the remaining balance is disclosed in financial expenses. Regarding previous year's balance, ARS 3,302,612, is shown under Managers, directors and syndics' fees and ARS 15,348,054, under Salaries, wages and other benefits (Note 29).

### (a) Retirement bonus

The amount recorded at December 31, 2015 and 2014 rose ARS 84,471,100 and ARS 57,342,821, respectively. The detail of the variation in the Group's obligations is as follows:

	12.31.2015	12.31.2014
<b>Balance at beginning of year</b>	<b>57,342,821</b>	<b>40,902,857</b>
Cost	7,261,321	5,156,377
Interest	18,131,892	12,005,483
Actuarial gain	(1,003,525)	(1,458,347)
Benefits paid to members	(826,304)	(1,107,326)
Translation difference	3,564,899	1,843,777
<b>TOTAL</b>	<b>84,471,104</b>	<b>57,342,821</b>

The portion expected to be settled within twelve months as from the issue of these financial statements amounts to ARS 3,097,331.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 22. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

The charge allotted to the consolidated statement of income for the year ended December 31, 2015 and 2014 is as follows:

	Pension plans	Retirement benefits	Retirement bonus	Total at 12.31.2015
Cost (1)	28,424,406	40,384,478	7,261,321	76,070,205
Interest (2)	16,367,841	22,907,704	18,131,892	57,407,437
<b>Subtotal – Charge to income for the year</b>	<b>44,792,247</b>	<b>63,292,182</b>	<b>25,393,213</b>	<b>133,477,642</b>
Actuarial (gain) / loss	(778,202)	-	(1,003,525)	(1,781,727)
Translation difference	(390,155)	2,117,546	3,564,899	5,292,290
<b>Subtotal – Charges allotted to other comprehensive income</b>	<b>(1,168,357)</b>	<b>2,117,546</b>	<b>2,561,374</b>	<b>3,510,563</b>
<b>TOTAL AT 12.31.2015</b>	<b>43,623,890</b>	<b>65,409,728</b>	<b>27,954,587</b>	<b>136,988,205</b>

(1) For the year ended at December 31, 2015 of the total cost charge for ARS 76,070,205, are included in "Cost of sales" of ARS 43,277,087, "Selling expenses" of ARS 8,864,183 and "Administrative expenses" for ARS 23,928,935.

(2) Allocated on "Financial results, net".

	Pension plans	Retirement benefits	Retirement bonus	Total at 12.31.2014
Cost (1)	18,650,666	41,061,371	5,156,377	64,868,414
Interest (2)	5,987,392	4,868,538	12,005,483	22,861,413
<b>Subtotal – Charge to income for the year</b>	<b>24,638,058</b>	<b>45,929,909</b>	<b>17,161,860</b>	<b>87,729,827</b>
Actuarial (gain) / loss	2,396,098	-	(1,458,347)	937,751
Translation difference	39,150	854,325	1,843,777	2,737,252
<b>Subtotal – Charges allotted to other comprehensive income</b>	<b>2,435,248</b>	<b>854,325</b>	<b>385,430</b>	<b>3,675,003</b>
<b>TOTAL AT 12.31.2014</b>	<b>27,073,306</b>	<b>46,784,234</b>	<b>17,547,290</b>	<b>91,404,830</b>

(1) For the year ended at December 31, 2014 of the total cost charge for ARS 64,868,414, are included in "Cost of sales" of ARS 36,221,775, "Selling expenses" of ARS 7,033,385 and "Administrative expenses" for ARS 21,613,254.

(3) Allocated on "Financial results, net".

The hypotheses on future mortality rate are based on actuarial advice in accordance with statistics published and with the experience in each territory. The main actuarial assumptions used for the years 2015 and 2014 were as follows:

For the year ended December 31, 2015 and 2014	Argentina	Ecuador	México
Mortality table	G.A.M. 83	IESS 2002	EMSSA 2009
Disability table	P.D.T. 85	IESS 2002	IMSS – 1997
Normal retirement age in men / women	65 / 60 years old	25 years seniority	average 65 years
Actual discount rate p.a.	6%	4%	7%

At December 31, 2015, the impact of a 1% favorable/unfavorable change in the actuarial assumptions would result in a (gain)/loss before taxes of approximately ARS (7,477,744) and ARS 6,341,598, respectively.

At December 31, 2014, the impact of 1% favorable/unfavorable change in the principal actuarial assumptions would result in a (gain)/loss before taxes of approximately ARS (5,364,127) and ARS 4,535,232 respectively.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 23. PROVISIONS

The following table details the composition of the caption Provisions:

	12.31.2015	12.31.2014
<b>Non-current</b>		
For labor, civil and commercial lawsuits	113,212,484	76,274,147
Other various provisions	75,538,669	78,986,257
<b>Total non-current</b>	<b>188,751,153</b>	<b>155,260,404</b>
<b>Current</b>		
For labor, civil and commercial lawsuits	55,268,284	38,376,158
Other various provisions	30,922,210	30,348,153
<b>Total current</b>	<b>86,190,494</b>	<b>68,724,311</b>
<b>TOTAL</b>	<b>274,941,647</b>	<b>223,984,715</b>

The evolution of the item is as follows:

	Labor, civil and commercial lawsuits (1)	Other provisions (2)	TOTAL
Balances at January 1, 2015	114,650,305	109,334,410	223,984,715
Increases	69,003,886	64,011,648	133,015,534
Decreases	(8,322,691)	(38,902,736)	(47,225,427)
Payments	(8,701,222)	(34,580,127)	(43,281,349)
Effect of currency translation	1,850,490	6,597,684	8,448,174
<b>TOTAL AT 12.31.2015</b>	<b>168,480,768</b>	<b>106,460,879</b>	<b>274,941,647</b>

Information required by Schedule E, in compliance with section 1, chapter III, Title 4 of the restated text of the CNV.

	Labor, civil and commercial lawsuits (1)	Other provisions (2)	TOTAL
Balances at January 1, 2014	90,195,497	58,028,357	148,223,854
Increases	38,256,417	87,656,358	125,912,775
Decreases	(3,559,631)	(4,433,557)	(7,993,188)
Transfers	(597,202)	597,202	-
Payments	(9,976,520)	(32,072,331)	(42,048,851)
Effect of currency translation	331,744	(441,619)	(109,875)
<b>TOTAL AT 12.31.2014</b>	<b>114,650,305</b>	<b>109,334,410</b>	<b>223,984,715</b>

(1) The accounting allocation of increases and decreases in labor, civil and commercial lawsuits are shown in Notes 28 and 33.

(2) The accounting allocation of increases and decreases of other contingencies is shown in Note 28.

Information required by Schedule E, in compliance with section 1, chapter III, Title 4 of the restated text of the CNV.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 24. TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES

The following table details the breakdown of trade accounts payable and other liabilities:

	12.31.2015	12.31.2014
<b>Non-Current</b>		
Trade accounts payable		
- Third parties	2,110,916	1,356,833
Tax payables	14,127,888	16,387,192
<b>Total Non-Current</b>	<b>16,238,804</b>	<b>17,744,025</b>
<b>Current</b>		
Trade accounts payable		
- Third parties Promissory Notes	3,894,065,946	2,740,616,503
- Promissory Notes	77,208,409	83,057,596
Tax payables	261,449,925	200,729,658
Salaries and social security contributions	1,257,942,207	927,489,099
Other Debts:		
- Third parties	2,304,350	71,241,009
- Dividends payable to non-controlling interest	-	28,452,536
- Related parts (Note 38)	16,888,986	12,318,695
<b>Total Current</b>	<b>5,509,859,823</b>	<b>4,063,905,096</b>
<b>TOTAL</b>	<b>5,526,098,627</b>	<b>4,081,649,121</b>

## NOTE 25. COMMITMENTS AND GUARANTEES GRANTED

### (a) Expenses commitments

Committed expenditure for at the end of the reporting period but not yet incurred at the date of these financial statements, is as follows:

	12.31.2015	12.31.2014
IT services	45,266,664	58,774,628
Logistic services	341,157,042	103,152,006
Production services	38,842,827	28,793,085
<b>TOTAL</b>	<b>425,266,533</b>	<b>190,719,719</b>

### (b) Operating lease commitments

The Group leases certain buildings under non-cancellable operating lease agreements. The lease terms are between one to five years, and the majority of lease agreements are renewable at the end of the lease period at market prices.

The future aggregate minimum lease payments under non-cancellable operating lease agreements are as follows:

	12.31.2015	12.31.2014
Within one year	8,216,201	10,483,769
Between 1 and 5 years	6,343,249	12,248,584
Over 5 years	56,450	151,816
<b>TOTAL</b>	<b>14,615,900</b>	<b>22,884,169</b>

The Group also leases certain offices, machinery and equipment under cancellable operating lease agreements. The total cancellable and non-cancellable lease expenditure charged to the consolidated statement of income for the years ended 2015 and 2014, is disclosed in note 28 under the item "Operating leases".

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 25. COMMITMENTS AND GUARANTEES GRANTED

(c) *Guarantees granted for loans taken by subsidiaries*

The guarantees granted on loans taken by subsidiaries are detailed in the tables below:

Company	Creditor/Beneficiary	Original currency	Type of guarantee	Maximum amount guaranteed	Net carrying value at 12.31.2015	
					Original currency amount	ARS
Arcor U.S.A. Inc	JP Morgan Chase Bank National Association	USD	Surety Bond	7,000,000	-	-
Arcor AG (S.A. Ltda.)	Deutsche Bank	EUR	Surety Bond	3,000,000	1,847,302	25,989,072

Company	Creditor/Beneficiary	Original currency	Type of guarantee	Maximum amount guaranteed	Net carrying value at 12.31.2014	
					Original currency amount	ARS
Arcor U.S.A. Inc	JP Morgan Chase Bank National Association	USD	Surety Bond	7,000,000	2,807,333	23,724,774
Arcor AG (S.A. Ltda.)	Deutsche Bank	EUR	Surety Bond	3,000,000	1,811,134	18,590,543
Unidal Venezuela S.A.(1)	Banco Provincial	USD	Surety Bond	7,000,000	-	-
	Citibank NA	USD	Surety Bond	8,000,000	-	-

(1) For the years ended December 31, 2015 and 2014, the guarantees of Unidal Venezuela S.A. have not been used. On November 27, 2015, the Company's Board of Directors resolved to cancel the guarantees granted.

(d) *Other guarantees granted and encumbered and restricted assets*

Company	Creditor/Beneficiary	Original currency	Type of guarantee	Guarantee	Carrying value of the guarantee granted at 12.31.15	Carrying value of the guarantee granted at 12.31.14
					ARS	ARS
Arcor do Brasil Ltda.	Banco do Brasil	BRL	Surety Bond		-	3,965,946
Bagley do Brasil Alim. Ltda.	Banco do Brasil	BRL	Surety Bond	Accounts Receivable-Discount Documents	17,998,207	5,043,868
Bagley Chile S.A.	Credit and Investment Bank	CLP	Surety Bond		-	125,508
	Banco Finansur S.A.	ARS	Mortgage	Accounts Receivable-Discount Documents	15,681,933	-
Cartocor S.A.	Other liabilities with third-parties	USD	Surety Bond	Surety Bond	-	72,174,281

(e) *Compromisos eventuales*

Under the Framework Investment Agreement with Groupe Danone, the Company has entered into an agreement with the subsidiary Bagley Argentina S.A. whereby the Company obliges itself to provide the services necessary for manufacturing certain products using assets that belong to Bagley Argentina S.A.

As a result, there are equipments that belong to Bagley Argentina S.A. located at the Company's plants that at December 31, 2015 have a residual value of ARS 1,511,459. The Company is obliged to the guard and safekeeping of these assets and to keep the corresponding insurance policies. At December 31, 2014 amounted to ARS 1,505,501.

Due to tolling agreements between the Company and third parties, at December 31, 2015 the Company has in its deposits a stock of sugar belonging to third parties measured at weighted average price for an amount of ARS 55,686,374. At December 31, 2014 the third-party sugar stock amounted to ARS 65,042,218.

