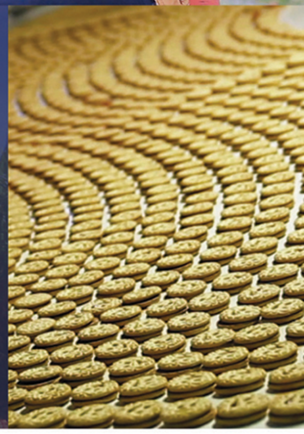
Annual Report and Financial Statements

2016 | AS OF DECEMBER 31, 2016
56th FISCAL YEAR



For 65 years, our own history
has been nurtured by other stories.

65 Anniversary ARCOR group

Getting Together Made Us All Grow

Annual Report

56th FISCAL YEAR





Arcor has been building its own history for 65 years based on many other stories lived by the people and institutions that not only grew with us, but also helped us to grow.

GETTING TOGETHER MADE US ALL GROW

Message from our President

During 2016, the world economy grew at a similar pace than the year before. The estimated growth rate was 3.1%, as reported by the IMF. This was largely due to a downturn in the U.S. economy during the first half of the year, a meager growth in the Eurozone at 1.7%, and a slowdown in the Chinese growth rate, registered at 6.7%.

While the Latin American and Caribbean economy shrank by 1.1%, the Argentine economy fell by 2%, according to the ECLAC's report.

Within this global environment, Arcor Group ends the year with an increase in sales, as compared to the previous year. The focus was set on its main businesses, expense control, development of strategic association projects, increase in sales abroad by opening and maintaining international markets, and business globalization. A priority was given to liquidity and building a sound financing structure in order to ensure compliance with its obligations and commitments, as well as the necessary funds to carry out its operations and investment projects.

All mass consumption businesses made important launches and business actions were focused on innovation and the development of new products. Aiming at enhancing the production capacity, product lines were expanded through industrial investments.

The third Corn Wet Milling plant was opened this year, with a milling capacity of 600 tons per day. This new Agribusiness factory is primarily engaged in manufacturing fructose, a supply for soft drinks, flavored water and juices, among other products. It was built using the latest world-class technology and processes, according to the strictest quality standards to satisfy customer requirements, thus achieving an excellent market acceptance.

Following the significant agreement executed with Mastellone Hermanos S.A., the leading producer and vendor of dairy products in Argentina, we are making further progress in this association through a second contribution made on January 2017 for the equivalent of USD 35 million in Argentine pesos. After obtaining the authorizations required by the control authorities, and pending the issuance of the relevant shares, Arcor S.A.I.C. and Bagley Argentina S.A. will hold an equity interest of 33.53% in Mastellone Hermanos S.A.

Undoubtedly, the most significant event of 2016 was the celebration of our 65th anniversary. Arcor has been building its history for 65 years, based on the many stories lived by the people that not only grew with us but also helped us grow. That is why we celebrated our anniversary under the idea that “Getting Together Made Us All Grow”, in an attempt to show that our company is largely built alongside and hand in hand with the people and institutions present across the value chain. The celebration was based on real stories told by their protagonists in a comprehensive campaign, as well as a major event for journalists, opinion leaders and the media.

All these actions drive our growth, reinforcing our vision for the years to come: To be a leading food and confectionery company in Latin America, renowned in the international market, standing out for our sustainable practices and our ability to venture into new businesses.

From the beginning, “Getting Together Made Us All Grow,” and I am convinced that this path will continue to guide our future growth.

Luis A. Pagani
Arcor Group’s President

GETTING TOGETHER MADE US ALL GROW

Arcor has been building its history for **65 years**, based on the many stories lived by the people that not only grew with us but also helped us grow.
Therefore, to celebrate our **65th anniversary** we launched a communication campaign under the idea that **"Getting Together Made Us All Grow",** showing how our company is built hand in hand with the people and institutions present across the value chain.

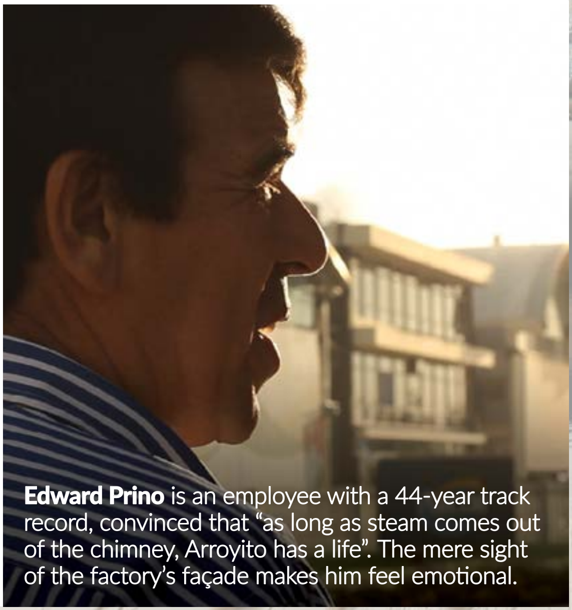
This initiative collected **65 stories** received from employees, consumers and the public in general.

Stories by Those Who Supported the Growth of Arcor

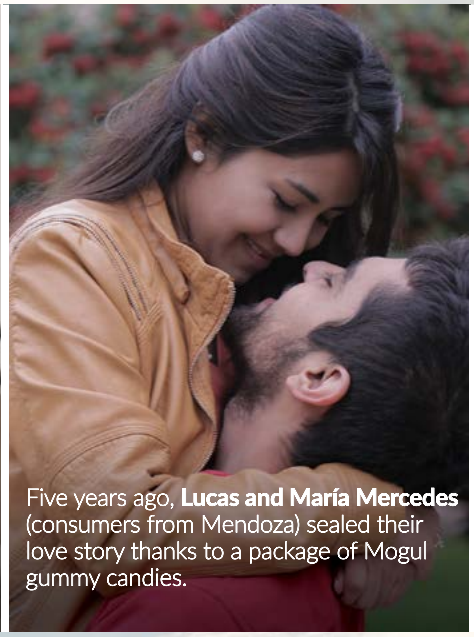
From all the stories received, six were selected and filmed by the film director **Mariano Llinás** at different locations in Argentina (from Tucumán to Tierra del Fuego), clearly representing all stages of the value chain: employees, suppliers, distributors, consumers and the community in general.


Miguel Rechia from Ushuaia talks about the ten years of the "Fratello" Kiosk, and the significance of its sales: "We are selling something that will create jobs for other Argentinians".


Mario Bastari started his activity as Arcor's Official Distributor 37 years ago, after winning in a raffle. Now he manages 5,000 clients from his office at Salto.


Edward Prino is an employee with a 44-year track record, convinced that "as long as steam comes out of the chimney, Arroyito has a life". The mere sight of the factory's façade makes him feel emotional.

Pablo Castro serves as coordinator of the civil association ACERCAR at Arroyito, sponsored by Arcor. He explains how they help integrate people with disabilities into the labor market.



Five years ago, **Lucas and María Mercedes** (consumers from Mendoza) sealed their love story thanks to a package of Mogul gummy candies.

Domingo Argente from Tucumán has been a strawberry supplier for 25 years now, and compares his plants to his kids because "he knows them deeply".

GRUPO ARCOR AIRED A TV INSTITUTIONAL SPOT, FEATURING THE VOICE-OVER OF **GUILLERMO FRANCELLA.** A WARM, EMOTIONAL VIDEO, IN LINE WITH THE SPIRIT OF THE CAMPAIGN, WHICH REFLECTED THE RICH HISTORY OF ARCOR AND THE WIDE ARRAY OF PLAYERS THAT MADE IT HAPPEN.

Special Press Premiere

On July 5th, the anniversary day, a press premiere was held at **Malba Museum,** inviting journalists, opinion leaders and the media as a preview to the campaign. The TV spot and short videos were projected onto a movie screen. During this event hosted by **María Laura Santillán,** who interviewed **Marcelo Siano** and **Luis A. Pagani,** the audience had the chance to get acquainted with the history of Arcor, its challenges and future projection. As a final surprise, the **Kennedy Children's Choir** sang the Arcor Anthem.

ARCOR GROUP TODAY

200
PRODUCTS LAUNCHED
EVERY YEAR

ARGENTINE LEADER
IN CORRUGATED
CARDBOARD PRODUCTION

ARGENTINE COMPANY WITH THE LARGEST NUMBER OF GLUTEN-FREE PRODUCTS

MORE THAN 15,000
SUPPLIERS

40 INDUSTRIAL PLANTS
IN LATIN AMERICA

EXPORTS TO MORE THAN
120 COUNTRIES

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

THE WORLD'S FIRST
HARD CANDY
MANUFACTURER

MORE THAN 5.6 MILLION
DOLLARS IN REGIONAL SOCIAL
INVESTMENT AND COMMUNITY IMPACT MANAGEMENT

11 COMMERCIAL OFFICES
DISTRIBUTED IN AMERICA, EUROPE AND ASIA

21,000
EMPLOYEES

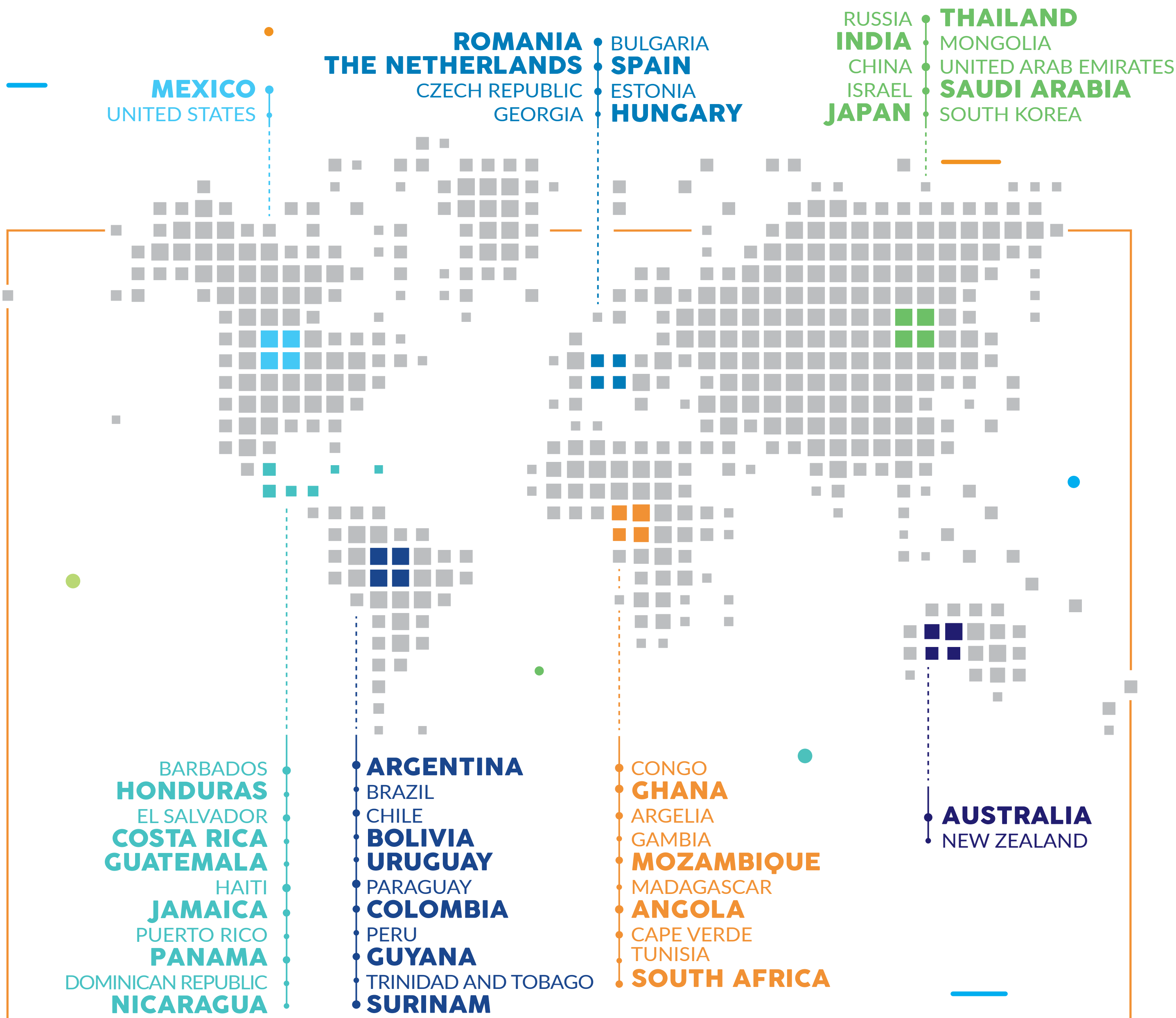
MORE THAN 1 MILLION
POINTS OF SALE IN THE REGION

ONE OF THE
MAIN PRODUCERS
OF CORN SYRUP AND ETHYL ALCOHOL IN THE COUNTRY



ARCOR AROUND THE WORLD

PRESENCE IN MORE THAN 120 COUNTRIES*



* These are the main countries

COMMERCIAL OFFICES

South America

ARCOR S.A.I.C. Buenos Aires, Argentina (Headquarters)
ARCOR S.A.I.C. Córdoba, Argentina (Headquarters)
UNIDAL VENEZUELA S.A. Caracas, Venezuela (2005)
INDUSTRIA DOS EN UNO DE COLOMBIA LTDA. 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)

North America

ARCOR USA INC. Miami, EE. UU. (1993)
UNIDAL MÉXICO S.A. de C.V. México D. F., México (2000)

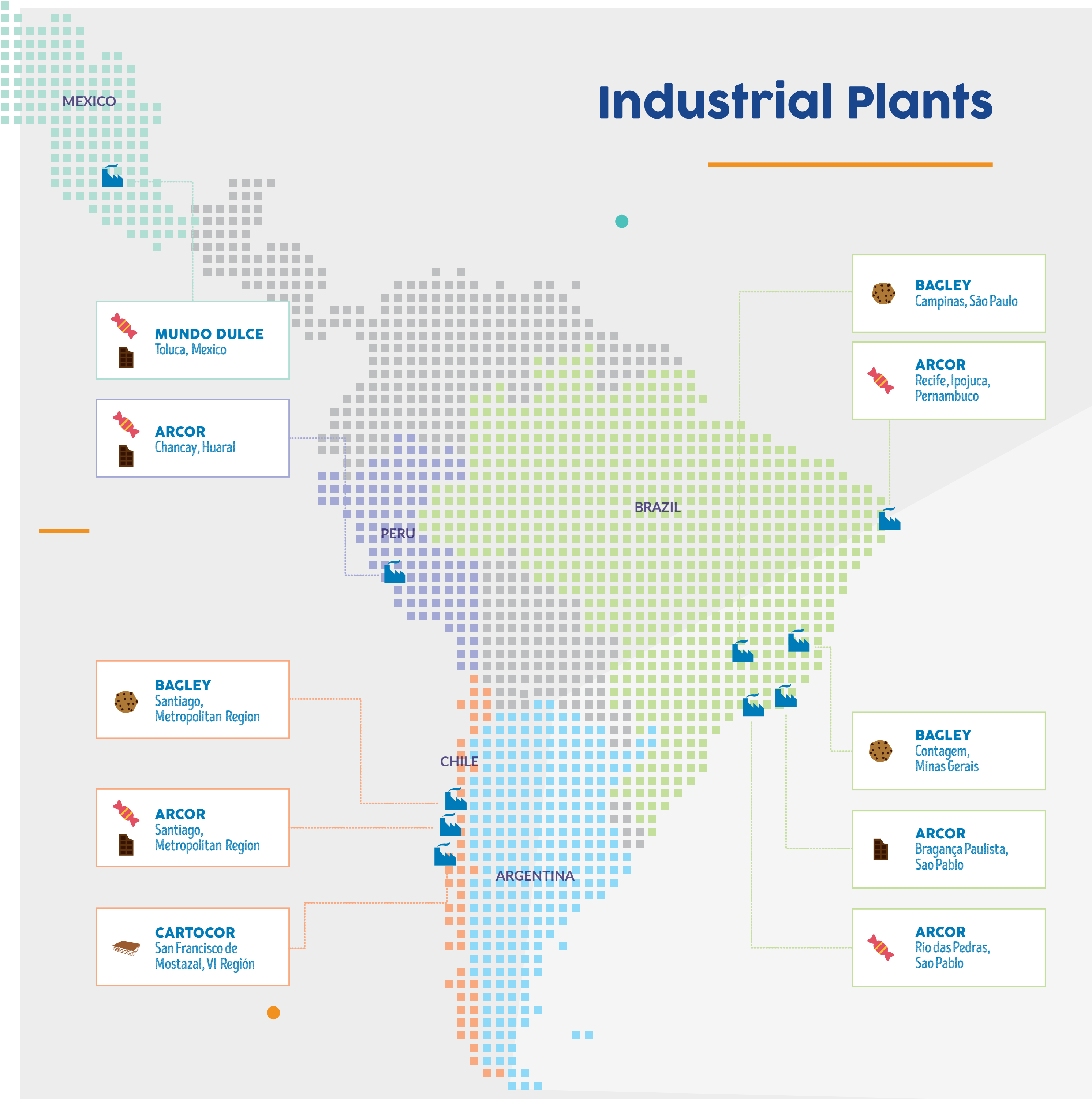
Europe

ARCOR A.G. (S.A. LTD.) Barcelona, Spain (2002)

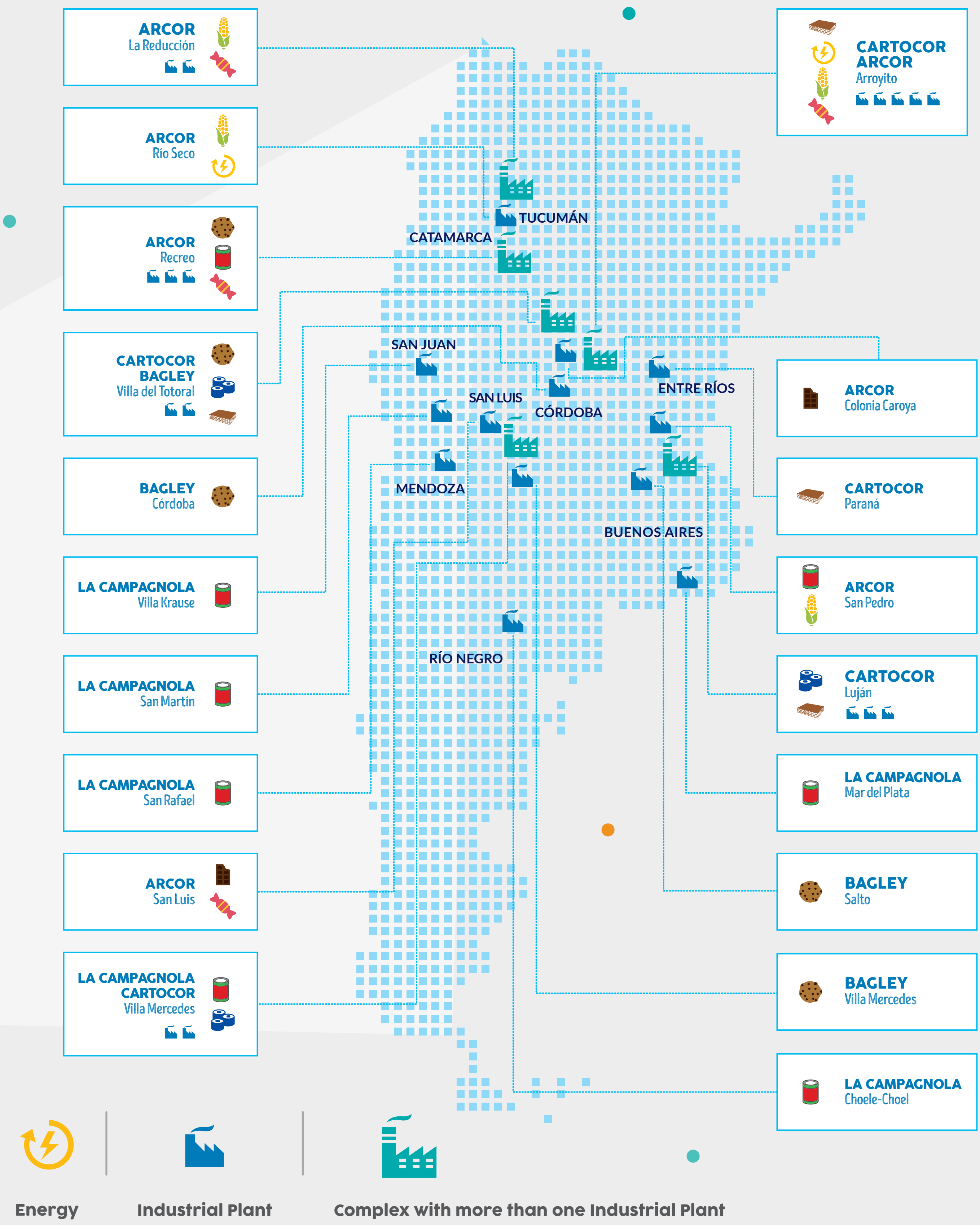
Asia

ARCOR TRADING (SHANGHAI) CO., LTD. Shanghái, China (2006)

Industrial Plants



REFERENCES


ARCOR
La Reducción
ARCOR
Río Seco
ARCOR
Recreo
CARTOCOR
BAGLEY
Villa del Totoral
BAGLEY
Córdoba
LA CAMPAGNOLA
Villa Krause
LA CAMPAGNOLA
San Martín
LA CAMPAGNOLA
San Rafael
ARCOR
San Luis
LA CAMPAGNOLA
CARTOCOR
Villa Mercedes
CARTOCOR
ARCOR
Arroyito
ARCOR
Colonia Caroya
CARTOCOR
Paraná
ARCOR
San Pedro
CARTOCOR
Luján
LA CAMPAGNOLA
Mar del Plata
BAGLEY
Salto
BAGLEY
Villa Mercedes
LA CAMPAGNOLA
Choele-Choel
TUCUMÁN
CATAMARCA
SAN JUAN
SAN LUIS
CÓRDOBA
ENTRE RÍOS
MENDOZA
BUENOS AIRES
RÍO NEGRO
Energy
Industrial Plant
Complex with more than one Industrial Plant

OUR PHILOSOPHY

Our Corporate Philosophy is made up of our Vision, Mission and Values. It reflects our 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.




OUR VALUES

INTEGRITY

We obtain results through transparent, coherent and responsible behavior.

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.

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.

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 an opportunity to grow.

ARCOR AND SUSTAINABILITY

NOURISHING BONDS FOR DEVELOPMENT

Since its inception 65 years ago, Arcor Group is committed to conducting its business in a responsible manner, focusing on economic growth, social development and environmental protection. This has always been Arcor's distinctive feature: to establish a sustainability vision in all its businesses. To this end, the Company encourages all stakeholders across the value chain to adopt this commitment.

As regards social investment, the focus is on creating equal opportunities for children through the Arcor Foundation in Argentina and Chile, and the Brazil Arcor Institute. Furthermore, the Company develops community impact management plans and strategies in the locations where it operates.

Thus, the vision guiding Arcor Group is nurtured by its best practices and reinforces the conviction of building together a sustainable future for everyone.

ARCOR'S SUSTAINABILITY POLICY

We understand that economic development should be aligned with welfare, social inclusion, and environment appreciation and protection. Therefore, we have undertaken one general and five specific commitments towards the sustainable development of the most significant and priority issues for our business, with the aim of creating value for all our stakeholders.

- Rational Use of Water
- Energy Efficiency and Minimizing Impact on the Global Climate Change
- Rational Use of Packaging Materials
- Respect for and Protection of Human and Labor Rights
- Active Life and Healthy Nutrition

For further information, please refer to **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 Saturday, April 29, 2017, 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 Statutory Audit Committee's Report for fiscal year N° 56 beginning January 1 and ended December 31, 2016.

03 Consider the Board of Directors' and Statutory Audit 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 315,000,000 to be paid in two installments, the first of which amounts to up to ARS 125,000,000, payable as from May 10, 2017, and the second one, up to ARS 190,000,000, payable as from December 12, 2017.

07 Consider the Board of Directors' and Statutory Audit Committee's compensation.

08 Determine the number of regular and alternate directors and proceed to their appointment.

09 Appoint three regular statutory auditors and three alternate statutory auditors to serve as members of the Statutory Audit Committee.

10 Appoint an External Auditor who will certify the Financial Statements for fiscal year N° 57 and establish his/her fees. Appoint an alternate External Auditor who will replace the former in case of any obstacle.

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 25, 2017. 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 N° 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

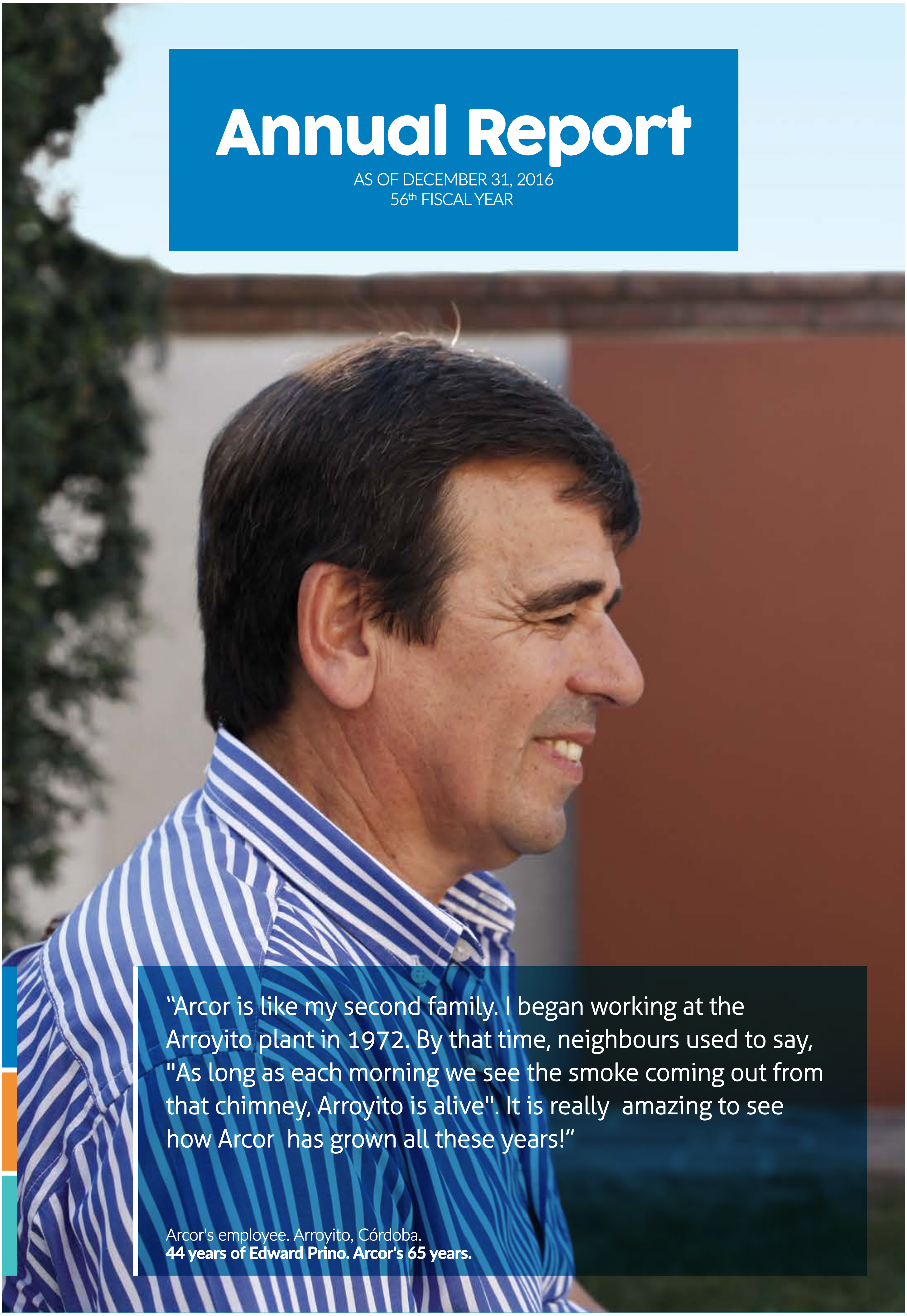
CHAIRMAN	Mr. Luis Alejandro PAGANI
VICE-CHAIRMAN	Mr. Alfredo Gustavo PAGANI
SECRETARY	Mr. Jorge Luis SEVESO
REGULAR DIRECTORS	Mr. José Enrique MARTÍN Mr. Hugo Enrique LAFAYE Mr. Alejandro Fabián FERNÁNDEZ Mr. Víctor Daniel MARTÍN Miss. Lilia María PAGANI Mrs. Claudia Susana PAGANI de MARTIN Mr. Guillermo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

Syndic´s Committee

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

Annual Report

AS OF DECEMBER 31, 2016
56th FISCAL YEAR



"Arcor is like my second family. I began working at the Arroyito plant in 1972. By that time, neighbours used to say, "As long as each morning we see the smoke coming out from that chimney, Arroyito is alive". It is really amazing to see how Arcor has grown all these years!"

Arcor's employee. Arroyito, Córdoba.
44 years of Edward Prino. Arcor's 65 years.

To the Shareholders

The Board of Directors is pleased to submit for your consideration the Annual Report, Inventory Book, Separate Financial Statements, Consolidated Financial Statements, Auditor's Report, Syndic's Committee Report, and the allocation of the Net Income for the 56th year beginning on January 1 and ended December 31, 2016.

Overview

During 2016 the world economy grew at a pace similar to the previous year. As reported by the IMF[1], the estimated growth rate was 3.1% for the year, which reflects a decrease as compared with the initial prospects of an annual growth around 3.4%. This was mostly due to weaker activity in the United States in the first half of the year, and to the economic uncertainty generated by the voting through which the United Kingdom decided its exit from the European Union (known by the name of Brexit).

The United States grew at 1.6% for the year. According to the IMF, economic activity was strongly revitalized in the late months of the year owing to the increase in consumption brought about by improvement in the labor market, which came near full employment level. Nevertheless, the contraction of capital expenditure in the energy sector, the volatility of financial markets and fears of a recession that were evident in late 2015 and early 2016 determined that the initial growth estimates were not materialized.

The Euro zone recorded a growth of 1.7% in 2016. According to the IMF, post-Brexit macroeconomic data are limited for the time being; therefore, uncertainty remains in connection with the macroeconomic impact that a possible decrease of financial and trade flows between the United Kingdom and the rest of the European Union could have.

China recorded an annual economic growth rate of 6.7% in 2016. The economy in that country is slowing down, as a result of the objectives set by its government. The soundness of consumption and the continuous redirecting of economic activity towards services instead of industry indicate that the transition of China to a more balanced growth model is progressing as expected, thanks to the adoption of policies that support growth. Accordingly, concerns about China's growth prospects in the short term were eased. However, 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.

Although the growth of emerging economies in Asia is still holding out, especially India with a 6.6% growth, the largest economies in sub-Saharan Africa (Nigeria, South Africa and Angola) are suffering intense slowdown or recession as the decrease in the prices of raw materials interacts with difficult political and economic internal conditions.

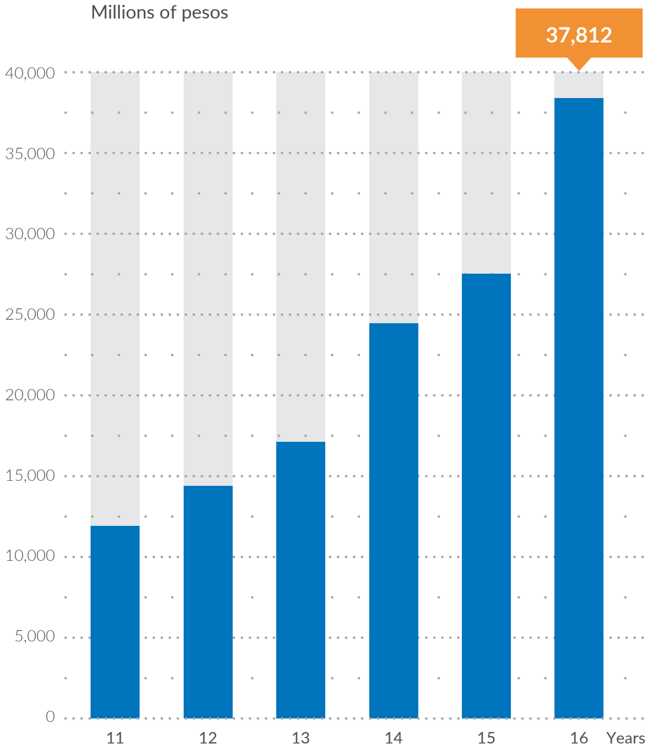
The region of Latin America and the Caribbean, according to the ECLAC[2] preliminary report, recorded an economic contraction of 1.1%, continuing with the economic slowdown process started in 2011. The decrease in dynamism of the economic activity in the region in 2016 basically owes to the reduced growth of most of the economies in South America and to the contraction of some of them, such as Argentina (2.0%), Brazil (3.6%), Ecuador (2.0%) and Venezuela (9.7%). The economic activity in South America as a sub-region went from a contraction of 1.7% in 2015 to 2.4% in 2016.

This contraction in the economic activity of the region was mainly caused by a sharp decline in investment and consumption, in a context of slowdown of exports.

