Nourishing Magical Moments

2018 Annual Report and Financial Statement

As of December 31, 2018 / 58th Fiscal Year

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

Annual Report

58th Fiscal Year

MESSAGE FROM OUR PRESIDENT

In the international context, the economic activity has weakened and, according to the IMF, the growth rate for 2018 was 3.7%, although that growth was not uniform among different economies. This is due to certain short-term factors, including trade tensions between major powers and the most restrictive financial conditions in many advanced economies.

According to ECLAC's preliminary balance sheet, in 2018, the economic growth in Latin America as a whole was estimated at 1.1%, which implies a slight slowdown compared to 1.3% the previous year.

As regards Argentina, a serious drought significantly reduced gross domestic product and agricultural exports, and the significant devaluation of the Argentine peso since mid-2018 has fueled inflation, affecting domestic consumption and investor confidence. In this context, the IMF reported a 2.6% contraction in Argentine economic growth in 2018.

Under this panorama of the 2018 national and international market -which you may go in depth in the report of these Financial Statements-, Arcor Group ends the year with an increase in the level of consolidated sales, expressed in homogeneous currency, regarding the previous year.

Most of our businesses abroad increased in sales volumes and turnover, improving the performance they had in recent years. Although in 2018 Argentina's mass consumption businesses showed a decrease in sales volumes, as regards the general decline in the domestic market, the volume loss was lower than the market average, thanks to the implementation of commercial actions, the strength and diversity of the brands in the group's portfolio.

As for the Packaging division, from the purchase of Grupo Zucamor, the focus was on keeping the market share in corrugated cardboard in Argentina. It was also oriented to the growth of multiwall paper sacks and export of virgin fiber papers, due to the improvement of the country's competitiveness during the last year.

On the other hand, the Agribusiness division continues with its growth strategy, benefiting from conditions offered by Argentina in agro-industrial matters and strengthening competitive advantages that vertical integration gives to mass consumption businesses that Arcor Group has in Argentina.

In 2018, we went on consolidating the historic agreement reached with Mastellone Hermanos S.A., a leading company in the manufacture and marketing of dairy products. In January 2018, an investment of 5.24 million USD (equivalent in Argentine pesos) was made, and in June 2018, some shareholders of Mastellone Hermanos S.A. informed they intended to sell part of the parcel of shares for a total of 6.8 million USD. As a result of both events, the participation of both Arcor S.A.I.C. and Bagley Argentina S.A. in the capital of Mastellone Hermanos S.A. amounted to 42.6466%. In addition, as of August an agreement began in order to govern the distribution and marketing of the product portfolio of La Serenísima in Bolivia.

Likewise, in June, in order to keep the group's international goal, an agreement was reached to make an investment together with Grupo Webcor, one of the largest food distribution companies in Angola, in order to set up there an industrial plant for sweets and biscuits. This will be the first plant that Arcor Group sets up outside Latin America and will allow us to deepen our presence in the African market. Another relevant event in 2018 was, without a doubt, the alliance between Arcor Group and Laboratorios Bagó, which represents the association of two Argentine companies that decided to share their experiences and trajectory in the world of food and health to create Simple, a line of dietary supplements that helps to incorporate in a practical way the necessary nutrients that may be lacking in daily food.

Finally, since the launch of the 2016-2020 Sustainability Strategy, Arcor Group continues to work with the firm conviction of generating triple economic, social and environmental value in communities where it is present. During 2018, businesses and corporate areas promoted 837 initiatives in 13 Sustainability Operational Plans. In addition, we have made great progress in terms of the Active Life and Healthy Eating strategy to position this company as a benchmark for healthy eating. We also continue to improve the nutritional profiles of our products and enter new categories aligned with current trends. All these initiatives reflect the permanent evolution of our company and encourage us to continue growing and innovating in order to contribute to improving the quality of life in our society.

Luis. A. Pagani
Arcor Group's President

A LEADING MULTINATIONAL GROUP

In 1951, a group of young entrepreneurs met in the city of Arroyito, province of Córdoba, Argentina, with the dream of producing quality food accessible to consumers around the world. Today Arcor is a leading multinational group that offers food for all moments of the day and occasions of consumption, and reaches more than 120 countries. Currently, Arcor Group is made up of three business divisions: Consumer Food Products (Food, Chocolates, Cookies, Confectionery, Ice-creams, Baked Goods and Functional Products), Agribusiness and Packaging. Thanks to sustainable management -which goes through all the areas of the company and our value chain- we develop leading brands that reach people all over the world. We have business offices in the Americas, Europe and Asia, and more than 40 industrial plants in Latin America.

CONSUMER Foods PRODUCTS

Because we believe that eating is nourishing, gratifying and bonding, we offer more than 1,200 quality, delicious and healthy products to accompany people from all over the world at every moment of the day. We promote healthy lifestyles based on a varied and balanced diet, based on a strategy that has three pillars: **"Alliances and knowledge creation"** with the scientific community for the development of healthy products; improvement of the nutritional profiles of our **"product portfolio"** and entry into new categories; and **"communication and promotion"** to reach all our target audiences with our message.

FOOD | CHOCOLATES | COOKIES | CONFECTIONERY | FROZEN PRODUCTS: ICE-CREAMS AND BAKED GOODS | FUNCTIONAL PRODUCTS

Nutritious breakfast

Delightful snacks

Varied lunch

Delicious dessert to share

Energetic afternoon snack

Family dinner

Agribusiness

The Agribusiness division aims to add value to agro-industrial processes to provide new and better solutions to different industries that assume commitment to quality in all their products. We have five production units and seven industrial milking yards. At Ingenio La Providencia, we have the capacity to produce 150,000 tons of sugar, and we generate 11 MW of renewable energy through sugar cane bagasse. We are one of the main corn processors in Argentina and one of the national leaders in the production of ethyl alcohol from cereals for the beverage and cosmetics industry.

135 thousand tons of ground sugar cane per year

1,700 tons of ground corn per day

90 thousand liters of alcohol produced per day.