Also, the Company has in its deposits a stock of finished products for sale that belong to third parties, for a value of ARS 2,202,851 (does not include stock from related parties). The stock of these items at December 31, 2014 was for ARS 6,210,611.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 26. SALES OF GOODS AND SERVICES

The following table details the breakdown of sales:

	12.31.2015	12.31.2014
Sales of goods to third parties net of discounts and bonuses	27,516,618,532	24,030,861,033
Sales of services		
- Third parties	36,759,859	28,804,837
- Related parts (Note 38)	109,488	91,669
<b>TOTAL</b>	<b>27,553,487,879</b>	<b>24,059,757,539</b>

## NOTE 27. COST OF SALES AND SERVICES PROVIDED

The following table details the breakdown of the item of cost of sales and services provided

	12.31.2015	12.31.2014
Inventories at beginning of year	4,092,788,575	3,424,707,435
Purchases for the year	8,827,550,715	9,847,527,366
Decrease in inventories for the year	(176,732,518)	-
Transfers of biological products from the agricultural activity (Note 30)	125,641,427	121,822,438
Refunds on exports (1)	(65,772,299)	(86,099,402)
Sale of by products	(62,624,638)	(59,268,827)
Expenses on production and services provided (Note 28)	8,234,244,057	6,616,127,140
Effect of currency translation	1,542,236,582	79,272,064
Inventories at year end (Note 12)	(4,646,748,737)	(4,092,788,575)
<b>TOTAL</b>	<b>17,870,583,164</b>	<b>15,851,299,639</b>

(1) Net of the effect of (losses) / recovery of allowances for export refunds.

Information required by Schedule F, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 28. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

The following table details the breakdown of total expenses by nature:

	12.31.2015	12.31.2014
Managers, directors and syndics' fees	92,449,307	78,789,984
Fees and compensation for services	228,594,763	177,048,330
Salaries, wages and social security charges and other benefits (Note 29)	6,886,911,260	5,518,069,485
Taxes, rates and contributions	89,036,630	80,436,329
Direct taxes	652,430,796	529,660,914
Maintenance of property, plant and equipment	759,691,522	595,792,771
Maintenance of investment properties	174,540	301,883
Depreciation of property, plant and equipment (Note 5)	474,948,863	399,056,973
Depreciation of investment properties (Note 6)	222,955	244,442
Amortization of intangible assets (Note 7)	22,287,253	23,208,973
Freight and haulage	1,643,390,661	1,450,955,833
Fuels and lubricants	100,793,662	82,203,767
Export and import expenses	127,536,820	122,395,946
Third-party services	807,097,883	683,027,453
Electricity, gas and communications	747,058,235	676,223,958
Travelling expenses and per diem	203,929,674	181,167,105
Bank services	47,009,266	38,630,591
Cleaning, disinfection and gardening	137,407,496	114,139,230
Quality and environment	44,615,494	33,655,847
Publicity and advertising	703,351,668	686,331,112
Loss (reversal) for doubtful accounts	12,078,338	43,136,367
Loss (reversal) for labor lawsuits and others	43,458,578	25,932,260
Operating leases/rental	217,542,106	194,946,730
Insurance	155,986,888	99,689,055
Systems and application software	115,863,542	87,195,992
Export duties	89,421,295	97,264,393
Loss (reversal) for inventory impairment	23,563,381	55,896,676
Loss (reversal) for contingencies	25,108,912	83,222,801
Loss (reversal) for other receivables	5,239,405	2,013,352
Other miscellaneous expenses	670,507,145	578,770,086
<b>TOTAL</b>	<b>15,127,708,338</b>	<b>12,739,408,638</b>

Information required by Schedule H, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

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C.P.C.E.Cba. N° 21.00004.3  
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Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 28. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

### (a) Product expenses (Note 27)

	12.31.2015	12.31.2014
Fees and compensation for services	44,830,477	26,413,335
Salaries, wages and social security charges and other benefits (Note 29)	4,895,597,880	3,862,147,492
Taxes, rates and contributions	27,704,352	24,438,769
Maintenance of property, plant and equipment	687,354,528	531,287,239
Depreciation of property, plant and equipment (Note 5)	425,812,009	354,352,821
Amortization of intangible assets (Note 7)	3,043,751	5,855,967
Freight and haulage	330,536,391	290,017,244
Fuels and lubricants	83,252,690	66,611,083
Export and import expenses	893,036	1,538,245
Third-party services	333,866,543	288,787,948
Electricity, gas and communications	663,705,160	596,269,613
Travelling expenses and per diem	71,799,014	60,349,428
Cleaning, disinfection and gardening	106,759,502	89,479,503
Quality and environment	44,557,041	33,629,377
Loss (reversal) for labor lawsuits and others	20,995,985	13,711,928
Operating leases / rental	37,700,111	26,277,161
Insurance	116,748,246	70,181,777
Systems and application software	36,041,473	20,683,989
Loss (reversal) for inventory impairment	19,398,418	32,902,584
Loss (reversal) for contingencies	35,977,563	25,212,032
Loss (reversal) for other receivables	253,878	416,368
Other miscellaneous expenses	247,416,009	195,563,237
<b>TOTAL</b>	<b>8,234,244,057</b>	<b>6,616,127,140</b>

Information required by Schedule H, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

### (b) Biological assets production expenses (Note 30)

	12.31.2015	12.31.2014
Fees and compensation for services	818,829	788,841
Salaries, wages and social security charges and other benefits (Note 29)	26,234,972	17,354,001
Taxes, rates and contributions	2,998,127	1,797,904
Maintenance of property, plant and equipment	8,837,278	7,668,635
Depreciation of property, plant and equipment (Note 5) (*)	3,217,351	1,952,016
Freight and haulage	4,746,872	7,031,243
Fuels and lubricants	4,110,704	2,763,299
Third-party services	30,319,429	22,123,777
Electricity, gas and communications	2,183,801	2,074,133
Travelling expenses and per diem	382,771	317,021
Cleaning, disinfection and gardening	1,066,032	1,236,381
Loss (reversal) for labor lawsuits and others	329,214	333,648
Quality and environment	58,453	26,470
Operating leases / rental	7,602,801	8,125,027
Insurance	203,984	113,813
Systems and application software	43,802	30,808
Other miscellaneous expenses	42,468,459	41,371,696
<b>TOTAL</b>	<b>135,622,879</b>	<b>115,108,713</b>

(\*) At December 31, 2015, it results from the computation of depreciation included in the cost of biological assets at the beginning (ARS 1,678,008), plus depreciation for the year (ARS 5,488,714 – Note 5) less depreciation included in the cost of biological assets at closing (ARS 3,949,371).  
At December 31, 2014, it results from the computation of depreciation included in the cost of biological assets at the beginning (ARS 437,460), plus depreciation for the year (ARS 3,192,564 – Note 5) less depreciation included in the cost of biological assets at closing (ARS 1,678,008).

Information required by Schedule H, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 28. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

### (c) Selling expenses

	12.31.2015	12.31.2014
Fees and compensation for services	39,860,432	38,456,949
Salaries, wages and social security charges and other benefits (Note 29)	1,257,360,570	1,067,173,262
Taxes, rates and contributions	35,362,192	30,520,306
Direct taxes	652,430,796	529,660,914
Maintenance of property, plant and equipment	54,519,184	47,858,598
Depreciation of property, plant and equipment (Note 5)	36,300,186	32,616,167
Amortization of intangible assets (Note 7)	12,361,708	11,084,100
Freight and haulage	1,308,107,398	1,153,907,346
Fuels and lubricants	11,828,541	11,395,004
Export and import expenses	126,643,784	120,857,701
Third-party services	405,880,519	333,058,296
Electricity, gas and communications	46,426,694	43,179,038
Travelling expenses and per diem	87,576,775	84,589,387
Cleaning, disinfection and gardening	23,228,914	18,512,686
Publicity and advertising	703,351,668	686,331,112
Loss (reversal) for doubtful accounts	12,078,338	43,136,367
Loss (reversal) for labor lawsuits and others	19,604,560	11,221,129
Operating leases/rental	152,653,450	138,211,917
Insurance	28,276,654	20,537,408
Systems and application software	38,790,178	36,752,855
Export duties	89,421,295	97,264,393
Loss (reversal) for inventory impairment	4,164,963	22,994,092
Loss (reversal) for contingencies	14,511,225	9,295,141
Loss (reversal) for other receivables	1,234,213	(135,728)
Other miscellaneous expenses	335,792,542	302,843,028
<b>TOTAL</b>	<b>5,497,766,779</b>	<b>4,891,321,468</b>

Information required by Schedule H, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

### (d) Administrative expenses

	12.31.2015	12.31.2014
Managers, directors and syndics' fees	92,449,307	78,789,984
Fees and compensation for services	139,173,619	108,632,754
Salaries, wages and social security charges and other benefits (Note 29)	707,717,838	571,394,593
Taxes, rates and contributions	22,065,071	23,103,177
Maintenance of property, plant and equipment	8,980,532	8,978,299
Depreciation of property, plant and equipment (Note 5)	9,619,317	10,135,969
Amortization of intangible assets (Note 7)	6,881,794	6,268,906
Fuels and lubricants	1,601,727	1,434,381
Third-party services	33,767,282	36,313,801
Electricity, gas and communications	34,682,587	34,682,614
Travelling expenses and per diem	44,171,114	35,893,721
Bank services	47,009,266	38,630,591
Cleaning, disinfection and gardening	6,320,845	4,897,771
Loss (reversal) for labor lawsuits and others	2,538,941	665,555
Operating leases/rental	19,537,154	22,298,955
Insurance	10,758,004	8,856,057
Systems and application software	40,988,089	29,728,340
Loss (reversal) for contingencies	(25,379,876)	48,485,628
Loss (reversal) for other receivables	3,751,314	1,732,712
Other miscellaneous expenses	44,275,409	38,310,086
<b>TOTAL</b>	<b>1,250,909,334</b>	<b>1,109,233,894</b>

Information required by Schedule H, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

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(Partner)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 28. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

### (e) Investment property maintenance expenses (Note 31)

	12.31.2015	12.31.2014
Fees and compensation for services	3,911,406	2,756,451
Salaries, wages and social security charges and other benefits	-	137
Taxes, rates and contributions	906,888	576,173
Maintenance of investment properties	174,540	301,883
Depreciation of investment properties (note 6)	222,955	244,442
Third-party services	3,264,110	2,743,631
Electricity, gas and communications	59,993	18,560
Travelling expenses and per diem	-	17,548
Cleaning, disinfection and gardening	32,203	12,889
Loss (reversal) for labor lawsuits and others	(10,122)	-
Operating leases/ rental	48,590	33,670
Loss (reversal) for contingencies	-	230,000
Other miscellaneous expenses	554,726	682,039
<b>TOTAL</b>	<b>9,165,289</b>	<b>7,617,423</b>

Information required by Schedule H, in compliance with section 1, Chapter III, Title IV of the restated text of the CNV.

## NOTE 29. SALARIES, WAGES, SOCIAL SECURITY CHARGES AND OTHER BENEFITS

The following table shows the breakdown of the item salaries, wages, social security charges and other benefits:

	12.31.2015	12.31.2014
Salaries, wages and social security contributions	6,814,361,806	5,456,503,683
Early retirement benefits (note 22)	40,384,478	41,061,371
Pension plans (note 22)	24,903,655	15,348,054
Retirement pension (note 22)	7,261,321	5,156,377
<b>TOTAL</b>	<b>6,886,911,260</b>	<b>5,518,069,485</b>



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(Partner)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 30. RESULTS GENERATED BY BIOLOGICAL ASSETS

The following is disclosed the results generated by the main biological assets:

	Fruit crops	Grain sown land	Sugar cane sown land	Beef or dairy cattle	Total at 12.31.2015
Sale of biological products	-	14,287,479	-	10,248,607	24,536,086
Cost of sale of biological assets	-	-	-	(10,248,607)	(10,248,607)
Cost of sale of biological products	-	(11,533,214)	-	-	(11,533,214)
<b>Subtotal income from sale of biological products</b>	<b>-</b>	<b>2,754,265</b>	<b>-</b>	<b>-</b>	<b>2,754,265</b>
<b>Harvest of biological products</b>	<b>19,470,516</b>	<b>26,943,905</b>	<b>23,216,752</b>	<b>71,903,971</b>	<b>141,535,144</b>
<b>Decrease due to bearer plants (note 5)</b>	<b>-</b>	<b>-</b>	<b>(471,594)</b>	<b>-</b>	<b>(471,594)</b>
<b>Initial recognition and changes in the fair value of biological assets</b>	<b>767,040</b>	<b>-</b>	<b>-</b>	<b>6,100,508</b>	<b>6,867,548</b>
Consumption of harvested biological products	-	-	-	(5,620,125)	(5,620,125)
Consumption of other biological products	-	-	-	(3,234,961)	(3,234,961)
Production expenses of biological assets (1) of the agricultural activity (Note 28)	(18,446,602)	(21,891,578)	(27,880,549)	-	(68,218,729)
Production expenses of biological assets of the livestock activity (Note 28)	-	-	-	(67,404,150)	(67,404,150)
<b>Subtotal production costs of biological assets</b>	<b>(18,446,602)</b>	<b>(21,891,578)</b>	<b>(27,880,549)</b>	<b>(76,259,236)</b>	<b>(144,477,965)</b>
<b>TOTAL RESULT GENERATED BY BIOLOGICAL ASSETS</b>	<b>1,790,954</b>	<b>7,806,592</b>	<b>(5,135,391)</b>	<b>1,745,243</b>	<b>6,207,398</b>

(1) Production expenses of biological assets of the agricultural activity were determined as follows:

	Note	Fruit crops (*)	Grain sown land	Sugar cane sown land	Total at 12.31.2015
Biological assets of the agricultural activity at the beginning of the year at historical cost	9	11,343,549	10,675,695	20,078,328	42,097,572
Additions for the year at historical cost (Note 9)	9	22,574,524	22,294,811	32,592,193	77,461,528
Biological assets of the agricultural activity at the beginning of the year at historical cost	9	(15,471,471)	(11,078,928)	(24,789,972)	(51,340,371)
<b>Production expenses of biological assets of the agricultural activity</b>	<b>28</b>	<b>18,446,602</b>	<b>21,891,578</b>	<b>27,880,549</b>	<b>68,218,729</b>

(\*)At each closing, the fruit crops are valued at fair value (Note 2.11).