The economies in Central America reduced the growth rate recorded in the previous year. Among these, Mexico went from a 2.5% growth in 2015 to 2.0% in 2016. This reduction was due to the influence on these countries of the economic

[1] Source: International Monetary Fund, "Update on the World Economic Outlook", Washington, January 2017.
[2] Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean 2016" (LC/G.2698-P), Santiago, 2016. Statistical data included in the report: 2016, Estimates; 2017, Projections.

activity in the United States, which recorded a weaker growth in the first semester of the year, with signs of recovery in the second semester.



Brazil ended 2016 with a contraction of 3.6% in its economy, similar to the prior year, as a result of the crisis generated by the fall in the prices of raw materials and political uncertainty. During 2016 the currency of Brazil, an exporting country, was appreciated due to a certain recovery in the prices of raw materials and an improvement in the capital flows towards the economies in emerging markets. Chile ended 2016 with an increase in its GDP of 1.6%.

Argentina, according to the ECLAC report, recorded a contraction of 2.0% in its economy. The report highlights the return of Argentine sovereign debt sector to financial markets after an agreement with the holdouts (dissenting creditors), as well as that of the corporate sector, which increased to a large extent the issuance of international bonds. In turn, the IMF mentioned in its report that in 2016 Argentina started on an important, most necessary transition to a more consistent and sustainable economic policy, which in the short term had an unfavorable impact on the economy, harder than expected.

Furthermore, another factor with a negative incidence on Argentine economy was the economic situation undergone by Brazil, our main commercial partner in the region.

As reported by the ECLAC, several factors such as the outcome of the Brexit vote, the uncertainty in connection with new adjustments to monetary policy in developed economies and the result of the US election have affected the exchange quotation of the currencies in the region. The general tendency was to nominal depreciations, although with high volatility during the year. Thus, during 2016, the Argentine peso was depreciated by 22.0% and the Mexican peso 19.2%, while the real was appreciated by 16.5% and the Chilean peso 5.7%, in all cases against the US dollar.

The Economy and the Company

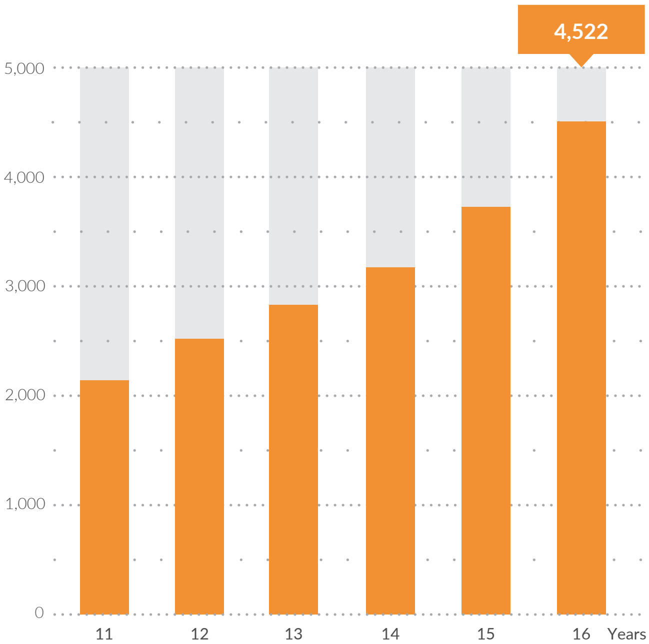
Arcor Group ended the year with a sales increase compared with the previous year. The sales by foreign subsidiaries accounted for 28.7% of the Group's consolidated sales and the Argentine sales, including exports to third parties, accounted for 71.3 % of consolidated sales for 2016.

Total consolidated sales to third parties for 2016 amounted to ARS 37,812.2 million, with a net gain of ARS 1,086.5 million, accounting for 2.9% on sales and a gain of ARS 454.1 million attributable to shareholders of the Company. EBITDA amounted to ARS 3,835.5 million accounting for 10.1% on sales.

Group´s liquidity level amount to ARS 2,233.6 million, recording a net decrease in cash for ARS (408.2) millions compared whit the position at the beginning of the year.

The consolidated net cash flow generated by operations reached to ARS 1,823.3 million, which was used in the financing activities for ARS 700.9 million and in investment activities for ARS 1,530.6 million.

Changes in shareholders' equity
Millions of pesos



Outlook

According to the projections made by the IMF[3], an upturn of the economic activity is expected for 2017. Global economy would reach a 3.4% growth, especially in the economies of emerging and developing markets, where it is expected that the effects of continuous slowdown of growth in China are offset by the improvement of activities in some countries that suffered recession in 2016, such as Brazil, Nigeria and Russia. Nevertheless, the possible final outcomes with respect to projections are widely disperse, given the uncertainty about the foreign policy orientation of the US incoming administration and its international derivations. In this sense, recent political events highlight the erosion of consensus about the benefits of a globalized economy, which could intensify protectionist pressures even more and affect world trade.

For 2017, the IMF foresees a growth rate of 2.3% in the United States, as a result of short-term tax incentives and the monetary policy adopted by the new US government. In Japan, prospects for the medium term are still weak, and a 0.8% increase in GDP is projected for 2017.

According to the IMF report, recovery in Europe is expected to continue, with a projected growth of 1.6% for 2017. Growth will be backed by low prices of oil, modest fiscal expansion and the monetary policies applied, while investors' lower trust as a result of the uncertainty after Brexit could condition economic activity. In a similar way, potential growth is still weak as a result of other geopolitical factors, for example, the situation of refugees and migrants in Europe.

Chinese economy is estimated to grow by 6.5% in 2017, as it is expected that the stimulus policies will be maintained, with a quick credit expansion. A growth of 7.2% is foreseen for India in 2017, mainly based on the improvement in terms of exchange. In Russia, after two years of contraction, the strengthening of the oil price should benefit economic activity; accordingly, a 1.1% growth in the economy is expected for 2017.

In Latin America and the Caribbean, according to the ECLAC[4], the expectation for 2017 is that the region shows a change in the economic cycle, with a GDP growth that could reach a rate of approximately 1.3%. As in previous years, the evolution of the world economy will have a differentiated effect on the diverse countries and sub-regions of Latin America and the Caribbean. In this respect, the trade restrictions that could be implemented as a result of new protectionist tendencies in the United States would have a significant impact on Mexico and Central American countries; this would counteract, at least partly, the positive effects that the greater growth expected for US economy can have on the region.

According to the ECLAC preliminary report, a recovery in intra-regional trade is expected for 2017 due to the better performance of the economies in the south of the region, especially Argentina and Brazil, resulting from a projected improvement in the terms of exchange.

The economic activity in Brazil, as per the ECLAC report, would grow by 0.4% in 2017, following the recession of the last few years. As for Chile, the expected growth is higher than for the prior year; it would reach a 2.0% increment in GDP in 2017.

In connection with growth in Argentina, the ECLAC estimates that in 2017 the country's economy will grow at a rate of 2.3%, mainly owing to a more moderate inflation and to the adoption of economic policies that, among other things, allow for reducing fiscal deficit, improving the regulatory framework for energy and public utilities, enhancing the quality of infrastructure, reducing hindrances to foreign trade and developing local capital markets.

In line with this international, national and regional outlook, the Board of Directors ratifies the strategy focused on their main businesses, expense control, development of strategic association projects, increase in sales abroad through orientation and the 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.

[3] Source: International Monetary Fund, "Update on the World Economic Outlook", Washington, January 2017.
[4] Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean 2016" (LC/G.2698-P), Santiago, 2016. Statistical data included in the report: 2016, Estimates; 2017, Projections.

Business Analysis

Below is a brief description of the main developments in the Arcor Group's different Business Segments for the fiscal year ended December 31, 2016.

Argentina

Confectionery and Chocolates

In 2016, sales in ARS to third parties of the Confectionery Business amounted to ARS 8,611.7 million whereas in 2015 they amounted to ARS 6,820.7.

The most salient segments in the Sugar Confectionery Business were: nougat candies, Menthoplus, and jelly candies.

The main launches in this business were: Topline Natural Fruits, the only chewing gum in the market with macroparticles of fruit juice; apple-flavored Menthoplus Acid; and the new multi-entertainment platform leveraged on the new MiGlobs chewing gum.

In line with the global trend towards new, healthier consumption habits, we successfully entered the new market category of seeds and nuts, with the launch of the Arcor Natural Break brand.

Menthoplus Ácidos candies, *Mogul Gomazo*, MiGlobs and Arcor Natural Break, were the main advertising campaigns.

Since 2011, the Group keep its co-branding agreement with Coca Cola, the largest soft drinks company in the world. The results for the year have been satisfactory and both companies are working to extend the agreement in 2017.

In the Chocolates business, the Cofler brand had an outstanding performance, achieving growth in the lines Cofler Block and *Cofler Aireados*. The Águila brand recorded excellent results, supported by the launch of the product *Águila Extra Fino* 60%-cocoa, which made it possible for the Drinking Chocolate (*"Taza"*) segment to attain a new sales record.

The outstanding advertising campaigns for the year for the chocolate business were: Cofler under the concept "*La felicidad no tiene recetas, Cofler sí*" (There is no recipe for happiness but Cofler has one), and campaigns to support the successful launch of Águila Souce "*Tus manos lo hacen especial, Águila lo hace irresistible*" (Your hands make it special, Aguila makes it irresistible).

In the segment of bonbons, the focus was on the Bon o Bon communication campaign "*Consejos*" (Advice), together with the implementation of commercial actions in the sales channels and the launch of Bon o Bon Águila, with an outstanding level of sales.

Among the main investments in the industrial sector are: in the candy business, the continuity of the extension of the nougat candy line in Arroyito, and in the chocolate business, the installation of a high speed packaging machine of several formats for confits products and the construction and installation of a new plant of treatment of effluent in Colonia Caroya.

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

Argentina
Agribusiness

The business activities, such as the agricultural production, alcohol, dry and wet mills, sugar cane and oil extraction are destined in major measure, to the own consumption of the Group for his massive consumption businesses in Argentina.

During 2016, sales to third parties by the Agribusiness segment in Argentina amounted to ARS 1,675.1 million, with an impressive growth compared with sales in 2015, amounted to ARS 972.7 million.

In the course of 2016, the General Management of Agribusiness was created, with the objective of maximizing the competitive advantage obtained by the Group throughout the years thanks to a strategy of self-supply of raw material, and making the most of the conditions offered by the country in agro industrial matters.

In this regard, a new wet milling plant for corn was opened in Arroyito this year. With an investment of USD 70 million, the plant has the capacity of processing 600 tons of corn a day, for the production of high fructose, a supply to prepare beverages, this new plant has been built incorporating state of the art technology and processes of international level, which have allowed it to certify the most stringent quality standards required by the customer, and obtain high acceptance of the product in the market.

Other industrial investments stand out; for example, the increase in the capacity of extracting corn germ oil at the San Pedro plant.

In 2016 the new wet milling plant in Arroyito received certification of ISO standard 14001, and it maintains the certifications under ISO 9001 and BRC. La Providencia was certified under the HACCP standard and became the first sugarmill in Argentina to obtain the BONSUCRO standard certification. In San Pedro plant the OHSAS 18001, ISO 14001, ISO 9001 and BRC certifications were obtained.

Argentina
Packaging

At the end of 2016, sales to third parties of the Packaging segment amounted to ARS 3,825.4 million compare to ARS 3,048.8 million for the year 2015.

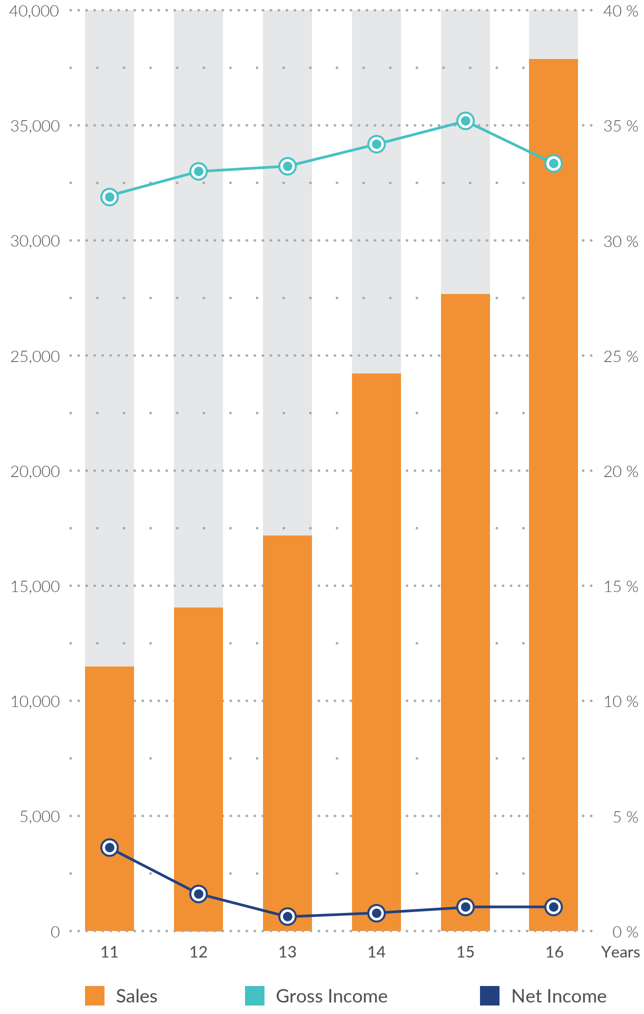
The Paper and Cardboard Business focused on new products in machine-assembling of boxes and on customer service to enhance loyalty and increase the volume of customers based on differentiation.

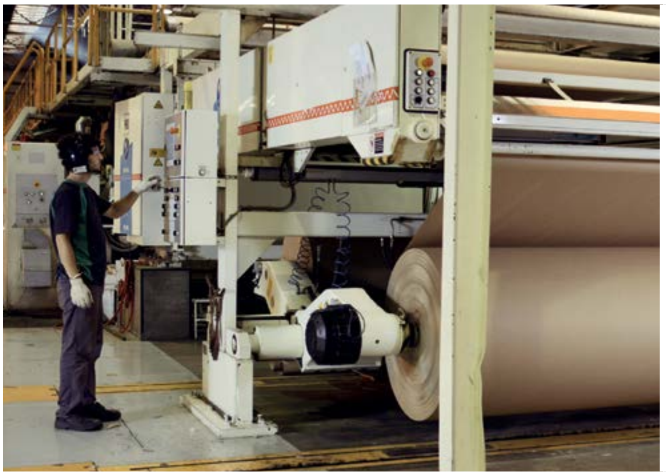
In Flexible product business, there was a recovery in the volume of sales to third parties; also, the joint work in pre-print with the Paper and Cardboard business continued, so as to enlarge the product portfolio.

The industrial investments of the business were focused on improving productivity through renewal of the equipment and automation of the line-end operations and activities, as well as improvements in assets security aimed at reducing and preventing operational risks.

In 2016, the Business maintained the certifications to OHSAS 18001, ISO 14001 and ISO 9001 standards in Paraná, Arroyito, Villa del Totoral and Luján plants. In Arroyito, Paraná and Luján Paper and Cardboard Business plants maintained the certifications to standards and FSSC 22001 standards in Luján and Villa Mercedes Flexible product business plants.

Evolution of sales, gross income and net income
Millions of pesos - stated as a % of sales





Argentina
Foodstuffs Products

At the end of 2016 sales to third parties by the Foodstuffs Business amounted to ARS 4,250.9 million, and to ARS 3,321.4 million compared with the previous year.

The segments with salient performance in the domestic market were tomatoes, polenta and the category of powder juices.

In 2016, in the category of powdered mixes, new jellies were launched under the brands BC and Mogul and the new 500-ml RTD juices ideal to consume on the go. Also, entered the category of seasonings with the new spice-flavourers with an oven bag included, of La Campagnola brand.

In 2016, the advertising campaigns were focused on TV related whit La Campagnola brand and also continued supporting the category of powder juices with a multimedia communication campaign to BC brand. In addition a communication campaign was conducted to the launch of the new line of seasonings.

Among the industrial investments of the Business, we should highlight the building of a new high-speed line for powder juices in the Recreo plant, which allowed to increase the installed capacity and maintaining existing formats, as well as the installation of a peeling machine and optical selectors for whole tomatoes in San Juan`s plant, to increase productivity and enhance the quality of the final product.

The Business maintained the certifications to OHSAS 18001, ISO 14001 and ISO 9001. During 2016, the San Martin plant was certified under the ISO 9001 standards.

Argentina
Cookies

Sales to third parties of the Cookies Business for 2016 amounted to ARS 8,515.6 million, compared to 2015 sales that amounted to ARS 6,530.7 million.

The cookies business presented sales performance in line with the market, but with impressive growth in the segments of most added value, such as: cereal bars, dried sweets and snacks. As a result, the focus was maintained in the strategic brands and segments to achieve a more profitable mix of business sales.

The advertising investment was concentrated in the following brands: Formis, Chocolinas and Saladix. and the main launches were: Formis Mogul, Saladix Crax and a new *Sonrisas* cookies design with new faces and *Nutrileche*.

During 2016, 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 2016 amounted to ARS 2,156.9 million compare with 2015 that amounted to ARS 1,428.6 million.

The development of the Business was conditioned by the recession suffered by Brazilian economy in 2016; even so, and in spite of a context of great competitiveness, costs increase, retracted consumption and local economic instability, the launches of products and the specific actions for communication allowed achieving good performance in the Confectionery Business as regards the volumes sold of the products Plutonita, 7 Belo chewy toffees, Butter Toffees and the lollipop line, the latter being one of the segments that grew most. In addition, under the Butter Toffees brand, leader in the milk toffees segment, in 2016 the Griego line was launched, with the flavors Traditional Yogurt and Red Berries.

In the Chocolates business, the main launches and communication actions were focused on the Tortuguita brand; in this respect, the launch of the chocolate lollipop Tortuguita stands out.

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

Brazil
Cookies

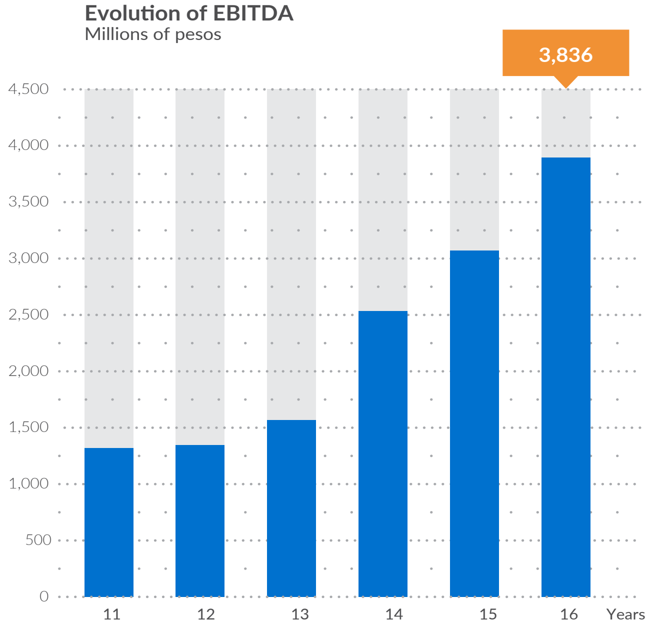
Sales to third parties for the cookies segment in 2016 amounted to ARS 1,588.9 million, compare with ARS 979.7 million in 2015. Tortuguita and Aymoré brands` products were main drivers of the business increase.

In 2016 the Aymoré brand received the Top of Mind prize in Minas Gerais for the 18th 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.

During 2016, the launches made during the year 2015 were consolidated, such as Tortuguita cookie, which included the renowned 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 were consolidated.

Triunfo brand´s portfolio continued to enlarge, with the launch of Salpetex with flavours like Original, Jam, Pizza and Cheese.

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



Andean Region
Confectionary and Chocolates

Sales to third parties in 2016 amounted to ARS 2,031.1 million, while, in 2015 amounted to ARS 1,332.3 million. Chocolates and chewing gums were the main drivers of such increase in Chilean market.

There was a decrease in the levels of consumption during the first months of implementation of Law No. 20,606 on nutrition facts labeling for foodstuff.

New launches were focused on the chocolate segment through the product named Hobby Energy, the first one combining the chocolate temptation with guarana energetic flavour. 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 Big Time Original Mints Street Edition, with exclusive and modern designs.

The Bicentennial plant successfully passed the audits on maintenance of the BPM, ISO 9001 and HACCP standards, at the Bon o Bon line only.

In Peru the products portfolio strategy focused on the chocolate and candy categories was maintained. 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, thus the portfolio of products sold had to be rationalized, focusing the sales on the main brands. Therefore, sales decreased compared with the previous year.

Chile
Cookies

At the end of 2016, sales to third parties amounted to ARS 686.0 million compared with ARS 447.2 million at the end of 2015.

As for new launches in 2016, Rocklets cookies were introduced; this is a differentiated product in response to the trend of consuming high-quality indulgent cookies of a leading brand in the market. Also, within the rice cookies portfolio, the outstanding launches were *Cereal Mix Arroz* with chocolate floor and Selz Arroz with fruit; both snacks are tasty and healthy, for a dynamic and growing market.

The Cerrillos plant maintain compliance with audit standards for ISO 9001, ISO 14001 and BRC standards.

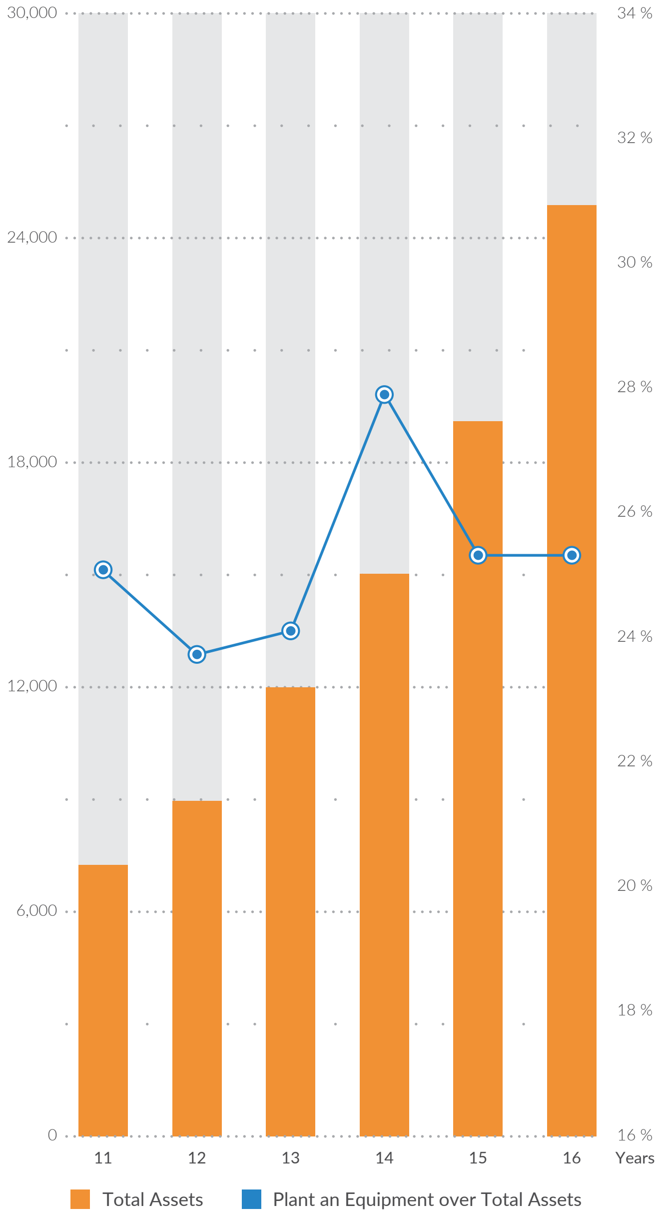
Chile
Packaging

At the end of 2016, sales to third parties amounted to ARS 1,006.8 million. In 2015 they amounted to ARS 556.9 million, with a growth in volume that gives proof of a quick recovery after the damages suffered in early 2015.

In 2016 it continued 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.

It is maintained the compliance with audit standards for ISO 9001.

Evolution of investment in Property, Plant an Equipment Vs. Total Assets
Millions of pesos - % Property, Plant an Equipment over Total Assets



Southern Subsidiaries

Sales to third parties for the Southern Subsidiaries segment in 2016 amounted to ARS 1,611.9 million and to ARS 1,008.1 million at the end of 2015.

In Paraguay there was less dynamism in the market; however, the commercial actions performed enabled reinforcement of the positioning and consolidation of the main brands in the market, with very successful advertising campaigns for the products Topline, Cofler, *Tabletas* Arcor, Bon o Bon, Mogul, and Saladix, among others. It is important to note that as from July, a contractual agreement became effective with the company Mastellone de Paraguay, of the Mastellone Group, to engage in the distribution and marketing of the La Serenísima brand products portfolio.

In Uruguay, economic growth in 2016 slowed down. In this context, although sales were affected, leadership in Confectionery and Chocolates was maintained, 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 increased considerably , due to macroeconomic factors mainly related to the changes in the exchange rates of the currencies of the neighboring countries, which allowed to increase its competitiveness in the market and to achieve historical records in terms of sales volumes in key segments like *Bocaditos* (chocolate nibbles) and Bonbons. 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 in the internal market 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 Pay de Fresa, Poosh Uva* and the new Bon o Bon Cookie & Cream.

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, as well as an increase in the tendency towards protectionism together with a stop to globalization. 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.

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. Later, on February 23, 2016, after obtaining the necessary authorizations, the corresponding shares were issued by means of the capitalization of a contribution in pesos equivalent to USD 50 million.

A second contribution, for the equivalent in pesos to USD 35 million, was made in January 2017 through the exercise of the additional subscription option held by Arcor S.A.I.C. and Bagley Argentina S.A. Once the authorizations required by the control authorities are obtained and the corresponding new shares are issued, Arcor S.A.I.C. and Bagley Argentina S.A. will hold 33.53% in the capital stock of Mastellone Hermanos S.A.

Additionally, according to the signed contract 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. The calculation method for the price to exercise these options was defined in the proposal.

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 December 2015, Argentine regulations on the foreign exchange market were made more flexible. These changes allowed more fluid operations in foreign trade and in the capital market, with the resulting regularization of payments abroad during 2016 and access to purchase foreign currency.

In April, Argentina reached an agreement with most of the holdouts (holders of unpaid bonds). This fact allowed for the release of the international embargoes on Argentina and opened up the possibility of having access to international debt markets.

In view of the new situation, the Group decided to perform a new issuance of Notes. After presentations before investors from Argentina, England and the United States, the Group performed a successful placement of the Notes with a demand that highly exceeded the offered amount, something that reflects the excellent prestige of the Group both at the local and international level. In July 2016, Class 9 Notes were issued at a fixed annual rate of 6%, simple and non-convertible to shares, for a total amount of USD 350 million, under the Global Program of Issuance of Notes for up to USD 800 million.

The use of the net proceeds from the placement of these Class 9 Notes was the cancellation of Class 1 Notes for a total amount of USD 200 million (at an annual fixed rate of 7.25% falling due on November 9, 2017), the payment of loans falling due up to September 30, 2016 and the financing of production investments in Argentina.

Capitalizations in subsidiaries were made for a total of USD 33.7 million, mainly in Brazil, where Arcor's Board authorized a capitalization program for its subsidiary Arcor do Brasil Limitada for an amount of up to USD 40 million, to be implemented in 2016 and 2017.

The financial objectives for the Arcor Group in 2017 will be to secure suitable cash flow to cover its working capital needs and the envisaged investment plan, as well as to comply with its financial obligations, focusing mainly on an appropriate debt profile and financial cost.

Administration and Systems

During this year the statutory merger of Cartocor S.A. (surviving company) with Converflex Argentina S.A. and Converflex S.A. (merged companies) was completed. Different areas of the Company have taken active part in this process, seeking to comply with the terms and objectives previously set.

Regarding the use of technology, Microstrategy was updated to facilitate mobile access to information and empower employees for self-management in handling data for decision-making, together with the digitalization of global processes such as management of R&D projects and sustainability plans.

In 2016 the implementation of the Antares Project continued, adding the operations of other Group companies to the industrial, purchases, maintenance, administration, logistics, commercial and foreign trade processes.

The update of mobile phones continued, to give users access to the most innovative technological solutions and office software; within the program of digital transformation, we implemented Office 365, which enables functions of collaboration groups so that the work teams can share information reliably. To support this digital growth, there were updates and improvements of the technology infrastructure and communication networks, at the offices as well as the industrial plants.

As regards Information Security, in 2016, the processes for work positions and mobile equipment securing were continued, in addition to ongoing certification and monitoring.

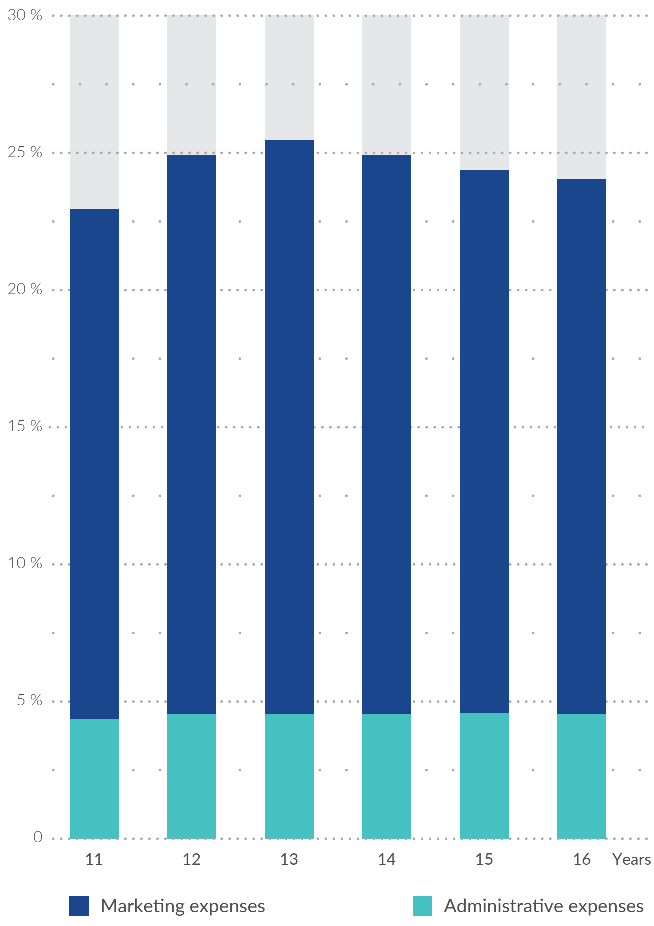
For the year 2017 we plan to complete the Antares operating model, after reaching all the Group's geographical locations and the operational management processes, and also to complete the updates of management applications that enable decision-making and consolidating information in an agile and transparent way.

A significant transformation of the Arcornet website will be implemented, to include management dashboards, training tutorials and more effective communication. Also, the commercial team will have mobile applications available, so that they can optimize their tasks and keep pace with business dynamics.

The implementation of Office 365 will continue, to optimize collaboration and internal communication supported by Information Security projects and infrastructure update, and cloud models will be more deeply elaborated, to be able to improve the response of our computer systems and the continuity of business processes.

Evolution of administrative expenses and marketing expenses

Stated as a % of sales



Human Resources

During 2016 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. New programs were designed according with the new competency model, 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, MAPHI and SGI.

The new Corporate Philosophy was defined, with its Vision, Mission and Values, as a response to the challenges posed by the context and strongly focused on the sustainability of all the Arcor Group businesses. This project run under the leadership of the Institutional Communication area.

In 2016, most management positions were internally covered, based on the identification of talents and pools for replacements defined in the PRE (Strategic Resources Planning) process. To give continuity to this process, the sixth cycle was developed, mapping the potential ability for development of all the managers and heads of sectors and identifying pools for replacements of all managerial positions.

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 upgrade to a .NET version of the system to control hours was completed, with technical-functional validations and a pilot test of the new control of entries system unified with the control of hours.

Regarding climate management, the fourth edition of the Group Corporate Climate Survey was developed, reaching 97% of employees' participation. After processing the replies, we started with the general communication and definition of action plans by business, country or region, with the purpose of responding to the concerns expressed by the employees.

Arcor's Sustainability
Strategy for 2016-2020

In 2016 Arcor Group implemented the Sustainability Strategy for next years, with the purpose of increasing the corporate value of the company through sustainable governance and management of business. It is based on three action cornerstones:

— **SUSTAINABLE IDENTITY:** this is a framework for the new corporate philosophy and projects for labor inclusion of disabled persons, gender equality and multigenerational coexistence; also, processes of training and communication throughout the value chain.

— **OPERATIONAL CONTINUITY:** comprises follow-up of trends and regulations; inclusion of social and environmental parameters in management systems; an efficient use of water, energies and packaging materials; sustainable procurement processes and management of community impact.

— **INCREASING DEMAND:** implies defining business strategies and models, brand positioning and development of products with attributes of sustainability. The Committee of Nutrition and Healthy Life Habits, recently created, is also part of this cornerstone.

Also in this period, 10 Group businesses and 3 corporate areas encouraged 955 initiatives aligned with Arcor's Sustainability Policy: 38% were directed to a commitment toward respect and the protection of human and labor rights; 15% related to the efficient use of energy and minimizing the impact on global climate change; 14% related to active living habits and healthy nutrition; 14% to the rational use of packaging; 10% to the general commitment with Sustainable Development, and 9% to rational use of water.