75 thousand liters of milk produced per day.

Packaging

The Packaging division of Arcor Group leads the cardboard, paper and flexible packaging market in Argentina and has a strong presence in the region- it is the most important packaging solutions company in the Southern Cone. Through Cartocor, Converflex and Zucamor, Arcor offers its customers innovative and sustainable packaging solutions at the forefront of world market trends. It stands out for its special emphasis on customer service, permanent innovation, productivity, quality, and preservation of the environment.

170,000 tons of recycled paper per year.

900 million m2 of corrugated cardboard per year.

12,000 tons of flexible material per year.

23,000 hectares of our own for forestry development.

ARCOR GROUP TODAY

3 MILLION KG of products produced daily.

21,000 employees.

Main manufacturer of **VIRGIN PAPER** for packaging in Argentina.

MORE THAN 40 INDUSTRIAL PLANTS in Latin America.

LARGEST PRODUCER OF RECYCLED PAPER in Argentina and an important model in South America.

One of the **LARGEST SUGAR PRODUCERS** in Argentina.

Argentina's **LEADING FOOD COMPANY**

BUSINESS OFFICES In Argentina, Uruguay, Paraguay, Bolivia, Colombia, Ecuador, Mexico, the United States, Spain and China.

World-Class Retail **DISTRIBUTION MODEL**

We reached
1 MILLION
points of sale
in the region.

EXPORTS
to more than
120 COUNTRIES
for 280
million dollars.

1ST WORLD PRODUCER OF HARD CANDIES.

ARGENTINE LEADER
in the production
OF CORRUGATED CARDBOARD.

200
PRODUCTS LAUNCHED ANNUALLY.

One of the
LARGEST MILK PRODUCERS
in Argentina.

1ST MAIZE FLOUR PRODUCER
in Argentina.

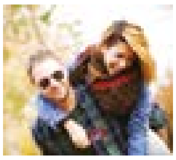
Investment over
660 MILLION USD
in the last 6 years.

LEADING COOKIE, *ALFAJOR* AND CEREAL COMPANY
in the region

ARCOR IN THE WORLD

Presence in more than 120 countries*.

UNITED STATES
MEXICO



NETHERLANDS
CZECH REPUBLIC
GEORGIA
BULGARIA
SPAIN
ESTONIA
LITHUANIA

RUSSIA
INDIA
CHINA
ISRAEL
JAPAN
THAILAND
MONGOLIA
ARAB EMIRATES
SAUDI ARABIA
SOUTH KOREA

BARBADOS
HONDURAS
EL SALVADOR
COSTA RICA
GUATEMALA
HAITI
JAMAICA
PUERTO RICO
PANAMA
DOMINICAN
REPUBLIC
NICARAGUA

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

CONGO
ALGERIA
GAMBIA
MOZAMBIQUE
MADAGASCAR
ANGOLA
CABO VERDE
CAMEROON
SOUTHAFRICA

AUSTRALIA

* Main countries listed.

Commercial Offices

SOUTH AMERICA
ARCOR S.A.I.C.
BUENOS AIRES, ARGENTINA (HEADQUARTERS)

SOUTH AMERICA
ARCOR S.A.I.C.
CÓRDOBA, ARGENTINA (HEADQUARTERS)

SOUTH AMERICA
INDUSTRIA DOS EN UNO DE COLOMBIA LTDA.
BOGOTÁ, COLOMBIA (1998)

SOUTH AMERICA
UNIDAL ECUADOR S.A.
GUAYAQUIL, ECUADOR (1998)

SOUTH AMERICA
ARCOR ALIMENTOS BOLIVIA S.A.
SANTA CRUZ DE LA SIERRA, BOLIVIA (2004)

SOUTH AMERICA
ARCORPAR S.A.
ASUNCIÓN, PARAGUAY (1976)

SOUTH AMERICA
VAN DAM S.A.
MONTEVIDEO, URUGUAY (1979)