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 30. RESULTS GENERATED BY BIOLOGICAL ASSETS

The following is disclosed the results generated by the main biological assets:

	Fruit crops	Grain sown land	Sugar cane sown land	Beef or dairy cattle	Total at 12.31.2014
Sale of biological products	-	18,800,541	-	8,164,817	26,965,358
Cost of sale of biological assets	-	-	-	(8,164,817)	(8,164,817)
Cost of sale of biological products	-	(14,619,698)	-	-	(14,619,698)
<b>Subtotal income from sale of biological products</b>	<b>-</b>	<b>4,180,843</b>	<b>-</b>	<b>-</b>	<b>4,180,843</b>
<b>Harvest of biological products</b>	<b>13,568,577</b>	<b>29,775,297</b>	<b>28,731,668</b>	<b>72,159,175</b>	<b>144,234,717</b>
<b>Decrease due to bearer plants (note 5)</b>	<b>-</b>	<b>-</b>	<b>(565,845)</b>	<b>-</b>	<b>(565,845)</b>
<b>Initial recognition and changes in the fair value of biological assets</b>	<b>5,592,494</b>	<b>-</b>	<b>-</b>	<b>34,211,028</b>	<b>39,803,522</b>
Consumption of harvested biological products	-	-	-	(6,005,614)	(6,005,614)
Consumption of other biological products	-	-	-	(2,604,141)	(2,604,141)
Production expenses of biological assets of the agricultural activity (Note 28) (1)	(9,467,449)	(15,722,572)	(22,664,437)	-	(47,854,458)
Production expenses of biological assets of the livestock activity (Note 28)	-	-	-	(67,254,255)	(67,254,255)
<b>Subtotal production costs of biological assets</b>	<b>(9,467,449)</b>	<b>(15,722,572)</b>	<b>(22,664,437)</b>	<b>(75,864,010)</b>	<b>(123,718,468)</b>
<b>TOTAL RESULT GENERATED BY BIOLOGICAL ASSETS</b>	<b>9,693,622</b>	<b>18,233,568</b>	<b>5,501,386</b>	<b>30,506,193</b>	<b>63,934,769</b>

(1) Production expenses of biological assets of the agricultural activity were determined as follows:

	Note	Fruit crops (*)	Grain sown land	Sugar cane sown land	Total at 12.31.2014
Biological assets of the agricultural activity at the beginning of the year at historical cost	9	6,309,612	7,161,109	16,483,700	29,954,421
Additions for the year at historical cost (Note 9)	9	14,501,386	19,237,158	26,259,065	59,997,609
Biological assets of the agricultural activity at the beginning of the year at historical cost	9	(11,343,549)	(10,675,695)	(20,078,328)	(42,097,572)
<b>Production expenses of biological assets of the agricultural activity</b>	<b>28</b>	<b>9,467,449</b>	<b>15,722,572</b>	<b>22,664,437</b>	<b>47,854,458</b>

(\*) At each closing, the fruit crops are valued at fair value (Note 2.11).

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 30. RESULTS GENERATED BY BIOLOGICAL ASSETS

Figures for the year 2014 disclosed above include the impact of the change in accounting policies described in Note 42.

The production of biological assets is mainly allocated to the transfer from agricultural to industrial production, which is shown below:

Biological assets that generate the agricultural production						
	Fruit crops	Grain sown land	Sugar cane sown land	Beef or dairy cattle	Total as of 12.31.2015	Total as of 12.31.2014
Stock at the beginning of biological products	-	6,094,866	-	-	6,094,866	4,307,899
Collection of biological products	19,470,516	26,943,905	23,216,752	71,903,971	141,535,144	144,234,717
Cost of sale of biological products	-	(11,533,214)	-	-	(11,533,214)	(14,619,698)
Internal transfers	-	(5,620,125)	-	5,620,125	-	-
Consumption of biological products harvested (forage)	-	-	-	(5,620,125)	(5,620,125)	(6,005,614)
<b>Subtotal</b>	<b>19,470,516</b>	<b>15,885,432</b>	<b>23,216,752</b>	<b>71,903,971</b>	<b>130,476,671</b>	<b>127,917,304</b>
Stock at year end of biological products collected not transferred to the industrial activity (forage) (1)	-	(4,835,244)	-	-	(4,835,244)	(6,094,866)
<b>TOTAL TRANSFERS OF BIOLOGICAL PRODUCTS 12.31.2015 (Note 27)</b>	<b>19,470,516</b>	<b>11,050,188</b>	<b>23,216,752</b>	<b>71,903,971</b>	<b>125,641,427</b>	<b>-</b>
<b>TOTAL TRANSFERS OF BIOLOGICAL PRODUCTS 12.31.2014 (Note 27)</b>	<b>13,568,577</b>	<b>7,363,018</b>	<b>28,731,668</b>	<b>72,159,175</b>	<b>-</b>	<b>121,822,438</b>

(1) Included in "raw materials and materials" (Note 12).

## NOTE 31. OTHER INCOME / (LOSSES) - NET

In the following table is detailed the breakdown of the item other income / (losses) - net:

	12.31.2015	12.31.2014
Tax on financial transactions	(301,361,026)	(248,986,882)
Income (expenses), net from income accrued, generated by investment properties (1)	(5,567,382)	(6,722,869)
Income from the sale of property, plant and equipment and investment properties (2)	17,142,620	63,671,301
Others (3)	17,628,039	3,937,919
<b>TOTAL</b>	<b>(272,157,749)</b>	<b>(188,100,531)</b>

(1) Includes maintenance expenses of investments properties for the year ended December 31, 2015 and 2014 for ARS 9,165,289 and ARS 7,617,423 respectively (note 28).

(2) Includes sale of property of Converflex Argentina S.A.

(3) At December 31, 2014, includes the recovery of the allowance for impairment of Property, Plant and Equipment of the subsidiary Arcor de Perú S.A. for ARS 5,150,452.

### - Converflex Argentina S.A. sale of property

On October 3, 2014, Converflex Argentina S.A., a company indirectly controlled by Arcor S.A.I.C., sold to Klöckner Pentaplast de Argentina S.A. a building located in the city Villa del Totoral, Province of Cordoba, for USD 4,912,782.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 32. EXCEPTIONAL RESULTS

	12.31.2015	12.31.2014
Casualties	6,777,827	120,187,560
<b>TOTAL</b>	<b>6,777,827</b>	<b>120,187,560</b>

### Incidents occurred during the year ended December 31, 2015 and 2014

During the years ended December 31, 2015 and 2014, casualties took place, due to weather events and fires in our own and third-party plants and warehouses, which affected inventories and property, plant and equipment of the Group. The charges to results generated by these events are shown under the item exceptional results in the consolidated statement of income. The significant events were the following:

#### Damage in third-party deposits

On February 14, 2015, a fire broke out at a third party deposit, located in the City of Córdoba, partially affecting the stock of raw materials and finished products of the Group.

For the year ended December 31, 2015, the loss recognized as a result of the deletion of damaged stock amounts to ARS 117,917,028 together with the accrual of certain additional expenses related to that event which amounts to ARS 1,824,485. In addition, during the last quarter an income was recognized for ARS 86,254,000 (USD 8,871,457), as a result of the compensation by the insurance company. At the date of these consolidated financial statements the amount was fully collected.

#### Damaging event at Cartocor Chile S.A.

On January 3, 2015, a fire broke out at the plant located in the city of San Francisco de Mostazal, Chile. As a result of the fire, damages to property were recorded in the external yard of reels as well as in the warehouses of reels; however, the industrial facilities were not affected by the fire and they are in operation.

During the first three months of current period, a loss was recognized for the deletion of damaged stock amounts to ARS 57,613,919 well as a charge for the property, plant and equipment items written off based on their net carrying values which amounts to ARS 21,572,872, together with the accrual of certain additional expenses related to that event amounts to ARS 13,659,887.

Furthermore, in May 2015, a gain of ARS 62,830,659 (USD 7,000,000) was recorded as a result of the recognition by the insurance companies of an advance payment on account of the total amount of the coverage taken out, which was fully collected at the date of these condensed interim consolidated financial statements.

In addition, in December 2015, the Subsidiary recognized an income from the insurance companies which amounts to ARS 78,099,020 (USD 6,715,208), based on the estimate of the compensation pending refund for the coverage of the loss of benefits. This recognition is due to the probability of refund estimated based on the progress of the verification tasks performed by the insurance companies.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 32. EXCEPTIONAL RESULTS

### Damages at Converflex Argentina S.A. plants

- Production plant of Villa del Totoral

On December 21, 2012, a fire broke out in a wing of the production plant of the subsidiary Converflex Argentina S.A., located in the town of Villa del Totoral, Province of Córdoba. The outcome of the fire was total destruction of the PVC plant, inventories warehouse and office sector.

In March 2013, a gain of ARS 49,810,951 (USD 9,900,000), was recorded as a result of the recognition by the insurance companies of an advance payment on account of the total amount of coverage taken out. This advance was fully collected in April 2013. Furthermore, in the current year, certain additional expenses related to this event were accrued which amounts to ARS 25,652,260.

Additionally, in December 2013, the Company recorded a receivable against insuring companies for ARS 72,050,385 (USD 11,117,000), based on the estimate of the compensation pending refund, including property damage and loss of profits, since it considers that this receivable is almost sure, from the progress of the verification stage at the date of these consolidated financial statements. This receivable was fully collected during the year 2014, given place to the definitive closure. For this casualty, during the year ended December 31, 2014, the subsidiary recognized additional expenses for the amount of ARS 1,840,264.

- Production plant of Luján

On July 7, 2013, a fire broke out in the plant of the subsidiary Converflex Argentina S.A., located at Luján, Province of Buenos Aires. The fire produced the destruction of the production facilities and the loss of stock.

In September 2013, income for ARS 74,789,000 (USD 13,000,000), was recorded as from recognition by the insurance companies of an advance payment on account of the total amount of coverage taken out. This advance was fully collected in the last quarter of the year 2013.

In September 2014, income was recorded for payment by the insurance companies of the remaining balance for damages to property for ARS 63,541,089 (USD 7,627,982), which was fully collected in the last quarter of 2014.

In addition, in December 2014, the Subsidiary recognized a credit with the insurance companies for ARS 85,510,000 (USD 10,000,000), based on the estimate of the compensation pending refund for the coverage of the loss of benefits. This recognition is due to the probability of refund estimated based on the progress of the verification tasks performed by the insurance companies. In the third quarter of the current year, the verification process by insurance companies was closed and collections were received on account of the receivable originally recorded.

For the year ended December 31, 2014, the Subsidiary recorded additional expenses for ARS 21,332,203.