In addition to the above, it was designed and implemented the Sharepoint platform, which will enable to improve the planning, management and monitoring of the Sustainability Plans, and developed a methodology that allowed businesses to update their risk matrices and sustainability opportunities.

Finally, progress were made in the integration of the sustainability inside of the Performance Management System (PMS) and was continued whit his incorporation in all the components of the Performance Management System (PMS) of the Group. A total of 929 collaborators established goals, promising to contribute to their achievement from their work area to make Arcor a sustainable company; and 12 business and areas of the company defined divisional aims linked to the sustainability, reaching to 2,938 employers.

Management of community impacts

In order to continue creating value for the communities with which Arcor Group is related, in 2016 it applied methodologies for management of impacts to measure and evaluate strengths and opportunities for improvement.

To reinforce the structure and performance of the Community Relations area, two strategies were defined, based on dialogue. One is identifying and analyzing the impacts and perceptions of the Company-Community relationship. The other, outlining a medium-term strategic vision in connection with the design and implementation of corporate projects and programs.

In this regard, 29 Arcor locations were covered in 2016 with the conduction of perception studies in 17 Argentine communities and the development and design of a matrix of community impacts:

— **PERCEPTION STUDY:** a study was conducted in 5 communities of 8 operating facilities located in 5 Argentine provinces to know the perception of the various Arcor interest groups of the "Company - Community relation". Adding the studies conducted in 2015 and 2016, 126 in-depth interviews were conducted and 33 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 the valuation of them identifying improvement opportunities.

— **COMPANY-COMMUNITY IMPACT MATRIX:** a matrix of economic, environmental and social impacts was implemented 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. In 2016 were completed 16 matrixes that include 29 operational headquarters and 17 Argentine communities.

REGIONAL SOCIAL INVESTMENT FOR CHILDREN

Arcor Group is committed to the respect and promotion of children´s rights in the region. Arcor Foundation in Argentina (1991), Chile (2015) and the Arcor Institute in Brazil (2004) seek to promote equality of opportunities for children.

These three entities makes the social investment of the Arcor Group, focused on two issues: infancy and the promotion of an active lifestyle. This is done by supporting initiatives focused on childhood, generating training processes, including this issue in the social agenda and setting in motion all the involved players: community, families, schools, Government, community-based organizations and companies.

During 2016, the Arcor Foundation developed initiatives in the whole Argentine territory and supported 92 projects, in which 58,863 children and 59,091 adults who worked on childhood issues participated. Arcor Foundation in Chile, supported 13 projects where 2,899 children participated, as well as 951 adults from 3 communities of the municipality of Santiago. Arcor Brazil Institute supported 34 educational projects from 26 municipalities in 5 Brazilian states, 17,124 children and 11,469 adults participated.

Resources destined to social investment and to management of community impacts

The total amount destined to social investment and to management of community impacts amounted to ARS 82,623,106, of which ARS 60,383,823 were channeled through donation of products; also, contributions in cash and materials to implement various initiatives of community involvement for ARS 7,360,365. ARS 14,878,918[1] were destined for the activity performed by the Arcor Foundation in Argentina and Chile and the Arcor Institute in Brazil.

[1] These figure do not include investments realized in the area of human resources and in environmental projects. Neither are contemplated the actions of customers development and suppliers.

Proposal for the Allocation of Unappropriated Retained Earnings and Dividends Distribution

The Separate Statement of Changes in Equity for the year ended December 31, 2016, under the item Unappropriated retained earnings/losses, records a positive balance of ARS 429,928,607 which includes, among others, the income for the year for ARS 454,141,040 (gain) y ARS 24,236,140 (loss) 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 114,928,607 to increase the Special Reserve for Future Dividends, and
(ii) ARS 315.000.000 to distribute cash dividends.

2) PROPOSAL FOR DIVIDENDS DISTRIBUTION:

The following distribution of cash dividends is submitted to consideration of the Shareholders' Meeting: ARS 315,000,000, to be paid in two installments, made available on these dates:

(a) first installment: the amount of ARS 125,000,000 as from May 10th, 2017, and
(b) second installment: the amount of ARS 190,000,000 000 as from December 12, 2017.

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

As of December 31, 2016 remunerations to the Board of Directors have been accrued in the amount of ARS 94,424,044. This amount includes the following items: (i) remunerations paid, for ARS 32,001,011, (ii) remunerations accrued but not paid, for ARS 30,816,461, (iii) fees accrued for management duties performed during the year ended December 31, 2016 for ARS 31,606,571. In addition, fees to the Committee of Syndics have been accrued in the amount of ARS 1,796,379 for the duties performed during the year ended December 31, 2016.

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: 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, whose terms of office expire on December 31, 2016.

CHAIRMAN:
Mr. Luis Alejandro PAGANI
VICE-CHAIRMAN:
Mr. Alfredo Gustavo PAGANI
SECRETARY:
Mr. Jorge Luis SEVESO
REGULAR DIRECTORS:
Mr. José Enrique MARTIN Mr. Hugo Enrique LAFAYE Mr. Alejandro Fabián FERNANDEZ Mr. Víctor Daniel MARTIN Mrs. Lilia María PAGANI Mrs. Claudia Susana PAGANI de MARTIN Mr. Guillermo ORTIZ DE ROZAS
ALTERNATE DIRECTORS:
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.

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.

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.

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.

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 corporative 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 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 SEPARATE FINANCIAL STATEMENTS INFORMATION

The Board of Directors would also like to report the following information regarding Arcor S.A.I.C.'s separate financial statements, Investments and Transactions with parent, subsidiaries and associates.

Arcor S.A.I.C.'s Separate Financial Statements

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

a) Balance Sheet Variation – adjusted values

	2016 %	2015 %	2014 %
Current assets / Total Assets	36.51	37.15	35.85
Non-Current assets / Total Assets	63.49	62.85	64.15
Current Liabilities / Total Liabilities + Shareholders' Equity	30.30	36.19	30.39
Shareholders' equity / Total liabilities + Shareholders' equity	30.09	31.05	32.31

b) Changes in Expenses and Revenues in relation to sales

	2016 %	2015 %
Gross profit	39.87	41.37
Selling expenses	(23.14)	(23.49)
Administrative expenses	(7.22)	(6.74)
Other income / losses, net	(1.32)	(1.11)
Net gain on investments in associates	4.23	3.47
Exceptional Results	-	(0.30)
Net financial results	(9.69)	(10.22)
Income tax	0.38	(0.01)
Net Income for the year	3.12	2.97

Investments of Arcor S.A.I.C

The main investments of Arcor S.A.I.C. discharged during the year ended December 31, 2016 were as follows:

Caption	Amount in ARS
Land and constructions	15,590,522
Machinery and facilities	22,693,973
Furniture, tools, vehicles and other equipment	70,897,630
Construction works and equipment in transit	419,746,658

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

COMPANIES		LOANS GRANTED
		ARS
ARCOR A.G. (S.A. Ltd.) Paid-in shares: CHF	8,690,000,00	-
ARCOR ALIMENTOS BOLIVIA S.A. Paid-in shares: BOB	-	-
ARCOR DE PERÚ S.A. Paid-in shares: PEN	-	-
ARCOR DO BRASIL LIMITADA Paid-in shares: BRL	337,380,085,00	-
ARCOR U.S.A. INC. Paid-in shares: USD	9,990,00	-
ARCORPAR S.A. Paid-in shares: PYG	6,400,000,000,00	-
BAGLEY ARGENTINA S.A. Paid-in shares: ARS	9,279,00	2,099,671
BAGLEY CHILE S.A. Paid-in shares: CLP	-	-
BAGLEY LATINOAMÉRICA S.A. Paid-in shares: EUR	49,700,611,00	-
CARTOCOR S.A. Paid-in shares: ARS	7,729,081,00	-
CARTOCOR CHILE S.A. Paid-in shares: CLP	6,221,551,426,34	-
CARTOCOR DO BRASIL S.A. Paid-in shares: BRL	1,00	-
CARTOCOR PERÚ S.A. Paid-in shares: PEN	3,510,00	-
CONSTRUCTORA MEDITERRÁNEA S.A.C.I.F.I. Paid-in shares: ARS	2,331,346,35	-
DOS EN UNO DO BRASIL LTDA. Paid-in shares: BRL	3,000,000,00	-
GAP INVERSORA S.A. Paid-in shares: ARS	33,686,00	465,791
GAP REGIONAL SERVICES S.A. Paid-in shares: UYU	-	-
GAP INTERNATIONAL HOLDING S.A. Paid-in shares: USD	49,950,00	-
INDALAR S.A. Paid-in shares: ARS	331,428,00	25,922,720
INDUSTRIA ALIMENTOS DOS EN UNO S.A. Paid-in shares: CLP	47,967,636,639,71	-
INDUSTRIA DOS EN UNO DE COLOMBIA LTDA. Paid-in shares: COP	432,296,016,00	-
LA CAMPAGNOLA S.A.C.I. Paid-in shares: ARS	372,820,735,00	399,787,192
MASTELLONE HERMANOS S.A. Paid-in shares: ARS	69,186,690,00	-
MUNDO DULCE S.A. DE C.V. Paid-in shares: MXN	-	-
UNIDAL ECUADOR S.A. Paid-in shares: USD	-	-
UNIDAL MÉXICO S.A. DE C.V. Paid-in shares: MXN	933,785,300,00	-
UNIDAL VENEZUELA S.A. Paid-in shares: VEF	57,974,964,00	-
VAN DAM S.A. Paid-in shares: UYU	70,000,000,00	-

LOANS RECEIVED	TRADE ACCOUNTS RECEIVABLE	TRADE ACCOUNTS PAYABLE	OTHER RECEIVABLES
ARS	ARS	ARS	ARS
-	15,414,681	5,442,483	315,800
-	51,478,284	-	-
-	41,339,950	-	-
-	17,309,726	3,889,405	-
-	41,213,203	2,705,885	-
-	56,388,369	-	-
-	194,479,949	14,083,576	-
-	3,624,392	-	-
-	-	-	-
36,946,743	15,937,858	14,644,102	149,995,207
-	1,287,656	-	-
-	-	-	-
-	-	-	-
-	475,866	1,077,588	-
-	194,538	-	-
-	-	-	-
-	-	21,850,637	-
-	-	-	-
-	-	-	-
-	210,064,131	317,123	-
-	1,066,570	-	-
-	38,930,060	2,169,491	-
-	1,417,433	-	-
-	142,688	-	-
-	48,412,711	-	-
-	552,902	1,767,747	-
-	1,901,237	-	35,784
-	40,900,776	-	-

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

COMPANIES	SALES OF GOODS AND SERVICES	RECOVERY OF EXPENSES	PURCHASES OF GOODS
	ARS	ARS	ARS
ARCOR A.G. (S.A. Ltd.)	28,626,091	17,096	-
ARCOR ALIMENTOS BOLIVIA S.A.	125,750,937	730,677	-
ARCOR DE PERÚ S.A.	22,825,688	-	-
ARCOR DO BRASIL LIMITADA	20,282,026	-	24,335,666
ARCOR TRADING (SHANGHAI) CO.LTD.	-	-	-
ARCOR U.S.A. INC.	166,605,238	-	-
ARCORPAR S.A.	174,184,464	1,385,842	-
BAGLEY ARGENTINA S.A.	1,400,997,284	19,338,968	44,037,806
BAGLEY CHILE S.A.	3,576,515	1,345,047	-
CARTOCOR CHILE S.A.	1,678,837	786,636	-
CARTOCOR S.A.	296,194,573	9,644,790	668,469,723
CONSTRUCTORA MEDIT. S.A.C.I.F.I.	229,502	89,785	-
CONVERFLEX ARGENTINA S.A.	-	-	-
CONVERFLEX S.A.	-	-	-
GAP INVERSORA S.A.	-	-	-
GRUPO ARCOR S.A.	166,808	-	-
INDALAR S.A.	107,920	-	-
INDUSTRIA ALIMENTOS DOS EN UNO S.A.	231,449,101	216,127	300,431
INDUSTRIA DOS EN UNO DE COLOMBIA LTDA.	1,403,640	-	-
LA CAMPAGNOLA S.A.C.I.	502,228,016	10,614,815	25,531,187
MASTELLONE HERMANOS S.A.	7,913,406	-	32,728,060
MUNDO DULCE S.A. DE C.V.	529,470	-	-
UNIDAL ECUADOR S.A.	40,324,365	-	-
UNIDAL MÉXICO S.A.	1,909,907	-	-
UNIDAL VENEZUELA S.A.	-	-	-
VAN DAM S.A.	136,052,111	1,543,399	-

PURCHASES OF SERVICES	OTHER EXPENSES	INTEREST FINANCIAL INCOME	INTEREST FINANCIAL EXPENSES
ARS	ARS	ARS	ARS
16,481,214	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	377,061	-	-
-	-	-	-
13,302,817	-	-	42,110,740
-	-	-	-
-	-	-	-
10,885,705	-	58,378,571	440,113
8,008,474	-	312,372	-
-	-	-	-
-	-	-	-
-	-	66,704	-
-	-	-	-
-	-	4,414,693	-
-	-	-	-
-	-	-	-
-	-	99,470,122	-
-	-	-	-
-	-	-	-
-	-	-	-
3,645,325	-	-	-
-	-	-	-
-	-	-	-

We submit for the consideration of the Shareholders the Annual Report and related documentation. The notes referred to correspond to the Separate Financial Statements ended in December 31, 2016, and requested that the management performed be approved.

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

City of Córdoba, March 10th, 2017.

THE BOARD OF DIRECTORS

ANNEX I: CODE OF CORPORATE GOVERNANCE

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:				
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. 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 Body, first-line managers and statutory auditors and/or members of the oversight committee in the sphere of the group headed thereby and/or of which it is a member. Specify the main guidelines of the internal standard or policy.		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 Supervisory 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. 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. The Administrative Procedure applicable to the Code of Ethics and Conduct and the Conflict-of-Interest Procedure set out that should a conflict of interest arise in business relationships, employees shall abide by the resolution made by the Ethics and Conduct Committee, as the highest decision-making body. 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. In turn, the Internal Audit Area ensures compliance with the Company's polices in general and in particular, ensures compliance with those policies related to the Code of Ethics and Conduct.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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.2:				
Ensure the existence of mechanisms that would prevent conflicts of interest. 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. Describe the significant aspects thereof.	X			The Company has a Code of Ethics and Conduct, by which the members of Arcor S.A.I.C.'s Board of Directors, Supervisory Committee, and Arcor Group's employees abide, an Administrative Procedure applicable to the Code of Ethics and Conduct and a Conflict-of-Interest Procedure, applicable to the members of the Board of Directors, members of the Supervisory Committee and all the staff that has a direct labor relationship with the Company and Arcor Group's companies. For Arcor Group, a conflict of interest takes place when the conduct, participation or interests of an employee interferes or seems to interfere in any manner with the Company's interests. All Arcor Group's employees must ensure compliance with the Code of Ethics and Conduct. Mechanisms have been established to preclude any employee from representing Arcor Group in business transactions where a personal interest exists. All business decisions must be objective and unbiased, based on professional standards. Employees shall disclose and inform their line manager and the Ethics and Conduct Committee of any possible situation that may lead to a potential conflict of interest with the Company in order to facilitate such conflict resolution. Finally, should a conflict of interest arise, employees shall abide by the resolution made by the Ethics and Conduct Committee, as the highest decision-making body. This Committee receives help from the Internal Audit Management Division, which is responsible for managing the ethics line as well as receiving, recording, investigating, analyzing and preparing cases to be submitted to the Ethics and Conduct Committee. All the staff that has a direct labor relationship with the Company and Arcor Group's companies, including general management officers and those performing sensitive duties for the Company, shall annually complete an affidavit, making a personal statement regarding potential conflicts of interest.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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.3:				
Prevent the misuse of inside information. Answer whether, notwithstanding effective regulations, the Issuer has policies and feasible mechanisms that prevent the misuse of inside information. 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, intervening professionals and other persons listed in Sections 7 and 33 of Decree Nº 677/01. Describe the significant aspects thereof.	X			Notwithstanding compliance with effective regulations regarding the use of inside information, the Company has a mechanism to prevent members of the Company's Board of Directors and Supervisory Committee, and all Arcor Group's payroll employees from using inside information, as established by the Code of Ethics and Conduct. In this respect, conduct standards establish that (i) 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) any information deemed as confidential shall be treated by the Group and the employees with integrity, 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 been certified with the ISO/IEC 27001, an international standard for the information security regarding the Company's data protection and treatment of information. Furthermore, it is hereby stated that several Company's suppliers are required to sign confidentiality commitments.
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.				
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 highest 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.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.1.2				
Answer whether the Management Body approves the policy on investments (in financial assets and capital assets) and financing.	X			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 to the Board of Directors through Management. The above-mentioned committee is made up of three regular directors of the Company, one of whom being Arcor S.A.I.C.'s Chief Executive Officer, with the Chief Financial Officer taking part therein.
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 included in the 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, creation of an Audit Committee, among others. Notwithstanding the foregoing policies and/or mechanisms and the present Report on the Degree of Compliance with the Code of Corporate Governance, the Company does not currently have a Code of Corporate Governance approved by the Board of Directors.
II.1.1.4				
Answer whether the Management Body approves the policy on the selection, assessment and compensation of first-line managers.		X		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. 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 therewith, in addition to assessing 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. In conection 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.

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 FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
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			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. Such process is focused on achieving a better identification of our talents through tools that validate their development potential. 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. 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.
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. In addition, Arcor 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. (I) General Commitment to Sustainable Development: a) Establish a sustainable process management, based on balance among the economic, social and environmental aspects. b) Foster the comprehensive development of the communities where we act and contribute to the sustainable development of the regions where we operate.

	COMPLIANCE FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.1.7				c) Support and respect the protection of human rights within our area of influence, avoiding being accomplices in cases of infringements of these rights. d) Facilitate and sponsor actions and projects to promote sustainability and human development. e) Apply the best practices of environmental preservation, minimizing and compensating the impact of our operations. 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. (ii) Specific commitments: a) Rational use of water. b) Energy efficiency and minimizing impact on the global climate change. c) Rational use of packaging. d) Respect for and protection of human and labor rights. e) Active life and healthy nutrition. Furthermore, Arcor Group has a Corporate Sustainability Committee (CSA, as per its initials in Spanish), made up of senior management members and the Board of Directors' Chairman, who is in charge of presiding over this body. The CSA defines the strategic actions to enhance sustainable management, and periodically gets reports on the progress of the business' sustainable management. Specifically, some of the Committee's functions are to: - Advice the Management on all matters related to sustainability, providing support for the identification and analysis of the risks and opportunities that have a significant impact on the Group. - Set priorities and implement corporate policies, strategies and actions related to Arcor's business sustainability. - Assess the Company's performance in terms of sustainability, and monitor and minimize environmental and social impacts caused by its operations. - Assess and make recommendations on sustainability with respect to the Company's strategy for relationship building with its different publics.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLAIN
	FULL	PARTIAL		
PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.1.7				
				- Follow-up and evaluate the implementation of Arcor's Sustainability Plan. - Ensure that there are appropriate communications policies in place, and that they are effective to build and protect Arcor's reputation, both internally and externally, as a sustainable Company. The corporate structure of sustainability governance is supplemented by a regional structure consisting of Sustainability Committees in Chile and Brazil. The Company's Sustainability Plan is made up of the initiatives included in the operational plans (POS, as per its initials in Spanish) of the Group's businesses and the corporate projects led by Arcor's Sustainability Committee, based on the Sustainability Policy, the priority lines of action, the Risk Matrices and the Sustainability Opportunities defined for the Group, as well as for each business. 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. Finally, the Group's Child-Centered Social Investment Policy guides the work performed by the Arcor Foundation in Argentina and Chile, and the Brazil Arcor Institute, whose mission is to help make education a tool of equal opportunities for children.
II.1.1.8				
Answer whether the Management Body approves the integrated risk, internal control and fraud prevention management policies.		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 Procurement Committee, to 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. In turn, the Company's senior management supports its decisions on business risk management through

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.1.8				
				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 in 2016 Arcor Group developed a new method to prepare Risks and Sustainability Opportunities Matrices, which was further applied by all the Group's businesses.
II.1.1.9				
Answer whether the Management Body approves the ongoing training policy for members of the Management Body and first-line managers. If such policy is in place, describe the main aspects thereof.		X		By applying the SGD and describing the duties, responsibilities and competencies, the Company encourages and guides senior management members' training. 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 shall report thereon to the Board of Directors. 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.
II.1.2				
If considered material, add other policies applied by the Management Body that have not been mentioned and specify significant issues.	X			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

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PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.2				
				zero defect, the Japanese philosophy for the order, cleanliness and standardization called 5S, the Theory of Constrains (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. 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. 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 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, and BRC at 17 plants. The Food Safety Standard ISO 22000 was recently certified at two packaging plants. The paper manufacturing and corrugated cardboard box plants achieved certification by the Forest Stewardship Council (FSC). Moreover, the plants in Colonia Caroya and Arroyito have achieved UTZ certification for their sustainable use of Cocoa. The Arroyito plant has been further certified by the RSPO Standard, related to the sustainable use of the Palm oil and its derivatives. 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 may condition Arcor Group's business relationship with third parties. The

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLAIN
	FULL	PARTIAL		
PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.2				
				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.
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 mechanism between the managerial lines implemented in such a way that it works symmetrically for all members (external and independent executives) and with sufficient notice to allow an appropriate analysis of its contents. Please specify.	X			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.
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. Please specify.	X			The matters submitted for the Board of Directors' consideration are previously analyzed by the areas using their 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.
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,	X			In addition to what is stated in item II.1.1.4, upon approving the budget, the Board of Directors approves goals for general management divisions. In turn, the management divisions periodically submit management reports to the Management Body regarding the

	COMPLIANCE FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.2.2				
accounting report quality, market share, etc.). Describe the significant aspects of the Issuer's Management Control Policy, specifying techniques used and the frequency of the Management Body's monitoring.				evolution of the different businesses and other aspects of the Company, thereby allowing following up and verification of the degree of compliance with goals. 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 2016, 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. Specify the main guidelines set out in the Regulations. State the degree of compliance with the Corporate Bylaws and Regulations.	X			All the members of the Board of Directors comply with the Company's Bylaws. Furthermore, it is hereby stated that the Board of Directors does not have operating regulations under the provisions set out in Section 5 and related provisions of the General Companies Law.
II.3.2				
Answer whether the Management Body discloses the results of its management considering the goals set at the beginning of the period so that the shareholders may assess the degree of compliance with such goals, including both financial and non-financial aspects. 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 with the goals set and the policies mentioned in Recommendation II, items II.1.1 and II.1.2 by the Management Body, stating the date of the Shareholders' Meeting where such assessment was submitted.		X		The Board of Directors makes the information and documentation available to the shareholders under the provisions set out in effective legal regulations 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 30, 2016. The Annual Report, the Financial Statements and the Summary of Events for the fiscal year ended December 31, 2015 were approved on the second item of the Agenda, and the Board of Directors' management for the fiscal year ended December 31, 2015 was approved on the third item of the Agenda.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
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. Please specify.	X			Considering that the controlling shareholder holds 99.68% of the Company's votes, the Board of Directors deems this structure adequate when correlated to the Company's capital structure.
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 over the total number of members of the Management Body. Describe the significant aspects of such policy and any other shareholders' agreement that allows understanding how members of the Management Body are appointed and their term of office. 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.			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. In addition, 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 whilst the company is admitted to the Public Offering System and if mandatory, it will have an Audit Committee comprised of three regular members and three alternates, out of which most of them shall qualify as independent in accordance with the regulations issued by the National Securities Commission (hereinafter "CNV", as per its initials in Spanish) and be part of the Company's Board of Directors. As provided for in 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. Furthermore, it is hereby stated that (i) the Company has not become aware of the existence of shareholders' agreements, (ii) the independent status as stated by the 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 Board of Directors has created a Human Resources Committee, which performs some of the duties assigned to the Appointment Committee by General Resolution No. 606/2012 and the 2013 Revised Text of the National Securities Commission (CNV)'s Regulations. Therefore, the duties formerly assigned 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.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
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 whom 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 comprised of members suitably qualified and experienced in matters related to human capital policies.	X			The members of the Human Resources Committee have extensive 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		There is no minimum number of meetings to be held by the Human Resources Committee. During 2016, the Human Resources Committee held five meetings.
II.5.1.5				
Answer whether the Issuer has an Appointment Committee whose decisions are not necessarily binding for the General Shareholders' Meeting, but rather consultative as regards the selection of 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.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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
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PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.5.2.4				
Answer whether the Appointment Committee suggests members for the Management Body, who will be part 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 shall not serve as 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, specifying the term of office for members of the Management Body.			X	The Human Resources Committee does not have powers in this respect.
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 relevant, 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 other companies' Board of Directors or oversight committee. Notwithstanding the foregoing, the Code of Ethics and Conduct and the Conflict-of-Interest Procedure, documents by which the members of the Supervisory Committee abide, determine that the employees or directors who personally perform external labor activities shall ensure they do not cause any conflict of interest with Arcor Group's own interest.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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
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PRINCIPLE II. LAY THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF THE ISSUER				
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 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.
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 their 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.
RECOMMENDATION III:				
The Management Body shall have a policy on the integrated business risk management and shall monitor its appropriate implementation.				
III.1				
Answer whether the Issuer has comprehensive business risk management 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 Procurement Committee, to 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

	COMPLIANCE FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE III. GUARANTEE AN EFFECTIVE POLICY TO IDENTIFY, ASSESS, MANAGE AND DISCLOSE THE BUSINESS RISK				
III.1				
				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. In turn, the Company's senior management supports its decisions on 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 Group's presence in each location through 100 quantitative and qualitative, economic, social and environmental indicators. Additionally, the Sustainability Scorecard platform has been set up, a scorecard to 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 within 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. Also, specify the degree of interaction between the Management Body or its committees and the Issuer's General Management Division in relation to the integrated business risk management.		X		The Company does not have a Risk Management Committee. Notwithstanding the foregoing, as reported in items II.1.1.8 and III.1 several committees have been created within ARCOR SAIC's structure to assess and report to the Board of Directors different aspects of their field of competence related to risk management. In turn, both the Board of Directors and senior management make risk assessments on an ongoing basis for decision-making purposes and in order to evaluate the business management. As regards risk management, the Audit Committee monitors the operation of internal control systems and the administrative accounting system, as well as the application of the Company's risk management reporting policies; among other duties. Arcor Group manages its industrial operations according to documented guidelines. To manage these documents (policies, manuals, procedures, instructions,

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 III. GUARANTEE AN EFFECTIVE POLICY TO IDENTIFY, ASSESS, MANAGE AND DISCLOSE THE BUSINESS RISK				
III.2				
				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 which has been evaluated on several occasions during external audits, such as ISO 9001, ISO 14001, OHSAS 18001, BRC. Customers are subject to the policies, procedures and controls established by the Group, which are detailed in a Manual of Loans. In addition, most of Arcor Group's administrative tasks are standardized in procedure manuals. 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. 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. As reported in items II.1.3 y II.1.4, 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.
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). Please specify.			X	There is no independent Risk Management Officer function or equivalent one.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE III. GUARANTEE AN EFFECTIVE POLICY TO IDENTIFY, ASSESS, MANAGE AND DISCLOSE THE BUSINESS RISK				
III.4				
Answer whether the integrated risk management policies are permanently updated according to authoritative recommendations and methodologies in the field. Please specify.		X		Arcor Group's industrial processes are based on the certifications mentioned in item II.1.2. Furthermore, it is hereby stated that Internal Audit has developed Risk and Control Matrices by reference to the International Standards for the Professional Practice of Internal Auditing issued by the IIA. Finally, the Company's standards are based on ISO/IEC 27001, regarding data protection and access to information.
III.5				
Answer whether the Management Body reports the results of risk management monitoring, performed jointly with the General Management Division, in the financial statements and the Annual Report. Please specify the main aspects of the above disclosures.	X			In the Financial Statements, Annual Report and Sustainability Report, the Board of Directors reports 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.
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, upon appointing the members of the Audit Committee, and 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. In addition, 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. 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 other operating areas and	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 that operational risks may cause while attaining Arcor Group's goals, supporting the different areas by implementing and optimizing controls and procedures. The Audit Committee assesses internal 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.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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
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PRINCIPLE IV. SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION WITH INDEPENDENT AUDITS				
IV.2				
also meet the independence requirements imposed on controlling shareholders or related entities that exert significant influence on the Issuer. 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).				The professionals in charge of the Internal Audit function are independent from other operational areas of the Company. The Internal Audit Area performs its tasks following the guidelines set forth in the International Standards for the Professional Practice of Internal Auditing issued by the 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 maintain an independent status, 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 is executed according to the conditions previously agreed upon under contract, to 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 to 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 Supervisory 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 Supervisory 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.
PRINCIPLE V. RESPECT THE SHAREHOLDERS' RIGHTS				
RECOMMENDATION V.1:				
Ensure that the shareholders have access to the Issuer's information.				

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE V. RESPECT THE SHAREHOLDERS' RIGHTS				
V.1.1				
Answer whether the Management Body fosters periodic informative meetings with the shareholders, which take place concurrently 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, providing an access channel to establish contact between them. Please specify.		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.
RECOMMENDATION V.2:				
Encourage the active participation of all shareholders.				
V.2.1				
Answer whether the Management Body takes measures to encourage shareholders participation 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 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 purposes. 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 purposes. Therefore, as required by the legal regulations in force, prior to holding the Shareholders' Meeting, the necessary information and documentation for decision-making is made available to the shareholders at the registered office.
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.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE V. RESPECT THE SHAREHOLDERS' RIGHTS				
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 candidates for the Board of Directors do not require such statements.
RECOMMENDATION V.3:				
Ensure the principle of equity between share and vote. 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.		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.
RECOMMENDATION V.4:				
Establish mechanisms of protection for all shareholders against takeovers. Answer whether the Issuer adheres to 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.			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, then, according to effective regulations, the Company shall mandatorily adhere to the public offering system for mandatory acquisition.
RECOMMENDATION V.5:				
Encourage the Issuer's dispersion of shares. 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.			X	The Company does not publicly offer its shares and, therefore, has no policy to increase its dispersion in the market. Grupo Arcor S.A. (Arcor SAIC.'s controlling company, duly incorporated and existing under the laws of Argentina) owns 99.6865% of the shares representing the capital stock. No significant changes have occurred over the last three years. Grupo Arcor S.A.'s shareholders do not individually have economic and/or political rights, which grant them the capacity to form the corporate will of the Company.
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 either cash or stock dividends are established. If there is such a policy, state the criteria, frequency and conditions that shall be met for the payment of dividends.			X	The Board of Directors annually submits for the consideration of the Shareholders' Meeting the allocation of the Company's income and reserves for the fiscal year, stating 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.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE V. RESPECT THE SHAREHOLDERS' RIGHTS				
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. Specify those processes and detail the Minutes of the General Shareholders' Meeting whereby the distribution of dividends (either cash or stock dividends) was or was not approved, if this is not provided in the Corporate Bylaws.	X			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, this process 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. The following was resolved at the Shareholders' Meeting held on Saturday, April 30, 2016: (i) to create a Legal Reserve in the amount of ARS 10,554,547; (ii) to increase the Special Reserve for Future Dividends in the amount of ARS 95,200,604; and (iii) to distribute cash dividends with charge to the Unappropriated Retained Earnings account in the amount of ARS 245,000,000.
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, economic group, members of the Management Body, financial statements, Annual Report, among others), but it also gathers inquiries of users in general.	X			The Company has several channels that gather the inquiries of users in general, such as: - Institutional website (www.arcor.com), where users may access Arcor's institutional information, latest news and product launches, information about sustainability management, and access to the history of Sustainability Reports formerly published. In addition, this website provides a direct link to the CNV website, where the Company makes its Corporate Bylaws, information about the members of its Management Body and the financial statements, among other reports and documents, available to the public in general. The contact information of each of the Company's subsidiaries is also available on this website, including e-mail, telephone, mailing address, and other relevant information. - Websites: www.arcor.com.ar, www.arcor.com.br and www.arcor.com.cl - Social Networks. - Consumer Service. - ArcorBuy Portal to contact suppliers.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE VI. KEEP A DIRECT AND RESPONSIBLE RELATION WITH THE COMMUNITY				
VI.1				
				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. Finally, it is noteworthy that Arcor Group has established a study methodology to gain insight into the perception that several stakeholders have of the "Company-community relation". Within this context, in 2016, 17 new perception studies were conducted and added to the 16 studies previously conducted in 2015, comprising 29 industrial bases located in Córdoba, Catamarca, Tucumán, San Juan, Mendoza, Entre Ríos, Río Negro, San Luis and Buenos Aires.
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 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).		X		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 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 are also used. This Report is prepared following the guidelines and indicators proposed by the Core option of the Global Reporting Initiative (GRI) G4 Guidelines. Specific indicators of the GRI´s food processing sector supplement that are relevant to the Company's operations are also used. Additionally, the Report follows the reporting recommendations of ISO 26000 Standard on Social Responsibility, and discloses the aspects required by the United Nations Global Compact's Communication on Progress (COP) Advanced Level. From 2013, Arcor Group has included children's rights and business principles in its sustainability reports, using the guidelines set out by UNICEF, which relate these principles to the GRI G4 Guidelines. It should be noted that in 2016 and for the first time, this Report included a relation between these principles and the Sustainable Development Goals (SDG) in its GRI Content Index in accordance with the SDG Compass tool, a guide developed jointly by GRI and the UN Global Compact to provide guidance for companies on how they

	COMPLIANCE FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE VI. KEEP A DIRECT AND RESPONSIBLE RELATION WITH THE COMMUNITY				
VI.2				
				can align their strategies as well as measure and manage their contribution to the realization of the SDGs. Although there is no external assurance for the Report, many of the processes disclosed therein have been certified by independent third parties under recognized international standards. The Sustainability Report is available on www.arcor.com.
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 non-existence of profits.				
VII.1				
Answer whether the Issuer has a Compensation Committee.	X			The Board of Directors has created a Human Resources Committee, which performs some of the duties assigned to the Compensation Committee by General Resolution No. 606/2012 and the 2013 Revised Text of the National Securities Commission (CNV)'s Regulations. Therefore, the duties formerly assigned 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 whom 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.
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.
VII.1.3				
Answer whether the Issuer has a Compensation Committee comprised of members suitably qualified and experienced in matters related to human resources policies.	X			The members of the Human Resources Committee have extensive experience in business management and human capital policies.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 VII. COMPENSATE FAIRLY AND RESPONSIBLY				
VII.1.4				
Answer whether the Issuer has a Compensation Committee that meets at least twice a year.		X		There is no minimum number of meetings to be held by the Human Resources Committee. During 2016, the Human Resources Committee held five meetings.
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 rather consultative 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			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. The Management Compensation Policy 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 as measured by performance on tasks throughout the fiscal year. Additionally, it is periodically reviewed to establish whether each manager's position has an annual compensation (salary and benefits) according to the local labor market indicators. This comparison is made based on the HAY grading system (a parameter used in salary structure management, arising from the HAY job evaluation methodology implemented for the whole company), and is supported by position cards and descriptions prepared using the HAY Compensation System at a global level.
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 the Issuer's mid- and long-term performance.		X		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. Ten per cent of the General Managers' variable compensation is affected by attainment of the goals set in Arcor's Sustainability Policy, thus associating the variable compensation portion with the Company's

	COMPLIANCE FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE VII. COMPENSATE FAIRLY AND RESPONSIBLY				
VII.2.2				
				performance in the mid- and long-term. In 2016, sustainability continued to be included in every component of the Group's Performance Management System (SGD, as per its initials in Spanish). In this context, a total of 929 employees set their specific goals, committing to contribute from their position to make Arcor a sustainable company, while 12 business units defined divisional goals related to sustainability, reaching a total of 2,938 employees committed to SGDs. 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.
VII.2.3				
Answer whether the Compensation Committee reviews the competitive position of the Issuer's policies and practices with respect to comparable companies' compensation and benefits, and whether changes are recommended or not needed.	X			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.
VII.2.4				
Answer whether the Compensation Committee defines and communicates the policy on retention, promotion, dismissal and suspension of key personnel.		X		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. Furthermore, the Human Resources Management Division has informed all the Company's employees about Arcor Group's Competency Model, the Performance Management System, the Compensation System based on the HAY method and the Strategic Resources Plan, which, along with the Code of Ethics and Conduct, make up the policy for the retention, promotion, dismissal, training and suspension of the Arcor Group's staff. 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.