SOUTH AMERICA
GAP REGIONAL SERVICES S.A. **MONTEVIDEO, URUGUAY (2008)**

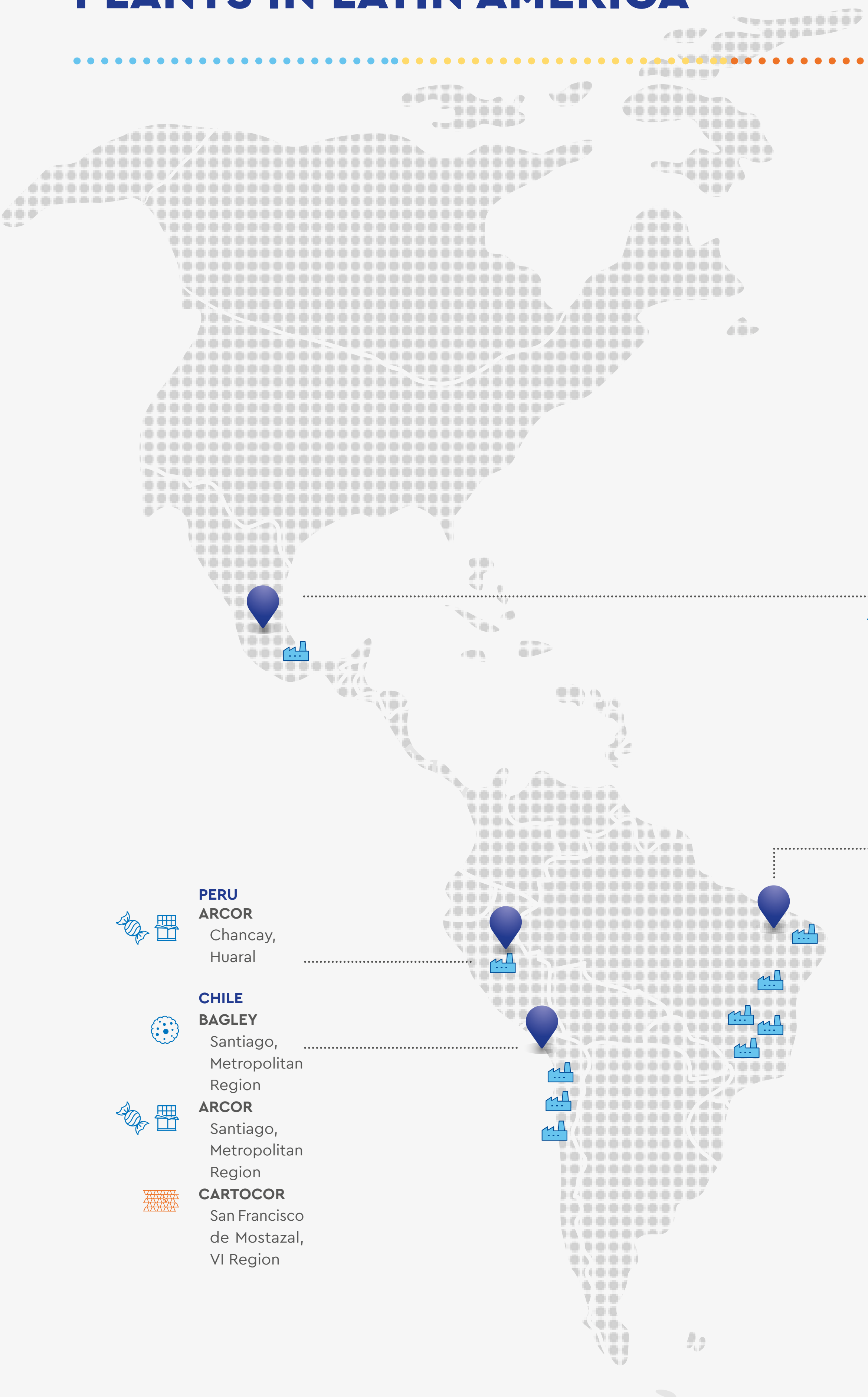
NORTH AMERICA
ARCOR USA INC.
MIAMI, EE. UU. (1993)

NORTH AMERICA
UNIDAL MÉXICO S.A. DE C.V.
MÉXICO D. F., MÉXICO (2000)

EUROPE
ARCOR A.G. (S.A. LTD.)
BARCELONA, ESPAÑA (2002)

ASIA
ARCOR TRADING (SHANGHAI) CO., LTD.
SHANGHÁI, CHINA (2006)

MORE THAN 40 INDUSTRIAL PLANTS IN LATIN AMERICA



MEXICO
MUNDO DULCE
Toluca, State of Mexico

PERU
ARCOR
Chancay, Huaral

CHILE
BAGLEY
Santiago, Metropolitan Region
ARCOR
Santiago, Metropolitan Region
CARTOCOR
San Francisco de Mostazal, VI Region