### Revenue recognition for reimbursements - Accounting treatment

In connection with the above-mentioned, it is worth mentioning that:

- Arcor Group has insurance coverage sufficient to mitigate the impact generated by the situations mentioned above.
- In the case of coverage pending recognition at the date of issue of these financial statements, Arcor Group applies what IAS 37 establishes: (i) the reimbursements must be recognized only in the period in which it is virtually certain that they will be received; and (ii) reimbursements must be treated as assets separated from the damaging events.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 33. FINANCIAL RESULTS

In the following table is detailed the breakdown of financial results:

	12.31.2015	12.31.2014
<b>Financial income</b>		
Interest:		
- Cash equivalents	241,576	1,349,541
- Explicit and implicit	339,491,963	304,139,390
- Explicit and implicit with related parties (Note 38)	145,028	247,968
Changes to the fair value of financial assets	239,370,276	66,756,364
<b>Subtotal financial income</b>	<b>579,248,843</b>	<b>372,493,263</b>
<b>Financial expenses</b>		
Interest:		
- Banks and corporate bonds net of amounts capitalized in property, plant and equipment	(795,328,514)	(663,812,427)
- Financial leases	(179,267)	(1,441,869)
- Explicit and implicit	(290,795,362)	(258,501,816)
- Financing expenses	(23,910,187)	(20,332,703)
Gains – (losses) from the fair value of financial instruments:		
- Interest rate swap: transfers from equity	-	(1,249,069)
- Changes in fair value of financial instruments	(2,618,000)	-
Results from changes in the purchasing power of money	(10,173,724)	(27,992,412)
<b>Subtotal of financial expenses</b>	<b>(1,123,005,054)</b>	<b>(973,330,296)</b>
<b>TOTAL</b>	<b>(543,756,211)</b>	<b>(600,837,033)</b>

## NOTE 34. NET FOREIGN EXCHANGE DIFFERENCES

In the following table is detailed the breakdown of net foreign exchange differences:

	12.31.2015	12.31.2014
Foreign exchange differences generated by assets	403,430,916	215,367,296
Foreign exchange differences generated by liabilities	(1,049,672,066)	(763,657,902)
<b>TOTAL</b>	<b>(646,241,150)</b>	<b>(548,290,606)</b>

## NOTE 35. INCOME TAX

	12.31.2015	12.31.2014
Current income tax	(816,375,201)	(557,154,084)
Income tax - deferred tax method	129,322,856	24,287,594
Net generation of credits for similar taxes abroad	738,890	2,253,659
<b>Subtotal</b>	<b>(686,313,455)</b>	<b>(530,612,831)</b>
Minimum notional income tax	(49,590)	(40,694)
<b>Subtotal – Income tax allocated to the statement of income</b>	<b>(686,363,045)</b>	<b>(530,653,525)</b>
Income tax - deferred tax method	(2,944,579)	(2,147,040)
<b>Subtotal – Income tax allocated to other comprehensive income</b>	<b>(2,944,579)</b>	<b>(2,147,040)</b>
<b>TOTAL INCOME TAX CHARGE</b>	<b>(689,307,624)</b>	<b>(532,800,565)</b>



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 35. INCOME TAX

Below is a reconciliation between income tax charged to earnings and tax resulting from applying the income tax rate applicable in each jurisdiction on the accounting profit before taxes:

	12.31.2015	12.31.2014
<b>Income for the year before tax</b>	<b>1,487,535,406</b>	<b>1,054,776,865</b>
Tax rate of the Company	35%	35%
<b>Tax calculated at the Company's tax rate</b>	<b>(520,637,392)</b>	<b>(369,171,903)</b>
<b>Permanent differences:</b>		
Non-taxable income	2,921,113	8,706,588
Non-deductible expenses	(56,346,249)	(45,803,012)
Result for the adjustment of tax rates of other jurisdictions (2)	(783,038)	13,555,193
Result from investments in Companies	(25,258,481)	9,701,983
(Increase) in provision for deferred tax	8,179,519	(146,165,080)
Net generation of credits for similar taxes abroad	738,890	2,253,659
Tax effect of credits for similar taxes abroad	(258,612)	(788,780)
Others nets	(94,869,205)	(2,901,479)
<b>Subtotal permanent differences at tax rate</b>	<b>(165,676,063)</b>	<b>(161,440,928)</b>
<b>TOTAL INCOME TAX CHARGE TO EARNINGS (1)</b>	<b>(686,313,455)</b>	<b>(530,612,831)</b>
Current income tax	(816,375,201)	(557,154,084)
Income tax - deferred tax method	129,322,856	24,287,594
Net generation of credits for similar taxes abroad	738,890	2,253,659
<b>TOTAL INCOME TAX CHARGE TO EARNINGS (1)</b>	<b>(686,313,455)</b>	<b>(530,612,831)</b>

(1) At December 31, 2015 and 2014, it does not include the minimum notional income tax charge for ARS 49,590 and ARS 40,694, respectively.

(2) The effect on the position includes the impact of changes in tax rates occurred in the jurisdiction in which the group operates.

## NOTE 36. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year. For the years 2015 and 2014, ordinary shares outstanding were considered at the end of the current year. The Company does not have preferred shares or debt convertible to shares, so the basic earnings per share are equal to the diluted earnings per share.

	Year end	
	12.31.2015	12.31.2014
Net income attributable to the Company's shareholders	327,312,735	251,869,177
Weighted average of outstanding ordinary shares	70,000,000,000	70,000,000,000
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>0.00468</b>	<b>0.00360</b>

## NOTE 37. DIVIDENDS PER SHARE

Dividends paid to the Company's shareholders during 2015 and 2014 amounted to ARS 265,000,000 and ARS 280,000,000, respectively, which on the ordinary shares outstanding at the date of payment, 70,000,000,000 represented ARS 0.00379 and ARS 0.00400 per share, respectively.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 38. TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

Below is a detail of outstanding balances and transactions with related parties at years end:

### (a) Sales of services

	Type of relation	12.31.2015	12.31.2014
Grupo Arcor S.A.	Parent Company	109,488	91,669
<b>TOTAL</b>		<b>109,488</b>	<b>91,669</b>

### (b) Other income and expenses with related parties

	Type of relation	12.31.2015	12.31.2014
<b>Other expenses</b>			
Contribution to Fundación Arcor	Others	7,365,000	5,875,000
Contribution to Fundación Arcor Chile	Others	1,655,359	-
Contribution to Instituto Arcor Do Brasil	Others	3,186,693	3,921,176
<b>TOTAL</b>		<b>12,207,052</b>	<b>9,796,176</b>

### (c) Financial interest

	Type of relation	12.31.2015	12.31.2014
<b>Earned</b>			
GAP Inversora S.A.	Associate	99,312	105,567
Other related parties	Others	45,717	142,401
<b>TOTAL</b>		<b>145,029</b>	<b>247,968</b>

### (d) Balances for receivables and liabilities recorded for commercial transactions with related parties

	Type of relation	12.31.2015	12.31.2014
<b>Trade accounts payables and other liabilities (Note 24)</b>			
Remuneration of directors to pay	Others	15,814,244	11,967,276
Other related parties	Others	1,074,742	351,419
<b>TOTAL</b>		<b>16,888,986</b>	<b>12,318,695</b>

Trade accounts receivables and payables with related parties arise mainly of transactions of sale/purchases, they expire within twelve months after of the date of the sale and do not accrue any interest. Trade accounts receivables are not guaranteed. There have been no allowances of these receivables from related parties.

### (e) Financial debtors

	Type of relation	12.31.2015	12.31.2014
GAP Inversora S.A.	Associate	164,399	664,522
Other related parties	Others	259,645	193,530
<b>TOTAL</b>		<b>424,044</b>	<b>858,052</b>

### (f) Employee benefits

Compensation and other employee benefits paid or payable to the Board of Directors and the Senior Management amount to ARS 192,344,734 and ARS 156,298,143, at December 31, 2015 and 2014, respectively.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 39. FINANCIAL RISK MANAGEMENT

### 39.1 Financial instruments by category

The following chart shows the information required under IFRS 7 for financial assets and financial liabilities, in accordance with the categories laid down in IFRS 9.

- At December 31, 2015:

	Amortized cost	Fair value		Total at 12.31.2015
		with changes in the statement of income	with changes in other comprehensive income	
Assets as per balance sheet				
Derivative financial instruments	-	348,619,993	671,586	349,291,579
Other receivables (1)	887,293,224	-	-	887,293,224
Trade accounts receivable	3,903,636,789	-	-	3,903,636,789
Other investments (1)	27,962	96,033,600	-	96,061,562
Cash and cash equivalents	-	2,033,482,102	-	2,033,482,102
TOTAL AT DECEMBER 31, 2015	4,790,957,975	2,478,135,695	671,586	7,269,765,256
Liabilities as per balance sheet				
Loans	7,116,994,440	-	-	7,116,994,440
Derivative financial instruments	-	312,850	-	312,850
Trade accounts payables and other liabilities (1)	5,244,929,600	5,591,214	-	5,250,520,814
TOTAL AT DECEMBER 31, 2015	12,361,924,040	5,904,064	-	12,367,828,104

(1) It only includes financial assets and liabilities under IFRS 7.

- At December 31, 2014:

	Amortized cost	Fair value		Total at 12.31.2014
		with changes in the statement of income	with changes in other comprehensive income	
Assets as per balance sheet				
Derivative financial instruments	-	11,311,368	-	11,311,368
Other receivables (1)	558,124,119	-	-	558,124,119
Trade accounts receivable	3,142,210,337	-	-	3,142,210,337
Other investments (1)	9,171,207	-	-	9,171,207
Cash and cash equivalents	-	1,191,473,026	-	1,191,473,026
TOTAL AT DECEMBER 31, 2014	3,709,505,663	1,202,784,394	-	4,912,290,057
Liabilities as per balance sheet				
Loans	5,682,782,921	-	-	5,682,782,921
Derivative financial instruments	-	23,099,642	-	23,099,642
Trade accounts payables and other liabilities (1)	3,860,608,409	3,923,864	-	3,864,532,273
TOTAL AT DECEMBER 31, 2014	9,543,391,330	27,023,506	-	9,570,414,836

(1) It only includes financial assets and liabilities under IFRS 7.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 39. FINANCIAL RISK MANAGEMENT

### 39.2 Fair value hierarchies

The charts below show the financial instruments measured at fair value, classified by hierarchy according to the measurement method used. Different levels were defined in the following manner:

- Level 1: (Unadjusted) quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or the liabilities, either directly (prices) or indirectly (derived from prices).
- Level 3: Inputs for the assets or liability that are not based on observable market data (non-observable data), which requires that the Group prepares its own hypothesis and assumptions.

Below are the Group's assets and liabilities measured at fair value:

- At December 31, 2015:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value				
Derivative financial instruments	349,291,579	-	-	349,291,579
Cash and cash equivalents	2,033,482,102	-	-	2,033,482,102
Other investments (1)	-	96,033,600	-	96,033,600
<b>TOTAL ASSETS</b>	<b>2,382,773,681</b>	<b>96,033,600</b>	<b>-</b>	<b>2,478,807,281</b>

	Level 1	Level 2	Level 3	Total
<b>Liabilities</b>				
Financial liabilities at fair value				
Derivative financial instruments	312,850	-	-	312,850
Trade accounts payable and other liabilities (1)	-	5,591,214	-	5,591,214
<b>TOTAL LIABILITIES</b>	<b>312,850</b>	<b>5,591,214</b>	<b>-</b>	<b>5,904,064</b>

(1) It only includes financial assets and liabilities under IFRS 7.

- At December 31, 2014:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value				
Derivative financial instruments	11,311,368	-	-	11,311,368
Cash and cash equivalents	1,191,473,026	-	-	1,191,473,026
<b>TOTAL ASSETS</b>	<b>1,202,784,394</b>	<b>-</b>	<b>-</b>	<b>1,202,784,394</b>

	Level 1	Level 2	Level 3	Total
<b>Liabilities</b>				
Financial liabilities at fair value				
Derivative financial instruments	23,099,642	-	-	23,099,642
Trade accounts payable and other liabilities (1)	-	3,923,864	-	3,923,864
<b>TOTAL LIABILITIES</b>	<b>23,099,642</b>	<b>3,923,864</b>	<b>-</b>	<b>27,023,506</b>

(1) It only includes financial assets and liabilities under IFRS 7.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 39. FINANCIAL RISK MANAGEMENT

### 39.2 Fair value hierarchies (Cont'd)

The fair value of financial instruments traded in active markets is based on the quote price at the closing date. A market is considered active when the quote price is easily and regularly available through a stock exchange, financial agent, sector-specific institution, regulating agency or price services and such price shows transactions regularly performed at current market value between independent parties. The market quote price used for financial assets held by the Group is the purchaser's current price. These instruments are included in Level 1. Instruments included in Level 1 are mainly derivative financial instruments and cash and cash equivalents.

The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. These valuation techniques maximize the use of observable market data available and, to the lesser extent possible, are based on specific estimates made by the Group. If all material data required to calculate the fair value of an instrument is observable, the instrument is included in Level 2. The instruments included in Level 2 encompass mainly derivative financial instruments (interest rate swap) and purchase contracts of grains with prices to be fixed.

If material data to calculate the fair value of the financial instrument is not based on observable market data, the instrument is included in Level 3.

At December 31, 2015 and 2014 the Group did not have financial instruments included in Level 3.