ANNEX I: CODE OF CORPORATE GOVERNANCE

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 FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE VII. COMPENSATE FAIRLY AND RESPONSIBLY				
VII.2.5				
Answer whether the Compensation Committee informs the guidelines to determine the retirement plans of the members of the Management Body and first-line managers of the Issuer.		X		The Human Resources Committee is in charge of reviewing, reporting and submitting for the Board of Directors' consideration, the guidelines regarding retirement plans affecting members of senior management. The Board of Directors has established a Pension Plan and an Early Retirement Plan, affecting among others, senior management and the members of the Board of Directors who perform duties as payroll employees.
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		The Human Resources Committee shall advise and inform the Company's Board of Directors any issues within the areas of responsibility assigned to them. 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' Annual Report, the Sustainability Report and the annual financial statements.
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	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.
VII.3				
If deemed significant, add policies applied by the Issuer's Compensation Committee that were not mentioned in the preceding point.	X			See answer in II.5.3.
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 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	X			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

	COMPLIANCE FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE VIII. ENCOURAGE BUSINESS ETHICS				
VIII.1				
is signed by, at least, the members of the Management Body and first-line managers. Indicate whether suppliers and customers are encouraged to ensure compliance therewith.				to ensure compliance therewith, a management procedure was developed, an Ethics and Conduct Committee was created, and an Ethics Line was made available to all employees, suppliers and customers of Arcor Group to facilitate inquiries or anonymous and confidential reporting. The provisions of the Code of Ethics and Conduct are applicable 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. The members of the Supervisory Committee of Arcor SAIC have adhered to this Code. The members of the Board of Directors and the Company's management level (managers) have formally adhered to the Code of Ethics and Conduct. Customers and suppliers are encouraged to adhere to Arcor Group's ethical principles by using the Ethics Line. Likewise, at the onset of the business relationship, Arcor Group's suppliers are requested to sign a letter whereby they adhere to the basic responsible management principles. From 2012 the same policy applies to Arcor Group's customers.
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 securing the recording and storing of such information. State whether the service to receive and assess complaints is rendered by the Issuer's staff or by external and independent professionals to ensure whistleblower protection against retaliation.	X			The Company has an Ethics Line to receive inquiries, complaints and feedback, and an Ethics and Conduct Committee, which ensures compliance with the Code of Ethics and Conduct. The Ethics Line is a tool to facilitate the anonymous and confidential submission of inquiries or the reporting of events that may constitute a breach of the Code of Ethics and Conduct. It is a fax number, e-mail and postal address. Complaints are received and analyzed by the Internal Audit Management Division.
VIII.3				
Answer whether the Issuer has policies, processes and systems to manage and resolve the complaints mentioned in item VIII.2. Describe the most significant aspects thereof and indicate the Audit Committee's degree of involvement in such resolutions, particularly if complaints are associated with internal control matters related to accounting reporting or unethical behaviors by 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' daily activities, Arcor Group has established a procedure, the steps of which are stated below: 1) RECEPTION: The Internal Audit Management Division receives and analyzes the cases reported with absolute reserve and confidentiality. 2) RECORDING: Each case is recorded, kicking off the analysis process for later submission to the Ethics and Conduct Committee. 3) ANALYSIS: The case is analyzed, explanatory questions may be asked and actions are taken to

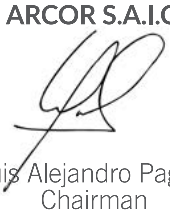
ANNEX I: CODE OF CORPORATE GOVERNANCE

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 FULL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLAIN
PRINCIPLE VIII. ENCOURAGE BUSINESS ETHICS				
VIII.3				
				establish the accuracy and veracity of the situation under consideration. 4) DECISION: The Ethics and Conduct Committee holds a meeting to address the cases and decisions are communicated to the stakeholders, performing a follow-up to ensure compliance therewith. The Internal Audit Area informs the Audit Committee about material complaints related to internal control matters and frauds.
PRINCIPLE IX: BROADEN THE SCOPE OF THE CODE				
RECOMMENDATION IX:				
Promote 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 as from the entry into force of the Code to the present day.			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, it is not regarded as necessary to include the set of corporate governance guidelines in the Corporate Bylaws. However, the Board of Directors does not rule out the possibility of including new corporate governance practices in the Bylaws in the future.

ARCOR S.A.I.C.



Luis Alejandro Pagani
Chairman

Consolidated Financial Statements

FOR THE FISCAL YEARS ENDED AS OF DECEMBER 31, 2016 AND 2015

FREE TRANSLATION FROM THE ORIGINAL IN SPANISH FOR PUBLICATION IN ARGENTINA

¨Our first date was at a park. Fortunately, I had bought some Mogul... I needed them! And shortly after then it came our first kiss, while eating these gummy fruits! Five years later, we got married and we wanted Mogul to be present, because they are part of our history.¨

A love that was born thanks to Mogul. Mendoza.
5 years of Lucas and María Mercedes. Arcor's 65 years.

CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2016 AND 2015

CONTENT

Information required by Article 1, Chapter III, Title IV of RT/CNV

Schedule A	Note 5
Schedule B	Note 7
Schedule C	Note 8
Schedule D	Note 6, Note 13
Schedule E	Note 10, Note 11, Note 12, Note 23
Schedule F	Note 27
Schedule H	Note 28

CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2016 AND 2015

GLOSSARY TERMS

Term	Definition
ARG PCGA	TP (technical pronouncements) issued by the FACPCE with the exception of TP No. 26 (amended by TP Nos. 29 and 43) 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 is established by IAS 28.
BOB	Bolivian Peso.
BRL	Brazilian Real.
CAD	Canadian Dollar.
CLP	Chilean Peso.
CNV	National Securities Commission of the Argentine Republic.
COP	Colombian Peso.
Adjusted EBITDA	It arises from adding up net income from operations plus depreciation of property, plant and equipment and investment properties, and amortization of intangible assets, both included under net income from operations. This measure excludes the effects of extraordinary income and expenses, such as losses caused by casualties.
EUR	Euro.
FACPCE	Argentine Federation of Professional Councils in Economic Sciences.
FASB	Financial Accounting Standards Board.
Group / Arcor Group	Economic group formed by Arcor S.A.I.C. and its subsidiaries.
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.
GCL	General Companies Law of the Argentine Republic (Law No. 19,550 and amendments).
MXN	Mexican Peso.
IAS	International Accounting Standard.
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	Companies on which the Company has control. Arcor S.A.I.C. controls other companies on which is exposed or has right to variable yields and has 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	American Dollar.
UYU	Uruguayan Peso.
VEF	Venezuelan Bolivar.
VPP	Proportional Equity Value or Equity Method.

INTRODUCTION

Considering the requirements of the CNV, the Company has inverted the order to present its consolidated statement and separate financial statements, disclosing at the start the consolidated information for the Company and its Subsidiaries and then, its separate financial statements. In accordance with current regulations, the consolidated financial statements are supplementary information to the separate financial statements. The Company's Management recommends reading the consolidated statement and the separate financial statements together.

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2016 AND 2015
(Values expressed in Argentine Peso)

ASSETS	Notes	12.31.2016	12.31.2015
NON-CURRENT ASSETS			
Property, plant and equipment	5	6,415,308,540	4,946,221,011
Investment properties	6	117,475,901	36,320,022
Intangible assets	7	469,277,963	427,562,403
Investment in associates	8	551,203,605	25,890
Biological assets	9	78,155,106	60,717,190
Deferred tax assets	10	391,762,323	375,450,110
Other investments	13	526,073	96,518,389
Derivative financial instruments	14	79,389,199	-
Other receivables	11	893,500,951	964,385,249
Trade accounts receivable	11	136,569	190,641
TOTAL NON-CURRENT ASSETS		**8,996,736,230**	**6,907,390,905**
CURRENT ASSETS			
Biological assets	9	80,448,118	62,886,105
Inventories	12	6,630,501,937	4,646,748,737
Derivative financial instruments	14	169,737,662	349,291,579
Other receivables	11	1,046,588,925	1,197,029,400
Trade accounts receivable	11	5,690,923,168	3,903,446,148
Other investments	13	13,230	13,611
Cash and cash equivalents	15	2,233,597,040	2,033,482,102
TOTAL CURRENT ASSETS		**15,851,810,080**	**12,192,897,682**
TOTAL ASSETS		24,848,546,310	19,100,288,587

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 10, 2017
PRICE WATERHOUSE & CO. S.R.L.

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

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2016 AND 2015
(Values expressed in Argentine Peso)

LIABILITIES AND EQUITY	Notes	12.31.2016	12.31.2015
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Common stock - Outstanding shares	17	700,000,000	700,000,000
Treasury stock		(70,244)	(70,244)
Legal reserve		140,000,000	129,445,453
Optional reserve for future investments		799,713,359	799,713,359
Special reserve for future dividends		265,956,326	170,755,722
Special reserve adoption of IFRS	16	203,256,621	203,256,621
Retained earnings	18	429,928,607	350,755,151
Other equity components	19	1,982,738,858	1,342,837,412
SUBTOTAL ATTRIBUTABLE TO THE COMPANY´S SHAREHOLDERS		**4,521,523,527**	**3,696,693,474**
Non-controlling interest	20	2,467,009,944	1,846,571,918
TOTAL EQUITY		6,988,533,471	5,543,265,392
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	21	5,612,193,981	4,059,657,469
Derivative financial instruments	14	60,145,038	-
Deferred tax liabilities	10	18,225,513	8,875,326
Employee retirement benefits obligations	22	323,658,382	194,049,904
Provisions	23	294,344,128	188,751,153
Trade accounts payable and other liabilities	24	18,308,253	16,238,804
TOTAL NON-CURRENT LIABILITIES		**6,326,875,295**	**4,467,572,656**
CURRENT LIABILITIES			
Loans	21	3,892,062,468	3,057,336,971
Derivative financial instruments	14	24,669,055	312,850
Income tax payable		225,403,597	311,989,929
Employee retirement benefits obligations	22	51,014,246	41,012,978
Provisions	23	84,482,997	86,190,494
Advances from customers		68,637,856	82,747,494
Trade accounts payable and other liabilities	24	7,186,867,325	5,509,859,823
TOTAL CURRENT LIABILITIES		**11,533,137,544**	**9,089,450,539**
TOTAL LIABILITIES		17,860,012,839	13,557,023,195
TOTAL EQUITY AND LIABILITIES		24,848,546,310	19,100,288,587

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

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CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Values expressed in Argentine Peso)

	Notes	For the year ended	
		12.31.2016	**12.31.2015**
Sales of goods and services	26	37,812,175,668	27,553,487,879
Cost of sales and services provided	27	(25,215,935,261)	(17,870,583,164)
SUBTOTAL		**12,596,240,407**	**9,682,904,715**
Results generated by biological assets	30	11,111,068	6,207,398
GROSS PROFIT		**12,607,351,475**	**9,689,112,113**
Selling expenses	28	(7,375,781,439)	(5,497,766,779)
Administrative expenses	28	(1,727,285,675)	(1,250,909,334)
Other (losses) – net	31	(351,157,005)	(272,157,749)
OPERATING INCOME		3,153,127,356	2,668,278,251
Exceptional results	32	-	6,777,827
Financial income	33	1,060,254,949	579,248,843
Financial expenses	33	(2,329,085,973)	(1,769,246,204)
NET FINANCIAL RESULTS		**(1,268,831,024)**	**(1,189,997,361)**
Net results on investments in associates	8	41,049,704	2,476,689
INCOME BEFORE INCOME TAX		**1,925,346,036**	**1,487,535,406**
Income tax	34	(838,821,892)	(686,363,045)
NET INCOME FOR THE YEAR		**1,086,524,144**	**801,172,361**
Income attributable to:			
Company's shareholders		454,141,040	327,312,735
Non-controlling interest	20	632,383,104	473,859,626
TOTAL		1,086,524,144	801,172,361
Earnings per share attributable to the Company's shareholders			
BASIC AND DILUTED EARNINGS PER SHARE	35	0.00649	0.00468

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

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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Values expressed in Argentine Peso)

	Notes	For the year ended	
		12.31.2016	**12.31.2015**
NET INCOME FOR THE YEAR		**1.086.524.144**	**801.172.361**
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR			
Items that may be subsequently be reclassified to income/loss			
Cash flow hedges	19	(24,350,572)	917,651
Income tax effect	19 and 34	8,522,700	(321,178)
SUBTOTAL		**(15,827,872)**	**596,473**
Currency translation differences in companies	19	787,146,285	539,901,420
Hyperinflation effect of companies	19	3,396,074	10,694,688
Income tax effect	19 and 34	(2,431,357)	(1,999,196)
SUBTOTAL		**788,111,002**	**548,596,912**
Total items that can later be reclassified to income/loss		**772,283,130**	**549,193,385**
Items that will not be reclassified to income/loss			
Participation in other comprehensive income for actuarial gains/(losses) of defined benefit plans of companies		(2,644,486)	-
Actuarial (loss)/gain of defined benefit plans	22	(35,787,522)	1,781,727
Tax effect	34	12,532,998	(624,205)
Total Items that will not be reclassified to income/loss		**(25,899,010)**	**1,157,522**
Reclassification of translation difference to Net income for the year	8 and 19	-	(2,488,353)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**746,384,120**	**547,862,554**
NET COMPREHENSIVE INCOME FOR THE YEAR		1,832,908,264	1,349,034,915
Other comprehensive income for the year attributable to:			
Company's shareholders		615,665,306	444,564,016
Non-controlling interest		130,718,814	103,298,538
TOTAL		746,384,120	547,862,554
Total comprehensive income for the year attributable to:			
Company's shareholders		1,069,806,346	771,876,751
Non-controlling interest		763,101,918	577,158,164
TOTAL		1,832,908,264	1,349,034,915

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Values expressed in Argentine Peso)

CAPTIONS	OWNERS' CONTRIBUTIONS	TREASURY STOCK	RETAINED EARNINGS		
	COMMON STOCK OUTSTANDING SHARES		LEGAL RESERVE (note 16)	OPTIONAL RESERVE FOR FUTURE INVESTMENTS	SPECIAL RESERVE FOR FUTURE DIVIDENDS
Balances at January 1, 2016	700,000,000	(70,244)	129,445,453	799,713,359	170,755,722
Net income for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-
Setting-up of reserves (1)	-	-	10,554,547	-	
Cash dividend (2)	-	-	-	-	-
Prescribed Dividend (3)	-	-	-	-	-
TOTAL AT DECEMBER 31, 2016	700,000,000	(70,244)	140,000,000	799,713,359	265,956,326

(1) As per the Ordinary and Extraordinary Shareholders' Meeting held on April 30, 2016.
(2) Distribution of cash dividends which amounts to ARS 245,000,000 as per Ordinary and Extraordinary Shareholders' Meeting held on April 30, 2016. The non-controlling interest includes mainly the distribution of cash dividends of the subsidiary Bagley Latinoamérica S.A. for ARS 110,657,084, Mundo Dulce S.A., de C.V. for ARS 16,484,299, Arcorpar S.A. for ARS 12,845,042 and Bagley Argentina S.A. for ARS 2,672,674.
(3) 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				
SPECIAL RESERVE, ADOPTION OF IFRS (note 16)	RETAINED EARNINGS (note 18)	TRANSLATION RESERVE (note 19)	RESERVE FOR CASH FLOW HEDGES (note 19)	SUBTOTAL ATTRIBUTABLE COMPANY'S SHAREHOLDERS	NON-CONTROLLING INTEREST (note 20)	TOTAL EQUITY
203,256,621	350,755,151	1,342,240,939	596,473	3,696,693,474	1,846,571,918	5,543,265,392
-	454,141,040	-	-	454,141,040	632,383,104	1,086,524,144
-	(24,236,140)	655,729,318	(15,827,872)	615,665,306	130,718,814	746,384,120
-	**429,904,900**	**655,729,318**	**(15,827,872)**	**1,069,806,346**	**763,101,918**	**1,832,908,264**
95,200,604	(105,755,151)	-	-	-	-	-
-	(245,000,000)	-	-	(245,000,000)	(142,663,892)	(387,663,892)
-	23,707	-	-	23,707	-	23,707
203,256,621	429,928,607	1,997,970,257	(15,231,399)	4,521,523,527	2,467,009,944	6,988,533,471

Luis Alejandro Pagani

Chairman

See our report date March 10, 2017
PRICE WATERHOUSE & CO. S.R.L.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Values expressed in Argentine Peso)

CAPTIONS	OWNERS' CONTRIBUTIONS	TREASURY STOCK	RETAINED EARNINGS		
	COMMON STOCK OUTSTANDING SHARES		LEGAL RESERVE (note 16)	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 41)	-	-	-	-	-
Total at January 1, 2015 - corrected	**700,000,000**	**(70,244)**	**117,623,016**	**799,713,359**	**211,108,851**
Net income for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**
Setting-up of reserves (1)	-	-	11,822,437	-	24,646,871
Cash dividend (2)	-	-	-	-	(65,000,000)
Prescribed Dividend (3)	-	-	-	-	-
TOTAL AT DECEMBER 31, 2015	700,000,000	(70,244)	129,445,453	799,713,359	170,755,722

(1) As per the Ordinary and Extraordinary Shareholders' Meeting held on April 25, 2015.
(2) 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.
(3) 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				
SPECIAL RESERVE, ADOPTION OF IFRS (note 16)	RETAINED EARNINGS (note 18)	TRANSLATION RESERVE (note 19)	RESERVE FOR CASH FLOW HEDGES (note 19)	SUBTOTAL ATTRIBUTABLE COMPANY'S SHAREHOLDERS	NON-CONTROLLING INTEREST (note 20)	TOTAL EQUITY
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
203,256,621	**259,120,266**	**899,053,796**	**-**	**3,189,805,665**	**1,291,196,170**	**4,481,001,835**
-	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
-	**328,093,135**	**443,187,143**	**596,473**	**771,876,751**	**577,158,164**	**1,349,034,915**
-	(36,469,308)	-	-	-	-	-
-	(200,000,000)	-	-	(265,000,000)	(21,782,416)	(286,782,416)
-	11,058	-	-	11,058	-	11,058
203,256,621	350,755,151	1,342,240,939	596,473	3,696,693,474	1,846,571,918	5,543,265,392

Luis Alejandro Pagani

Chairman

See our report date March 10, 2017
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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(Values expressed in Argentine Peso)

	Notes	31.12.2016	31.12.2015
CASH FLOWS FOR OPERATING ACTIVITIES			
Net income for the year		**1,086,524,144**	**801,172,361**
Income tax and minimum notional income tax	34	838,821,892	686,363,045
Adjustments to reconcile the income for the year to the net cash generated by operations:			
Depreciation of property, plant and equipment and investment properties	28	659,136,620	475,171,818
Amortization of intangible assets	28	23,267,331	22,287,253
Setting up of allowances deducted from assets and provisions included in liabilities, net		283,610,566	109,448,614
Net financial results	33	1,268,831,024	1,189,997,361
Net gain (loss) on investments in associates	8	(41,049,704)	(2,476,689)
Results from initial recognition and changes in the fair value of biological assets	9	(62,414,075)	(8,279,992)
Results from the sale of property, plant and equipment and investment properties	31	(13,339,055)	(17,142,620)
Deletion of inventories and property, plant and equipment caused by casualties	32	-	198,305,390
Deletions of bearer plants	5 and 30	601,652	471,594
Collections Net acquisitions of derivative financial instruments		372,479,061	222,504,796
Payments for purchases, net of collections from sales of biological assets		(93,808,815)	(64,941,558)
Payment of income tax and minimum notional income tax		(1,137,770,800)	(884,498,765)
Net variation in operating assets and liabilities		(1,361,560,786)	331,576,659
Net cash flows provided by operating activities		**1,823,329,055**	**3,059,959,267**
CASH FLOWS FOR INVESTMENT ACTIVITIES			
Payments for advances and acquisition of property, plant and equipment, intangible assets and		(1,549,909,749)	(750,271,660)
Sale of property, plant, equipment and investment properties		23,110,755	13,906,411
Contributions in associates	8	-	(27,258)
Payment on account of the future subscription of shares	40	-	(486,000,000)
Payment for purchase of shares	40	-	(96,033,600)
Net variation of financial receivables		(3,835,032)	356,462
Net collection of acquisitions of investments at amortized cost		-	11,827,058
Net cash flows (used in) investment activities		**(1,530,634,026)**	**(1,306,242,587)**
CASH FLOWS FOR FINANCING ACTIVITIES			
Collections from bank loans taken	21	2,715,048,102	1,808,516,094
Payment of bank loans	21	(3,800,260,839)	(1,828,795,265)
Net variation in short-term loans	21	599,474,707	(150,954,451)
Net collection of costs associated with the issue of corporate bonds	21	5,086,117,218	495,300,894
Payment of debt for corporate bonds	21	(3,730,580,381)	(251,823,333)
Payments of financial leases	21	(15,509,451)	(8,552,919)
Payments of interest	21	(1,167,567,691)	(882,696,207)
Payment of debt and costs associated with former shareholders of the parent company		-	(75,958,858)
Payment of dividends		(387,663,892)	(314,271,074)
Net cash flows (used in) financing activities		**(700,942,227)**	**(1,209,235,119)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(408,247,198)	544,481,561
Cash, cash equivalents at the beginning of the year	**15**	**2,033,482,102**	**1,191,473,026**
Net financial results and currency translation differences from cash and cash equivalents		608,362,136	297,527,515
Net (decrease) / increase in cash and cash equivalents		(408,247,198)	544,481,561
Cash and cash equivalents at the end of the year	**15**	**2,233,597,040**	**2,033,482,102**

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 10, 2017 PRICE WATERHOUSE & CO. S.R.L. (Partner) C.P.C.E.Cba. N° 21.00004.3 Cr. 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, 2016 AND 2015

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, corn syrup, 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. On March 2, 2016, the Superintendency of Commercial Companies of the Province of Córdoba, through Resolution 260/2016-B-, resolved the registration of the extension of that program with the Public Registry of Commerce.

These consolidated financial statements, corresponding to the 56th year, have been approved by the Board of Directors' Minute N° 2,273 dated on March 10th, 2017.

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, 6th 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

Victor Jorge Aramburu Chairman Syndics Committee	Jorge Luis Seveso Secretary Member of the Board	Luis Alejandro Pagani Chairman	See our report date March 10, 2017 PRICE WATERHOUSE & CO. S.R.L. (Partner) C.P.C.E.Cba. N° 21.00004.3 Cr. Andrés Suarez. Public Accountant (UBA) Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.1 Basis for preparation

disclosure of contingent assets and liabilities at the date of issue of these consolidated financial statements as well as recorded income and expenses.

The Company makes estimates to calculate, for example, depreciation and amortization, the fair value of biological assets and certain derivatives instruments, 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.

December 31, 2015 figures disclosed in these consolidated financial statements for comparative purposes arise from financial statements at those dates and on which they have been made certain reclassifications for comparative purposes.

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, 2016:

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 for 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. The Group opted for the early application of this amendment during the prior year, disclosing its effects in its consolidated financial statements at December 31, 2015. The impact on the comparative information at December 31, 2015 is included in Note 41 to these consolidated financial statements.

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. The application of this amendment did not generate significant impact on these consolidated financial statements.

Amendment to the IFRS 11, "Joint arrangements". Accounting of acquisition of interests in joint operations: It lays down a guideline for accounting for the acquisition of an interest in a joint operation whose activity constitutes a business. The application of this amendment did not generate significant impact on these consolidated financial statements.

Amendments to IAS 1, "Presentation of the financial statements": amendments tending to improve the presentation and disclosure in the financial statements, presenting changes in the materiality of the information, items of the balance sheet and comprehensive income; and order of the notes to the financial statements, between others. The application of this amendment did not generate significant impact on these consolidated financial statements.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.2 Changes in accounting policies. New accounting standards

(b) New published standards, amendments and interpretations which have not yet come into force for fiscal years beginning on or after January 1, 2016 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 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, 2018. 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, 2018.

Amendments of 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.

IFRS 16 "Leases": It eliminates, in the case of leases, the distinction between "financial lease" agreements disclosed in the balance sheet and the "operating leases" for which no recognition of future lease installments is required. Instead, a single model is developed similar to that of the current financial lease. This standard is applicable for all years commencing on January 1, 2019.

Amendments to IAS 12 "Income tax": These amendments to the recognition of deferred tax assets for unrealized losses explain how to record such assets when they relate to debt instruments measured at fair value. This standard is applicable for the years commencing as from January 1, 2017. The Group does not estimate that its application will have a significant impact.

Amendments to IAS 7, "Statement of cash flows": These amendments to IAS 7 introduce additional disclosures which enable users to assess changes to liabilities for financing activities. This includes changes implying "cash flows", such as withdrawal of funds and loan reimbursements; and changes which do not imply "cash flows", such as acquisitions, disposals and unrealized exchange differences. This standard is applicable for the years commencing as from January 1, 2017. The Group does not estimate that its application will have a significant impact.

Amendments to IFRS 2, "Share-based payments": This amendment clarifies how to account for certain type of transactions of share-based payments. This standard is applicable for the years commencing on or after January 1, 2018.

Amendments to IFRS 4 Insurance Contracts: These amendments are subject to the full implementation of amendments to IFRS 9 "Financial Instruments" and it affects those companies issuing insurance or reinsurance contracts. The Group does not estimate any significant impact from its application. This standard is applicable for the years commencing on or after January 1, 2018.

Amendments to IAS 40, "Investment properties": These amendments clarify that to transfer to, or from, investment properties there must be a change in the use. This change must be supported by evidence. These amendments are applicable for the years commencing as from January 1, 2018.

IFRIC 22 "Transactions in foreign currency and early consideration": This standards is about transactions in foreign currency or parts of transactions where there is a consideration that is named or quoted in a foreign currency. The interpretation provides a guide for when a payment is done / the only receipt, as well as for situations in which multiple payments / receipts are realized. The goal of the same is to reduce the diversity in the practice. This standards is applicable for the years commencing as from January 1, 2018.

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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Luis Alejandro Pagani
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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 (*)			
					12.31.2016		12.31.2015	
					DIRECT	DIRECT PLUS INDIRECT	DIRECT	DIRECT PLUS INDIRECT
Arcor A.G. (S.A., Ltda.) (1)	Switzerland	EUR	EUR	12.31.2016	100.00000	100.00000	100.00000	100.00000
Arcor Alimentos Bolivia S.A.	Bolivia	BOB	BOB	12.31.2016	-	99.00000	-	99.00000
Arcor de Perú S.A.	Peru	PEN	PEN	12.31.2016	-	99.93329	-	99.93329
Arcor do Brasil Ltda. (2)	Brazil	BRL	BRL	12.31.2016	82.26483	99.98346	75.87232	99.97755
Arcor U.S.A. Inc.	USA	USD	USD	12.31.2016	99.90000	99.90500	99.90000	99.90500
Arcorpar S.A.	Paraguay	PYG	PYG	12.31.2016	50.00000	50.00000	50.00000	50.00000
Arcor Trading (Shangai) Co. Ltd.	China	RMB	RMB	12.31.2016	-	100.00000	-	100.00000
Bagley Argentina S.A.	Argentina	ARS	ARS	12.31.2016	0.00401	50.64327	0.00401	50.64327
Bagley Chile S.A.	Chile	CLP	CLP	12.31.2016	-	51.00000	-	51.00000
Bagley do Brasil Alimentos Ltda.	Brazil	BRL	BRL	12.31.2016	-	51.00000	-	51.00000
Bagley Latinoamérica S.A. (3)	Spain	EUR	EUR	12.31.2016	51.00000	51.00000	51.00000	51.00000
Cartocor S.A. (4) (9)	Argentina	ARS	ARS	12.31.2016	99.99700	99.99715	99.99700	99.99715
Cartocor Chile S.A.	Chile	CLP	CLP	12.31.2016	28.07196	99.99787	28.07196	99.99787
Cartocor do Brasil Ind. Com. e Serv. Ltda.	Brazil	BRL	BRL	12.31.2016	0.00016	99.99715	0.00016	99.99715
Cartocor de Perú S.A.	Peru	PEN	PEN	12.31.2016	0.22653	99.99716	0.22653	99.99716
Constructora Mediterránea S.A.C.I.F.I.	Argentina	ARS	ARS	12.31.2016	99.97433	99.97433	99.92857	99.92857
Converflex Argentina S.A. (9)	Argentina	ARS	ARS	-	-	-	0.99990	99.99718
Converflex S.A. (9)	Argentina	ARS	ARS	-	-	-	99.99220	99.99259
Dos en Uno do Brasil Imp. e Com. de Alim. Ltda.	Brazil	BRL	BRL	12.31.2016	26.38242	99.98347	26.38242	99.98347
GAP International Holding S.A. (5)	Chile	CLP	USD	12.31.2016	99.90000	99.90500	99.90000	99.90500
GAP Regional Services S.A.	Uruguay	UYU	USD	12.31.2016	-	99.90500	-	99.90500
Indalar S.A.	Argentina	ARS	ARS	12.31.2016	96.45807	96.45820	96.45807	96.45820
Industria de Alimentos Dos en Uno S.A. (6)	Chile	CLP	CLP	12.31.2016	100.00000	100.00000	100.00000	100.00000
Industria Dos en Uno de Colombia Ltda.	Colombia	COP	COP	12.31.2016	16.36437	100.00000	16.36437	100.00000
La Campagnola S.A.C.I.	Argentina	ARS	ARS	12.31.2016	99.91801	99.92211	99.91801	99.92211
Mundo Dulce S.A. de C.V. (7)	Mexico	MXN	MXN	12.31.2016	-	49.99993	-	49.99993

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.3 Shares in subsidiaries and associates

COMPANIES	COUNTRY	LOCAL CURRENCY	FUNCTIONAL CURRENCY	CLOSING DATE	PERCENTAGE OF INTEREST (*)			
					12.31.2016		12.31.2015	
					DIRECT	DIRECT PLUS INDIRECT	DIRECT	DIRECT PLUS INDIRECT
Unidal Ecuador S.A.	Ecuador	USD	USD	12.31.2016	-	99.98129	-	99.98129
Unidal México S.A. de C.V. (8)	Mexico	MXN	MXN	12.31.2016	99.99985	99.99985	99.99985	99.99985
Unidal Venezuela S.A.	Venezuela	VEF	VEF	12.31.2016	99.99993	99.99993	99.99993	99.99993
Van Dam S.A.	Uruguay	UYU	UYU	12.31.2016	100.00000	100.00000	100.00000	100.00000

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

(1) It consolidates Arcor Alimentos Bolivia S.A. y Arcor Trading (Shangai) Co., Ltda. and includes the branches in Spain and South Africa.
(2) It consolidates Dos en Uno do Brasil Importaçao 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 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. y Unidal Ecuador S.A. and Industrias Dos en Uno de Colombia Ltda.
(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) On January 1, 2016 the merger takes place through absorption of Cartocor S.A. (subsisting company), Converflex Argentina S.A. and Converflex S.A. (note 39).