BRAZIL
ARCOR
Recife, Ipojuca, Pernambuco

BAGLEY
Campinas, São Paulo

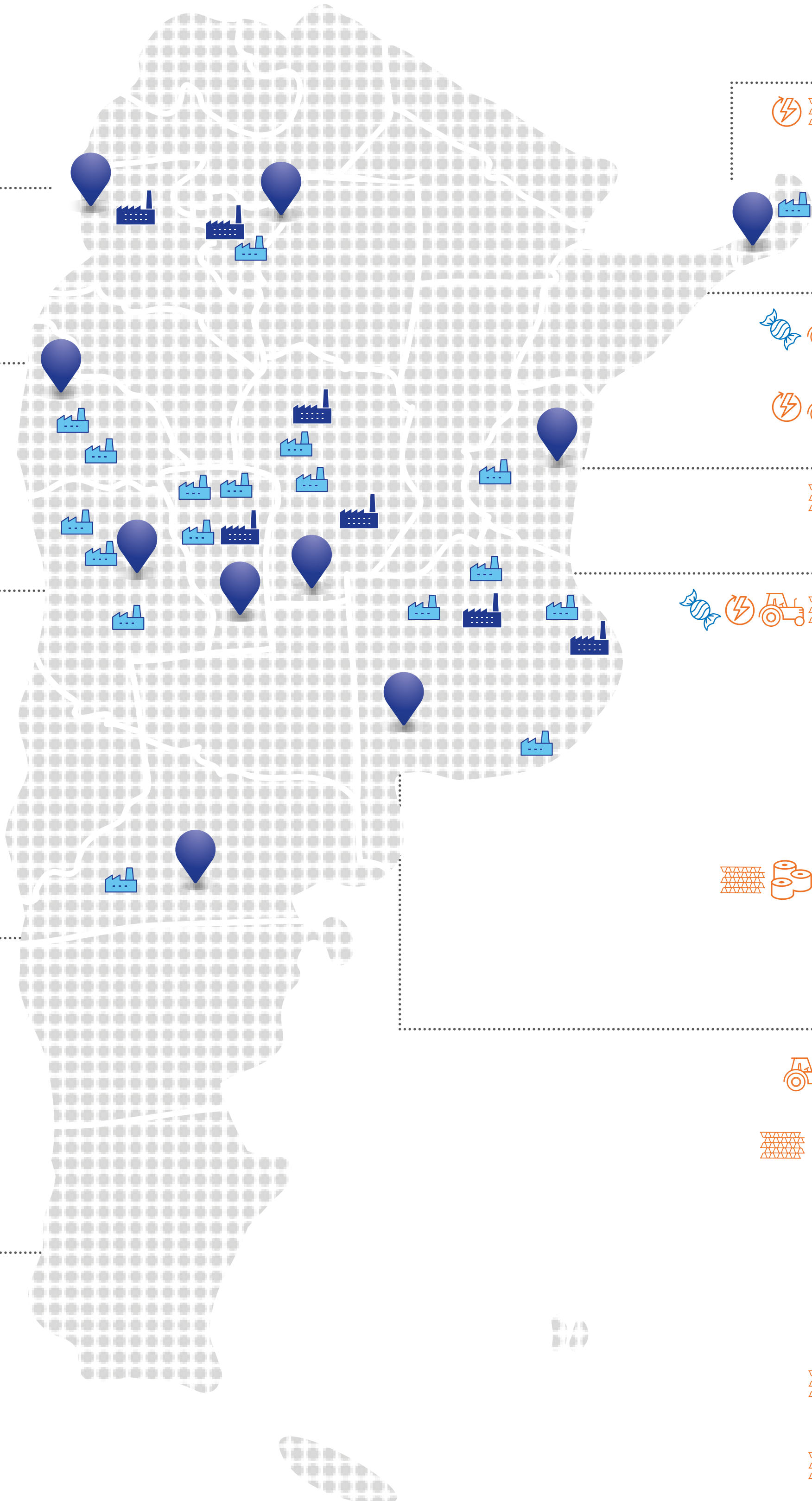
BAGLEY
Contagem, Minas Gerais

ARCOR
Bragança Paulista, São Paulo

ARCOR
Rio das Pedras, São Paulo

Food | Chocolates | Cookies and Crackers | Confectionery | Agribusiness | Energy | Cardboard /Paper | Flexible Packaging | Industrial Plant | Complex with more than one industrial plant

ARGENTINA



CATAMARCA
ARCOR 3
Recreo

SAN JUAN
LA CAMPAGNOLA
Villa Krause

ZUCAMOR
Rawson

SAN LUIS
ZUCAMOR
San Luis

ARCOR
San Luis

LA CAMPAGNOLA
CARTOCOR
Villa Mercedes 2

BAGLEY
Villa Mercedes

MENDOZA
LA CAMPAGNOLA
San Martín

LA CAMPAGNOLA
San Rafael

ZUCAMOR
Mendoza

RÍO NEGRO
LA CAMPAGNOLA
Choele-Choel

MISIONES
ZUCAMOR
Puerto Leoni

TUCUMÁN
ARCOR 2
La Reducción

ARCOR
Río Seco

ENTRE RÍOS
CARTOCOR
Paraná

CÓRDOBA
CARTOCOR 5
ARCOR
Arroyito

ARCOR
Colonia Caroya

BAGLEY
Córdoba

CARTOCOR
BAGLEY 3
Villa del Totoral

BUENOS AIRES
ARCOR
San Pedro

CARTOCOR 3
Luján

BAGLEY
Salto

LA CAMPAGNOLA
Mar del Plata

ZUCAMOR
Quilmes

ZUCAMOR
Ranelagh 2

OUR PHILOSOPHY

The Corporate Philosophy is made up of the Vision, Mission and Values. It reflects our organizational culture and seeks to guide the actions of all those who are part of the Company.

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 moments into magical moments for gatherings and celebrations.

Vision

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

Our Values

DIVERSITY
We are convinced that diversity enriches our understanding of the world. That is why we promote a diverse internal culture in which the fusion of different views, opinions and perspectives are an opportunity to grow.
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 available resources and investments. We recognize and value teamwork, theoretical and practical knowledge and intuition gained through experience.
PROXIMITY AND COMMITMENT THROGHOUT 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 lie the possibility to grow. Therefore, we foster a collaborative and close work environment within the company and towards the community where our employees carry out their daily activities.

SUSTAINABILITY

Since its beginnings in 1951, Arcor Group expressed the conviction of being a relevant and responsible member of the community. This has always been a distinctive feature of the company: to promote its business through responsible management, which considers economic growth, social development and environmental care. As a company committed to sustainability, it promotes the creation of economic, social and environmental value in the long term, managing risks and maximizing opportunities derived from the company and its environment, together with all stakeholders with whom we relate and throughout our value chain. Within this framework, strategies and community impact management plans are developed, which seek to promote the integral development of the communities where Arcor Group is present and the sustainable development of the regions where it operates. This commitment contributes to the expansion of the productive, environmental, human and social capital of the communities in which the company operates. In terms of social investment, through Arcor Foundation in Argentina and Chile and the Arcor Institute in Brazil, the company works on the mission of contributing to education as a tool for equal opportunities for all children in the region. Work carried out by these institutions is part of the company's Social Investment Policy and, from the perspective of children's right, its actions are guided around two thematic axes: Childhood and healthy life, and childhood and rights.

Arcor Sustainability Policy

In 2010, Arcor Group formalized its commitment to promote sustainable management in a Sustainability Policy comprised of one general commitment and five specific commitments to sustainable development that include the most relevant and priority issues for the company and its stakeholders. From all businesses, initiatives are promoted to take care of water, to respect and protect Human and Labor Rights, to make the consumption of energy and packaging materials efficient, and to promote active life and healthy eating. For more information, please visit **www.arcor.com**

RATIONAL USE OF WATER

ENERGY EFFICIENCY AND MINIMIZING IMPACT ON GLOBAL CLIMATE CHANGE

RATIONAL USE OF PACKAGING MATERIALS

RESPECT FOR AND PROTECTION OF HUMAN AND LABOR RIGHTS

ACTIVE LIFE AND HEALTHY NUTRITION

NOTICE OF SHAREHOLDERS' MEETING

To the Shareholders

In accordance with the Bylaws and the provisions in force, the Board of Directors calls the Shareholders of ARCOR SOCIEDAD ANÓNIMA INDUSTRIAL Y COMERCIAL (the "Company") to an Ordinary and Extraordinary General Meeting to be held on April 27, 2019, at 12:00 p.m., at the corporate headquarters located at Avenida Fulvio S. Pagani 487, Arroyito, Province of Córdoba, Argentina, to consider the following Agenda:

1. Appointment of two shareholders to draw up and sign the Minutes of the Meeting.
2. Consideration of the Report and its Annex, the Inventory, the Consolidated and Separate Financial Statements, the Informative Review, the Auditors' Reports and the Report of the Audit Committee, corresponding to Fiscal Year No. 58, which began on January 1 and ended on December 31, 2018.
3. Consideration of the management of the Board of Directors and the Audit Committee.
4. Ratification of the actions taken by the Board of Directors regarding the investment made in Mastellone Hermanos S.A.
5. Consideration of the destination of the Accumulated Results and of the Profit for the Year. Consideration of the constitution of Legal Reserve and/or other optional reserves. Consideration of the total or partial cancellation or increase of the Special Reserve for Future Dividends.
6. Consideration of remunerations to the Board of Directors (115,469,874 ARS -in historical values, such amount restated to constant values as of December 31, 2018 to the amount of 140,726,879 ARS-) corresponding to the fiscal year ended December 31, 2018, which resulted in computable loss under the terms of the Norms of the National Securities Commission. Consideration of the payment to the Audit Committee.
7. Appointment of the External Auditor who will certify the Financial Statements for Fiscal Year No. 59 and determine their fees. Appointment of an External Alternate Auditor to replace them in case of impediment.

NOTE

Copies of this documentation and the proposals of the Board of Directors are available to shareholders at the corporate headquarters. Item 5 of the Agenda will be dealt with at the Ordinary and Extraordinary General Meetings. In order to attend the Meeting, the shareholders must deposit their shares or bank certificates at the corporate headquarters, located at Avenida Fulvio S. Pagani 487, Arroyito, Province of Córdoba, Argentina, from 9 a.m. to 3 p.m., up to and including April 23, 2019. If the necessary quorum has not been met at the scheduled time, the Assembly will be held on second call one hour later. The shareholders are kindly requested to consider and provide the information indicated in articles 22, 24, 25 and 26 of chapter II of title II and concordant provisions of the rules approved by General Resolution No. 622/2013 and its amendments of the National Securities Commission and concordant provisions.

BOARD OF DIRECTORS.


Bagley
Bagley

BOARD OF DIRECTORS AND AUDIT COMMITTEE

Board of Directors

CHAIRMAN
Mr. Luis Alejandro PAGANI

VICE- CHAIRMAN
Mr. Alfredo Gustavo PAGANI

REGULAR DIRECTORS
Mr. José Enrique MARTIN
Mr. Alejandro Fabián FERNANDEZ
Mr. Víctor Daniel MARTIN
Mr. Guillermo ORTIZ DE ROZAS
Mr. Alfredo Miguel IRIGOIN
Mr. Fernán Osvaldo MARTÍNEZ

ALTERNATE DIRECTORS
Mrs. Lilia María PAGANI
Mrs. Karina Ana Mercedes PAGANI de CAÑARTE
Mrs. Marcela Carolina GIAI

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, 2018
/ 58th Fiscal Year

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 58th year beginning on January 1st and ended December 31st, 2018.

Overview

World economic activity has declined and, according to IMF[1], the estimated growth rate for 2018 would be in the order of 3,7%, although this expansion would not be uniform among the different economies due to certain short-term risks that affected world growth, including trade tensions between major powers and the more restrictive financial conditions of many advanced economies.

In the United States, growth would have reach an annual rate of 2.9% in 2018, driven by the fiscal stimulus and the growth in domestic demand. The Federal Reserve gave signals of a more gradual pace of increase for interest rates in 2019 and 2020, something that could lead markets to reconsider expectations around the rise in US interest rates.

The ECLAC Preliminary Overview for 2018 estimated an economic growth in Latin America as a whole of 1.1%, which implies a slight slowdown as compared to 1.3% in the prior year. In general, for this region, economic growth is driven by domestic demand, which in turn is powered by the recovery of investments, although moderation has been observed since the second quarter of 2018. The contribution of public investments to growth has diminished as a result of the deeper fiscal adjustment implemented by the governments in the region.

Argentine economy moved into recession in 2018. A severe drought significantly reduced the gross product and agricultural exports, and the significant depreciation of the peso recorded from mid-2018 boosted inflation, which affected domestic consumption and investors' trust. Government's stabilizing plan, based on strict monetary and fiscal policies within the framework of the agreement with the IMF, helped to calm financial turbulence and steady the foreign exchange rate.

In this context, the IMF forecasts a 2.6% contraction in the growth of the Argentine economy in 2018.

The economic activity of Brazil, Argentina's main commercial partner, shows an increase for 2018 of 1.3%, which is higher than the 1.1% growth of the previous year, which validates the recovery of the economy after the fall in GDP recorded during 2015 and 2016. Main factors of this performance were the growth of exports of raw materials, investment and the encouragement of internal consumption.

Among the other countries in which Grupo Arcor has industrial and commercial activities, the following growths stand out in 2018 with respect to the previous year: Mexico: 2.2%, Peru: 3.8%, Chile: 3.9%, Paraguay: 4.2%, Bolivia: 4.4%, and Uruguay: 1.9%.

[1] Source: International Monetary Fund, "Update on the World Economic Outlook", Davos, January 2019.

The Economy and the Company

The level of consolidated sales of Arcor Group, expressed in homogeneous currency, shows an increase with respect to the previous year. Sales from foreign companies represented 31.1% of the group's consolidated sales, and sales from Argentina, which include exports to third parties, represented 68.9% of consolidated sales in 2018.

Most of our foreign businesses recorded sales increases in terms of volumes and turnover, improving their performance of recent years. The Andean Region recorded an outstanding performance, both in mass consumption products (Confectionary and Chocolate Business) and in the industrial market (Packaging Business), as did the companies grouped into the Southern Associates Business.