### 39.3 Fair value estimation

#### Fair value of assets and liabilities carried at fair value

Financial assets and liabilities carried at fair value at December 31, 2015 and 2014, the information and techniques used to its valuation methods and levels are shown below:

#### (a) Cash and cash equivalents

The carrying value of these assets is similar to their fair value. The mutual funds are also included in this item and its value was estimated using information from active markets, valuing each market prices at the market value thereof at the close of each year, so its valuation qualifies as Level 1.

#### (b) Derivative financial instruments

##### - Sales/Purchase future contracts of currency and cacao and cacao options

The fair value of these financial instruments is determined by reference to quotations in active markets, thus, their valuation is qualified as Level 1.

#### (c) Trade accounts payable and other liabilities – Liabilities for purchases of grains to be fixed

At December 31, 2015 there were purchases of grains made by the Group from producers, the value of which had not yet been fixed.

These debts were carried at estimated fair value using information from active markets and valuing each ton of grain due at its market price at year end, adjusted by the Group's specific hiring conditions. Thus, their valuation was classified as Level 2.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 39. FINANCIAL RISK MANAGEMENT

### 39.3 Fair value estimation (Cont'd)

#### Fair value of assets and liabilities carried at amortized cost

The IFRS 7 requires disclosure of information on the fair value of financial instruments, even they are not valued in that way in the balance sheet, provided that it is possible to estimate such fair value. In this group are included:

##### (a) Temporary placements (included in cash and cash equivalents)

The Group considers that the carrying value of short-term and high liquid investments, which can be quickly converted into cash, are subject to an insignificant risk of variation in its value, and whose original due date does not exceed ninety days, as cash and cash equivalents, is close to their fair value. It basically includes time deposits with top-class financial institutions.

##### (b) Trade accounts receivable and other receivables

It is considered that the carrying value is close to their fair value since such receivables are substantially of a short-term nature. All receivables of doubtful recoverability were covered by a provision.

##### (c) Trade accounts payable and other liabilities

It is considered that the carrying value is close to their fair value since such liabilities are substantially of a short-term nature.

##### (d) Loans

Loans mainly include:

##### (i) Corporate Bonds at fixed and variable rate with quotation

The fair value of these instruments was estimated using information from active markets and valuing the debt at market price at each year end (Note 21).

##### (ii) Loans at a variable rate

They mainly comprise notes issued in ARS which accrue interest at a floating rate determined by the Badlar plus an applicable margin and the loans taken out by the Company within the framework of the financing agreed upon with the International Finance Corporation (IFC), which accrued a variable interest rate based on Libor plus a differential spread. The loans taken out by the subsidiary Arcor do Brasil Ltda, from B.N.DES, have also been included in this category, which accrued a variable interest rate based on the Long-term Annual Interest Rate (Taxa de Juros de Longo Prazo or "TJLP").

Fair value was calculated applying observable rates of similar instruments to discount cash flows (Note 21).

##### (iii) Fixed rate loans for twelve months which subsequently are converted into floating rate loans

They correspond to loans in ARS for three years, taken by the Group with top-class financial institutions, which accrue interest at an agreed-upon fixed rate during the first twelve months of interest periods and, subsequently, at a floating rate (Badlar) plus an applicable margin.

Fair value was calculated applying observable rates of similar instruments to discount cash flows (Note 21).

##### (iv) Loans and other financial debts

It mainly includes balances of short and long-term loans taken out by the Group from top-class financial institutions and finance leases. Fair value was calculated applying observable rates of similar instruments to discount cash flows (Note 21).

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 39. FINANCIAL RISK MANAGEMENT

### 39.4 Financial risk factors

Financial risk management is encompassed within the global policies of the Group, which are focused on the uncertainty of the financial markets and are aimed at minimizing the potential adverse effects on their financial yield. The Group uses derivative instruments to hedge certain risk exposures, if it is necessary.

The main financial risks, such as foreign exchange, interest rate, liquidity and capital risks, are managed by the Finance and Treasury area, which identifies, assesses and hedges financial risks in close co-operation with the different Group's operating units.

### 39.5. Market risk

#### 39.5.1 Foreign exchange risk (1):

The Group manufactures and sells its products in various countries around the world, and thus it is exposed to the risk of fluctuations in the exchange rate. Foreign exchange risks arise from:

- **Operating and investment activities**

Operating income and expenses are mainly stated in the functional currency of the country where they arose. However, exports and imports (mainly raw materials and property, plant and equipment elements) are stated in other currencies, mainly USD and EUR. Consequently, the Group is exposed to fluctuations in the foreign exchange rate, for financial assets and liabilities recorded and originated in these transactions.

Taking only into account this net monetary exposure at December 31, 2015 and 2014 the Group estimates that the impact of a 10% simultaneous favorable/unfavorable movement in the main exchange rates, with the rest of the variables remaining stable, would result in a pre-tax gain / (loss) of approximately ARS (6,264,912) y ARS 13,531,595, respectively.

- **Financing activities**

A significant part of the Group's financial debts are stated in USD. To reduce its exchange rate exposure arising from these transactions, the Group may use exchange rate derivative contracts (currency forward or future contracts).

Taking only into account this net monetary exposure at December 31, 2015 and 2014, the Group estimates that the impact, net the effect of derivative instruments, of a 10% simultaneous favorable/unfavorable movement in the main exchange rates, with the rest of the variables remaining stable, would result in a pre-tax gain/(loss) of approximately ARS (71,549,016) and ARS (233,320,635), respectively.

Furthermore, after the date of these consolidated financial statements, a devaluation of 21% of the ARS against the USD took place, considering the exchange rate at February 29, 2015.

During the first months of the year 2016, the Group continued managing exchange rate risks by the use of hedges as those described in Note 14 to the consolidated financial statements and by reducing their exposure to these risks through the payment of short-term commercial and financial debts in foreign currency.



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Syndics Committee



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 39. FINANCIAL RISK MANAGEMENT

### 39.5 Market risk (Cont'd)

#### 39.5.2 Raw materials price risk:

The Group is exposed to the volatility in the prices of certain basic raw materials purchased from third parties, such as corn, wheat, sugar, cacao (and its derivatives) and paper.

To ensure supply in cases of corn and wheat, the Group, in some cases, entered into purchase agreements and gave the right to the producer to fix the price at any moment between the date of delivery and a future date (grain purchase agreements to be fixed). The Group does not cover potential risks on its financial position and the results of a possible variation in the price of grains.

At December 31, 2015 and 2014, the impact of a 10% simultaneous favorable/unfavorable movement in the price of corn, with the rest of the variables remaining stable, would result in a pre-tax gain/(loss) of ARS 445,549 and ARS 387,301, respectively.

As regards the rest of the raw materials, each Group operating unit makes projections for the next twelve months to estimate supply needs, covering a portion of the purchase price through the use of forward contracts with prices to be fixed, as well as future delivery.

These contracts which classify as a regular purchase are not recorded as derivatives.

#### 39.5.3. Cash flow and fair value interest rate risk:

The Group's interest rate risk arises from its financial debts. The main exposure is related to loans at variable Libor and Badlar rate.

As of December 31, 2015 and 2014, ratio between fixed rate loans and floating rate loans -excluding finance leases- is disclosed in the chart below:

Type of loan	12.31.2015		12.31.2014	
	ARS	%	ARS	%
Fixed rate *	4,724,430,135	66	3,505,123,668	62
Variable rate	2,392,564,305	34	2,134,346,222	38
<b>TOTAL</b>	<b>7,116,994,440</b>	<b>100</b>	<b>5,639,469,890</b>	<b>100</b>

\* At December 31, 2015, the amount of fixed rate bank loans include ARS 505,578,082 of the debt of Corporate Bonds Class 8 which as from March 2016 will be changed to floating rate loans.

Considering that only 34% of total loans is subject to floating interest rates, if interest rates experienced an increase or decrease of approximately 100 basis points but the other variables remained constant (i.e. exchange rate), such increase or decrease would theoretically result in a loss / (gain) of ARS 4,743,582 and ARS 3,015,374, as of December 31, 2015 and December 31, 2014, respectively.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 39. FINANCIAL RISK MANAGEMENT

### 39.6. Credit risk

The credit risk the Group is exposed to, arise mainly from:

#### 39.6.1. Financial instruments with banks/financial institutions

The Group is exposed to credit risk with banks and financial institutions for maintaining financial instruments, such as current account deposits, time deposits, mutual funds and derivative financial instruments.

As part of the general treasury policy, only top-class entities are accepted for the execution of such instruments.

Consequently, the credit risk is not considered relevant for this type of financial instruments.

#### 39.6.2. Trade accounts receivable with domestic mass-consumption customers

The portfolio of domestic customers in Argentina and in the main countries is broken down into supermarket chains, distributors and wholesalers.

Customers are subject to policies, procedures and controls detailed by the Group in the "Credit Manual". The credit limits are set based on an internal rating, which takes into account the economic and financial situation of the customer, its background and the general opinion about him. In addition, it is also considered the channel to which the customer belongs.

The use of credit limits is monitored on a regular basis. The Group has system controls that warn about payment failures and excesses in credit limits, allowing the management to make decisions. In the event of lack of agreement or failure by the customer to make payment when due, upon submission of the relevant claims, the Group's legal counsel will be charged with the collection of the debt.

#### 39.6.3. Trade accounts receivable with industrial customers

It includes mainly trade accounts receivable for sale of industrial products (corrugated cardboard, flex, etc.) in Argentina and Chile. Credit and collection departments are charged with the risk management tasks of these businesses and, as in the case of retail, there is a Credit Manual that lays down the methodology to set the credit limit.

#### 39.6.4. Trade accounts receivable generated by exports

The Group has a large customer base, which is subject to the policies, procedures and controls established by the Group. In general, the first transactions with new customers are formalized through letters of credit and, once the business relation is solid, transactions are carried out in current account.

Outstanding trade accounts receivable are monitored on a regular basis.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 39. FINANCIAL RISK MANAGEMENT

### 39.7. Liquidity risk

The Corporate Treasury area centralizes liquidity needs based on the Group's liquidity reserve projections and its cash and cash equivalents on the basis of a budget that takes into consideration the expected cash flows. The objective is to ensure that there is enough cash to fulfill the obligations and commitments and to conduct operations and develop investment projects.

To mitigate the liquidity risk, the Group may seek credit lines from financial institutions, if necessary.

The Corporate Treasury area invests surplus in time deposits, mutual funds, etc., taking into account due dates or high liquidity so as to provide a margin to the budget mentioned above. The cash surplus of entities operating abroad, if any, is managed by the entities themselves, with the aid of the Treasury Area in Argentina.

The tables below show the Group's financial liabilities and the net derivative financial liabilities broken down by maturity date, considering the time to be lapsed since December 2015 and 2014, respectively until their due date. The amounts disclosed in the table below are contractual undiscounted cash flows. For their determination, observable variables were considered -exchange rate and interest rate- in effect at December 2015 and 2014 respectively.

	Carrying value	Maturity dates				
		Less than a year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total at 12.31.2015
		ARS				
Loans	7,116,994,440	3,965,553,392	4,358,641,078	67,006,234	8,133,739	8,399,334,443
Derivative financial instruments	312,850	312,850	-	-	-	312,850
Trade accounts payable and other liabilities	5,250,520,814	5,274,953,762	2,110,915	-	-	5,277,064,677
TOTAL AT DECEMBER 31, 2015	12,367,828,104	9,240,820,004	4,360,751,993	67,006,234	8,133,739	13,676,711,970

	Carrying value	Maturity dates				
		Less than a year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total at 12.31.2014
ARS						
Loans	5,682,782,921	2,550,147,510	1,660,809,935	2,731,039,933	8,530,292	6,950,527,670
Derivative financial instruments	23,099,642	23,099,642	-	-	-	23,099,642
Trade accounts payable and other liabilities	3,864,532,273	3,888,091,606	1,356,833	-	-	3,889,448,439
TOTAL AT DECEMBER 31, 2014	9,570,414,836	6,461,338,758	1,662,166,768	2,731,039,933	8,530,292	10,863,075,751

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 39. FINANCIAL RISK MANAGEMENT

### 39.8 Capital risk management

The Group's objectives in relation to management of the capital risk are: (i) guarantee maintenance of a solid credit rating; (ii) ensure a healthy capitalization level to safeguard the business continuation as a going concern, generating returns for the shareholders of the Company; (iii) maintain an optimum financing structure to reduce the capital cost and (iv) fulfill the commitments undertaken in some loan agreements.

To maintain or adjust the capital structure, the Group may choose to adjust the amount of dividends payable to the shareholders, return capital to the shareholders, issue new equity or sell assets to reduce its indebtedness level.