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. Identifiable net assets and contingent liabilities acquired at initial investment of an associate are measured originally at fair value at the date of that investment. The group's investment in associates includes goodwill identified on acquisition, net of any loss for accumulated impairment, where applicable.

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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.3 Shares in subsidiaries and associates

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 recognizes 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.

Likewise, goodwill generated by the purchase of participations in associated is applicable, this is exposed in note 2.9 clause (a).

2.4 Segment information

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

(i) Key management personnel, 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.

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".

- Venezuela

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, in case this information is available, if not it is used information obtained from private consultant firms, in the absence of official information. 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
12.31.2014	839.5	68.5%	216.1%
12.31.2015	2,357.90	180.9%	639.4%
12.31.2016 (1)	7,729.55	227.8%	1,451.8%

(1) At the date of these consolidated financial statements, official INPC was not published.

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

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.5 Financial reporting in hyperinflationary economies

- Argentina

In Argentina, considering the decreasing tendency of inflation and that the other ratios do not lead to a final conclusion, the Group understands that there is not enough evidence to classify Argentine economy as hyperinflationary at December 31, 2016. Therefore, the restatement criteria of financial information established in IAS 29 were not applied for the current year. However, over the last years, certain macroeconomic variables affecting the Group's business, such as salary costs and input prices, have recorded significant annual variations. This circumstance must be taken into account for the assessment and interpretation of the information included in these financial statements.

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:

		LOCAL CURRENCY PER ARS	
COUNTRY	LOCAL CURRENCY	12.31.2016	12.31.2015
Bolivia	BOB	0.4408	0.5379
Brazil	BRL	0.2064	0.3018
Canada (1)	CAD	-	0.1070
Chile	CLP	42.3984	54.8810
China	RMB	0.4393	0.5018
Colombia	COP	190.0386	243.3903
Ecuador	USD	0.0633	0.0773
Spain	EUR	0.0601	0.0711
United States	USD	0.0633	0.0773
Mexico	MXN	1.3087	1.3400
Paraguay	PYG	365.7144	449.2998
Peru	PEN	0.2128	0.2635
Switzerland	EUR	0.0601	0.0711
Uruguay	UYU	1.8581	2.3144
Venezuela	VEF	42.6702	15.3554

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

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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.6 Foreign currency translation

(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 Financial Results" 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 translation 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 translation are recorded in other comprehensive income.

When an investment is sold or disposed-off, the accumulated exchange translation 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. This method was applied on Unidal Venezuela S.A. subsidiary.

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, 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 paragraph.

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.

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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.7 Property, plant and equipment

The Group has capitalized interest on the construction of plant and equipment which necessarily require a substantial period before they are ready for use. The capitalization amount to ARS 186,673,964 and ARS 107,924,009 for the year ended December 31, 2016 and 2015, respectively.

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.

Expenses from its operation and maintenance are recognized in the caption "Other gain/ (losses), net" in the consolidated income statement during the financial year in which they are incurred.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.8 Investment properties

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.

2.9 Intangible assets

Intangible assets are non-financial 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 acquire at that date.

Goodwill, generated by the acquisition of the subsidiary, is included in the caption “Intangible assets” in the consolidated balance sheet.

On the other hand, Goodwill resulting from investments in associates are disclosed in the caption “Investment in associates” 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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.9 Intangible assets

(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, the Group estimates that its value is maintained. These values have an indefinite useful life. The value of these assets does not exceed their estimated recoverable value.

(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 a period 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

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

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 “Results generated by 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 and 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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.11 Biological assets

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 "Results generated by 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 own production of sugar (an input that will be consumed in the manufacture of other products such as candies, chocolate and 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 "Results generated by biological assets", in the consolidated statement of income.

(c) Fruit crops

Mainly, 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).

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.11 Biological assets

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 “Results generated by 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 or sold, 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" (note 2.7).

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 “Results generated by 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.

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 "Net financial results", 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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.12 Financial assets

2.12.2 Recognition and measurement

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 to cocoa derivatives, designated as “Cash flow hedge”, the objective of which is to obtain a hedge on the purchase price of raw materials derived from cocoa.

The effective-part of changes in fair value of derivatives that are designated and qualify as Cash flow hedge is recognized in the consolidated statement of comprehensive income. In respect to the non-effective part gain or losses is immediately recognized in the consolidated statement of income in the caption "Cost of sales and services provided" for the 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 “Net financial results” 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 “Net financial results” (Note 33).

Further, the options to purchase Mastellone Hermanos S.A. shares resulting from the transaction described in Note 40 are measured at estimated fair value, and the changes in measurement are recognized in the consolidated statement of income, under the item “Net financial results” (Note 33).

Victor Jorge Aramburu Chairman Syndics Committee	Jorge Luis Seveso Secretary Member of the Board	Luis Alejandro Pagani Chairman	See our report date March 10, 2017 PRICE WATERHOUSE & CO. S.R.L. (Partner) C.P.C.E.Cba. N° 21.00004.3 Cr. Andrés Suarez. Public Accountant (UBA) Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

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

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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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, or equivalent 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.

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 retirement 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.

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 "Net financial results" in the consolidated statement of income. The following type of 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

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 pending 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.

See our report date March 10, 2017
PRICE WATERHOUSE & CO. S.R.L.

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Victor Jorge Aramburu Chairman Syndics Committee	Jorge Luis Seveso Secretary Member of the Board	Luis Alejandro Pagani Chairman

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 mainly 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 consolidated 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.

Victor Jorge Aramburu
Chairman
Syndics Committee

Jorge Luis Seveso
Secretary Member of the Board

Luis Alejandro Pagani
Chairman

See our report date March 10, 2017
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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 subject to a specific fact situation.

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

The Group has to estimate our income taxes in each of the jurisdictions where it operates. 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. It is stablished, 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 jurisdiction where it operates 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 the 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 the asset, it is 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/cane/fruit or production and the estimated costs of labor and inputs until the gathering or harvest date.

(h) Investment in associate - Allocation of the transaction cost and measurement of call and put options

The initial recognition of the investment in Mastellone Hermanos S.A. (note 40) requires determining the fair value of various assets and liabilities from that associate in the moment of the incorporation. The Group uses all the information available (including information supplied by the same associate) to make such determination, and in the case of certain identifiable assets and liabilities in the transaction, it may hire independent expert witnesses to assist them in the preparation of fair value estimates. In some cases, assumptions related to the timing and amount of future income and expenses associated with an asset are used to determine their fair value. These assumptions may significantly vary over time from those initial estimates, and if the time incurred is higher, or net cash flows significantly decrease, the results of those estimates might differ from those actually recorded by the Group.

The initial accounting of the call and put options determined in such transaction (note 40) and his subsequent measurement are capable of similar considerations than those exposed before.

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 key management personnel, 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, 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.

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, cardboard, flexible products, 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, packaging 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 key management personnel 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 losses caused by casualties, 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.

NOTE 4. SEGMENT INFORMATION

a) Segment information at December 31, 2016:

	Argentina						Brazil	
	Confectionery	Cookies	Foodstuffs	Packaging	Agro-industries	Other industrial products	Confectionery	Cookies
Sales to third parties (1)	8,611,680,264	8,515,626,030	4,250,954,271	3,825,392,071	1,675,113,064	77,976,126	2,156,922,250	1,588,947,690
Inter-segment sales	2,479,758,790	403,077,409	184,914,034	1,219,269,626	1,372,495,885	665,886,062	122,204,231	34,438,518
TOTAL SALES	11,091,439,054	8,918,703,439	4,435,868,305	5,044,661,697	3,047,608,949	743,862,188	2,279,126,481	1,623,386,208
Adjusted EBITDA	1,044,422,926	1,569,278,501	217,055,017	613,610,534	213,535,411	18,401,959	(155,027,499)	(103,884,410)
Depreciation and amortization	(117,519,022)	(75,974,035)	(31,545,476)	(67,760,913)	(89,026,631)	(13,240,541)	(82,434,662)	(30,903,685)
Income tax	(98,526,816)	(704,711,384)	45,343,597	(77,415,016)	45,047,075	2,372,523	(23,987,419)	-
Net result on investments in associates	-	-	-	-	-	-	-	-

b) Segment information at December 31, 2015:

	Argentina						Brazil	
	Confectionery	Cookies	Foodstuffs	Packaging	Agro-industries	Other industrial products	Confectionery	Cookies
Sales to third parties (1)	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
TOTAL SALES	8,641,342,321	6,830,783,168	3,453,516,195	3,847,656,718	2,019,986,038	454,711,188	1,485,173,746	998,692,251
Adjusted EBITDA	1,034,064,476	1,333,033,751	275,450,627	459,033,436	87,402,978	10,644,621	(99,016,114)	(34,926,801)
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	(172,800,984)	(545,411,844)	17,762,957	(28,955,532)	75,244,358	(33,899)	-	-
Net result on investments in associates	-	-	-	-	-	-	-	-

(1) Includes the sales of goods and services to associates.

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Andean Region			Northern, Center and Overseas	Southern Branches	Rest of countries and abroad business	Adjustments and eliminations	Total at 12.31.16
Confectionery	Cookies	Packaging					
2,031,069,836	685,979,630	1,006,837,887	1,770,663,450	1,611,946,699	3,066,400	-	37,812,175,668
207,912,308	64,566,320	23,805,840	35,877,886	3,331,327	30,030,396	(6,847,568,632)	-
2,238,982,144	750,545,950	1,030,643,727	1,806,541,336	1,615,278,026	33,096,796	(6,847,568,632)	37,812,175,668
63,606,276	42,402,423	96,891,156	99,607,088	117,473,033	(27,896,247)	26,055,139	3,835,531,307
(60,708,609)	(13,730,406)	(33,056,698)	(53,799,753)	(17,299,941)	(2,486,828)	7,083,249	(682,403,951)
(4,415,653)	(3,620,125)	(8,117,938)	8,760,736	(13,337,541)	(484,891)	(5,729,040)	(838,821,892)
-	-	-	-	-	41,049,704	-	41,049,704

Andean Region			Northern, Center and Overseas	Southern Branches	Rest of countries and abroad business	Adjustments and eliminations	Total at 12.31.15
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)	19,563,796	(686,363,045)
-	-	-	-	-	2,476,689	-	2,476,689

Luis Alejandro Pagani

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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 (note 2.25).

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

	12.31.2016	12.31.2015
Adjusted EBITDA by reportable segments	**3,835,531,307**	**3,165,737,322**
Depreciation of property, plant and equipment and investment properties	(659,136,620)	(475,171,818)
Amortization of intangible assets	(23,267,331)	(22,287,253)
Insured losses / Casualties	-	6,777,827
Financial income	1,060,254,949	579,248,843
Financial expenses	(2,329,085,973)	(1,769,246,204)
Net result on investments in associates	41,049,704	2,476,689
INCOME BEFORE INCOME TAX	1,925,346,036	1,487,535,406

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:

	12.31.2016					
	Argentina	Brazil	Chile	Mexico	Abroad	Total
Property, plant and equipment (1)	3,687,798,976	891,480,100	1,318,191,614	390,156,230	127,681,620	**6,415,308,540**
Investment properties	18,904,867	14,454,193	83,042,440	-	1,074,401	**117,475,901**
Intangible assets	344,668,757	114,614,453	8,202,111	-	1,792,642	**469,277,963**
Biological assets	78,155,106	-	-	-	-	**78,155,106**

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

	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	**4,946,221,011**
Investment properties	17,793,863	9,886,634	7,759,047	-	880,478	**36,320,022**
Intangible assets	343,900,285	77,674,948	5,987,170	-	-	**427,562,403**
Biological assets	60,717,190	-	-	-	-	**60,717,190**

(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:

	12.31.2016			12.31.2015		
	Argentina	Abroad	Total	Argentina	Abroad	Total
Sales	25,941,890,683	11,870,284,985	**37,812,175,668**	20,102,532,374	7,450,955,505	**27,553,487,879**

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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	Machinery and facilities	Furniture, tools, vehicles and other equipment	Construction works and in transit equipment	Total
Cost							
Original value at the beginning of	**252,953,940**	**2,864,298,589**	**38,428,775**	**6,275,824,622**	**803,339,331**	**664,047,241**	**10,898,892,498**
Effect of currency translation	63,214,373	544,364,956	-	1,027,883,989	103,784,201	59,631,028	1,798,878,547
Additions	-	32,128,240	-	34,646,981	145,097,309	1,381,630,624	1,593,503,154
Transfers (3)	(42,051,866)	146,145,065	1,223,027	323,353,296	47,908,224	(640,742,262)	(164,164,516)
Deletions	-	(284,043)	(2) (709,102)	(25,973,294)	(13,874,973)	(10,559)	(40,851,971)
Original value at the end of year	**274,116,447**	**3,586,652,807**	**38,942,700**	**7,635,735,594**	**1,086,254,092**	**1,464,556,072**	**14,086,257,712**
Depreciation							
Accumulated depreciation at beginning of year	**-**	**(1,260,908,179)**	**(5,529,846)**	**(4,071,076,662)**	**(615,156,800)**	**-**	**(5,952,671,487)**
Effect of currency translation	-	(291,253,410)	-	(803,102,442)	(86,369,027)	-	(1,180,724,879)
Transfers (3)	-	61,087,203	-	30,045,503	-	-	91,132,706
Deletions	-	262,853	(2) 107,450	21,677,454	9,174,634	-	31,222,391
Depreciation for the year (1)	-	(125,250,260)	(7,279,989)	(424,731,058)	(102,646,596)	-	(659,907,903)
Accumulated depreciation depreciation	**-**	**(1,616,061,793)**	**(12,702,385)**	**(5,247,187,205)**	**(794,997,789)**	**-**	**(7,670,949,172)**
TOTAL AT 12.31.2016	274,116,447	1,970,591,014	26,240,315	2,388,548,389	291,256,303	1,464,556,072	6,415,308,540

(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) Transfer to investment properties (note 6).

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.

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NOTE 5. PROPERTY, PLANT AND EQUIPMENT

	Land	Constructions	Bearer plants (3)	Machinery and facilitiess	Furniture, tools, vehicles and other equipment	Construction works and in transit equipment	Total
Cost							
Original value at the beginning of year	**208,399,088**	**2,202,608,001**	**22,764,100**	**5,056,039,041**	**675,499,378**	**1,177,165,648**	**9,342,475,256**
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)
Original value at the end of year	**252,953,940**	**2,864,298,589**	**38,428,775**	**6,275,824,622**	**803,339,331**	**664,047,241**	**10,898,892,498**
Depreciation							
Accumulated depreciation at beginning of year	**-**	**(1,085,843,743)**	**(1,652,932)**	**(3,481,668,875)**	**(513,387,472)**	**-**	**(5,082,553,022)**
Effect of currency translation	-	(81,598,485)	-	(307,757,934)	(47,922,863)	-	(437,279,282)
Deletions	-	348,409	(2) 177,447	28,871,803	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)
Accumulated depreciation at end of year	**-**	**(1,260,908,179)**	**(5,529,846)**	**(4,071,076,662)**	**(615,156,800)**	**-**	**(5,952,671,487)**
TOTAL AT 12.31.2015	252,953,940	1,603,390,410	32,898,929	2,204,747,960	188,182,531	664,047,241	4,946,221,011

(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 41.

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.

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

	12.31.2016	12.31.2015
Cost – Capitalized finance lease	44,910,947	40,957,037
Accumulated depreciation	(17,881,591)	(15,336,601)
TOTAL	27,029,356	25,620,436

The most significant financial lease periods are until April 2022, date on which the purchase options envisaged in the agreements may be exercised (note 21).

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NOTE 6. INVESTMENT PROPERTIES

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

	12.31.2016	12.31.2015
	Land and constructions	Land and constructions
Cost		
Original value at beginning of year	**47,436,055**	**50,636,837**
Effect of currency translation	7,171,816	2,129,147
Additions	1,388,348	605,368
Transfers (1)	164,164,516	-
Deletions	(42,714)	(5,935,297)
Original value at the end of year	**220,118,021**	**47,436,055**
Depreciation		
Accumulated depreciation at beginning of year	**(11,116,033)**	**(10,893,078)**
Effect of currency translation	(158,752)	-
Transfers (1)	(91,132,706)	-
Depreciation for the year (2)	(234,629)	(222,955)
Accumulated depreciation at the end of year	**(102,642,120)**	**(11,116,033)**
TOTAL	117,475,901	36,320,022

(1) Transfer from Property, Plant and Equipment (note 5).
(2) The accounting allocation of the charge 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, 2016 and 2015 are ARS 1,492,192,101 and ARS 999,052,166 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, 2016 and 2015 respectively, they are recognized in “Other income/ (losses), net”, in the consolidated statement of income (note 31).

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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
Cost				
Original value at beginning of year	**147,550,310**	**255,113,360**	**167,347,066**	**570,010,736**
Effect of currency translation	41,274,721	3,864,329	11,573,663	56,712,713
Additions	-	-	24,146,609	24,146,609
Original value at end of year	**188,825,031**	**258,977,689**	**203,067,338**	**650,870,058**
Amortization				
Accumulated amortization at beginning of year	**(35,801,791)**	**-**	**(106,646,542)**	**(142,448,333)**
Effect of currency translation	(7,918,260)	-	(7,958,171)	(15,876,431)
Amortization for the year (1)	-	-	(23,267,331)	(23,267,331)
Accumulated amortization at the end of year	**(43,720,051)**	**-**	**(137,872,044)**	**(181,592,095)**
TOTAL AT 12.31.2016	145,104,980	258,977,689	65,195,294	469,277,963

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

(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 are recorded in the consolidated statement of income. In Argentina, those expenses amounted to ARS 122,428,772 as of December 31, 2016.

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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:

	12.31.2016	12.31.2015
Cookies Argentina	135,903,319	135,903,319
Confectionery Argentina	104,190,421	104,190,421
Confectionery Chile	4,673,283	3,610,322
Southern subsidiaries	14,210,666	11,409,298
TOTAL	258,977,689	255,113,360

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 16% and 24% in 2016 and 2015, approximately.

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 1.0% for the rest, both in real terms.

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:

Company	Country	Main Activity	Equity Interest in %	Carrying value at 12.31.16	Carrying value at 12.31.15
GAP Inversora S.A.	Argentina	Investment and financial transactions	5.0000	6,994	25,890
Mastellone Hermanos S.A.	Argentina	Industrialization and commercialization of products, by-products and derivatives of milk	(1) 24.1452	551,196,611	-
TOTAL				551,203,605	25,890

(1) Addition of direct investments of Arcor S.A.I.C. and Bagley Argentina S.A.

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

The following tables disclose the composition and evolution of investments in associates of the Consolidated Statement of Income:

	12.31.2016	12.31.2015
Opening balances	**25,890**	**7,042**
Additions for investment in Mastellone Hermanos S.A. (note 40)	501,724,661	-
Capital contributions	-	27,258
Net results on investments in associates	41,049,704	(11,664)
Participation in other comprehensive income for actuarial losses of defined benefit plans of companies	(2,644,486)	(60)
Participation in other comprehensive income of translation differences of companies	11,047,836	3,314
CLOSING BALANCES	551,203,605	25,890

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NOTE 8. INVESTMENTS IN ASSOCIATES

The following tables disclose the composition and evolution of investments in associates as of December 31, as required by IFRS 12:

	Figures stated in thousands of ARS									
	Summarized financial situation					Summarized results				
Company	Non-Current assets	Current assets	Non-Current liabilities	Current liabilities	Equity (3)	Sales	Gross profit (4)	Net income for the year (3)	Other comprehensive income for the year (3)	Total comprehensive income for the year (3)
GAP Inversora S.A. (1)	730	19	-	609	140	-	-	(339)	61	(278)
Mastellone Hermanos S.A. (2)	5,917,793	3,910,961	4,032,644	2,755,268	3,040,842	17,723,057	6,127,595	(95,432)	847,562	752,130

(1) Financial information prepared under IFRS for the only purpose of being used by the Company to the valuation of its investments in associates.
(2) Financial information obtained from the consolidated financial statements at December 31, 2016. It consolidates to its subsidiaries Con-Ser S.A., Leitesol Indústria e Comércio S.A., Marca 4 S.A., Marca 5 Asesores en Seguros S.A., Mastellone de Paraguay S.A., Mastellone Hermanos do Brasil Comercial e Industrial Ltda. and Mastellone San Luis S.A.
It does not include the adjustments recorded to measure the identifiable assets and liabilities of the associate at the date of initial application of the equity method (note 40).
(3) Equity and earnings attributable to the Shareholders of each associate.
(4) See section "Industrial promotion regime for the indirect associate Mastellone San Luis S.A." on the present note.

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

The composition on investments in associates of the Consolidated Statement of Income can be shown below:

	12.31.2016	12.31.2015
Gain/(Loss) on investment in associate Gap Inversora S.A.	(21,959)	(11,664)
Gain/(Loss) on investment in associate Mastellone Hermanos S.A.	41,071,663	-
Reclassification from Other Comprehensive Income of translation differences of companies (1)	-	2,488,353
TOTAL	41,049,704	2,476,689

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

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NOTE 8. INVESTMENTS IN ASSOCIATES

A conciliation between the summarized financial information of Mastellone Hermanos S.A. disclosed above and the one resulting from these consolidated financial statements is disclosed in the table below:

	In thousands of ARS		
	Equity	Net income for the year	Other comprehensive income for the year
	Debtor / (Creditor)	Gain / (Loss)	Gain / (Loss)
Figures attributable to the Shareholders of Mastellone Hermanos S.A. accordance to his financial statements	**3,040,842**	**(95,432)**	**847,562**
Results elimination of Mastellone Hermanos S.A. between January 1, 2016 and February 23, 2016 (Initial date of application of the method of the participation) (note 40)	-	263,786	(14,210)
Results elimination of Mastellone Hermanos S.A. for revaluation of property, plant and equipment (1)	(787,609)	-	(787,609)
Subtotal - Figures attributable to the Shareholders of Mastellone Hermanos S.A. calculated from the application of the method of the participation (note 40)	**2,253,233**	**168,354**	**45,743**
Shareholding of Arcor S.A.I.C. and Bagley Argentina S.A. (note 40)	24.1452%	24.1452%	24.1452%
Figures of Mastellone Hermanos S.A. attributable to Arcor S.A.I.C. and Bagley Argentina S.A. (note 40)	**544,047**	**40,649**	**11,045**
Incorporation of the goodwill registered by Arcor S.A.I.C. and Bagley Argentina S.A. (note 40)	21,238	-	-
Incorporation of major and minor values of assets and identifiable liabilities for assignment of the full price (note 40)	(14,088)	422	(2,644)
Figures corresponding to Arcor S.A.I.C. and Bagley Argentina S.A. accordance to his financial statements (note 40)	**551,197**	**41,071**	**8,401**

(1) Mastellone Hermanos S.A. applies the revaluation model stablished by IAS16, for the measure of the main elements of "property, plant and equipment". Arcor Group applies "cost or historic model" stablished also by that standard. The results disclosed are net of the tax effect.

Industrial promotion regime for the indirect associate Mastellone San Luis S.A.

Laws Nº 22021, 22702 and complementary rules, National Executive Branch Decrees Nº 2054/92 and 804/96 and their amendments and complementary rules, and provincial decrees and resolutions issued by the Province of San Luis grant to Mastellone San Luis S.A. ("Mastellone San Luis"), a subsidiary company of Mastellone, the release from paying certain national taxes, and to Mastellone as investor company, an exemption for deferring taxes.

Through Decree Nº 699/10, the National Executive Branch extended for two years as from 2012 the effective term of the promotional benefits for the companies under the promotion regime in the provinces of San Luis, La Rioja, San Juan and Catamarca. Based on this extension, Mastellone San Luis requested a provisional remedy, which the Court granted on January 29, 2013.

In June 2007 Mastellone San Luis filed a declaratory action for unconstitutionality before the Federal Court in and for San Luis, with the purpose that the amounts successively credited by the Federal Administration of Public Revenue (AFIP) on an annual basis in the computerized current account showing the promotional benefits, reflect the restatement provided by Resolution (M.E.) Nº 1280/92, from the fiscal year 2002 inclusive and until the effective use of the bonds granted. Also, on June 20, 2007 the pertinent court granted an innovative provisional remedy requested by Mastellone San Luis until the legal proceedings are brought, allowing the application of the restatement in the meantime. On November 15, 2012, the Federal Court in and for San Luis ordered the AFIP to apply the restatement. The motion for the admission of a denied appeal filed by the AFIP was dismissed by the Argentine Supreme Court of Justice on June 7, 2015.

In view of the decision issued on July 1, 2015 by the Federal Court in and for San Luis, which awarded the provisional remedy requested by Compañía Puntana de Carnes Elaboradas S.A. (merged company in the statutory merger with Mastellone San Luis), the AFIP was ordered to recognize and credit the promotional benefits requested. On May 23, 2016 and October 27, 2016, the Federal Court of Appeals of Mendoza dismissed the appeal and the extraordinary appeal, respectively, filed by the AFIP. As for the merits of the case, on September 27, 2016 the Federal Court in and for San Luis ruled in favor or Mastellone San Luis.

Lastly, by a resolution dated March 31, 2015, Mastellone San Luis obtained from the Federal Court in and for San Luis a provisional remedy in relation to the granting of promotional benefits for 15 years, and the Court ordered the AFIP to recognize and credit the promotional benefits of the restatement provided by Resolution (M.E) Nº 1280/92. This recognition and crediting was effectively performed in June 2015.

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NOTE 8. INVESTMENTS IN ASSOCIATES

The industrial promotion benefits used by Mastellone San Luis during the fiscal years ended December 31, 2014, 2015 and 2016 amounted to ARS 35.9 million, ARS 201.8 million and ARS 185.6 million, respectively. These uses are part of the results of Mastellone for the respective years.

NOTE 9. BIOLOGICAL ASSETS

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

	Fruit Crops	Grain sown land (3)	Sugar cane sown land (3)	Beef or dairy cattle	TOTAL
Total non-current at January 1, 2016	-	-	-	60,717,190	60,717,190
Total current at January 1, 2016	18,185,135	11,078,928	24,789,972	8,832,070	62,886,105
TOTAL AT JANUARY 1, 2016	18,185,135	11,078,928	24,789,972	69,549,260	123,603,295
Additions at historical cost (note 30)	32,389,998	36,170,277	39,466,365	-	108,026,640
Initial recognition and changes in fair value	(6,502,814)	45,915,484	(7,733,612)	30,735,017	62,414,075
Decreases due to harvest of biological products (1)	(25,340,635)	(68,986,245)	(27,901,993)	-	(122,228,873)
Decreases due to sale of biological assets (2)	-	-	-	(13,211,913)	(13,211,913)
TOTAL AT DECEMBER 31, 2016	18,731,684	24,178,444	28,620,732	87,072,364	158,603,224
Total non-current at December 31, 2016	-	-	-	78,155,106	78,155,106
Total current at December 31, 2016	18,731,684	24,178,444	28,620,732	8,917,258	80,448,118

(1) The offsetting entry is shown in the item "Harvest of biological products" in note 30.
(2) The offsetting entry is shown in the item "Cost of sale of biological assets" in note 30.
(3) Depending on the phenological status at year end, they were valued at historical cost (note 2.11).

	Fruit Crops	Grain sown land (3)	Sugar cane sown land (3)	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
TOTAL AT JANUARY 1, 2015 (4)	13,290,173	10,675,695	20,078,328	73,697,359	117,741,555
Additions at historical cost (note 30)	22,574,524	22,294,811	32,592,193	-	77,461,528
Initial recognition and changes in fair value	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 (2)	-	-	-	(10,248,607)	(10,248,607)
TOTAL AT DECEMBER 31, 2015	18,185,135	11,078,928	24,789,972	69,549,260	123,603,295
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 "Harvest of biological products" in note 30.
(2) The offsetting entry is shown in the item "Cost of sale of biological assets" in note 30.
(3) Depending on the phenological status at year end, they were valued at historical cost (note 2.11).
(4) Initial balances for the year include the impact of the change in accounting policies described in note 41.

Information as of December 31 2016 and 2015, 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	Dairy cattle or for slaughter	Sugar cane sown land
Harvest of biological products for the fiscal year ended 12.31.2016 per biological asset.	7,311 Tn.	23,887 Tn.	(1) 19,575 Tn.	(3) 219,123 Tn.
Area intended for biological assets at 12.31.2016	252 Has.	5,193 Has.	-	5,199 Has.
Physical quantities of biological assets at 12.31.2016	-	-	(2) 5,997 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, 4,340 are dairy cattle and the remaining 1,657 are cattle for slaughter.
(3) It corresponds to tons of sugar cane plantations.

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NOTE 9. BIOLOGICAL ASSETS

	Fruit Crops	Grain sown land	Dairy cattle or for slaughter	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 Cabezas	-
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.

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, 2016 and 2015, in accordance with the explanation mentioned in note 38.2:

	Level 1	Level 2	Level 3	Total
Biological assets at fair value				
Dairy cattle or for slaughter	-	87,072,364	-	87,072,364
Fruit crops	-	-	18,731,684	18,731,684
Total Biological assets at fair value at 12.31.16	-	87,072,364	18,731,684	105,804,048

	Level 1	Level 2	Level 3	Total
Biological assets at fair value				
Dairy cattle or for slaughter	-	69,549,260	-	69,549,260
Fruit crops	-	-	18,185,135	18,185,135
Total Biological assets at fair value at 12.31.15	-	69,549,260	18,185,135	87,734,395

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

Biological assets at fair value	Fair value at 12.31.16	Measurement techniques	Non-observable data	Connection of non-observable data with fair value
Fruit crops	18,731,684	Present value of net cash flows	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.

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NOTE 10. DEFERRED TAX ASSETS / LIABILITIES

Deferred income tax is made up of the following for the year ended at December 31, 2016:

	01.01.2016	Translation difference
Assets		
Tax loss carryforward	985,342,990	275,324,202
Trade accounts receivable and other receivables	119,674,553	25,432,771
Inventories	173,309,967	10,892,124
Biological assets	(37,768,088)	-
Property, plant and equipment and investment property	(126,126,814)	(5,001,693)
Intangible assets	123,766,045	63,251,308
Derivative financial instruments	(11,289,606)	-
Other investments	(40,369,620)	-
Provisions	74,258,368	(5,309,507)
Trade accounts payable and other liabilities	134,231,570	24,081,860
Loans	6,743,610	4,154,585
Subtotal - Deferred assets before allowances	**1,401,772,975**	**392,825,650**
Allowance for doubtful recoverability of tax loss carryforwards (1)	(746,325,121)	(260,651,974)
Allowance for doubtful recoverability of other net deferred assets (1)	(279,997,744)	(107,165,147)
Subtotal - Deferred assets	**375,450,110**	**25,008,529**
Liabilities		
Trade accounts receivable and other receivables	-	-
Inventories	-	-
Property, plant and equipment and investment property	4,424,417	-
Intangible assets	(13,299,743)	-
Provisions	-	-
Trade accounts payable and other liabilities	-	-
Subtotal - Deferred liabilities	**(8,875,326)**	-
Total Net Deferred Tax assets / liabilities	366,574,784	25,008,529

(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.

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Application of allowance	Expense charged to income	Expense charged to other comprehensive income	12.31.2016
(6,287,267)	183,272,914	-	1,437,652,839
-	(15,184,090)	-	129,923,234
-	7,426,822	-	191,628,913
-	(1,014,278)	-	(38,782,366)
-	13,545,580	-	(117,582,927)
-	(4,541,417)	-	182,475,936
-	10,968,429	8,522,700	8,201,523
-	1,760,314	(2,431,357)	(41,040,663)
-	(8,156,714)	-	60,792,147
-	10,856,525	11,805,152	180,975,107
-	(26,135,475)	-	(15,237,280)
(6,287,267)	**172,798,610**	**17,896,495**	**1,979,006,463**
6,287,267	(245,598,200)	-	(1,246,288,028)
-	46,199,424	7,355	(340,956,112)
-	**(26,600,166)**	**17,903,850**	**391,762,323**
-	6,668,316	-	6,668,316
-	66,321,009	-	66,321,009
-	(92,878,950)	-	(88,454,533)
-	(479,879)	-	(13,779,622)
-	7,037,387	-	7,037,387
-	3,261,439	720,491	3,981,930
-	**(10,070,678)**	**720,491**	**(18,225,513)**
-	(36,670,844)	18,624,341	373,536,810

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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	Translation difference
Assets		
Tax loss carryforward	871,546,274	93,490,866
Trade accounts receivable and other receivables	99,266,338	16,937,351
Inventories	74,160,551	2,270,025
Biological assets	(31,589,145)	-
Property, plant and equipment and investment property	(68,909,294)	(1,136,812)
Intangible assets	119,349,819	5,778,470
Derivative financial instruments	-	-
Other investments	(19,743,223)	-
Provisions	62,904,134	898,409
Trade accounts payable and other liabilities	93,661,908	12,106,613
Loans	2,456,363	450,757
Subtotal - Deferred assets before allowances	**1,203,103,725**	**130,795,679**
Allowance for doubtful recoverability of tax loss carryforwards (1)	(696,309,325)	(69,909,540)
Allowance for doubtful recoverability of other net deferred assets (1)	(230,945,005)	(42,693,708)
Subtotal - Deferred assets	**275,849,395**	**18,192,431**
Liabilities		
Trade accounts receivable and other receivables	(44,099,791)	-
Inventories	4,047,171	-
Property, plant and equipment and investment property	(852,695)	-
Intangible assets	(13,299,743)	-
Other investments	(13,387)	-
Provisions	226,186	-
Trade accounts payable and other liabilities	146,940	-
Subtotal - Deferred liabilities	**(53,845,319)**	**-**
Total Net Deferred Tax assets / liabilities	222,004,076	18,192,431

(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.