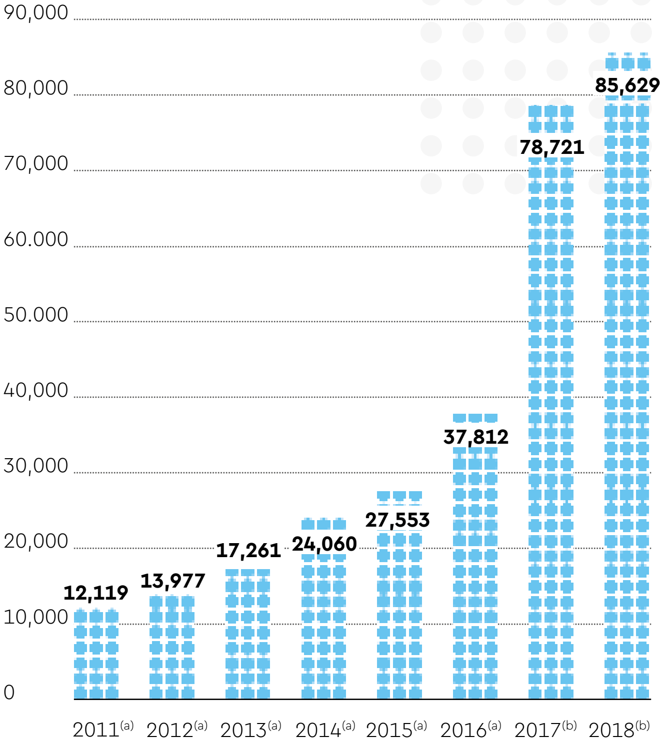
Throughout 2018, mass consumption businesses in Argentina (Confectionary and Chocolate, Cookies and Foodstuff) suffered a decrease in volumes sold, tuned to the generalized drop in the domestic market as a result of the recession in Argentine economic activity. Even so, the loss in volume was lower than the market average, thanks to the implementation of commercial actions and to the soundness and diversity of the brands in the Group's portfolio.

At industrial level, the volumes of the Packaging Business in Argentina were also affected by the decline in economic activity. However, during 2018 the focus was on activities that enabled to maintain the corrugated cardboard market share in Argentina despite the decrease in sales and improve the positioning in activities with an exporting potential.

In this context, Grupo Arcor continues with its policy of maintaining suitable liquidity levels in order to fulfill its commitments As of December 31, 2018, Group's liquidity level amounted to ARS 4,840.3 million, recording a net increase in cash for ARS 340.7 million, compared with the position at the beginning of the year (without computing the quotation difference and translation effect and restatement of cash and cash equivalents).

EVOLUTION OF SALES

MILLION ARS



[a] In nominal currency, it does not contain the effects of the inflation adjustment.
[b] In homogeneous currency, at December 2018 values.

The consolidated net cash flow generated by operations reached ARS 3,014.9 million and net funds for ARS 230.9 million were obtained from financing activities. Funds generated and obtained allowed mainly to finance investments for the purchase of fixed assets and acquisition of subsidiaries for ARS 2,905.1 million.

Outlook

According to IMF[2] projections, the decline in global expansion is expected to continue by 2019 and economic activity is expected to grow by 3.5%. Forecasts on world economic growth in latest estimates by the IMF showed a decrease, partially related to the negative effects of the tariff increases introduced by the US and China, but also due to a weakening of morale in financial markets and to a deeper-than-expected contraction in certain emerging markets.

The growth expected for the US is about 2.5% in 2019 and 1.8% in 2020. A solid growth in domestic demand will favor the increase of imports and at the same time enlarge the deficit in the current account.

In the emerging and developing economies of Asia, growth will decrease from 6.5% in 2018 to 6.3% in 2019. Chinese economy will decelerate, even with the fiscal stimulus that will be applied in an effort to partially neutralize the impact of the tariff increase in the US, owing to the combined influence of the necessary hardening of financial regulations and the commercial tensions with the US.

For Latin America, the IMF projects that growth will have an upturn in the next two years, from 1.1% in 2018 to 2.0% in 2019 and 2.5% in 2020, which implies a reduction in previous estimates. The crisis in Venezuela worsened, and lower growth is expected in México for 2019–20, due to the decrease in private investment. However, a rise in growth is forecast in Brazil, where gradual recovery is expected after the 2015–16 recession. Argentine economy will contract in 2019 as the restrictive policies intended to reduce imbalances slow down domestic demand, but a return to growth is expected in 2020.

The ECLAC estimates a contraction of 1.8% in Argentine economy and, in addition, notes that the highest risk for Latin America economic performance in 2019 is still an abrupt deterioration of the financial situation in emerging economies. The year 2018 witnessed the implications of monetary normalization in the US in a context of higher risk aversion and greater financial volatility. Emerging markets, including Latin America, displayed a significant reduction in external financing flows, while their levels of sovereign risk and the depreciation of currencies against the US dollar increased.

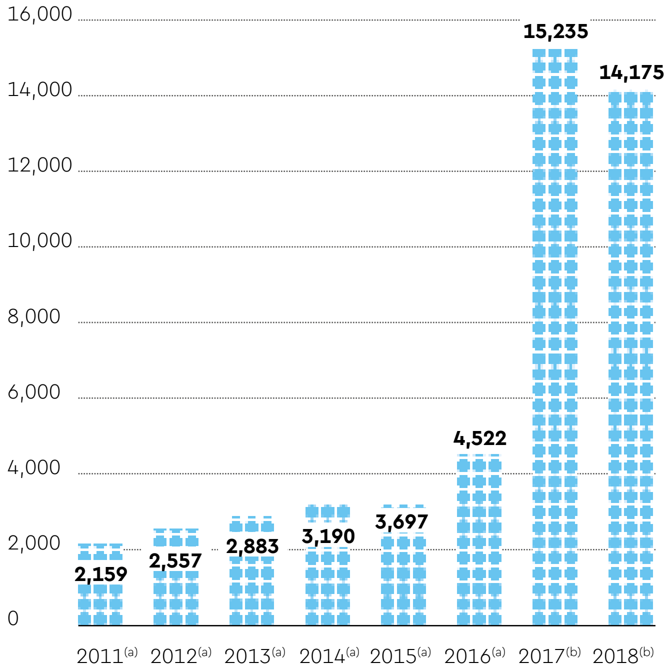
In the local sphere, according to the Market Expectations Survey (REM, for its acronym in Spanish) carried out by the Argentine Central Bank in February 2019, the market can expect an overall inflation of 29% for the next twelve-month period. Further, the projections from previous surveys are maintained, regarding the variation of real Gross Domestic Product for 2019 (-1.2%) and 2020 (2.5%); as for the nominal wholesale exchange rate, the rate projected for December 2019 is 48 pesos per US dollar.