In line with industry practices, the Group monitors its capital on the basis of the indebtedness ratio. This ratio is calculated dividing net financial debts by the equity. The net financial debt corresponds to total loans (including current and non-current loans, as shown in the Consolidated Balance Sheet) less cash and cash equivalents.

The indebtedness ratio arises from the following chart:

	12.31.2015	12.31.2014
Loans (note 21)	7,116,994,440	5,682,782,921
(Less) Cash and cash equivalents	(2,033,482,102)	(1,191,473,026)
Net debt	5,083,512,338	4,491,309,895
<b>Total equity</b>	<b>5,543,265,392</b>	<b>4,481,001,835</b>
Total capitalization	10,626,777,730	8,972,311,730
<b>INDEBTEDNESS RATIO</b>	<b>0.9170</b>	<b>1.0023</b>

## NOTE 40. CORPORATE RE-ORGANIZATION

### Statutory merger of Cartocor S.A. with Converflex Argentina S.A. and Converflex S.A.

On December 18, 2015, Cartocor S.A. (surviving company), Converflex Argentina S.A. and Converflex S.A. (merged companies), signed a preliminary merger agreement whereby, Cartocor S.A. will absorb the assets and liabilities of Converflex Argentina S.A. and Converflex S.A. effective as from January 1, 2016.

This statutory merger took place within the provisions of sections 77 and 78 of Law No. 20,628.

This transaction will not generate any impact over the consolidated financial statements.

## NOTE 41. AGREEMENT WITH MASTELLONE HERMANOS S.A. AND ITS SHAREHOLDERS

### Offer for Stock subscription

On December 3, 2015, the Company with its subsidiary Bagley Argentina S.A. (jointly, the "Investors") accepted an "Offer for stock subscription" issued by Mastellone Hermanos S.A. (Mastellone) and its shareholders. In accordance with the terms of the agreement:

- (i) on December 4, 2015, the Investors made equal irrevocable contributions for ARS 486,000,000 (USD 50,000,000 converted at the selling exchange rate reported by Banco de la Nación Argentina at the closing of the business day immediately prior to the payment date) convertible into shares of Mastellone representing 20.16% of the capital and voting rights in Mastellone Hermanos S.A.;
- (ii) Mastellone and its current shareholders grant to the Investors an irrevocable option to subscribe additional stock to be exercised in January 2017 and, at the same time, Investors grant Mastellone an option requiring the additional subscription of stock to be exercised in February 2017. The price to exercise these options was fixed at the sum of pesos equivalent to USD 35,000,000, calculated at the selling exchange rate reported by Banco de la Nación Argentina at the closing of the business day immediately prior to the date of crediting. In exchange for this additional subscription and subject to compliance with a series of conditions, Mastellone will issue shares in favor of the Investors representing 12.37% of the new capital and voting rights.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 41. AGREEMENT WITH MASTELLONE HERMANOS S.A. AND ITS SHAREHOLDERS

- (iii) a series of conditions are established for the subscription of Mastellone stock mentioned in paragraphs (i) and (ii) above. The subscription is subject to the approval of the Competition Authority of Brazil.
- (iv) it is agreed that in case the Competition Authority of Brazil rejects the transaction, it will be rendered ineffective and Mastellone should return to the Investors the initial subscription price within a term of 30 days plus an interest set forth in the Offer; and
- (v) certain obligations are established for Mastellone until the stock subscription mentioned takes place, such as not to issue any class of shares or pay dividends.

At December 31, 2015, as the transaction was subject to conditions not yet met at that date as mentioned above, the Group disclosed the contribution made in the caption "Other non-current receivables" of the Consolidated Balance Sheet.

### Offer of Share purchase contract

On December 4, 2015, certain shareholders of Mastellone issued an "Offer of share purchase contract" accepted by the Investors, whereby Arcor S.A.I.C. and Bagley Argentina S.A. purchased, on an equal basis, shares representing approximately 4.99% of the current capital stock of Mastellone at an initial price of ARS 96,033,600 (USD 9,880,000, converted at the selling exchange rate reported by Banco de la Nación Argentina at the closing of the business day immediately prior to the payment date).

As in the case of the "Offer for stock subscription" described above, this Offer establishes that in the case the Competition Authority of Brazil rejects the transaction, it will be rendered ineffective and:

- the selling shareholders of Mastellone must return to the Investors the mentioned price of initial purchase within a term of 30 days, plus an interest established in the Offer; and
- the Investors, simultaneously, must return to the selling shareholders of Mastellone the shares under the transaction.

At December 31, 2015, the Group disclosed the interest in Mastellone in the caption "Other non-current investments" of the Consolidated Balance Sheet.

### Offer for the pledge of stock

To guarantee the issue of Mastellone shares in favor of the Investors for the irrevocable contribution mentioned above, the shareholders of Mastellone made an "Offer to pledge the Shares" on December 3, 2015, accepted by the Investors, whereby they created a senior pledge on the shares representing 30% of the capital stock in Mastellone.

### Offer of Shareholders' Agreement

Furthermore, on December 3, 2015, the shareholders of Mastellone and Mastellone issued an "Offer of Shareholders' Agreement" to the Investors, accepted by these latter, which governs certain aspects (mainly limitations) relating to the transfer of shares to third parties and the administration and management of Mastellone, granting rights so that Investors participate in certain strategic decisions of Mastellone.

This Shareholders' agreement is effective once the initial subscription of shares arising from the Offer for Stock subscription described above is completed.

### Offer of Contract for Option to Purchase Shares

On December 3, 2015, Mastellone and its current shareholders issued an "Offer of contract for option to purchase shares", accepted by the Investors, whereby:

- (a) Bagley Latinoamérica S.A., Bagley Argentina S.A. and Arcor S.A.I.C. granted a right to the shareholders of Mastellone so that these may sell to the Investors and Bagley Latinoamérica S.A. (first sale option) during the months of April and October of the years 2017, 2018, 2019 and 2020 shares of Mastellone, until reaching a share interest so that Investors together with Bagley Latinoamérica S.A. do not exceed 49% of the capital and voting rights in Mastellone, fixing an annual cap or threshold for the exercise of that option; and
- (b) the right is established as from the year 2020 and until 2025 for the shareholders of Mastellone to sell to Bagley Latinoamérica S.A., Bagley Argentina S.A. and to the Company (second sale option) and the right to purchase to the shareholders of Mastellone (purchase option) up to 100% of the capital and voting rights in that Company.
- (c) the mechanisms to determine the prices for exercising both sales options and the purchase option are specified.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 41. AGREEMENT WITH MASTELLONE HERMANOS S.A. AND ITS SHAREHOLDERS

As in the cases of the "Offer for Stock subscription" and "Offer of share purchase contract" and "Offer of Shareholders' Agreement", this agreement is subject to the approval of the Competition Authority of Brazil of the transactions above described. In view of the existence of this substantive requirement, the Group has not specifically recorded in these consolidated financial statements the financial instruments that arise from the purchase and sale options described above.

### Control Authorities

The transactions described above are subject to the pertinent authorizations from the Control Authorities applicable to each of the Companies involved.

### Subsequent Events

After December 31, 2015, the following events occurred related to the transactions mentioned:

- On January 26, 2016, the Competition Authority of Brazil approved the transaction described above.
- On February 23, 2016, the Ordinary and Extraordinary Shareholders' Meeting of Mastellone Hermanos S.A. approved the capitalization of the irrevocable contributions made by Arcor S.A.I.C. and Bagley Argentina S.A., resulting from the mentioned "Offer for stock subscription" through the issue of 115,542,240 new ordinary nominative non-endorsable shares, with 1 voting right and face value ARS 1 per share (subscribed and paid-in in equal parts by the Companies of the Arcor Group). As from the subscription, the Shareholders' Agreement mentioned became effective.
- As from the subscription mentioned above, and considering the operations under the "Offer of share purchase contract", the Investors hold as from February 2016, a 24.15% of capital and voting rights in Mastellone Hermanos S.A.

As a result of the subsequent events described and once solved the conditions to which the transaction was subject, during the year 2016, the Group will record the investments described by the equity method, following the method of IAS 28.

## NOTE 42. CHANGES IN ACCOUNTING POLICIES

As mentioned in Note 2.2, as from the year commenced on January 1, 2015, the Company adopted new standards or amendments issued by the IASB, some of which had impact on the comparative financial statements. These amendments are described below:

### Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" on "Bearer Plants"

IAS 41 "Agriculture" in its original version, required as measurement and valuation standards that fruit and sugar cane plantations be valued at historical cost at the initial stage of their biological development. Once this stage is over, they are valued at fair value less direct costs to sell or transfers for their use.

In June 2014, the IASB issued amendments to IAS 41 and IAS 16 on bearer plans, whereby revisions are introduced to the model of accounting for "bearer plants" which must be accounted for similarly as property, plant and equipment elements as they are comparable in their operation production schemes. Therefore, those assets start to be measured at historical cost.

"Bearer plants" are defined as a living plant that is used in the production or supply of agricultural produce, are expected to bear produce for more than one period and have a remote likelihood of being sold as agricultural produce; therefore, these amendments require that "bearer plants" be accounted for as elements of "Property, plant and equipment" under the scope of IAS 16, keeping the agricultural produce growing on bearer plants within the scope of IAS 41.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 42. CHANGES IN ACCOUNTING POLICIES

### Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" on "Bearer Plants" (Cont'd)

As from January 1, 2015, the Group adopted early the amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" on "Bearer Plants" which are effective as from the years commenced on January 1, 2016. As a central aspect of the amendment we can mention:

Assets	IAS 41 original version	New scheme of bearer plant
Bearer Plant	They are defined as "biological asset" and valued considering a discounted cash flow based on the useful life term.	It is defined as " <b>property, plant and equipment</b> " and is valued at historical cost less accumulated depreciation.
Agricultural produce pending harvest (sugar cane under growth and fruit crops)		It is defined as a " <b>biological asset</b> " and is valued at historical cost or fair value, based on their development stage.

The effects of the change mentioned, on the consolidated balance sheet at December 31, 2014 and January 1, 2014, are as follows:

ASSETS	12.31.2014	01.01.2014
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment (Note 5)	21,111,168	10,440,108
Biological assets (Note 9)	(19,620,840)	(18,109,891)
Deferred tax assets (Note 10)	(12,203,171)	(4,019,761)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>(10,712,843)</b>	<b>(11,689,544)</b>
<b>CURRENT ASSETS</b>		
Biological assets (Note 9)	33,368,502	19,147,442
<b>TOTAL NON-CURRENT ASSETS</b>	<b>33,368,502</b>	<b>19,147,442</b>
<b>TOTAL ASSETS</b>	<b>22,655,659</b>	<b>7,457,898</b>

## EQUITY

### Capital and reserves attributable to company shareholders

Unappropriated retained earnings (Note 18)	22,650,958	7,458,559
<b>SUBTOTAL</b>	<b>22,650,958</b>	<b>7,458,559</b>
Non-controlling interest (Note 20)	4,701	(661)
<b>TOTAL EQUITY</b>	<b>22,655,659</b>	<b>7,457,898</b>

For the purposes of determining the carrying value of bearer plants at the beginning of the first period presented in these consolidated financial statements, the Group used the option (established by the amendment to IAS 16 - Property, plant and equipment) to compute its fair value at January 1, 2014 as attributed cost at that date.

Furthermore, as required by IAS 8, as a result of the early application of the amendments to IAS 16 and IAS 41, the Group added to the consolidated balance sheet the initial balances of the first period presented. (At January 1, 2014).



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

## NOTE 42. CHANGES IN ACCOUNTING POLICIES

### Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" on "Bearer Plants" (Cont'd)

Impacts on the income statement for the year ended December 31, 2014 are summarized below:

Income statement	For the year ended 12.31.2014
Results generated by biological assets	23,381,171
Income tax	(8,183,410)
<b>NET INCOME FOR THE YEAR</b>	<b>15,197,761</b>
<b>Earnings attributable to:</b>	
Company's equity holders	15,192,399
Non-controlling interest	5,362
<b>TOTAL</b>	<b>15,197,761</b>
<b>Earnings per share attributable to Company's shareholders</b>	
Basic and diluted earnings per share	0.00022

Impacts on the consolidated statement of cash flows for the year ended December 31, 2014 as a result of considering bearer plants as elements of property plant and equipment are summarized below:

Cash flow statement	For the year ended 12.31.2014
Net cash flow generated by operating activities	12,889,841
Net cash flow (used in) investment activities	(12,889,841)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>

## NOTE 43. SUBSEQUENT EVENTS

Subsequent to December 31, 2015, no other events or circumstances have occurred which might significantly affect the financial position, result of operations and cash flows of the Company other than those described in Note 41.