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

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NOTE 10. DEFERRED TAX ASSETS / LIABILITIES

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

	12.31.2016	12.31.2015
Assets		
Deferred taxes to be recovered over 12 months	84,601,200	277,294,010
Deferred taxes to be recovered in 12 months	307,161,123	98,156,100
Subtotal - Deferred tax assets	**391,762,323**	**375,450,110**
Liabilities		
Deferred taxes to be settled over 12 months	(92,784,260)	(8,875,326)
Deferred taxes to be settled in 12 months	74,558,747	-
Subtotal - Deferred tax liabilities	**(18,225,513)**	**(8,875,326)**
TOTAL	373,536,810	366,574,784

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

COUNTRY	12.31.2016	12.31.2015
Argentina	35.00%	35.00%
Bolivia	25.00%	25.00%
Brazil	34.00%	34.00%
Canada (1)	-	26.50%
Chile (2)	24.00%	22.50%
China	25.00%	25.00%
Colombia	25.00%	25.00%
Ecuador	22.00%	22.00%
Spain	25.00%	28.00%
USA	36.70%	34.00%
Mexico	30.00%	30.00%
Paraguay	10.00%	10.00%
Peru	28.00%	28.00%
Switzerland	14.60%	14.60%
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 27% in the year 2018.

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NOTE 10. DEFERRED TAX ASSETS / LIABILITIES

Companies	Maturity Year				Total	Tax rates	Total at the tax rate	Allowance	Net
	2017	2018	2019 to 2033	Without maturity					
Arcor A.G. S.A.	-	-	114,800,747	-	114,800,747	15%	16,760,909	(16,760,909)	-
Arcor de Perú S.A.	13,859,863	13,471,715	22,687,810	-	50,019,388	30%	14,755,719	(14,755,719)	-
Arcor do Brasil Ltda.	-	-	-	1,728,995,606	1,728,995,606	34%	587,858,505	(587,858,505)	-
Arcor S.A.I.C.	5,398,203	179,639,113	260,240,184	-	445,277,500	35%	155,847,125	-	155,847,125
Arcor U.S.A. Inc.	-	-	-	45,860,227	45,860,227	37%	16,830,703	-	16,830,703
Bagley Argentina S.A.	-	-	-	-	-	35%	-	-	-
Bagley do Brasil Alimentos Ltda.	-	-	-	1,391,758,173	1,391,758,173	34%	473,197,779	(473,197,779)	-
Bagley Latinoamérica S.A.	-	-	215,524,601	-	215,524,601	25%	53,881,150	(53,881,150)	-
Cartocor Chile S.A.	-	-	-	77,862,429	77,862,429	24%	18,686,983	-	18,686,983
Cartocor Perú S.A.	2,815,803	629,022	1,351,830	-	4,796,655	30%	1,415,013	(1,415,013)	-
Constructora Mediterránea S.A.C.I.F.I.	-	516,525	6,111,615	-	6,628,140	35%	2,319,849	(2,319,849)	-
Converflex S.A.	-	-	-	-	-	35%	-	-	-
Converflex Argentina S.A.	-	-	-	-	-	35%	-	-	-
Indalar S.A.	1,941,957	2,605,336	21,197,941	-	25,745,234	35%	9,010,832	(9,010,832)	-
Industria Dos en Uno de Colombia Ltda.	361,474	259,952	105,231	11,930,682	12,657,339	25%	3,164,335	(3,164,335)	-
Unidal México S.A. de C.V.	14,532,669	20,858,711	244,355,075	-	279,746,455	30%	83,923,937	(83,923,937)	-
Van Dam S.A.	-	-	-	-	-	25%	-	-	-
TOTAL	38,909,969	217,980,374	886,375,034	3,256,407,117	4,399,672,494		1,437,652,839	(1,246,288,028)	191,364,811

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NOTE 11. TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

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

Trade accounts receivable

	12.31.2016	12.31.2015
Non-Current		
Trade accounts receivable with third parties	136,569	190,641
Total Non-Current	**136,569**	**190,641**
Current		
Trade accounts receivable with third parties	5,502,183,224	3,834,587,124
Documentary credits	316,076,107	253,486,661
Trade accounts receivables with related parties (note 37)	10,393,495	-
Doubtful account balances and in litigation	179,571,292	118,579,367
Less: Allowances for doubtful accounts	(317,300,950)	(303,207,004)
Total Current	**5,690,923,168**	**3,903,446,148**
TOTAL	5,691,059,737	3,903,636,789

Other receivables

	12.31.2016	12.31.2015
Non-current		
Tax credits	164,163,526	61,814,185
Minimum notional income tax credits	369,598,182	249,749,955
Guarantee deposits	176,199,440	111,144,681
Advances to suppliers for purchases of property, plant and equipment	181,882,854	70,890,295
Receivable for future subscription of shares (note 40)	-	486,000,000
Miscellaneous	24,063,380	4,043,671
Less: Allowance for other doubtful accounts	(22,406,431)	(19,257,538)
Total Non-current	**893,500,951**	**964,385,249**
Current		
Refunds receivables	108,650,293	83,777,795
Guarantee deposits	12,660,547	11,842,312
Tax credits	466,500,922	629,979,595
Advances to suppliers for purchases of inventories and other products and services	282,076,913	237,359,693
Ordinary financial debtors	7,124,600	5,585,551
Financial debtors with related parties (note 37)	851,338	424,044
Prepaid expenses	169,556,933	134,215,467
Insurance reimbursements receivable (note 32)	-	86,894,792
Miscellaneous	31,093,151	27,790,618
Less: Allowance for other doubtful accounts	(31,925,772)	(20,840,467)
Total Current	**1,046,588,925**	**1,197,029,400**
TOTAL	1,940,089,876	2,161,414,649

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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, 2016 and 2015 there are ARS 188,076,426 and ARS 146,737,384, 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:

	12.31.2016	12.31.2015
From three to six months	43,078,611	34,957,455
From six to twelve months	51,576,786	45,052,629
Over a year	93,421,029	66,727,300
TOTAL DUE – NOT IMPAIRED	188,076,426	146,737,384

At December 31, 2016 and 2015, the amounts of the allowances for impairment of trade accounts receivable were ARS 317,300,950 and ARS 303,207,004, respectively. The aging of these trade accounts receivable is as follows:

	12.31.2016	12.31.2015
To three months	12,904,389	10,374,387
From three to six months	12,902,225	8,231,854
From six to twelve months	9,521,428	10,256,713
Over a year	281,972,908	274,344,050
TOTAL DUE – IMPAIRED	317,300,950	303,207,004

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

	12.31.2016	12.31.2015
ARS	3,929,029,585	3,403,125,500
BOB	55,557,152	57,054,002
BRL	1,124,288,536	665,866,176
CLP	955,384,239	685,582,768
COP	5,975,443	5,239,674
EUR	119,813,136	15,197,474
MXN	137,015,951	120,740,488
PEN	87,167,662	57,899,085
PYG	106,511,948	77,198,891
RMB	1,282,819	5,529,784
USD	994,689,455	872,500,868
UYU	114,283,780	98,647,534
VEF	149,907	469,194
TOTAL	7,631,149,613	6,065,051,438

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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 (1)	Other receivables (2)	TOTAL
At January 1, 2016	303,207,004	40,098,005	343,305,009
Increases	42,883,026	17,087,861	59,970,887
Decreases	(31,442,513)	(8,813,504)	(40,256,017)
Uses	(67,944,581)	(26,989)	(67,971,570)
Effect of currency translation	70,598,014	5,986,830	76,584,844
TOTAL AT 12.31.2016	317,300,950	54,332,203	371,633,153

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

	Trade accounts receivable (1)	Other receivables (2)	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
TOTAL AT 12.31.2015	303,207,004	40,098,005	343,305,009

(1) The accounting allocation of increases and decreases is shown in note 28.
(2) The accounting allocation of the increases and decreases is shown in note 27 (Refunds on exports), note 28 and note 34 (Minimum notional income tax).

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:

	31.12.2016	31.12.2015
Raw materials and materials	3,121,363,370	2,093,367,787
Raw materials and materials in transit	184,826,548	111,544,735
Work in process	256,402,741	194,566,943
Finished productss	3,228,215,544	2,361,549,191
Less: Allowance for inventory losses	(160,306,266)	(114,279,919)
TOTAL	6,630,501,937	4,646,748,737

Changes in allowances for inventory losses for years ended December 31, 2016 and 2015 are as follows:

	TOTAL
At January 1, 2016	114,279,919
Increases (1)	148,204,137
Decreases (1)	(63,176,129)
Uses	(50,358,075)
Effect of currency translation	11,356,414
TOTAL AT 12.31.2016	160,306,266

(1) The accounting allocation of increases and decreases is shown in note 28.

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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NOTE 12. INVENTORIES

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

(1) The accounting allocation of increases and decreases is shown in note 28.

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:

	12.31.2016	12.31.2015
Non-Current		
Government securities	17,511	14,351
Other (1)	508,562	96,504,038
NON-CURRENT TOTAL	526,073	96,518,389
Current		
Government securities	13,230	13,611
CURRENT TOTAL	13,230	13,611
TOTAL	539,303	96,532,000

(1) At December 31, 2015 includes ARS 96,033,600 for the purchase of unlisted shares of Mastellone Hermanos S.A. (note 40).

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NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

The tables below show the balances of derivative financial instruments:

	Assets	Liabilities
Non-Current		
Mastellone Hermanos S.A. options (note 40)	79,389,199	60,145,038
Non – Current total	**79,389,199**	**60,145,038**
Current		
Foreign currency term contracts	-	4,620,709
Cocoa forward contracts and financial options	26,036,364	-
Mastellone Hermanos S.A. options (note 40)	143,701,298	20,048,346
Current total	**169,737,662**	**24,669,055**
TOTAL AT DECEMBER 31, 2016	249,126,861	84,814,093

	Assets	Liabilities
Current		
Foreign currency term contracts	343,086,039	312,850
Cocoa forward contracts and financial options	6,205,540	-
TOTAL AT DECEMBER 31, 2015	349,291,579	312,850

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.

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 2016 and 2015 were as follows:

- Arcor S.A.I.C.

At December 31, 2016, Arcor S.A.I.C. does not hold derivative financial instruments with these characteristics. As a result of the contracts that the company held at December 31, 2015 with due dates between April and July of 2016, Arcor S.A.I.C. recognized losses for ARS 2,070,000, which were charged to the item “Net Financial results” in the consolidated statement of income.

At December 31, 2015, Arcor S.A.I.C. held 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 had 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 during the previous year, recognized gains for ARS 543,075,000, which were charged to the item “Net Financial results”, net in the consolidated statement of income.

- Unidal México S.A. de C.V.

At December 31, 2016, the subsidiary holds forward contracts for the sale of US dollars with due dates in January and February, 2017, USD 4,000,000, at an average weighted price of MXN 19,25 per US dollar. As a result of these transactions, the subsidiary has a liability for ARS 4,620,709 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 during the current year, recognized losses of ARS 13,090,246, which were charged to the item “Net financial results” in the consolidated statement of income.

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NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2015, the subsidiary held 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 17,07 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 during the previous year, recognized losses of ARS 17,229,184 which were charged to the item Net financial results in the consolidated statement of income.

- Industria de Alimentos Dos en Uno S.A.

At December 31, 2016, the subsidiary participated in forward contracts for the purchase of US dollars with due dates between April and November, 2016, for USD 20,000,000, at an average weighted price of CLP 678.12 per US dollar. As a result of these transactions, the subsidiary has recognized losses for ARS 5,141,363, which were charged to the item "Net Financial results", net in the consolidated statement of income. In the year ended December 31, 2016 no transactions of this type have been performed.

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 613.03 per US dollar. As a result of these transactions, the subsidiary has recognized losses for ARS 5,527,682, which were charged to the item "Net Financial results", net in the consolidated statement of income. In the year ended December 31, 2015, no transactions of this type have been performed.

- Bagley Chile S.A.

At December 31, 2016, the subsidiary participated in forward contracts for the purchase of US dollars with due dates between April and November, 2016, for USD 10,000,000, at an average weighted price of CLP 678.34 per US dollar. As a result of these transactions, the subsidiary has recognized losses for ARS 2,616,449, which were charged to the item "Net Financial results", net in the consolidated statement of income. In the year ended December 31, 2016, no transactions of this type have been performed.

At December 31, 2015, the subsidiary participated in forward contracts for the purchase of US dollars with due dates between June and October 2016, for USD 5,000,000, at an average weighted price of CLP 611.78 As a result of these transactions, the subsidiary has recognized losses for ARS 3,876,422, which were charged to the item "Net Financial results", net in the consolidated statement of income. In the year ended December 31, 2015, no transactions of this type have been performed.

- Arcor do Brasil Ltda.

In the course of the fiscal year ended December 31, 2016, the subsidiary did not perform forward transactions for the purchase of US dollars. At December 31, 2016, Arcor do Brasil Ltda. does not hold derivative financial instruments with these characteristics.

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 3.10 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 Net Financial results in the consolidated statement of income. In the year ended December 31 2015, no transactions of this type have been performed.

- Bagley do Brasil Alimentos Ltda.

At December 31, 2016, the subsidiary did not participated in forward contracts for the purchase of US dollars. At December 31, 2016, Bagley do Brasil Alimentos Ltda. does not hold derivative financial instruments with these characteristics.

At December 31, 2015, the subsidiary held 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 3.10 per USD. As a result of these transactions, the subsidiary has recognized gains for ARS 4,720,814 which were charged to the item Net Financial results in the consolidated statement of income. At December 31, 2015, Arcor do Brasil Ltda. did not hold derivative financial instruments with these characteristics.

NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

Cocoa forward contracts and financial options

- Arcor S.A.I.C.

The Company 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, 2016, Arcor S.A.I.C. holds forward contracts for the purchase of cocoa with due date between July and December, 2017, for a total of 3,380 tons of cocoa grain at a weighted average price of USD 2,552 330 per ton. Furthermore, Arcor S.A.I.C. holds forward contracts for the purchase and sale of cocoa with due date in March 2017, for a total of 200 tons, with the option of paying an average price of USD 2,850 per ton (purchase options), and the obligation to buy at an average price of USD 2,650 per ton (options to sale).

As a result of these transactions, Arcor S.A.I.C. has an asset of ARS 26,036,364 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 a net comprehensive loss for ARS 24,697,286, which was charged to the item "Cost of sales and services provided" (loss for ARS 346,714) in the consolidated statement of income and in the item "Cash flow hedge" (loss for ARS 24,350,572) of the consolidated statement of other comprehensive income, described in Note 2.13 to these consolidated financial statements.

At December 31, 2015, Arcor S.A.I.C. held 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. It also held contracts for options to purchase cocoa with due date in April 2016, for a total of 300 tons with the option of paying an average price of USD 3,100 per ton; and options to sell cocoa with due date in April 2016, for a total of 200 tons, with the obligation to buy at an average price of USD 2,850 per ton.

As a result of these transactions, Arcor S.A.I.C. had 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 previous year, recognized net comprehensive income for ARS 290,922, 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 917,651) of the statement of other comprehensive income as described in Note 2.13 to these consolidated financial statements.

Options for the purchase and sale of shares in Mastellone Hermanos S.A.

The transaction with Mastellone Hermanos S.A. and its shareholders described in note 40 to these consolidated financial statements, establishes options for the purchase and sale of shares in that associate, which are valued at fair value at the closing date. Those fair values have been estimated through “Black & Scholes” models and “Monte Carlo simulation”, as applicable in each case and are classified as Level 3 fair value hierarchy, in accordance with IFRS 7 and as described in note 38.2 to these consolidated financial statements. The most relevant non-observable data used in these estimates are disclosed below:

Measure techniques	Non-observable data	Relation between non-observable data and the fair value
“Black & Scholes” models and “Monte Carlo simulation”	Fair value of shares in Mastellone	The higher fair value of the share of Mastellone: - The higher fair value of the call option. - The lower fair value of the put options.
	Volatility in value of shares in Mastellone	The higher the value of the fluctuations of the shares of Mastellone, the higher fair value of the call and put options.
	Opportunity of exercise of the options	The higher terms of exercise of the options, the higher fair value of the call and put options.
	Risk- Free rate	The higher risk - free rate: - The higher fair value of the call options. - The lower fair value of the put options.

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NOTE 15. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents at December 31, 2016 and 2015 are disclosed below:

	12.31.2016	12.31.2015
Cash and short-term bank deposits	638,527,053	782,083,953
Time deposits	252,361,728	184,883,927
Financial assets at fair value (1)	1,342,708,259	1,066,514,222
TOTAL	2,233,597,040	2,033,482,102

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

In accordance with the statement of cash flow, the effects of the following activities of investment and financing are excluded due to did not imply movements of funds:

	12.31.2016	12.31.2015
Additions of property, plant and equipment, investment properties, intangible assets and other not paid at year end	(63,993,850)	(32,197,322)
Additions of property, plant and equipment through financial leases (note 21)	(7,417,338)	-
Decrease for damage of property, plant and equipment caused by causalities	-	21,572,872
Additions of investments in associates through the application of financial instruments (note 40)	(501,724,661)	-
Additions of options in Mastellone Hermanos S.A. through the application of financial instruments (note 40)	(80,308,939)	-

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. Such percentage was reached as a result of the decisions made by the Ordinary and Extraordinary General Shareholders' Meeting held on April 30, 2016.

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:

	2016	2015	2014
Common stock at the beginning of the year	700,000,000	700,000,000	700,000,000
Common stock at the end of the year	700,000,000	700,000,000	700,000,000

At December 31, 2016, 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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NOTE 18. RETAINED EARNINGS

The following tables outline the changes in Retained Earnings for the year ended December 31, 2016 and 2015, respectively:

	TOTAL
Balances at January 1, 2016	350,755,151
Net income for the year	454,141,040
Actuarial gains (losses) of defined benefit plans	(24,236,140)
Setting-up of reserves:	
- Legal reserve (1)	(10,554,547)
- Special Reserve for Future Dividends (1)	(95,200,604)
Distribution of dividends (1)	(245,000,000)
Dividends prescribed (2)	23,707
TOTAL AT 12.31.2016	429,928,607

(1) As per the Ordinary and Extraordinary Shareholder's Meeting held on April 30, 2016.
(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, 2015	236,469,308
Prior year adjustments (note 41)	22,650,958
Total at January 1, 2015 - corrected	**259,120,266**
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
TOTAL AT 12.31.2015	350,755,151

(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.

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, 2016	1,342,240,939	596,473	1,342,837,412
Cash flow hedges:			
– Gains and losses for hedge instruments	-	(15,956,250)	(15,956,250)
– Transfers to Net financial results	-	128,378	128,378
Currency translation difference:			
– Currency translation difference in the Group and associates	654,764,601	-	654,764,601
– Hyper inflationary effects in the Group and associates	3,396,074	-	3,396,074
– Effect on income tax (notes 10 and 34)	(2,431,357)	-	(2,431,357)
TOTAL AT 12.31.2016	1,997,970,257	(15,231,399)	1,982,738,858

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NOTE 19. 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 34)	(1,999,196)	-	(1,999,196)
– Reclassification to the result for the year difference of companies (1)	(2,488,353)	-	(2,488,353)
TOTAL AT 12.31.2015	1,342,240,939	596,473	1,342,837,412

(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.

NOTE 20. NON-CONTROLLING INTEREST

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

	TOTAL
Balances at January 1, 2016	1,846,571,918
Interest in net income for the year	632,383,104
Translation reserve	132,381,684
Actuarial gains (losses) from defined benefit plans	(1,662,870)
Cash dividends	(142,663,892)
TOTAL AT 12.31.2016	2,467,009,944

	TOTAL
Balances at January 1, 2015	1,291,191,469
Prior year adjustments (note 41)	4,701
Total at January 1, 2015 - corrected	**1,291,196,170**
Interest in net income for the year	473,859,626
Translation reserve	102,921,416
Actuarial gains from defined benefit plans	377,122
Cash dividends	(21,782,416)
TOTAL AT 12.31.2015	1,846,571,918

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NOTE 21. LOANS

The following table describes the composition and evolution of loans:

	12.31.2016	12.31.2015
Non-Current		
Bank loans	65,664,578	592,247,397
Corporate Bonds	5,517,835,776	3,424,723,421
Obligations for financial leases	28,693,627	42,686,651
Total Non-Current	**5,612,193,981**	**4,059,657,469**
Current		
Bank loans	2,892,100,593	2,213,239,006
Corporate Bonds	954,273,296	797,339,925
Obligations for financial leases	33,283,387	13,077,900
Discounts of documents	12,405,192	33,680,140
Total Current	**3,892,062,468**	**3,057,336,971**
TOTAL	9,504,256,449	7,116,994,440

	12.31.2016	12.31.2015
	Creditor/(Debtor)	
Opening balance of the year	**7,116,994,440**	**5,682,782,921**
Net increase in loans	869,798,807	72,243,939
Payment of interests	(1,167,567,691)	(882,696,207)
Payment of finance leases	(15,509,451)	(8,552,919)
Interests accrued and foreign exchange differences	2,171,230,967	2,022,284,108
Effect of currency translation	529,309,377	230,932,598
CLOSING BALANCE	9,504,256,449	7,116,994,440

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

- Balances at December 31, 2016:

Non-Current	From one to two years	From two to three years	From three to five years	Over five years	TOTAL
Bank loans	65,664,578	-	-	-	65,664,578
Corporate bonds	-	-	-	5,517,835,776	5,517,835,776
Obligations for financial leases	8,266,375	6,122,306	10,718,600	3,586,346	28,693,627
TOTAL AT 12.31.2016	73,930,953	6,122,306	10,718,600	5,521,422,122	5,612,193,981

Current	Within to three months	From three to six months	From six to nine months	From nine to one year	TOTAL
Bank loans	2,104,416,797	399,034,165	162,027,108	226,622,523	2,892,100,593
Corporate bonds	138,721,073	500,000,000	315,552,223	-	954,273,296
Obligations for financial leases	5,994,203	4,408,839	4,335,062	18,545,283	33,283,387
Discounts of documents	12,405,192	-	-	-	12,405,192
TOTAL AT 12.31.2016	2,261,537,265	903,443,004	481,914,393	245,167,806	3,892,062,468

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NOTE 21. LOANS

- 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
TOTAL AL 31.12.2015	3,988,296,460	55,246,750	8,795,923	7,318,336	4,059,657,469

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
TOTAL AT 12.31.2015	1,417,197,272	463,846,275	432,732,653	743,560,771	3,057,336,971

The carrying value and fair value of loans at December 31, 2016 and 2015 are as follows:

	Carrying value	Fair value
Bank loans	2,957,765,171	2,958,986,029
Corporate bonds	6,472,109,072	6,740,934,423
Obligations for financial leases	61,977,014	61,977,014
Discounts of documents	12,405,192	12,405,192
TOTAL AT 12.31.2016	9,504,256,449	9,774,302,658

	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
TOTAL AT 12.31.2015	7,116,994,440	7,183,782,845

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 38).

NOTE 21. LOANS

In the following table are exposed the Company loans which are measured at fair value hierarchy at December 31, 2016 and 2015, according to the explanation of Note 38.2:

	Level 1	Level 2	Level 3	TOTAL
Loans at Fair Value				
Bank loans	-	2,958,986,029	-	2,958,986,029
Corporate Bonds	5,991,413,802	749,520,621	-	6,740,934,423
Obligations for financial leases	-	61,977,014	-	61,977,014
Discounts of documents	-	12,405,192	-	12,405,192
Total Loans at fair value at 12.31.16	5,991,413,802	3,782,888,856	-	9,774,302,658

	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
Total Loans at fair value at 12.31.15	2,715,498,187	4,468,284,658	-	7,183,782,845

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

	31,12,2016	31,12,2015
ARS	2,269,041,972	2,361,532,379
BOB	-	3,919,435
BRL	893,499,961	950,514,645
CLP	380,251,422	363,535,262
EUR	-	25,989,069
PYG	-	25,595,378
USD	5,937,180,931	3,306,361,830
UYU	24,282,163	79,546,442
TOTAL	9,504,256,449	7,116,994,440

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.

NOTE 21. LOANS

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.

On July 6, 2016, the Group issued Class 9 Corporate Bonds at fixed rate, non-convertible into shares for a total amount of USD 350 million. The application of the net proceeds was the cancellation of Class 1 Corporate Bonds, the settlement of loans falling due up to September 30, 2016 (including, among others, bank overdraft in Argentina) which have been timely intended to the Company's activity, the addition of working capital of the Argentine transactions and the financing of production investments in Argentina.

NOTE 21. LOANS

a.3. Principal terms

	Corporate Bonds Class 1 (4)	Corporate Bonds Class 2 (1)	Corporate Bonds Class 3 (2)	Corporate Bonds Class 4 (1)
Aggregate Principal Amount	USD 200,000,000	ARS 140,000,000	ARS 160,000,000	ARS 111,823,333
Issuance date	November 9, 2010	July 22, 2013	July 22, 2013	December 17, 2013
Price of the issuance	100% of the nominal value	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 rate equivalent		
Applicable Margin	Does not have	2.50% annual nominal rate	3.69 % annual nominal rate	3.10% 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 (24 months from the date of issuance)	June 17, 2015 (18 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.	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.

(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 in the year, Class 6 dated January 15, 2016, Class 3 dated July 22, 2016 and Class 5 dated December 17, 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 mark-up.
(4) Paid in full at maturity in the year in accordance to note 21 item a. 4 “Redemption terms of Class 1 Corporate Bonds”.

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Corporate Bonds Class 5 (2)	Corporate Bonds Class 6 (2)	Corporate Bonds Class 7	Corporate Bonds Class 8	Corporate Bonds Class 9
ARS 388,176,667	ARS 184,447,777	ARS 315,552,223	ARS 500,000,000	USD 350,000,000
December 17, 2013	July 15, 2014	July 15, 2014	June 15, 2015	July 6, 2016
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				USD
to the aggregate of Badlar rate plus an applicable margin			Mixed rate (3)	6% fixed annual nominal rate
4.19% annual nominal rate.	2.24% annual nominal rate	3.38% annual nominal rate		Does not have
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)	July 6, 2023 (84 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 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.	Biannual, in arrears, on January 6 and July 6 of each year, until the due date. The first one falls due on January 6, 2017.

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NOTE 21. LOANS

a.4. Redemption terms of Class 1 Corporate Bonds

On July 6, 2016 and under an offer for the voluntary repurchase made on June 22, 2016 to the holders of Class 1 Corporate Bonds, the Company repurchased USD 51,317,000 of face value of those corporate bonds, by paying a purchase price equivalent to 101.813% of their face value and interest accrued until the repurchase date.

On August 1, 2016, the Company redeemed USD 148,683,000 of face value outstanding of the mentioned corporate bonds, by exercising the redemption option paying a purchase price equivalent to 101.813% of their face value and interest accrued until the redemption date.

a.5. 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:

- It may only incur, or allow its subsidiaries to incur in additional indebtedness if the Fixed Charge Coverage Ratio (as defined for Class 9 Corporate Bonds in the terms of the Pricing Supplement to the Global Program) for the most recently ended four quarters has been at least 2.00 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 exceed 10% of its "Consolidated total assets" (as defined in the Pricing Supplement corresponding to the mentioned Class 9).

- The Company assumes the obligation to offer to repurchase the Notes at 101% of the principal amount, plus the unpaid and accrued interest, in the case of a "Change in Control" takes place, as defined in the terms of the Pricing Supplement corresponding to Class 9.

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

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

Tranche A is for USD 50,000,000, which contemplated a 2-year grace period with half-yearly payments as from January 2010. Due date of the final balance was scheduled for July 15, 2017. On August 3, 2016, the Company prepaid the balance of USD 8,840,000 of the principal owed of the Tranche, plus interest accrued up to that date. In view of the mentioned payment, Arcor S.A.I.C. fully canceled all its debts under the Financing Program with IFC.

Tranche B was for USD 80,000,000, which contemplated 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.

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

During the year ended December 31, 2016 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 was scheduled for May 2017.

The principal owed for these loans at December 31, 2016 it is fully canceled, whereas at December 31, 2015, amounted to ARS 266,680,000.

Victor Jorge Aramburu Chairman Syndics Committee	Jorge Luis Seveso Secretary Member of the Board	Luis Alejandro Pagani Chairman	See our report date March 10, 2017 PRICE WATERHOUSE & CO. S.R.L. (Partner) C.P.C.E.Cba. N° 21.00004.3 Cr. Andrés Suarez. Public Accountant (UBA) Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

NOTE 21. LOANS

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 was scheduled for January 28, 2016, which has been fully paid at the date of issue of these financial statements.
- 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 was scheduled for March 2016, which was fully paid;

  (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 was scheduled for March 2016, which was fully paid.
- 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 which has been fully paid at the date of issue of these financial statements.

The principal owed for these loans in the year ended December 31, 2016 and 2015, amounted to ARS 12,500,000 and ARS 95,511,680, with an annual nominal weighted average indebtedness rate of 28.6% and 37.3% 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 November 2014 for BRL 16,401,650 and it was fully paid in October, 2016.
(ii) In November 2014 for BRL 35,000,000 with final due date in October, 2017.
(iii) In November 2014 for BRL 32,111,724 with final due date in January, 2017.

At December 31, 2016 and 2015 the amount owed for these loans amounts to ARS 329,696,764 and ARS 290,945,027, and the weighted average indebtedness nominal annual rate is 8.00% and 9.92% 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, 2016 and 2015 amounts to ARS 48,602,824 and ARS 67,584,715 respectively.

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NOTE 21. LOANS

d.2 Industrias de Alimento 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 2016 and 2015, the weighted average indebtedness nominal annual rate amounts to 5.44 % y 5.53 % respectively.

Loans taken out with those entities establish certain conditions and commitments to be fulfilled by the subsidiary during their effective term, among which is the compliance with specific financial ratios. In the year ended December 31, 2016 the Company was released from compliance with one of the financial ratios that relates net financial debt with EBITDA until December 31, 2017.

At December 2016 and 2015, the amount owed for these loans amounts to ARS 136,025,526 and ARS 159,124,070, respectively.

Obligation for financial leases

The obligations for financial leases subscribed by the subsidiaries La Campagnola S.A. y 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.

	12.31.2016	12.31.2015
Obligations for financial leases - minimum payments:		
Up to a year	35,016,853	13,449,502
From a year to two years	8,959,290	24,871,623
From two to three years	6,560,584	4,727,730
From three to five years	11,522,030	9,455,460
Over five years	3,949,131	8,133,740
Total minimum payments	**66,007,888**	**60,638,055**
Future financial charges on financial leases	(4,030,874)	(4,873,504)
PRESENT VALUE OF THE OBLIGATIONS FOR FINANCIAL LEASES	61,977,014	55,764,551

	12.31.2016	12.31.2015
Present value of the obligations for financial leases:		
Up to a year	33,283,387	13,077,900
From a year to two years	8,266,375	22,054,866
From two to three years	6,122,306	4,517,525
From three to five years	10,718,600	8,795,923
Over five years	3,586,346	7,318,337
PRESENT VALUE OF THE OBLIGATIONS FOR FINANCIAL LEASES	61,977,014	55,764,551

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.

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NOTE 21. LOANS

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.

On April 8, 2015, La Campagnola S.A.C.I., accepted the terms of the offer agreement dated April 1, 2015 of the company Tetra Pack S.R.L in which a leasing equipment is offered for the processing of mash or sauce of tomato. On regard to the agreement terms, the assumed canon amount USD 587,055 with a call option for USD 16,773, both payables in 36 monthly quotas. On April 5, 2016, was certified the ongoing of the above mentioned equipment.

During 2013 and 2012 the subsidiary Van Dam S.A. entered into lease contracts for the acquisition of utility vehicles.