In view of the perspectives of the international, national and regional economy, the Board of Directors ratifies the pillars that form the Group vision: (i) becoming the leading food and candy company in Latin America, (ii) being renowned in the international market, and (iii) standing out for its use of sustainable practices and the capability of entering new businesses. In this sense, the strategy to focus on main businesses will continue (Mass consumption, Packaging and Agribusiness) and the development of projects for strategic alliances, prioritizing liquidity and a sound financing structure with the aim of ensuring compliance with obligations and commitments, as well as on obtaining the funds required to carry out transactions and investment project

[2] Source: International Monetary Fund, "Update on the World Economic Outlook", Davos, January 2019.

CHANGES IN SHAREHOLDERS' EQUITY

MILLION ARS



(a) In nominal currency, it does not contain the effects of the inflation adjustment.
(b) In homogeneous currency, at December 2018 values.

BUSINESS ANALYSIS

Below it is a brief description of the main developments in the Arcor Group's different Business Segments for the fiscal year ended December 31st, 2018.

Argentina | Confectionery and Chocolates

In 2018, the Confectionery and Chocolates Business reached sales to third parties of ARS 17,125.9 million, while in the previous year sales amounted to ARS 17,568.8 million, both values expressed in constant currency.

In a year that general consumption was affected by the decrease in consumers' purchasing power, the Confectionary Business showed a reduction in sales, in terms of volume. In spite of this, through consistent work in our brands and the value generated, a good performance was achieved, with the following categories standing out: hard candies and chewy toffees, jelly candies and healthy snacks.

The most relevant launches in Confectionary were: Topline Seven Ultra, new Natural Break seeds bar, Strawberry Yogurt Nougat and candied Mogul. We can emphasize on the actions carried out on occasion of the Football World Cup, with the successful participation of various categories of goodies (chewing gum, lollipops, gummies, candies).

Mogul Marshmallow, MiGlobs Mundial, Topline and Arcor Natural Break were the main advertising campaigns.

The alliance between Arcor Group and Laboratorios Bagó is a bond between two Argentine companies

that decided to share their experiences and long story in the food and healthcare sectors, respectively, to create Simple, a line of dietary supplements to incorporate easily the necessary nutrients that could be in short supply in the daily diet. At first stage, the line comprises five products in the form of gummies, bars and chewing gum, manufactured at the Group plants in Recreo (Catamarca), Colonia Caroya and Arroyito.

Within the same context of sales decline in consumer products, the Chocolates Business also maintained its leadership in the market, showing a drop in sales in general; but volume increases were observed with very good performance in the Tablets segment, in the Block lines, the edition of Blockazo Mundial and the actions in the Friend's Day; and an important growth in the lines of Cofler Aireado; Tofi; and Cofler Aireado bon o bon.

Likewise, the segment of chocolate covered wafers and covered bars recorded excellent results during the year, with the support of communication and commercial actions in Cofler Graffiti, the launch of the Block XL wafer, and the relaunching of the Cofler Extra Chocolinas chocolate bar.

The segment Bocaditos (chocolate nibbles) and Bonbons also ended a year of growth in volume, supported by the performance of bon o bon, motivated by the ongoing growth of the line and launch of products for specific targets, such as bon o bon Águila, bon o bon Chocolinas and bon o bon Mousse de Limón.

Among the main industrial investments, the Confectionery Business continued to work to expand the capacity in various lines at the Arroyito plant, improvements in packaging lines at the Recreo plant and in the packaging and blending center for Natural Break at the Tucumán plant; in the Chocolates Business, the installation of a packaging line at the Colonia Caroya plant stands out.

The Business maintained the OHSAS 18001, ISO 14001, ISO 9001 and BRC certifications at the Arroyito, Recreo, Colonia Caroya and San Luis plants.

Among the industrial investments, the installation of a new dryer in the Sugar Mill La Providencia stands out, which allows to increase the sugar production capacity.

During 2018, the ISO 14001, ISO 9001 and BRC standards certification were maintained for the new wet milling plant in Arroyito and the HACCP and Bonsucro standards certification in La Providencia. In addition, the FSSC 22000 certification was complied with. At the San Pedro plant, the OHSAS 18001, ISO 14001, ISO 9001 and BRC certifications were fulfilled.

Argentina | Agribusiness

Sales to third parties for the Agribusiness segment in 2018 amounted to ARS 3,726.1 million, while in the previous year sales amounted to ARS 3,818.4 million, both values expressed in constant currency.

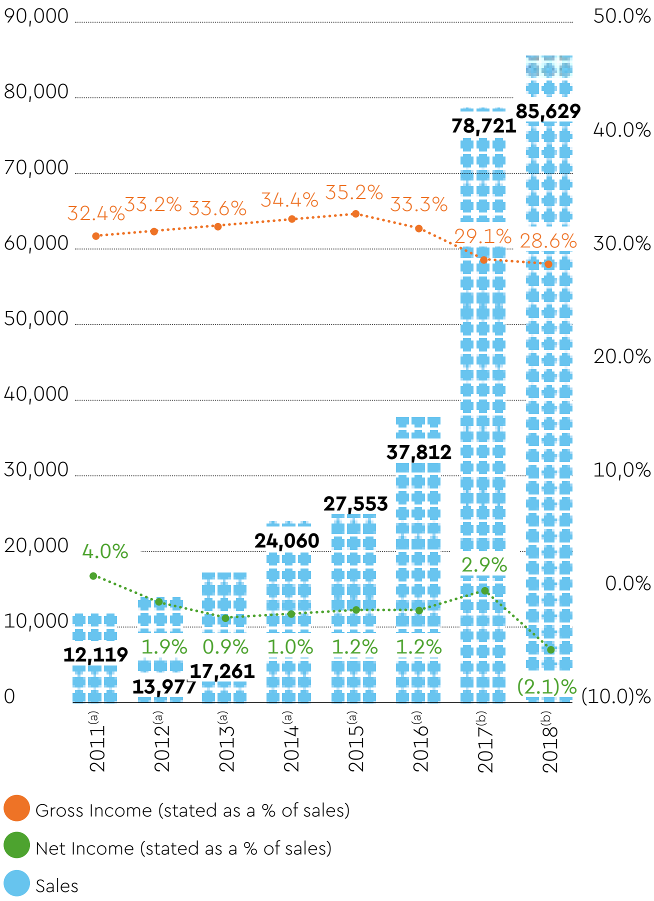
The Business continues with its strategy for growth, taking advantage of the conditions provided by the country in agro-industrial terms and supporting the competitive advantages that vertical integration gives to the mass consumption businesses that Arcor Group has in Argentina.