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# CONSOLIDATED BUSINESS HIGHLIGHTS

AT DECEMBER 31, 2015





# CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2015, PRESENTED IN COMPARATIVE FORM

## I. COMMENT ON ARCOR GROUP'S ACTIVITIES

### PREVIOUS CONSIDERATIONS

At the end of the 55th year, covering the period from January 1st to December 31, 2015, Group's sales revenue increased respect prior year. Foreign subsidiaries sales represented 24.8% of the Group's consolidated sales, and the sales in Argentina, including export sales to third parties represented 75.2% of the consolidated sales of the year 2015.

The Company continues with its policy of maintaining suitable liquidity levels in order to fulfill its commitments. As of December 31 2015, Group's liquidity level amounted to ARS 2,033,482,102 recording a net increase in cash for ARS 544,481,561 compared with the position at the beginning of the year (without computing the net financial results and cash and cash equivalents translation differences).

Net cash flows generated by operating and financing activities amounted to ARS 3,059,959,267, of which were used for investment activities ARS 1,209,235,119 and investment activities ARS 1,306,242,587.

### INVESTMENTS AND DEVELOPMENTS

The Group's main investments during the year were as follows:

• Machinery and equipment	18,859,181
• Furniture, tools, vehicles and other equipment	56,300,158
• Bearer plants	117,728
• Constructions	3,739,518
• Works in progress and goods in transit	740,452,155
<b>TOTAL INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT</b>	<b>819,468,740</b>



Victor Jorge Aramburu  
Chairman  
Syndics Committee



Jorge Luis Seveso  
Secretary Member of the  
Board



Luis Alejandro Pagani  
Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.



(Partner)

C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

# CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2015, PRESENTED IN COMPARATIVE FORM

## II. CONSOLIDATED ASSET AND LIABILITY STRUCTURE, COMPARED WITH THE FOUR PREVIOUS YEARS

	12.31.2015	12.31.2014	12.31.2013	12.31.2012 (*)	12.31.2011 (*)
Non-current assets	6,907,390,905	5,464,594,493	4,134,999,531	2,999,187,232	2,521,037,897
Current assets	12,192,897,682	9,507,054,319	7,767,773,934	5,885,668,528	4,737,210,780
<b>Total assets</b>	<b>19,100,288,587</b>	<b>14,971,648,812</b>	<b>11,902,773,465</b>	<b>8,884,855,760</b>	<b>7,258,248,677</b>
Non-current liabilities	4,467,572,656	4,074,485,382	3,190,497,548	1,547,088,133	1,492,135,838
Current liabilities	9,089,450,539	6,416,161,595	4,817,628,467	3,981,634,999	2,935,055,272
<b>Total liabilities</b>	<b>13,557,023,195</b>	<b>10,490,646,977</b>	<b>8,008,126,015</b>	<b>5,528,723,132</b>	<b>4,427,191,110</b>
Equity attributable to shareholders of the company	3,696,693,474	3,189,805,665	2,882,902,534	2,557,076,522	2,158,862,713
Non-controlling interest	1,846,571,918	1,291,196,170	1,011,744,916	799,056,106	672,194,854
<b>Total equity</b>	<b>5,543,265,392</b>	<b>4,481,001,835</b>	<b>3,894,647,450</b>	<b>3,356,132,628</b>	<b>2,831,057,567</b>
<b>Total liabilities and equity</b>	<b>19,100,288,587</b>	<b>14,971,648,812</b>	<b>11,902,773,465</b>	<b>8,884,855,760</b>	<b>7,258,248,677</b>

(\*) It does not include the effects of the change in the accounting policy described in Note 42 to the consolidated financial statements.

## III. CONSOLIDATED INCOME STRUCTURE COMPARED WITH THE FOUR PREVIOUS YEARS

	12.31.2015	12.31.2014	Profit / (Loss) 12.31.2013 (*)	12.31.2012 (*)	12.31.2011 (*)
Operating profit	2,668,278,251	2,083,736,776	1,213,067,752	1,034,534,309	1,053,904,862
Exceptional results	6,777,827	120,187,560	136,649,648	(51,476,635)	101,350,778
Net financial results	(1,189,997,361)	(1,149,127,639)	(744,254,159)	(357,147,105)	(240,438,039)
Net gain/ (loss) on investment in associates	2,476,689	(19,832)	(10,836)	13,733	(2,412)
<b>Income before income tax</b>	<b>1,487,535,406</b>	<b>1,054,776,865</b>	<b>605,452,405</b>	<b>625,924,302</b>	<b>914,815,189</b>
Income tax	(686,363,045)	(530,653,525)	(290,948,962)	(233,862,421)	(328,481,871)
<b>Net income for the year</b>	<b>801,172,361</b>	<b>524,123,340</b>	<b>314,503,443</b>	<b>392,061,881</b>	<b>586,333,318</b>
Other comprehensive income	547,862,554	398,341,847	436,958,618	271,524,359	(20,440,367)
<b>Total income for the year</b>	<b>1,349,034,915</b>	<b>922,465,187</b>	<b>751,462,061</b>	<b>663,586,240</b>	<b>565,892,951</b>
<b>Net income attributable to</b>					
Company's shareholders	771,876,751	586,882,560	518,367,453	498,213,809	480,790,742
Non-controlling interest	577,158,164	335,582,627	233,094,608	165,372,431	85,102,209
<b>Total</b>	<b>1,349,034,915</b>	<b>922,465,187</b>	<b>751,462,061</b>	<b>663,586,240</b>	<b>565,892,951</b>

(\*) It does not include the effects of the change in the accounting policy described in Note 42 to the consolidated financial statements.



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Chairman  
Syndics Committee



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Board



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Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.



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Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Partner)

# CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2015, PRESENTED IN COMPARATIVE FORM

## IV. CASH FLOW STRUCTURE COMPARED WITH THE FOUR PREVIOUS YEARS

	Generation / (Uses) of funds				
	12.31.2015	12.31.2014	12.31.2013 (*)	12.31.2012 (*)	12.31.2011 (*)
Operating activities	3,059,959,267	1,843,191,581	1,015,191,685	355,477,869	615,771,817
Investing activities	(1,306,242,587)	(1,152,985,916)	(946,001,906)	(454,502,543)	(431,956,501)
Financing activities	(1,209,235,119)	(461,603,385)	370,629,471	72,775,405	(563,120,867)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>544,481,561</b>	<b>228,602,280</b>	<b>439,819,250</b>	<b>(26,249,269)</b>	<b>(379,305,551)</b>

(\*) It does not include the effects of the change in the accounting policy described in Note 42 to the consolidated financial statements.

## V. STATISTICAL DATA COMPARED WITH THE SAME PERIODS OF THE PREVIOUS FOUR YEARS

### a) RETAIL AND CONSUMER PRODUCTS SEGMENTS

	Fourth quarter 2015 Tn.	Fourth quarter 2014 Tn.	Fourth quarter 2013 Tn.	Fourth quarter 2012 Tn.	Fourth quarter 2011 Tn.
Production volume	363,081	365,544	342,808	369,159	383,487
Sales volume – domestic market	280,934	269,454	293,827	281,207	284,249
Sales volume – export market	20,293	19,051	22,092	20,972	25,222

	Accumulated at 12.31.2015 Tn.	Accumulated at 12.31.2014 Tn.	Accumulated at 12.31.2013 Tn.	Accumulated at 12.31.2012 Tn.	Accumulated at 12.31.2011 Tn.
Production volume	1,529,902	1,560,583	1,579,844	1,619,044	1,657,844
Sales volume – domestic market	1,157,117	1,163,894	1,133,744	1,136,576	1,140,823
Sales volume – export market	77,403	78,951	83,402	93,438	114,364

### b) INDUSTRIAL SEGMENTS

	Fourth quarter 2015 Tn.	Fourth quarter 2014 Tn.	Fourth quarter 2013 Tn.	Fourth quarter 2012 Tn.	Fourth quarter 2011 Tn.
Production volume	72,157	71,589	72,768	69,484	70,183
Sales volume – domestic market	53,551	54,294	53,403	50,230	50,104
Sales volume – export market	3,581	4,781	3,566	2,639	3,119

	Accumulated at 12.31.2015 Tn.	Accumulated at 12.31.2014 Tn.	Accumulated at 12.31.2013 Tn.	Accumulated at 12.31.2012 Tn.	Accumulated at 12.31.2011 Tn.
Production volume	307,874	307,771	321,926	298,067	297,284
Sales volume – domestic market	231,254	231,850	239,606	219,009	217,845
Sales volume – export market	12,805	14,616	12,641	12,154	13,302

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(Partner)



# CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2015, PRESENTED IN COMPARATIVE FORM

## VI. MAIN CONSOLIDATED FINANCIAL RATIOS AND EBITDA

	12.31.2015	12.31.2014	12.31.2013	12.31.2012	12.31.2011
• Liquidity	1.3	1.5	1.6	1.5	1.6
• Solvency	0.4	0.4	0.5	0.6	0.6
• Capital Immobilization	0.4	0.4	0.3	0.3	0.3
• Indebtedness	2.4	2.3	2.1	1.6	1.6
• Financial Indebtedness	1.6	2.2	2.4	1.9	1.5
• Interest Rate Hedging	3.5	3.0	4.0	5.2	6.6
• Profitability	16.0%	12.5%	8.7%	12.7%	22.2%
• Non-current Liabilities / Tangible Equity	0.9	1.0	0.9	0.5	0.6
• EBITDA	3,165,737,322	2,506,247,164	1,504,075,230	1,293,682,244	1,287,315,580

DEFINITIONS	
• Liquidity	Current Assets / Current Liabilities
• Solvency	Equity attributable to shareholders of the Company / Total Liabilities
• Capital Immobilization	Non-current Assets / Total Assets
• Indebtedness	Total Consolidated Liabilities / Equity attributable to shareholders of the Company
• Financial Indebtedness (1)	(Current Loans + Non-current Loans) / EBITDA (1)
• Interest Rate Hedging	EBITDA / Consolidated Financial Interest
• Profitability	Net income for the year / Averaged equity
• Non-current Liabilities / Tangible Equity	Non-current Liabilities / (Equity attributable to shareholders of the Company + Non-controlling interest – Intangible Assets)
• EBITDA	Operating Income + Depreciation + Amortization of Intangible Assets

(1) Foreign currency-denominated loans calculated at the exchange rate effective at period-end and EBITDA translated into USD at the annual moving average exchange rate at each closing date published by Banco de la Nación Argentina.



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See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.



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(Partner)

# CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2015, PRESENTED IN COMPARATIVE FORM

## VII. OUTLOOK

According to IMF estimates<sup>(1)</sup>, the global economy would increase 3.4% in 2016. The projected growth for next year is weak and may be uneven, since it would show a modest recovery for the countries with advanced economies, such as Japan, United States and the Euro zone, among others. Meanwhile, the developing economies are facing a new reality of slower growth, due to the decrease in the prices of raw materials, the currency devaluation and the increasing volatility of the financial markets.

The recovery in the United States is expected to continue, with a growth rate of 2.6%, as a consequence of the reduction in energy costs and the strengthening of the housing and labor markets. A 1.0% GDP increase is expected in Japan for 2016, generated by the rise of the real wage and the decline in oil prices and raw materials.

According to the report, the recovery in Europe is expected to continue, with a projected growth of 1.7% for 2016, as a result of the decline in oil prices and the loss of value of the Euro against the US Dollar. Furthermore, the potential growth is still weak, as a result of the crisis, but also due to demographic and political factors, such as the crisis of refugees in Iraq and Syria.

China would grow 6.3% if the investment growth rate continues declining to reduce the vulnerabilities generated by the rapid growth of credit and investment. A growth strengthening of 7.5% is foreseen for India in 2016, mainly based on the prices decrease in raw materials. Geopolitical tension and the drop in oil would impact on Russia, giving rise to a 1.0% contraction per year.

In Latin America and the Caribbean, according to the ECLAC<sup>(2)</sup>, the GDP increase for 2016 would reach a rate of approximately 0.2% with different growth rates among countries and sub regions. The countries that depend on raw materials exports and have China as one of their main destination will be more affected than those countries that are engaged in the manufacturing and services provision for the most developed economies, especially the United States.

Brazil projects a 2.0% contraction of the economy, according the ECLAC report. This growth will be affected by the different macroeconomic variables, such as the exchange rate, as well as the political and institutional situation.

In accordance with the ECLAC report, Chile expects an economic growth similar to the prior year's, and it would achieve a 2.1% GDP increase for 2016.