NOTE 22. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

Balances of the caption of retirement benefit obligations are presented below:

	12.31.2016	12.31.2015
Non-Current		
Retirement benefits	44,441,228	33,738,522
Retirement bonus (a)	127,540,724	81,373,773
Pension plans	151,676,430	78,937,609
Total non-current	**323,658,382**	**194,049,904**
Current		
Retirement benefits	46,819,712	37,915,647
Retirement bonus (a)	4,194,534	3,097,331
Total current	**51,014,246**	**41,012,978**
TOTAL	374,672,628	235,062,882

The charge allocated to the consolidated income statement is as follows:

	12.31.2016	12.31.2015
Charge to comprehensive income		
Pension plans (*)	59,502,784	44,792,247
Retirement benefits	89,589,522	63,292,182
Retirement bonus	30,392,981	25,393,213
Subtotal	**179,485,287**	**133,477,642**
Charge to other comprehensive income		
Retirement benefits	15,286,959	(1,003,525)
Pension plans	20,500,563	(778,202)
Actuarial gains / losses of defined benefit plans	**215,272,809**	**131,695,915**
Translation difference	5,689,474	5,292,282
Subtotal – Charges allocated to Other Comprehensive Income	**41,476,995**	**3,510,560**
TOTAL	220,962,282	136,988,202

(*) For the year ended December 31, 2016 the charged to results ARS 3,796,312 are shown under Managers, directors and syndics' fees and the charge of, ARS 27,865,565 under Salaries, wages and other benefits and the remaining balance is disclosed in financial expenses. Regarding previous year`s balance, ARS 3,520,751, is shown under Managers, directors and syndics' fees and ARS 24,903,655, under Salaries, wages and other benefits (note 29).

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NOTE 22. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

(a) Retirement bonus

The amount recorded at December 31 2016 and 2015 rose ARS 131,735,258 and ARS 84,471,104, respectively. The detail of the variation in the Group´s obligations is as follows:

	12.31.2016	12.31.2015
Balance at beginning of year	84,471,104	57,342,821
Cost	4,858,154	7,261,321
Interest	25,534,827	18,131,892
Actuarial (gain) / losses	15,286,959	(1,003,525)
Benefits paid to members	(1,733,180)	(826,304)
Translation difference	3,317,394	3,564,899
BALANCE AT CLOSING OF YEAR	131,735,258	84,471,104

The portion expected to be settled within twelve months as from the issue of these financial statements amounts to ARS 4,194,534.

The charge allotted to the consolidated statement of income for the year ended December 31, 2016 and 2015 is as follows:

	Pension plans	Retirement benefits	Retirement bonus	Total at 12.31.2016
Cost (1)	31,661,877	55,225,834	4,858,154	91,745,865
Interest (2)	27,840,907	34,363,688	25,534,827	87,739,422
Subtotal – Charge to income for the year	**59,502,784**	**89,589,522**	**30,392,981**	**179,485,287**
Actuarial loss	20,500,564	-	15,286,958	35,787,522
Translation difference	1,081,237	1,290,840	3,317,394	5,689,471
Subtotal – Charges allotted to other comprehensive income	**21,581,801**	**1,290,840**	**18,604,352**	**41,476,993**
TOTAL AT 12.31.2016	81,084,585	90,880,362	48,997,333	220,962,280

(1) Of the total cost charge of ARS 61,035,702, ARS 7,201,788 and ARS 23,508,375 are included in "Cost of sales", "Selling expenses" and "Administrative expenses", respectively for the year ended at December 31, 2016.
(2) Allocated on "Net Financial results".

	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
Subtotal – Charge to income for the year	**44,792,247**	**63,292,182**	**25,393,213**	**133,477,642**
Actuarial (gain)	(778,202)	-	(1,003,525)	(1,781,727)
Translation difference	(390,155)	2,117,546	3,564,899	5,292,290
Subtotal – Charges allotted to other comprehensive income	**(1,168,357)**	**2,117,546**	**2,561,374**	**3,510,563**
TOTAL AT 12.31.2015	43,623,890	65,409,728	27,954,587	136,988,205

(1) For the year ended at December 31, 2015 of the total cost charge for of ARS 43,277,087, ARS 8,864,183 and ARS 23,928,935 , are included in "Cost of sales", "Selling expenses" and "Administrative expenses".
(2) Allocated on "Net Financial results".

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NOTE 22. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

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 2016 and 2015 were as follows:

For the year ended December 31, 2016	Argentina	Ecuador	Mexico
Mortality table	G.A.M. 83	IESS 2002	IMSS – 1997
Disability table	P.D.T. 85	IESS 2002	Tabla de mort. Mex.
Normal retirement age in men / women	65 / 60 años	25 años de antigüedad	65 años promedio
Actual discount rate p.a.	4.5%	5.1%	3.7%

For the year ended December 31, 2015	Argentina	Ecuador	Mexico
Mortality table	G.A.M. 83	IESS 2002	IMSS – 1997
Disability table	P.D.T. 85	IESS 2002	Tabla de mort. Mex.
Normal retirement age in men / women	65 / 60 años	25 años de antigüedad	65 años promedio
Actual discount rate p.a.	6%	8.2%	8%

At December 31, 2016 the impact of a 0.5% favorable/unfavorable change in the actuarial assumptions would result in a (gain)/loss before taxes of approximately ARS (6,413,995) and ARS 5,881,401 respectively.

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.

NOTE 23. PROVISIONS

The following table details the composition of the caption Provisions:

	12.31.2016	12.31.2015
Non-current		
For labor, civil and commercial lawsuits	185,237,182	113,212,484
Other various provisions	109,106,946	75,538,669
Total non-current	**294,344,128**	**188,751,153**
Current		
For labor, civil and commercial lawsuits	52,697,566	63,210,672
Other various provisions	31,785,431	22,979,822
Total current	**84,482,997**	**86,190,494**
TOTAL	378,827,125	274,941,647

The evolution of the item is as follows:

	Labor, civil and commercial lawsuits (1)	Other various provisions (2)	TOTAL
Balances at January 1, 2016	176,423,156	98,518,491	274,941,647
Increases	167,559,130	51,207,412	218,766,542
Decreases	(11,309,046)	(8,249,042)	(19,558,088)
Payments	(110,330,615)	(670,000)	(111,000,615)
Effect of currency translation	15,592,123	85,516	15,677,639
TOTAL AT 12.31.2016	237,934,748	140,892,377	378,827,125

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

NOTE 23. PROVISIONS

	Labor, civil and commercial lawsuits (1)	Other various provisions (2)	TOTAL
Balances at January 1, 2015	122,592,693	101,392,022	223,984,715
Increases	69,003,886	64,011,648	133,015,534
Decreases	(8,322,691)	(72,745,849)	(81,068,540)
Payments	(8,701,222)	(737,014)	(9,438,236)
Effect of currency translation	1,850,490	6,597,684	8,448,174
TOTAL AL 31.12.2015	176,423,156	98,518,491	274,941,647

(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.

NOTE 24. TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES

The following table details the breakdown of trade accounts payable and other liabilities:

	12.31.2016	12.31.2015
Non-Current		
Trade accounts payable		
- Third parties	4,238,298	2,110,916
Tax payables	10,602,844	14,127,888
Salaries and social security contributions	3,467,111	-
Total Non-Current	**18,308,253**	**16,238,804**
Current		
Trade accounts payable		
- Third Parties	5,009,200,522	3,894,065,946
- Related parts (note 37)	3,242,074	-
- Promissory Note	112,241,381	77,208,409
Tax payables	346,212,224	261,449,925
Salaries and social security contributions	1,690,808,710	1,257,942,207
Other Debts:		
- Third parties	5,371,483	2,304,350
- Other liabilities with relatedparts (note 37)	19,790,931	16,888,986
Total Current	**7,186,867,325**	**5,509,859,823**
TOTAL	7,205,175,578	5,526,098,627

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:

	12.31.2016	12.31.2016
IT services	12,588,588	45,266,664
Logistic services	288,042,563	341,157,042
Production services	60,824,949	38,842,827
TOTAL	361,456,100	425,266,533

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NOTE 25. COMMITMENTS AND GUARANTEES GRANTED

(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:

	12.31.2016	12.31.2015
Within one year	16,721,565	8,216,201
Between 1 and 5 years	34,159,590	6,343,249
Over 5 years	-	56,450
TOTAL	50,881,155	14,615,900

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 2016 and 2015, is dis closed in note 28 under the item "Operating leases".

(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 12.31.2016	
					Original currency amount	ARS
Arcor U.S.A, Inc.	JPMorgan Chase Bank National Association	USD	Surety Bond	7,000,000	-	-
Arcor A.G. (S.A. Ltd.)	Deutsche Bank	EUR	Surety Bond	3,000,000	-	-

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.	JPMorgan Chase Bank National Association	USD	Surety Bond	7,000,000	-	-
Arcor A.G. (S.A. Ltd.)	Deutsche Bank	EUR	Surety Bond	3,000,000	1,847,302	25,989,072

(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 12.31.16 ARS	Carrying value of the guarantee granted at 12.31.15 ARS
Bagley do Brasil Alim. Ltda.	Banco do Brasil	BRL	Surety Bond	Operaciones	-	17,998,207
Cartocor S.A.	Banco de la Nación Argentina	ARS	Surety Bond	descuento de	12,405,192	-
	Banco Finansur S.A.	ARS	Surety Bond	documentos	-	15,681,933

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NOTE 25. COMMITMENTS AND GUARANTEES GRANTED

(e) Potential commitments

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 equipment that belong to Bagley Argentina S.A. located at the Company's plants that at December 31, 2016, have a residual value of ARS 1,518,387. The Company is obliged to the guard and safekeeping of these assets and to keep the corresponding insurance policies. At December 31, 2015 amounted to ARS 1,511,459.

Due to tolling agreements between the Company and third parties, at December 31, 2016 the Company has in its deposits a stock of sugar belonging to third parties measured at weighted average price for an amount of ARS 92,513,918. At December 31, 2015 the third-party sugar stock amounted to ARS 55,686,374.

Also, as on December 2016, the Company has in its deposits a stock of finished products for sale that belong to third parties, for a value of ARS 4,456,777. The stock of these items at December 31, 2015 was for ARS 2,209,851.

NOTE 26. SALES OF GOODS AND SERVICES

The following table details the breakdown of sales:

	12.31.2016	12.31.2015
Sales of goods to third parties net of discounts and bonuses	37,768,474,423	27,516,618,532
Sales of services		
-Third parties	43,534,437	36,759,859
-Related parts (note 37)	166,808	109,488
TOTAL	37,812,175,668	27,553,487,879

NOTE 27. COST OF SALES AND SERVICES PROVIDED

The following table details the breakdown of the item of cost of sales and services provided:

	12.31.2016	12.31.2015
Inventories at beginning of year	4,646,748,737	4,092,788,575
Purchases for the year	15,265,056,906	8,827,550,715
Decrease in inventories due to causalities (note 32)	-	(176,732,518)
Transfers of biological products from the agricultural activity (note 30)	143,889,089	125,641,427
Refunds on exports (1)	(104,004,206)	(65,772,299)
Sale of by products	(99,334,315)	(62,624,638)
Expenses on production and services provided (note 28)	11,515,797,159	8,234,244,057
Effect of currency translation	478,283,828	1,542,236,582
Inventories at year end (note 12)	(6,630,501,937)	(4,646,748,737)
TOTAL	25,215,935,261	17,870,583,164

(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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NOTE 28. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

The following table details the breakdown of total expenses by nature:

	12.31.2016	12.31.2015
Managers, directors and syndics' fees	110,421,407	92,449,307
Fees and compensation for services	279,199,028	228,594,763
Salaries, wages and social security charges and other benefits (note 29)	9,564,313,858	6,886,911,260
Taxes, rates and contributions	127,995,189	89,036,630
Direct taxes	842,914,392	652,430,796
Maintenance of property, plant and equipment	985,875,078	759,691,522
Maintenance of investment properties	1,189,236	174,540
Depreciation of property, plant and equipment (note 5)	658,901,991	474,948,863
Depreciation of investment properties (note 6)	234,629	222,955
Amortization of intangible assets (note 7)	23,267,331	22,287,253
Freight and haulage	2,155,648,735	1,643,390,661
Fuels and lubricants	119,732,025	100,793,662
Export and import expenses	207,492,984	127,536,820
Third-party services	1,327,484,985	947,689,683
Electricity, gas and communications	1,148,795,672	747,058,235
Travelling expenses and per diem	296,951,863	203,929,674
Bank services	56,696,440	47,009,266
Quality and environment	63,986,982	44,615,494
Publicity and advertising	935,930,692	703,351,668
Loss (reversal) for doubtful accounts	11,440,513	12,078,338
Loss (reversal) for labor lawsuits and others	134,914,239	77,301,691
Operating leases/ rental	325,050,552	217,542,106
Insurance	210,657,063	155,986,888
Systems and application software	197,063,036	115,863,542
Export duties	-	89,421,295
Loss (reversal) for inventory losses	85,028,008	23,563,381
Loss (reversal) for contingencies	42,958,370	(8,734,201)
Loss (reversal) for other receivables	9,269,436	5,239,405
Other miscellaneous expenses	888,618,346	667,322,841
TOTAL	20,812,032,080	15,127,708,338

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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NOTE 28. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

(a) Product expenses (note 27)

	12.31.2016	12.31.2015
Managers, directors and syndics' fees	68,240,719	44,830,477
Salaries, wages and social security charges and other benefits (note 29)	6,799,584,024	4,895,597,880
Taxes, rates and contributions	33,059,851	27,704,352
Maintenance of property, plant and equipment	885,574,003	687,354,528
Depreciation of property, plant and equipment (note 5)	584,715,716	425,812,009
Amortization of intangible assets (note 7)	3,441,529	3,043,751
Freight and haulage	444,020,921	330,536,391
Fuels and lubricants	98,825,039	83,252,690
Export and import expenses	1,578,079	893,036
Third-party services	590,030,514	427,346,339
Electricity, gas and communications	1,028,738,582	663,705,160
Travelling expenses and per diem	98,913,067	71,799,014
Quality and environment	63,969,148	44,557,041
Loss (reversal) for labor lawsuits and others	108,025,948	54,839,098
Operating leases/ rental	53,718,223	37,700,111
Insurance	156,734,879	116,748,246
Systems and application software	57,338,770	36,041,473
Loss (reversal) for inventory losses	38,077,830	19,398,418
Loss (reversal) for other provisions	12,702,617	2,134,450
Loss (reversal) for other receivables	3,954,720	253,878
Other miscellaneous expenses	384,552,980	260,695,715
TOTAL	11,515,797,159	8,234,244,057

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)

	12.312016	12.31.2015
Fees and compensation for services	1,267,913	818,829
Salaries, wages and social security charges and other benefits (note 29)	41,699,193	26,234,972
Taxes, rates and contributions	4,077,707	2,998,127
Maintenance of property, plant and equipment	13,766,672	8,837,278
Depreciation of property, plant and equipment (note 5) (*)	7,875,120	3,217,351
Freight and haulage	4,540,809	4,746,872
Fuels and lubricants	4,449,708	4,110,704
Third-party services	38,449,776	30,319,429
Electricity, gas and communications	3,672,943	2,183,801
Travelling expenses and per diem	827,910	382,771
Loss (reversal) for labor lawsuits and others	37,905	329,214
Quality and environment	17,834	58,453
Operating leases/ rental	9,713,496	7,602,801
Insurance	231,328	203,984
Systems and application software	137,739	43,802
Other miscellaneous expenses	46,629,427	43,534,491
TOTAL	177,395,480	135,622,879

(*) At December 31, 2016, it results from the computation of depreciation included in the cost of biological assets at the beginning (ARS 3,949,371), plus depreciation for the year (ARS 8,881,032 – note 5) less depreciation included in the cost of biological assets at closing (ARS 4,955,283).
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)

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NOTE 28. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

(c) Selling expenses

	12.31.2016	12.31.2015
Fees and compensation for services	51,601,821	39,860,432
Salaries, wages and social security charges and other benefits (note 29)	1,750,928,926	1,257,360,570
Taxes, rates and contributions	52,336,307	35,362,192
Direct taxes	842,914,392	652,430,796
Maintenance of property, plant and equipment	76,379,934	54,519,184
Depreciation of property, plant and equipment (note 5)	52,028,227	36,300,186
Amortization of intangible assets (note 7)	9,872,661	12,361,708
Freight and haulage	1,707,087,005	1,308,107,398
Fuels and lubricants	14,290,402	11,828,541
Export and import expenses	205,914,905	126,643,784
Third-party services	616,533,917	440,987,602
Electricity, gas and communications	70,658,301	46,426,694
Travelling expenses and per diem	136,415,034	87,576,775
Publicity and advertising	935,930,692	703,351,668
Loss (reversal) for doubtful accounts	11,440,513	12,078,338
Loss (reversal) for labor lawsuits and others	25,417,063	19,604,560
Operating leases/ rental	229,621,400	152,653,450
Insurance	33,714,998	28,276,654
Systems and application software	69,379,133	38,790,178
Export duties	-	89,421,295
Loss (reversal) for inventory impairment	46,950,178	4,164,963
Loss (reversal) for contingencies	19,318,880	14,511,225
Loss (reversal) for other receivables	1,228,130	1,234,213
Other miscellaneous expenses	415,818,620	323,914,373
TOTAL	7,375,781,439	5,497,766,779

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

(d) Administrative expenses

	12.31.2016	12.31.2015
Managers, directors and syndics' fees	110,421,407	92,449,307
Fees and compensation for services	157,864,864	139,173,619
Salaries, wages and social security charges and other benefits (note 29)	972,101,715	707,717,838
Taxes, rates and contributions	36,663,866	22,065,071
Maintenance of property, plant and equipment	10,154,469	8,980,532
Depreciation of property, plant and equipment (note 5)	14,282,928	9,619,317
Amortization of intangible assets (note 7)	9,953,141	6,881,794
Fuels and lubricants	2,166,876	1,601,727
Third-party services	70,929,713	45,772,203
Electricity, gas and communications	45,640,580	34,682,587
Travelling expenses and per diem	60,791,262	44,171,114
Bank services	56,696,440	47,009,266
Loss (reversal) for labor lawsuits and others	1,433,323	2,538,941
Operating leases/ rental	31,979,934	19,537,154
Insurance	19,975,858	10,758,004
Systems and application software	70,207,394	40,988,089
Loss (reversal) for contingencies	10,936,873	(25,379,876)
Loss (reversal) for other receivables	4,086,586	3,751,314
Other miscellaneous expenses	40,998,446	38,591,333
TOTAL	1,727,285,675	1,250,909,334

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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NOTE 28. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

(e) Investment property maintenance expenses (note 31)

	12.31.2016	12.31.2015
Fees and compensation for services	223,711	3,911,406
Taxes, rates and contributions	1,857,458	906,888
Maintenance of investment properties	1,189,236	174,540
Depreciation of investment properties (note 6)	234,629	222,955
Third-party services	11,541,065	3,264,110
Electricity, gas and communications	85,266	59,993
Travelling expenses and per diem	4,590	-
Loss (reversal) for labor lawsuits and others	-	(10,122)
Operating leases/ rental	17,499	48,590
Other miscellaneous expenses	618,873	586,929
TOTAL	15,772,327	9,165,289

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:

	12.31.2016	12.31.2015
Salaries, wages and social security contributions	9,476,364,305	6,814,361,806
Early retirement benefits (note 22)	55,225,834	40,384,478
Pension plans (note 22)	27,865,565	24,903,655
Retirement pension (note 22)	4,858,154	7,261,321
TOTAL	9,564,313,858	6,886,911,260

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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	Dairy cattle or for slaughter	Total at 31.12.2016
Sale of biological products	-	23,768,505	-	13,211,913	36,980,418
Cost of sale of biological assets	-	-	-	(13,211,913)	(13,211,913)
Cost of sale of biological products	-	(46,912,361)	-	-	(46,912,361)
Subtotal income from sale of biological products	**-**	**(23,143,856)**	**-**	**-**	**(23,143,856)**
Harvest of biological products (1)	**25,340,635**	**68,986,245**	**27,901,993**	**74,680,250**	**196,909,123**
Decrease due to bearer plants (note 5)	**-**	**-**	**(601,652)**	**-**	**(601,652)**
Initial recognition and changes in the fair value of biological assets	**(3,315,452)**	**-**	**-**	**30,735,017**	**27,419,565**
Consumption of harvested biological products	-	-	-	(7,424,583)	(7,424,583)
Consumption of other biological products	-	-	-	(4,652,049)	(4,652,049)
Production expenses of biological assets of the agricultural activity (note 28) (2)	(28,527,997)	(23,070,761)	(35,635,605)	-	(87,234,363)
Production expenses of biological assets of the livestock activity (note 28)	-	-	-	(90,161,117)	(90,161,117)
Subtotal production costs of biological assets	**(28,527,997)**	**(23,070,761)**	**(35,635,605)**	**(102,237,749)**	**(189,472,112)**
TOTAL RESULT GENERATED BY BIOLOGICAL ASSETS	(6,502,814)	22,771,628	(8,335,264)	3,177,518	11,111,068

(1) At each closing, the fruit crops are valued at fair value.
(2) 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 31.12.2016
Biological assets of the agricultural activity at the beginning of the year at	9	15,471,470	11,078,928	24,789,972	51,340,370
Additions for the year at historical cost	9	32,389,998	36,170,277	39,466,365	108,026,640
Biological assets of the agricultural activity at the beginning of the year at historical cost	9	(19,333,471)	(24,178,444)	(28,620,732)	(72,132,647)
Production expenses of biological assets of the agricultural activity		28,527,997	23,070,761	35,635,605	87,234,363

(*) At each closing, the fruit crops are valued at fair value (note 2.11).

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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	Dairy cattle or for slaughter	Total at 31.12.2016
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)
Subtotal income from sale of biological products	**-**	**2,754,265**	**-**	**-**	**2,754,265**
Harvest of biological products (1)	**19,470,516**	**26,943,905**	**23,216,752**	**71,903,971**	**141,535,144**
Decrease due to bearer plants (note 5)	**-**	**-**	**(471,594)**	**-**	**(471,594)**
Initial recognition and changes in the fair value of biological assets	**767,040**	**-**	**-**	**6,100,508**	**6,867,548**
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 of the agricultural activity (note 28) (2)	(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)
Subtotal production costs of biological assets	**(18,446,602)**	**(21,891,578)**	**(27,880,549)**	**(76,259,236)**	**(144,477,965)**
TOTAL RESULT GENERATED BY BIOLOGICAL ASSETS	1,790,954	7,806,592	(5,135,391)	1,745,243	6,207,398

(1) At each closing, the fruit crops are valued at fair value.
(2) 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 31.12.2015
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	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)
Production expenses of biological assets of the agricultural activity		18,446,602	21,891,578	27,880,549	68,218,729

(*) At each closing, the fruit crops are valued at fair value (note 2.11).

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NOTE 30. RESULTS GENERATED BY BIOLOGICAL ASSETS

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	Dairy cattle or for slaughter	Total at 31.12.2016	Total at 31.12.2015
Stock at the beginning of biological products	-	4,835,244	-	-	4,835,244	6,094,866
Collection of biological products	25,340,635	68,986,245	27,901,993	74,680,250	196,909,123	141,535,144
Cost of sale of biological products	-	(46,912,361)	-	-	(46,912,361)	(11,533,214)
Internal transfers	-	(7,424,583)	-	7,424,583	-	-
Consumption of biological products harvested (forage)	-	-	-	(7,424,583)	(7,424,583)	(5,620,125)
Subtotal	**25,340,635**	**19,484,545**	**27,901,993**	**74,680,250**	**147,407,423**	**130,476,671**
Stock at year end of biological products collected not transferred to the industrial activity (forage) (1)	-	(3,518,334)	-	-	(3,518,334)	(4,835,244)
TOTAL TRANSFERS OF BIOLOGICAL PRODUCTS AT 12.31.2016 (note 27)	25,340,635	15,966,211	27,901,993	74,680,2501	143,889,089	-
TOTAL TRANSFERS OF BIOLOGICAL PRODUCTS AT 12.31.2016 (note 27)	19,470,516	11,050,188	23,216,752	71,903,971	-	125,641,427

(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:

	12.31.2016	12.31.2015
Tax on financial transactions	(369,914,422)	(301,361,026)
Expenses net from income accrued, generated by investment properties (1)	(13,899,858)	(5,567,382)
Income from the sale of property, plant and equipment and investment properties	13,339,055	17,142,620
Others	19,318,220	17,628,039
TOTAL	(351,157,005)	(272,157,749)

(1) Includes maintenance expenses of investments properties for the year ended December 31, 2016 and 2015 for ARS 15,772,327 and ARS 9,165,289 respectively (note 28).

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NOTE 32. EXCEPTIONAL RESULTS

	12.31.2016	12.31.2015
Casualties	-	6,777,827
TOTAL	-	6,777,827

Incidents occurred during the year ended December 31, 2016 and 2015

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, 2016, the loss recognized as a result of the deletion of damaged stock amounts ARS 117,910,955, together with the accrual of certain additional expenses related to that event. In addition, during the last quarter of 2015, 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.

At December 31, 2015, 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 this event.

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.

In addition, in December 31, 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. At the date of these consolidated financial statements the receivable was fully collected.

Revenue recognition for reimbursements - Accounting treatment

In connection with the above-mentioned, it is worth mentioning that:

(a) Arcor Group has insurance coverage sufficient to mitigate the impact generated by the situations mentioned above.

(b) 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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NOTE 33. FINANCIAL RESULTS

In the following table is detailed the breakdown of financial results:

	12.31.2016	12.31.2015
Financial income		
Interest:		
- Cash equivalents	1,600,778	241,575
- Explicit and implicit	638,562,562	339,491,963
- Explicit and implicit with related parties (note 37)	141,178	145,029
Changes to the fair value of financial assets:		
- Mastellone Hermanos S.A. Options (note 40)	62,588,174	-
- Other financial assets	357,362,257	239,370,276
Subtotal financial income	**1,060,254,949**	**579,248,843**
Financial expenses		
Interest:		
- Banks and corporate bonds net of amounts capitalized in property, plant and equipment	(977,977,757)	(795,328,514)
- Financial leases	(2,285,977)	(179,267)
- Explicit and implicit	(518,272,025)	(290,795,362)
- Financing expenses	(55,583,186)	(23,910,187)
Changes in fair value of financial instruments	-	(2,618,000)
Results from changes in the purchasing power of money	(2,724,061)	(10,173,724)
Foreign exchange differences	(772,242,967)	(646,241,150)
Subtotal of financial expenses	**(2,329,085,973)**	**(1,769,246,204)**
TOTAL	(1,268,831,024)	(1,189,997,361)

NOTE 34. INCOME TAX

	31,12,2016	31,12,2015
Current income tax	(807,212,957)	(816,375,201)
Income tax - deferred tax method	(36,670,844)	129,322,856
Net generation of credits for similar taxes abroad	5,120,268	738,890
Subtotal	**(838,763,533)**	**(686,313,455)**
Minimum notional income tax	(58,359)	(49,590)
Subtotal – Income tax allocated to the statement of income	**(838,821,892)**	**(686,363,045)**
Income tax - deferred tax method	18,624,341	(2,944,579)
Subtotal – Income tax allocated to other comprehensive income	**18,624,341**	**(2,944,579)**
TOTAL INCOME TAX CHARGE	(820,197,551)	(689,307,624)

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NOTE 34. 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:

	12.31.2016	12.31.2015
Income for the year before tax	**1,925,346,036**	**1,487,535,406**
Tax rate of the Company	35%	35%
Tax calculated at the Company's tax rate	**(673,871,113)**	**(520,637,392)**
Permanent differences:		
Non-taxable income	25,000,890	2,921,113
Non-deductible expenses	(64,585,019)	(56,346,249)
Result for the adjustment of tax rates of other jurisdictions (2)	17,895,928	(783,038)
Result from investments in Companies	-	(25,258,481)
(Increase) in provision for deferred tax	(244,147,456)	8,179,519
Net generation of credits for similar taxes abroad	5,120,268	738,890
Tax effect of credits for similar taxes abroad	(1,792,088)	(258,612)
Others nets	97,615,057	(94,869,205)
Subtotal permanent differences at tax rate	**(164,892,420)**	**(165,676,063)**
TOTAL INCOME TAX CHARGE TO EARNINGS (1)	(838,763,533)	(686,313,455)
Current income tax	(807,212,957)	(816,375,201)
Income tax - deferred tax method	(36,670,844)	129,322,856
Net generation of credits for similar taxes abroad	5,120,268	738,890
TOTAL INCOME TAX CHARGE TO EARNINGS (1)	(838,763,533)	(686,313,455)

(1) At December 31, 2016 and 2015, it does not include the minimum notional income tax charge for ARS 58,359 and ARS 49,590, 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 35. 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 2016 and 2015 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	
	12.31.2016	**12.31.2015**
Utilidad atribuible a los accionistas de la Sociedad	454,141,040	327,312,735
Acciones comunes en circulación	70,000,000,000	70,000,000,000
BASIC AND DILUTED EARNINGS PER SHARE	0.00649	0.00468

NOTE 36. DIVIDENDS PER SHARE

Dividends paid to the Company's shareholders during 2016 and 2015 amounted to ARS 245,000,000 and ARS 265,000,000, respectively, which on the ordinary shares outstanding at the date of payment ARS 0.00350 and ARS 0.00379 per share, respectively.

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NOTE 37. TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

Below is a detail of outstanding balances and transactions with related parties at years end:

(a) Sales of goods and services

Sales of goods:

	Type of relation	12.31.2016	12.31.2015
Logística La Serenísima S.A.	Indirect Associate	105,264	-
Mastellone Hermanos S.A.	Associate	45,443,613	-
Mastellone de Paraguay S.A.	Indirect Associate	64,489	-
Mastellone San Luis S.A.	Indirect Associate	3,069,451	-
TOTAL		48,682,817	-

Sales of services

	Type of relation	12.31.2016	12.31.2015
Grupo Arcor S.A.	Parent Company	166,808	109,488
TOTAL		166,808	109,488

(b) Purchase of goods

	Type of relation	12.31.2016	12.31.2015
Mastellone de Paraguay S.A.	Indirect Associate	16,563,474	109,488
Mastellone Hermanos S.A.	Associate	33,393,340	-
TOTAL		49,956,814	109,488

(c) Other expenses with related parties

	Type of relation	12.31.2016	12.31.2015
Other expenses			
Contribution to Fundación Arcor	Others	9,270,000	7,365,000
Contribution to Fundación Arcor Chile	Others	2,023,241	1,655,359
Contribution to Instituto Arcor Do Brasil	Others	3,585,677	3,186,693
TOTAL		14,878,918	12,207,052

(d) Recovery of expenses

	Type of relation	12.31.2016	12.31.2015
Mastellone de Paraguay S.A.	Indirect Associate	680,140	-
TOTAL		680,140	-

(e) Financial interest

	Type of relation	12.31.2016	12.31.2015
Earned (note 33)			
GAP Inversora S.A.	Associate	66,704	99,312
Other related parties	Others	74,474	45,717
TOTAL		141,178	145,029

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NOTE 37. TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

(f) Balances for receivables and liabilities recorded for transactions with related parties

	Type of relation	12.31.2016	12.31.2015
Trade accounts receivables (note 11)			
Logística La Serenísima S.A.	Indirect Associate	63,608	-
Mastellone de Paraguay S.A.	Indirect Associate	439,840	-
Mastellone Hermanos S.A.	Associate	9,267,369	-
Mastellone San Luis S.A.	Indirect Associate	622,678	-
TOTAL		10,393,495	-

	Type of relation	12.31.2016	12.31.2015
Trade accounts payables and other liabilities (note 24)			
Mastellone de Paraguay S.A.	Indirect Associate	3,242,085	-
Remuneration of directors to pay	Others	17,076,573	15,814,243
Other related parties	Others	2,714,347	1,074,743
TOTAL		23,033,005	16,888,986

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.

(g) Financial debtors (note 11)

	Type of relation	12.31.2016	12.31.2015
GAP Inversora S.A.	Associate	465,791	164,399
Other related parties	Others	385,547	259,645
TOTAL		851,338	424,044

(h) Employee benefits

Compensation and other employee benefits accrued to the Board of Directors and the Key personnel from Management as of December 31, 2016 and 2015 amounted to ARS 214,331,739 and ARS 192,344,734, respectively.

Key Management personnel are those who have the authority and responsibility for planning, directing and controlling the Group`s activities.

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NOTE 38. FINANCIAL RISK MANAGEMENT

38.1 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, 2016:

	Amortized cost	Fair value		Total at 12.31.2016
		with changes in the statement of income	with changes in other comprehensive income	
Assets as per balance sheet				
Derivative financial instruments	-	223,090,498	26,036,363	249,126,861
Other receivables (1)	412,613,942	-	-	412,613,942
Trade accounts receivable	5,691,059,737	-	-	5,691,059,737
Other investments (1)	30,741	-	-	30,741
Cash and cash equivalents	-	2,233,597,040	-	2,233,597,040
TOTAL AT DECEMBER 31, 2016	6,103,704,420	2,456,687,538	26,036,363	8,586,428,321
Liabilities as per balance sheet				
Loans	9,504,256,449	-	-	9,504,256,449
Derivative financial instruments	-	84,814,093	-	84,814,093
Trade accounts payables and other liabilities (1)	6,846,393,185	1,967,325	-	6,848,360,510
TOTAL AT DECEMBER 31, 2016	16,350,649,634	86,781,418	-	16,437,431,052

(1) It only includes financial assets and liabilities under IFRS 7.

- 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.

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NOTE 38. FINANCIAL RISK MANAGEMENT

38.2 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, 2016:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
Derivative financial instruments	26,036,364	-	223,090,497	249,126,861
Cash and cash equivalents	2,233,597,040	-	-	2,233,597,040
TOTAL ASSETS	2,259,633,404	-	223,090,497	2,482,723,901

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities at fair value				
Derivative financial instruments	4,620,709	-	80,193,384	84,814,093
Trade accounts payable and other liabilities (1)	-	1,967,325	-	1,967,325
TOTAL LIABILITIES	4,620,709	1,967,325	80,193,384	86,781,418

(1) It only includes financial assets and liabilities under IFRS 7.

- At December 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets				
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
TOTAL ASSETS	2,382,773,681	96,033,600	-	2,478,807,281

	Level 1	Level 2	Level 3	Total
Liabilities				
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
TOTAL LIABILITIES	312,850	5,591,214	-	5,904,064

(1) It only includes financial assets and liabilities under IFRS 7.

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NOTE 38. FINANCIAL RISK MANAGEMENT

38.2 Fair value hierarchies

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.

38.3 Fair value estimation

Fair value of assets and liabilities carried at fair value

Financial assets and liabilities carried at fair value at December 31, 2016 and 2015, 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

(i) 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.

(ii) Options associated with transaction with Mastellone Hermanos S.A.

The fair value of this financial instruments have been estimated through the application of valuation options models (Black & Scholes models and Monte Carlo simulation).

The models mentioned above include the use of non-observable data in the market. Therefore, these instruments are classified as Level 3 in the fair value hierarchy.

(c) Trade accounts payable and other liabilities – Liabilities for purchases of grains to be fixed

At December 31, 2016 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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NOTE 38. FINANCIAL RISK MANAGEMENT

38.3 Fair value estimation

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. 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).

NOTE 38. FINANCIAL RISK MANAGEMENT

38.3 Fair value estimation

(iv) Loans and other financial debts at fixed rate

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).

38.4 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.

38.5. Market risk

38.5.1 Foreign exchange risk:

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, 2016 and 2015 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 (11,575,886) and ARS (6,264,912), 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, 2016 and 2015, 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 (586,648,770) and ARS (71,549,016), respectively.

38.5.2 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, 2016 and 2015, 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 188,952 and ARS 445,549, respectively.

NOTE 38. FINANCIAL RISK MANAGEMENT

38.5 Market risk

38.5.2 Raw materials price risk:

In the case of cocoa, the Group enters into financial transactions and forward purchases of cocoa, which are designed as cash flow hedges to offset the effects of changes in prices of such raw material, although there is no physical delivery.

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.

38.5.3 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 Badlar rate.

As of December 31, 2016 and 2015, ratio between fixed rate loans and floating rate loans -excluding finance leases- is disclosed in the chart below:

Type of loan	12.31.2016		12.31.2015	
	ARS	%	ARS	%
Fixed rate (*)	7,082,314,779	75	4,724,430,135	66
Variable rate	2,421,941,670	25	2,392,564,305	34
TOTAL	9,504,256,449	100	7,116,994,440	100

(*) 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 was changed to floating rate loans.

Considering that only 25% 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 5,365,660.

38.6 Credit risk

The credit risk the Group is exposed to, arise mainly from:

38.6.1 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.

NOTE 38. FINANCIAL RISK MANAGEMENT

38.6 Credit risk

38.6.2 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.

38.6.3 Trade accounts receivable with industrial customers

It includes mainly trade accounts receivable for sale of industrial products (corrugated cardboard, flex, agro industrial products, 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.

38.6.4 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.

38.7 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 broken down by maturity date, considering the time to be lapsed since December 2016 and 2015, 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 2016 and 2015 respectively.

NOTE 38. FINANCIAL RISK MANAGEMENT

38.7 Liquidity risk

	Carrying value	Maturity dates				
		Less than a year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total at 12.31.2016
		ARS				
Loans	9,504,256,449	4,261,853,396	410,977,578	1,019,152,613	6,189,164,907	11,881,148,494
Derivative financial instruments	4,620,709	4,620,709	-	-	-	4,620,709
Trade accounts payable and other liabilities	6,848,360,510	6,904,955,742	7,705,407	-	-	6,912,661,149
TOTAL AT DECEMBER 31, 2016	16,357,237,668	11,171,429,847	418,682,985	1,019,152,613	6,189,164,907	18,798,430,352

	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

The derivative financial instruments disclosed above do not include the call and put options of shares of Mastellone Hermanos S.A. (notes 14 and 40). The cash flow that might stem from the exercise of the mentioned options are shown in note 40 of these consolidated financial statements.

38.8 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:

	31,12,2016	31,12,2015
Loans (note 21)	9,504,256,449	7,116,994,440
(Less) Cash and cash equivalents (note 15)	(2,233,597,040)	(2,033,482,102)
Net debt	7,270,659,409	5,083,512,338
Total equity	**6,988,533,471**	**5,543,265,392**
Total capitalization	14,259,192,880	10,626,777,730
INDEBTEDNESS RATIO	1.0404	0.9170

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NOTE 39. CORPORATE REORGANIZATIONS WITHIN THE GROUP

Merger through absorption of Cartocor S.A. with Converflex Argentina S.A. and Converflex S.A.

On December 18, 2015, Cartocor S.A. (subsisting company), Converflex Argentina S.A. and Converflex S.A. (merged companies) signed a prior merger commitment, whereby Cartocor S.A. absorbed the assets and liabilities of Converflex Argentina S.A. and Converflex S.A. effective as from January 1, 2016.

This merger through absorption was made pursuant to the provisions laid down by sections 77 and 78 of Law N° 20,628.

The shareholders of the merged company Converflex S.A. and the shareholders of the merged company Converflex Argentina S.A. on March 28, 2016 and on March 29, 2016, respectively, approved at their respective Extraordinary General Meetings the merger through absorption and the pertinent dissolutions without liquidation of the merged companies.

On March 29, 2016, the Shareholders of Cartocor S.A. (subsisting company) approved at the Extraordinary General Meeting the merger through absorption.

On December 2, 2016, the Superintendency of Commercial Companies of the Province of Córdoba, through Resolution N° 2225/2016- B registered the statutory merger without liquidation between Cartocor S.A. (surviving company), Converflex Argentina S.A. and Converflex S.A. (as merged companies) in the Public Registry of Commerce of the Province of Córdoba.

NOTE 40. INVESTMENT IN MASTELLONE HERMANOS S.A.

Agreements with Mastellone Hermanos S.A. and its shareholders

On December 3 and 4, 2015, Arcor S.A.I.C. together with its subsidiary Bagley Argentina S.A. (jointly, the "Investors") entered in to an investment agreement with Mastellone Hermanos S.A. ("Mastellone") and its shareholders, which was instrumented as follows:

(i) "Offer for stock subscription" issued by Mastellone and its shareholders and accepted by the Investors: in view of this agreement:

- Arcor S.A.I.C. and Bagley Argentina S.A. made an equal irrevocable contributions for ARS 486,000,000, convertible into shares of Mastellone representing 20.16% of the capital and voting rights in Mastellone Hermanos S.A.

- Mastellone and its shareholders granted to the Investors an irrevocable option to subscribe additional stock to be exercised in January 2017 and, at the same time, Investors granted 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. In exchange for this additional subscription and subject to compliance with a series of conditions, Mastellone is committed to issue shares in favor of the Investors representing 12.37% of the new capital and voting rights.

- Indemnities are established in favor of Investors in the event of certain contingencies that might generate tax losses in Mastellone.

(ii) "Offer of Share Purchase Contract" issued by certain shareholders of Mastellone and accepted by the Investors: in view of this agreement, Arcor S.A.I.C. and Bagley Argentina S.A. purchased, on an equal basis, ordinary shares representing approximately 4.99% of the capital stock of Mastellone prior to the subscription described in the point (i) above, at a price of ARS 96,033,600.

(iii) "Offer for the pledge of shares" issued by the shareholders of Mastellone and accepted by the Investors: To guarantee the issue of Mastellone shares in favor of the Investors for the irrevocable contribution mentioned in the point (i) above, the shareholders of Mastellone created, in view of this agreement, a senior pledge on the shares representing 30% of the capital stock in Mastellone.

(iv) "Offer of Contract for Option to Purchase Shares" issued by Mastellone and its shareholders and accepted by the Investors: in view of this agreement:

- Bagley Latinoamérica S.A., Bagley Argentina S.A. and Arcor S.A.I.C. entitled the shareholders of Mastellone so that they may sell the shares of Mastellone to the Investors and Bagley Latinoamérica S.A. *(first sale option)* between the month of April and October of the years 2017, 2018, 2019 and 2020, reaching a shareholding that Investors, together with Bagley Latinoamérica S.A., do not exceed the 49% of the capital and voting rights in Mastellone, fixing an annual cap or threshold of USD 13,500,000 for the exercise of that option which, if not reached in any of those years, is added to the thresholds of remaining years. The price for exercising this first sale option is fixed and is determined on the basis of the transactions described in the points (i) and (ii) above.

NOTE 40. INVESTMENT IN MASTELLONE HERMANOS S.A.

- Bagley Latinoamérica S.A., Bagley Argentina S.A. and Arcor S.A.I.C. entitled the shareholders of Mastellone so that they may sell the rest of their equity interest to the Investors and Bagley Latinoamérica S.A. between the years 2020 and 2025 *(second sale option)* so that the Investors, together with Bagley Latinoamérica S.A. reach 100% of the capital and voting rights in Mastellone. The price to exercise this second sale option is variable and is determined as from the changes to certain economic indicators and variables associated to the economic and financial performance of Mastellone.

- Mastellone shareholders granted Bagley Latinoamérica S.A., Bagley Argentina S.A. and Arcor S.A.I.C. the one-time right to purchase all of the remaining shares in Mastellone at any time between the years 2020 and 2025 *(purchase option)*, reaching a shareholding of 100% in the capital and voting rights in Mastellone. The price for exercising this purchase option is variable and is determined as from variables similar to that of the second sale option described above.

- All of them, the *additional subscription option* described in paragraph (i) as the *first sale option*, the *second sale option* and the *purchase option* mentioned above are instruments non-transferable to third parties and the possibility of settling them at fair value has not been established. The cash flows associated to these instruments are directly related to the eventual payments to be made, for the shares in Mastellone.

(v) “Offer of Shareholders' Agreement” issued by Mastellone and its shareholders and accepted by the Investors: this agreement, effective upon completion of the initial subscription of shares described in point (i) above, regulates certain aspects (mainly limitations) related to the transfer of shares to third parties and administration and management of Mastellone, granting participation rights to Investors in certain strategic decisions of Mastellone.

All the above agreements, except for the Offer for the pledge of stock, were subject to certain conditions subsequent, specially, to the approval of the Brazilian Authority for the Defense of Competition. Such approval was published on January 26, 2016 by that authority.

Once the period for oppositions established by the regulations of the Brazilian Authority for the Defense of Competition has ended, such approval became final, and on February 23, 2016, the Ordinary and Extraordinary Shareholders' Meeting of Mastellone Hermanos S.A. resolved on the capitalization of the irrevocable contributions made by Arcor S.A.I.C. and Bagley Argentina S.A., resulting from the "Offer of Agreement for stock subscription" mentioned above through the issue of 115,542,240 new ordinary nominative non-endorsable shares, entitled to 1 voting right and ARS 1 face value per share (subscribed and paid-in in equal proportions by Arcor S.A.I.C. and Bagley Argentina S.A.). As from the subscription, the Shareholders' Agreement became effective.

It should be mentioned that at the date of issue of these consolidated financial statements, certain authorizations from the control authorities in Argentina are still pending.

Accounting recognition in Arcor Group at December 31, 2015

At December 31, 2015, as the transaction was subject to substantive conditions not yet met at that date as mentioned above, the Group disclosed the transaction conducted as described in the table below:

Item	Allocation to the Consolidated Balance Sheet	Balance as of December 31, 2015 (ARS)
Irrevocable contribution subject to the condition precedent resulting from the "Offer of Agreement for stock subscription"	Other non-current receivables	486,000,000
Investment in Mastellone Hermanos S.A. resulting from the “Offer of Share Purchase Contract”	Other non-current investments	96,033,600
TOTAL		582,033,600

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NOTE 40. INVESTMENT IN MASTELLONE HERMANOS S.A.

Accounting recognition in the Group at December 31, 2016

As from the resolution of that substantive requirement to which the transaction was subject, and the decision dated February 23, 2016 by the Ordinary and Extraordinary Shareholders' Meeting of Mastellone Hermanos S.A. of capitalize the irrevocable contributions made, the Group:

(i) Recorded its investment in Mastellone by the equity method as from that date due to the existence of significant influence on that associate, which is based on its shareholding percentage (24,1452% as from the stock subscription) and on the rights it held to participate in the management of Mastellone as from the validity of that "Shareholders' Agreement".

(ii) Posted the initial recognition at fair value, at that date, in accordance with IFRS 9, of derivative financial instruments (assets and liabilities) resulting from the *additional subscription options, first and second sale options* and purchase option Previously described Those fair values have been estimated through models based on observable market data and on own hypotheses and assumptions. In this sense, the Group understands that the fair value estimated is level 3 hierarchy, in accordance with IFRS 7.

The fair value of this instrument depends, mainly, of the fair value of the shares of Mastellone.

In view of the methodology of the equity method established by the IAS 28, the following criteria was applied to measure the investment in Mastellone:

- The investment was initially recognized at cost, for which it was considered, as mentioned before, the effect of the initial recognition of derivative financial instruments for options on the "consideration transferred".

- Mastellone identifiable assets and liabilities were computed at fair value at the date of initial application of the method, with the consequent accounting recognition in the Group, as part of the investment measurement, of: (I) participation in Mastellone equity at that date, computed at book value; (ii) participation in higher and lower values of assets and liabilities from the comparison of book values in Mastellone at the mentioned date and their pertinent fair values; and (iii) goodwill for the difference between the cost of the investment for the Group and its participation in identifiable assets and liabilities, measured at fair value.

- To determine the result of the investment between the date of initial application of the method (February 23, 2016) and December 31, 2016, the annual financial statements of Mastellone at December 31, 2016 were considered, and the pertinent adjustments were made for the participation of the Group in the changes of the higher and lower values of identifiable assets and liabilities of the associate resulting from their initial measurement at fair value. This results were charged to the item "Net results on investments in associates" of the consolidated statement of income and "Currency translation differences in companies" and "Participation in other comprehensive income for actuarial gains / (losses) of defined benefit plans of companies" of the consolidated statement of other comprehensive income, as appropriate.

- The non-controlling interest in Mastellone was measured by the equity method at the date of acquisition of the investment due to its low significance.

- The "period to measure the investment" provided for by the IFRS should not be higher than a year since the initial application of the method. At December 31, 2016, the process of allocation of the purchase price is finished and, consequently, the balances exposed on these consolidated financial statements are definitive.

The derivative financial instruments mentioned before (resulting from the *additional subscription options, first and second sale options and purchase option)* were measured at their fair value at December 31, 2016. The differences between such fair values at closing and those recognized after the initial application of the equity method were allocated to the "Financial income - Changes to the fair value of financial assets - Options Mastellone Hermanos S.A." of the consolidated statement of income.

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NOTE 40. INVESTMENT IN MASTELLONE HERMANOS S.A.

The following table includes a summary of the initial recognition of the investment in the Group and its changes at December 31, 2016:

		Gain / (Loss) - ARS		
	Balances at February 23, 2016 (date of initial application of the equity method)	**Income for the period**	**Other comprehensive income for the period**	**Balances at December 31, 2016**
Equity Interest in Mastellone equity at carrying value	492,352,626	40,649,327	11,044,773	544,046,726
Recognition of higher and lower values of identifiable assets and liabilities for allocation of the paid price (including tax effect)	(11,865,726)	422,336	(2,644,486)	(14,087,876)
Goodwill	21,237,761	-	-	21,237,761
Total – Investment in associate (note 8)	**501,724,661**	**41,071,663**	**8,400,287**	**551,196,61**
Additions of derivative financial instruments assets for options	177,267,565	45,822,932	-	223,090,497
Additions of derivative financial instruments liabilities for options	(96,958,626)	16,765,242	-	(80,193,384)
Total – Derivative financial instruments (note 14)	**80,308,939**	**62,588,174**	-	**142,897,113**
Cost of irrevocable contribution subject to suspensive condition as a result of the “Offer for Agreement for stock subscription”	(486,000,000)	-	-	-
Cost of the investment in Mastellone Hermanos S.A. as a result of the “Offer of Contract for Option to Purchase Shares”	(96,033,600)	-	-	-
Total – Cost of the investment in associate	**(582,033,600)**	-	-	-

Subsequent events

In January 2017 (additional subscription period established in the “Offer for Agreement of Stock Subscription”), Arcor S.A.I.C. and Bagley Argentina S.A. notified Mastellone of their decision to exercise in equal portions the *additional subscription option* described above.

In view of that option:

- Investors, on January 17, 2017, made an irrevocable contribution on account of the future subscription of shares for the amount in pesos equivalent to USD 35,000,000, to subscribe and pay in 80,879,568 registered, ordinary, Class E shares of ARS1 par value each and entitled to one (1) vote per share of Mastellone.

- Once those shares are subscribed, the Investors will hold 33.5265% in the capital stock of Mastellone.

The stock subscription was authorized by the Competence Defense of Brazil on February 24, 2017 and at the date of issue of these consolidated financial statements, such approval is within the period for opposition.

The accounting effects of the subsequent events mentioned above, will be registered by the Group during the year of 2017.

NOTE 41. CHANGES IN ACCOUNTING POLICIES

As mentioned in Note 2.2, as from the year commenced on January 1, 2016, 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:

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NOTE 41. CHANGES IN ACCOUNTING POLICIES

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.

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 "property, plant and equipment" 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 "biological asset" 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, are as follows:

ASSETS	12.31.2014
NON-CURRENT ASSETS	
Property, plant and equipment (note 5)	21,111,168
Biological assets (note 9)	(19,620,840)
Deferred tax assets (note 10)	(12,203,171)
TOTAL NON-CURRENT ASSETS	**(10,712,843)**
CURRENT ASSETS	
Biological assets (note 9)	33,368,502
TOTAL NON-CURRENT ASSETS	**33,368,502**
TOTAL ASSETS	22,655,659

EQUITY	
Capital and reserves attributable to company shareholders	
Unappropriated retained earnings (note 18)	22,650,958
SUBTOTAL	**22,650,958**
Non-controlling interest (note 20)	4,701
TOTAL EQUITY	22,655,659

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NOTE 41. CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" on "Bearer Plants"

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)
NET INCOME FOR THE YEAR	15,197,761
Earnings attributable to:	
Company's equity holders	15,192,399
Non-controlling interest	5,362
TOTAL	15,197,761
Earnings per share attributable to Company's shareholders	
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)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-

NOTE 42. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, no other events or circumstances have occurred which might significantly affect the balance sheet, result of operations and cash flows of the Company other than those described in Note 40.

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Consolidated Summary of Events

AS OF DECEMBER 31, 2016

¨My parents worked 42 and 46 years at Arcor. And that taught me that when someone stays more than 40 years in the same job is because he likes it somehow.
At Acercar we fight to break down barriers for disabled people, to create a working space. Even if symbolic, it opens up the possibility to see someone happy.¨

Pablo Castro, Coordinator of Acercar. Arroyito, Córdoba.
Acercar's 16 years. Arcor's 65 years.

CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2016, PRESENTED IN COMPARATIVE FORM

I. COMMENT ON ARCOR GROUP'S ACTIVITIES

PREVIOUS CONSIDERATIONS

At the end of the 56th year, covering the period from January 1st to December 31, 2016, Group's sales revenue increased respect prior year. Foreign subsidiaries sales represented 28.7% of the Group´s consolidated sales, and the sales in Argentina, including export sales to third parties represented 71.3% of the consolidated sales of the year 2016.

The Company continues with its policy of maintaining suitable liquidity levels in order to fulfill its commitments. As of December 31 2016, Group's liquidity level amounted to ARS 2,233,597,040 recording a net decrease in cash for ARS (408,247,198) 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 1,823,329,055, which were used for investment activities ARS 700,942,227 and investment activities ARS 1,530,634,026.

INVESTMENTS AND DEVELOPMENTS

The Group's main investments during the year were as follows:

• Machinery and equipment	34,646,981
• Furniture, tools, vehicles and other equipment	145,097,309
• Constructions	32,128,240
• Works in progress and goods in transit	1,381,630,624
TOTAL INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT	1,593,503,154

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CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2016, PRESENTED IN COMPARATIVE FORM

II. CONSOLIDATED ASSET AND LIABILITY STRUCTURE, COMPARED WITH THE FOUR PREVIOUS YEARS

	12.31.2016	12.31.2015	12.31.2014	12.31.2013	12.31.2012 (*)
Non-current assets	8,996,736,230	6,907,390,905	5,464,594,493	4,134,999,531	2,999,187,232
Current assets	15,851,810,080	12,192,897,682	9,507,054,319	7,767,773,934	5,885,668,528
Total assets	**24,848,546,310**	**19,100,288,587**	**14,971,648,812**	**11,902,773,465**	**8,884,855,760**
Non-current liabilities	6,326,875,295	4,467,572,656	4,074,485,382	3,190,497,548	1,547,088,133
Current liabilities	11,533,137,544	9,089,450,539	6,416,161,595	4,817,628,467	3,981,634,999
Total liabilities	**17,860,012,839**	**13,557,023,195**	**10,490,646,977**	**8,008,126,015**	**5,528,723,132**
Equity attributable to shareholders of the company	4,521,523,527	3,696,693,474	3,189,805,665	2,882,902,534	2,557,076,522
Non-controlling interest	2,467,009,944	1,846,571,918	1,291,196,171	1,011,744,916	799,056,106
Total equity	**6,988,533,471**	**5,543,265,392**	**4,481,001,836**	**3,894,647,450**	**3,356,132,628**
TOTAL LIABILITIES AND EQUITY	24,848,546,310	19,100,288,587	14,971,648,813	11,902,773,465	8,884,855,760

(*) 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

			Profit / (Loss)		
	12.31.2016	12.31.2015	12.31.2014	12.31.2013 (*)	12.31.2012 (*)
Operating profit	3,153,127,356	2,668,278,251	2,083,736,776	1,213,067,752	1,034,534,309
Exceptional results	-	6,777,827	120,187,560	136,649,648	(51,476,635)
Net financial results	(1,268,831,024)	(1,189,997,361)	(1,149,127,639)	(744,254,159)	(357,147,105)
Net income / (loss) on investment in associates	41,049,704	2,476,689	(19,832)	(10,836)	13,733
Net Income before income tax	**1,925,346,036**	**1,487,535,406**	**1,054,776,865**	**605,452,405**	**625,924,302**
Income tax	(838,821,892)	(686,363,045)	(530,653,525)	(290,948,962)	(233,862,421)
Net income for the year	**1,086,524,144**	**801,172,361**	**524,123,340**	**314,503,443**	**392,061,881**
Other comprehensive income for the year	746,384,120	547,862,554	398,341,847	436,958,618	271,524,359
Net comprehensive income for the year	1,832,908,264	1,349,034,915	922,465,187	751,462,061	663,586,240
Net comprehensive income attributable to:					
Company's shareholders	1,069,806,346	771,876,751	586,882,560	518,367,453	498,213,809
Non-controlling interest	763,101,918	577,158,164	335,582,627	233,094,608	165,372,431
Total	1,832,908,264	1,349,034,915	922,465,187	751,462,061	663,586,240

(*) 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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CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2016, PRESENTED IN COMPARATIVE FORM

IV. CASH FLOW STRUCTURE COMPARED WITH THE FOUR PREVIOUS YEARS

	Generated by / (Used in)				
	12.31.2016	**12.31.2015**	**12.31.2014**	**12.31.2013 (*)**	**12.31.2012 (*)**
Operating activities	1,823,329,055	3,059,959,267	1,843,191,577	1,015,191,685	355,477,869
Investing activities	(1,530,634,026)	(1,306,242,587)	(1,152,985,912)	(946,001,906)	(454,502,543)
Financing activities	(700,942,227)	(1,209,235,119)	(461,603,385)	370,629,471	72,775,405
NET (DECREASE) / INCREASE IN CASH	(408,247,198)	544,481,561	228,602,280	439,819,250	(26,249,269)

(*) 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 FOUR PREVIOUS YEARS

a) RETAIL SEGMENT

	Fourth quarter 2016 Tn.	Fourth quarter 2015 Tn.	Fourth quarter 2014 Tn.	Fourth quarter 2013 Tn.	Fourth quarter 2012 Tn.
Production volume	397,301	363,081	365,544	342,808	369,159
Sales volume – domestic market	295,181	280,934	269,454	293,827	281,207
Sales volume – export market	27,334	20,293	19,051	22,092	20,972

	Accumulated at 12.31.2016 Tn.	Accumulated at 12.31.2015 Tn.	Accumulated at 12.31.2014 Tn.	Accumulated at 12.31.2013 Tn.	Accumulated at 12.31.2012 Tn.
Production volume	1,585,927	1,529,902	1,560,583	1,579,844	1,619,044
Sales volume – domestic market	1,191,255	1,157,117	1,163,894	1,133,744	1,136,576
Sales volume – export market	93,123	77,403	78,951	83,402	93,438

b) INDUSTRIAL SEGMENTS

	Fourth quarter 2016 Tn.	Fourth quarter 2015 Tn.	Fourth quarter 2014 Tn.	Fourth quarter 2013 Tn.	Fourth quarter 2012 Tn.
Production volume	70,977	72,157	71,589	72,768	69,484
Sales volume – domestic market	52,678	53,551	54,294	53,403	50,230
Sales volume – export market	2,673	3,581	4,718	3,566	2,639

	Accumulated at 12.31.2016 Tn.	Accumulated at 12.31.2015 Tn.	Accumulated at 12.31.2014 Tn.	Accumulated at 12.31.2013 Tn.	Accumulated at 12.31.2012 Tn.
Production volume	304,221	307,874	307,771	321,926	298,067
Sales volume – domestic market	224,629	231,254	231,850	239,606	219,009
Sales volume – export market	10,598	12,805	14,616	12,641	12,154

Victor Jorge Aramburu
Chairman
Syndics Committee

Jorge Luis Seveso
Secretary Member of the Board

Luis Alejandro Pagani

Chairman

See our report date March 10, 2017
PRICE WATERHOUSE & CO. S.R.L.

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

CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2016, PRESENTED IN COMPARATIVE FORM

VI. MAIN CONSOLIDATED FINANCIAL RATIOS AND EBITDA

	12.31.2016	12.31.2015	12.31.2014	12.31.2013	12.31.2012
• Liquidity	1.4	1.3	1.5	1.6	1.5
• Solvency	0.4	0.4	0.4	0.5	0.6
• Capital Immobilization	0.4	0.4	0.4	0.3	0.3
• Indebtedness	2.6	2.4	2.3	2.1	1.6
• Interest Rate Hedging	4.8	4.8	3.3	4.3	5.4
• Profitability	17.3%	16.0%	12.5%	8.7%	12.7%
• EBITDA	3,835,531,307	3,165,737,322	2,506,247,164 (*)	1,504,075,230 (*)	1,293,682,244 (*)

(*) It does not include the effects of the change in the accounting policy described in Note 42 to the consolidated financial statements.

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
• Interest Rate Hedging	EBITDA / Consolidated Financial Interest (1)
• Profitability	Net income for the year / Averaged equity
• EBITDA (2)	Operating Income + Depreciation + Amortization of Intangible Assets

(1) It includes consolidated interest at the end of the year, net of consolidated financial income generated by interest on cash and cash equivalents and changes in the fair value of the financial assets.
(2) It is determined by the addition of the last four quarters at the date of issuance of these consolidated financial statements.

VII. OUTLOOK

According to the projections made by the IMF, an upturn of the economic activity is expected for 2017. Global economy would reach a 3.4% growth, especially in emerging and developing markets, where it is expected that the effects of continuous slowdown of growth in China are offset by the improvement of activities in some countries that suffered recession in 2016, such as Brazil, Nigeria and Russia. Nevertheless, the possible final outcomes with respect to projections are widely disperse, given the uncertainty about the foreign policy orientation of the US incoming administration and its international derivations. In this sense, recent political events highlight the erosion of consensus about the benefits of a globalized economy, which could intensify protectionist pressures even more and affect world trade.

For 2017, the IMF foresees a growth rate of 2.3% in the United States, as a result of short-term tax incentives and the monetary policy adopted by the new US government. In Japan, prospects for the medium term are still weak, and a 0.8% increase in GDP is projected for 2017.

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

CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2016, PRESENTED IN COMPARATIVE FORM

VII. OUTLOOK

According to the IMF report, recovery in Europe is expected to continue, with a projected growth of 1.6% for 2017. Growth will be backed by low prices of oil, modest fiscal expansion and the monetary policies applied, while investors' lower trust as a result of the uncertainty after Brexit could condition economic activity. In a similar way, potential growth is still weak as a result of other geopolitical factors, for example, the situation of refugees and migrants in Europe.

Chinese economy is estimated to grow by 6.5% in 2017, as it is expected that the stimulus policies will be maintained, with a quick credit expansion. A growth of 7.2% is foreseen for India in 2017, mainly based on the improvement in terms of exchange. In Russia, after two years of contraction, the strengthening of the oil price should benefit economic activity; accordingly, a 1.1% growth in the economy is expected for 2017.

In Latin America and the Caribbean, according to the ECLAC, the expectation for 2017 is that the region shows a change in the economic cycle, with a GDP growth that could reach a rate of approximately 1.3%. As in previous years, the evolution of the world economy will have a differentiated effect on the diverse countries and sub-regions of Latin America and the Caribbean. In this respect, the trade restrictions that could be implemented as a result of new protectionist tendencies in the United States would have a significant impact on Mexico and Central American countries; this would counteract, at least partly, the positive effects that the greater growth expected for US economy can have on the region.

According to the ECLAC preliminary report, a recovery in intra-regional trade is expected for 2017 due to the better performance of the economies in the south of the region, especially Argentina and Brazil, resulting from a projected improvement in the terms of exchange.

The economic activity in Brazil, as per the ECLAC report, would grow by 0.4% in 2017, after the recession of the last few years. As for Chile, the expected growth is higher than for the prior year; it would reach a 2.0% increment in GDP in 2017.

In connection with growth in Argentina, the ECLAC estimates that in 2017 the country's economy will grow at a rate of 2.3%, mainly owing to a more moderate inflation and to the adoption of economic policies that, among other things, allow for reducing fiscal deficit, improving the regulatory framework for energy and public utilities, enhancing the quality of infrastructure, reducing hindrances to foreign trade and developing local capital markets.

In line with the international, national and regional economy prospects, the Board of Directors ratifies the strategy of focusing on his principal business, 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.

Victor Jorge Aramburu
Chairman
Syndics Committee

Jorge Luis Seveso
Secretary Member of the
Board

Luis Alejandro Pagani

Chairman

See our report date March 10, 2017
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.Cba. N° 21.00004.3
Cr. Andrés Suarez. Public Accountant (UBA)
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AUDITORS' REPORT

To the
Shareholders, Chairman and Directors of
ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL
Av. Fulvio Salvador Pagani 487
ARROYITO – CÓRDOBA
Tax Code No.: 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, 2016, 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 2015 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 in Argentina by Technical Pronouncement Nº 32 of FACPCE. These standards 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.

Price Waterhouse & Co. S.R.L. is a member firm of PricewaterhouseCoopers International Limited (PwCIL) global network. Each member firm is a separate legal entity and cannot act as an agent of PwCIL or any other member firm of the PwC network.

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, 2016, as well as the consolidated comprehensive income and consolidated cash flows for the fiscal year then ended, in accordance with International Financing 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, 2016 and December 31, 2015

	12.31.16	**12.31.15**
Assets	24,848,546,310	19,100,288,587
Liabilities	17,860,012,839	13,557,023,195
Equity	6,988,533,471	5,543,265,392

c.2) Consolidated statement of income and statement of other comprehensive income for the years ended December 31, 2016 and 2015, which show a total comprehensive income of ARS 1,832,908,264 and ARS 1,349,034,915, 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, 2016 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 127,407,395.08, none of which was claimable at that date;

f) as set forth in Section 21, Subsection b), 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, 2016 account for:

f.1) 94.91% of the total fees for services billed to the Company for all items during that fiscal year;

f.2) 56.12% 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) 54.46% 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 10, 2017.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.Cba. Nº 21.00004.3
Cr. Andrés Suarez. Public
Accountant (UBA)
Mat. Prof. 10.11421.4 - C.P.C.E.Cba.

(Free translation from the original in Spanish for publication in Argentina)

SYNDICS' 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, 2016.
- Consolidated statement of income and of other comprehensive income for the year ended December 31, 2016.
- Consolidated statement of changes in equity for the year ended December 31, 2016.
- Consolidated statement of cash flows for the year ended December 31, 2016.
- Selected explanatory notes for the consolidated financial statements for the year ended December 31, 2016.

b) Separate Financial Statements:

- Separate balance sheet at December 31, 2016.
- Separate statement of income and of other comprehensive income for the year ended December 31, 2016.
- Separate statement of changes in equity for the year ended December 31, 2016.
- Separate statement of cash flows for the year ended December 31, 2016.
- Selected explanatory notes for the separate financial statements for the year ended December 31, 2016.

c) Inventory and Annual Report of the Board of Directors for the year ended December 31, 2016.

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, 2016, 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, 2016, as required by Section 12, Chapter III Title IV of the National Securities Commission regulations.

g) Information included in Note 38 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, 2015 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 10, 2017 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, 2016, 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, 2016, 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, 2016, 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, 2016, 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 Section1 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 38 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 10, 2017.

Cr. Victor Jorge Aramburu
Chairman
of the Syndics' Committee

ARCOR group

Nourishing Magical Moments

HEADQUARTERS IN BUENOS AIRES AND COMERCIAL OFFICES

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