As regards Argentina's growth, the ECLAC expects that the country grow at a rate of 0.8% in 2016.

The value of *commodities*, the financing of the budget, the fiscal deficit, the exchange rate, inflation, imbalance in some relative prices, the results of the negotiations over *Holdouts*, the union collective bargaining agreements and level of reserves are the main issues that will define the course of the economy in the current year.

In line with the international, national and regional economy prospects, the Board of Directors ratifies the strategy of focusing on mass consumption businesses, expense control, development of strategic association projects, increase in sales abroad through the orientation and maintenance of international markets and business globalization, making liquidity and a healthy financing structure a priority, with the aim of ensuring compliance with the obligations and commitments undertaken, and the necessary funds to conduct its operations and carry out its investment projects.

(1) Source: IMF, World Economic Outlook Update, Washington, January 2016.

(2) Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean 2015" (LC/G.2655-P), Santiago, January 2016. Statistical data included in the report: year 2015. Estimates; 2016. Projections.

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Chairman

See our report date March 9, 2016  
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.Cba. N° 21.00004.3  
Dr. Andrés Suarez. Public Accountant (UBA)  
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.



## AUDITORS' REPORT

To the  
Shareholders, Chairman and Directors of  
**ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL**  
Av. Fulvio Salvador Pagani 487  
ARROYITO – CÓRDOBA  
C.U.I.T. N°: 30-50279317-5

### Report on the financial statements

We have audited the accompanying consolidated financial statements of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL and its subsidiaries ("The Company"), including the consolidated balance sheet at December 31, 2015, the consolidated statements of income and of other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

The balances and other information corresponding to the fiscal year 2014 are an integral part of the audited financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

### Management's Responsibility

The Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and added by the National Securities Commission ("CNV") to its regulations, as approved by the International Accounting Standard Board ("IASB"). Further, the Board of Directors is responsible for the existence of adequate internal control to prepare the consolidated financial statements free of any significant distortions due to misstatements or irregularities.

### Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). These standards were adopted as auditing standards in Argentina by Technical Pronouncement No. 32 of FACPCE, as were approved by the International Auditing and Assurance Standards Board (IAASB), and require that we comply with the ethics requirements, as well as plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

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*Price Waterhouse & Co. S.R.L., Av. Colón 610 - 8º Piso - X5000EPT - Córdoba*  
*T: +(54.351) 420.2300, F: +(54.351) 420.2332, [www.pwc.com/ar](http://www.pwc.com/ar)*

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An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements due to fraud or error. In making those risk assessments, the auditor should take into account the internal control relevant to the preparation and fair presentation of the Company's consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements as a whole.

We believe that the evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements mentioned in the first paragraph present fairly, in all material respects, the consolidated financial position of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL and its subsidiaries as of December 31, 2015, as well as the consolidated comprehensive income and consolidated cash flows for the fiscal year then ended, in accordance with International Financial Reporting Standards.

### Report on the compliance with current regulations

In accordance with current regulations, we report that, in connection with ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL:

- a) the consolidated financial statements of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL are transcribed into the "Inventory and Balance Sheet" book and as regards those matters that are within our competence, they are in compliance with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;
- b) the separate financial statements of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL arise from accounting records carried, in all formal respects, in accordance with current regulations, and which maintain in conditions based on which they were authorized by Superintendency of Commercial Companies of the Province of Córdoba;
- c) the total amounts corresponding to the consolidated balance sheet and the consolidated statement of income and consolidated statement of other comprehensive income are as follows:

c.1) Consolidated balance sheet at December 31, 2015 and December 31, 2014:

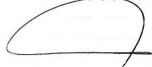
	12.31.15	12.31.14
Assets	19,100,288,587	14,971,648,812
Liabilities	13,557,023,195	10,490,646,977
Equity	5,543,265,392	4,481,001,835

- c.2) Consolidated statement of income and statement of other comprehensive income for the years ended December 31, 2015 and 2014, which show a total comprehensive income of ARS 1,349,034,915 and ARS 922,465,187, respectively.

- d) we have read the summary of activity, on which, insofar as concerns our field of competence, we have no observations to make;
- e) at December 31, 2015 the debt accrued by ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL in favor of the Argentine Integrated Social Security System according to the Company's accounting records amounted to ARS 98,005,764.88, none of which was claimable at that date.
- f) as set forth in Section 21, Subsection e), Chapter III, Section VI, Title II of the National Securities Commission's regulation, we report that total fees for auditing and related services billed to the Company in the year ended December 31, 2015 account for:
  - f.1) 96.48% of the total fees for services billed to the Company for all items during that fiscal year;
  - f.2) 62.49% of the total fees for services for auditing and related services billed to the Company, its parent companies, subsidiaries and related companies during that year;
  - f.3) 61.00% of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;
- g) we have applied the procedures for the prevention of money laundering and anti-terrorist financing for ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL as foreseen in the professional standards issued by the Professional Council in Economic Sciences for the Province of Córdoba.

City of Córdoba, March 09, 2016

PRICE WATERHOUSE & CO. S.R.L.



(Partner)

C.P.C.E.Cba. N° 21.00004.3

Dr. Andrés Suarez. Public Accountant (UBA)

Mat. Prof. 10.11421.4 - C.P.C.E.Cba.



## **SYNDIC'S COMMITTEE REPORT**

To the Shareholders of

**ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL**

Avenida Fulvio Salvador Pagani 487

City of Arroyito - Province of Córdoba.

Pursuant to the provisions of paragraph 5 of Section 294 of the Law No. 19,550 and National Securities Commission regulations, we have examined the documents detail in Section 1 below. The preparation and issue of the financial statements is responsibility of the Company's management in the exercise of its exclusive functions. Our responsibility is to report on those documents, based on the review performed with the scope detailed in Section 2.

### **1. DOCUMENTS EXAMINED**

#### **a) Consolidated Financial Statements:**

- Consolidated balance sheet at December 31, 2015.
- Consolidated statement of income and of other comprehensive income for the year ended December 31, 2015.
- Consolidated statement of changes in equity for the year ended December 31, 2015.
- Consolidated statement of cash flows for the year ended December 31, 2015.
- Selected explanatory notes for the consolidated financial statements for the year ended December 31, 2015.

#### **b) Separate Financial Statements:**

- Separate balance sheet at December 31, 2015.
- Separate statement of income and of other comprehensive income for the year ended December 31, 2015.
- Separate statement of changes in equity for the year ended December 31, 2015.
- Separate statement of cash flows for the year ended December 31, 2015.
- Selected explanatory notes for the separate financial statements for the year ended December 31, 2015.

#### **c) Inventory and Annual Report of the Board of Directors for the year ended December 31, 2015.**

#### **d) The information on the degree of compliance of the Code of Corporate Governance included as Exhibit to the Annual Report prepared by the government body of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL.**

#### **e) The consolidated business highlights for the year ended December 31, 2015, as required by Section 4, Chapter III, Title IV of the National Securities Commission regulations.**

#### **f) Additional information to the notes to the separate financial statements for the year ended December 31, 2015, as required by Section 12, Chapter III Title IV of the National Securities Commission regulations.**

#### **g) Information included in Note 40 to the separate financial statements with respect to the requirements established by the National Securities Commission in relation to Minimum Shareholder's Equity and Contra-account.**

Balances and other information corresponding to the year ended December 31, 2014 are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with those financial statements.

The mentioned documents are responsibility of the Board of Director of the Company in exercise of its exclusive functions.

## **2. SCOPE**

Our analysis was conducted in compliance with the standards applicable to syndics' reviews, set forth by Technical Pronouncement No. 15 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE). These standards require that the review of the consolidated financial statements be made in accordance with the auditing standards of Technical Pronouncement No. 32/2012 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), and include verifying the reasonableness of the significant information contained in the documents examined and their consistency with the information on corporate decisions of which we became aware, as disclosed in Board of Directors and Shareholders' meeting minutes, and the conformity of those decisions to the law and the by-laws insofar as concerns formal and documentary aspects.

To perform our professional tasks on the documents detailed in the item a) and b) of the Section 1, we have made a review of the audit performed by the external auditors of ARCOR SOCIEDAD ANONIMA, INDUSTRIAL y COMERCIAL, Price Waterhouse & Co. S.R.L., who issued a report dated March 9, 2016 in accordance with the auditing standards currently in force.

An audit requires that the auditor plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements or errors. An audit includes examining, on a test basis, evidence supporting the disclosures in the consolidated financial statements, assessing the accounting standards used and the significant estimates made by the Company, as well as evaluating the overall financial statement presentation. We believe that our work and the Company's external auditors' report provide us with a reasonable basis to support our report.

In regards to the Annual Report of the Board of Directors, the consolidated business highlights, the Additional information to the notes to the separate financial statements for the year ended December 31, 2015, we have verified that the required information is contain as required by the section 66 of the General Companies Law, Section 4, Chapter III, Title IV and Section 12, Chapter III Title IV of the National Securities Commission regulations, on which, insofar as concerns our field of competence, that the numerical data agree with the Company's accounting records and other relevant documentation.

As well we reviewed the information on the degree of compliance of the Code of Corporate Governance included as Exhibit to the Annual Report prepared by the Board of Directors in accordance with the requirements of General Resolution No. 606/2012 of the National Securities Commission.

We have not performed any control over the management, and therefore we have not evaluated the business criteria for administrative, selling and production issues, as such matters are the exclusive responsibility of the Board of Directors and Shareholders' Meeting.

### 3. CONCLUSION OF THE SYNDICS' COMMITTEE

Based on our examination, and with the scope detailed in Section 2, we report that:

- a) The figures in the consolidated financial statements mentioned in Section 1 of this report presents fairly, in all material respects, the consolidated balance sheet as of December 31, 2015, as well as the consolidated comprehensive income and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and by the Professional Council in Economic Sciences of Cordoba (C.P.C.E. Cba.) as approved by the International Accounting Standards Board (IASB).
- b) The figures in the separate financial statements mentioned in Section 1 of this report presents fairly, in all material respects, the separate balance sheet as of December 31, 2015, as well as the separate comprehensive income and separate cash flows for the year then ended, in accordance with Technical Pronouncement No. 26 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), adopted and approved by Professional Council in Economic Sciences of Cordoba (C.P.C.E. Cba) for the preparation of separate financial statements of a controller entity.
- c) Furthermore, in relation with Inventory and Annual Report of the Board of Directors for the year ended December 31, 2015, as regards those matters within our competence, we have no observations to make. Annual Report of the Board of Directors contains the information required by the section 66 of the General Companies Law, and that the numerical data agree with the Company's accounting records and other relevant documentation.
- d) In regards with the information on the degree of compliance of the Code of Corporate Governance included as Exhibit to the Annual Report and prepared by the government body of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL y COMERCIAL, mentioned on the item d) of Section 1 according to the work done and as regards those matters within our competence, the information there provided has been prepared in a reliable manner and, in its significant aspects, in accordance with the requirements of General Resolution No. 606/2012 of the National Securities Commission.
- e) With respect with to the consolidated business highlights, additional information to the notes as required by Section 12, Chapter III Title IV of the National Securities Commission regulations and information included in Note 40 to the separate financial statements, mentioned on items e), f) and g) of Section 1., as regards those matters within our competence, we have no observations to make.
- f) In accordance with National Securities Commission regulations on the independence of the external auditor, on the quality of the auditing policies applied by the auditor and the Company's accounting policies, the report of the external auditor described above includes the representation of having applied auditing standards in effect in Argentina, which comprise independence requirements, and has no qualifications as regards the application of such standards or discrepancies in relation to the professional accounting standards.
- g) We have applied money laundering abatement and anti-terrorist financing procedures foreseen in the Resolution No. 40/2011 of the Professional Council in Economic Sciences of the Province of Córdoba (C.P.C.E. Cba.).

In addition, in compliance with current regulations we report that the accompanying consolidated financial statements and the corresponding inventory of ARCOR SOCIEDAD ANÓNIMA INDUSTRIAL Y COMERCIAL are transcribed into the “Inventory and Balance Sheet” book and arise from accounting records carried, in all formal respects, in accordance with current regulations.

Furthermore, in the exercise of the legality control falling within our field of competence, we have applied the different procedures described in section No. 294 of the General Companies Law No. 19,550 which we consider are necessary according to the circumstances (including attendance to Board of Directors and Shareholders' Meetings), there being no observations to make.

City of Córdoba, Province of Córdoba, March 9, 2016.

A handwritten signature in black ink, consisting of a large, stylized 'V' and 'A' intertwined.

Víctor Jorge Aramburu,  
Accountant Chairman  
of the Syndics' Committee



*Nourishing  
Magical Moments*

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