The new corn syrup plant in Arroyito operated throughout the year, with improved productivity and efficiency indicators. The product has great acceptance in the market and a quality that allowed to reach the standards required to be certified suppliers of the main customers.

The Sugar Mill La Providencia maintained the BONSUCRO standard certification, a global platform that promotes the economic, social and environmental sustainability in the sugar cane sector. During 2018, the volumes of organic sugar destined for the international market increased. In addition, the Business continues with the production of raw sugar, placed in its entirety in American quota.

EVOLUTION OF SALES, GROSS INCOME AND NET INCOME STATED AS A PERCENTAGE OF SALES

MILLION ARS



(a) In nominal currency, it does not contain the effects of the inflation adjustment.
(b) In homogeneous currency, at December 2018 values.



Argentina | Packaging

During 2018, sales to third parties of the Packaging segment in Argentina amounted to ARS 14,362.4 million compare to ARS 10,349.3 million for the year 2017, both values expressed in constant currency.

In this year of a generalized downward trend in Argentina, which affected customers of our Packaging Business, there was a decrease in volume as compared to the prior year, with dissimilar performance according to the various segments in which we take part: flexible films, industrial bags and sack Kraft, the latter affected by the drop in construction activities.

As from the acquisition of the Zucamor Group, focus was set on maintaining the market share in corrugated cardboard within Argentina and improving the positioning of activities with an exporting potential, such as the frozen meat, fruit and vegetable growing and dairy industries, among others. We also focused on the growth of the multi-sheet bags business and the export of virgin fiber papers as a result of the better competitiveness of Argentina in the last year.

Industrial investments of the Business were aimed at enhancing quality and the production volumes. At the Ranelagh plant we can highlight the completion of civil works and assembly of new equipment for the production of paste; at the Mendoza plant, dryers were replaced and other modifications were made to increase the capacity; at the Arroyito plant, the assembly of new equipment allowed to normalize the production process.

During 2018, the OHSAS 18001, ISO 14001, ISO 9001 certifications were maintained at the plants in Paraná, Luján, Arroyito and Villa del Totoral. The FSSC 22001 certification was maintained at the Flexibles plant in Luján.

Argentina | Foodstuffs products

In 2017, sales to third parties by the Foodstuffs Business amounted to ARS 7,588.3 million, while in 2017 amounted to ARS 8,173.0, both values expressed in constant currency.

In a year of general consumption decline in almost all food markets in Argentina, sales of the business reflected a slight decline in total volumes marketed, also highlights the good performance in the domestic market that had sales of juice powder, tomatoes, polenta, canned fruit and oil.

2018 was a year with a high level of innovation, and the launches of Aguila premixes, Godet cup cakes, jams with no added sugar under the Arcor brand, new flavors of jams, lemonades in 500 cc format, juices with added tea in the BC brand and a new line of new flavors in the line of low-calorie powdered juices were highlighted.

During the year, communicational actions were carried out in the powdered juice categories, giving continuity to the BC brand campaign initiated in 2017 and with the realization of a campaign with promotional dynamics associated with the World Cup for Arcor brand, jams and canned fish La Campagnola, in which the quality differential was highlighted. Likewise, digital communication strategies were applied for the La Campagnola brand and for BC lemonades through influencers in social networks.

Among the industrial investments of the Business, the implementation of a tomato paste concentrator, together with the incorporation of a high-speed packaging line, investments that improved the productivity of the San Juan plant; additionally, the incorporation of self-propelled platforms on own plantations, which increase productivity in pruning and harvesting.

During 2018, the OHSAS 18001, ISO 14001, ISO 9001 and BRC certification were maintained at the plants in San Juan, Villa Mercedes and Mar del Plata. In the San Martín and San Rafael plants the ISO 9001 certification were fulfilled.

Argentina | Cookies

Sales to third parties of the Cookies Business for 2017 amounted to ARS 16,103.8 million, compared to 2017 sales that amounted to ARS 17,275.8 million, both values expressed in constant currency.

For the cookies market, the year started with a slight upturn, but from the second quarter onwards there was evidence of a significant drop as a consequence of the crisis in Argentina; at last, this caused a decrease in volume as compared to the prior year, but lesser than in the market. In a similar way, we can highlight the growth in segments of greater added value, such as: sweet dry cookies, alfajores and savory snacks.

The advertising investment was concentrated in the following brands: Chocolinas, Cereal Mix, Tofi, Saladix and Opera. The main launches of products during the year were: black Tofi alfajores, Cofler Block cookies, Maná Bañada (chocolate covered) and the new Saladix Cross and Duo.

Outstanding industrial investments were made in the Salto plant, with new lines and improvements in existing lines, which increased production capacity.

At the Villa Mercedes plant, the implementation of automation of the palletizing process throughout the plant was completed, achieving improvements in logistics processes. Also, investments were made in infrastructure, and there were improvements related to safety, lightning and energy efficiency at the four plants (Salto, Villa Mercedes, Córdoba and Villa del Totoral).

During 2018, the Business maintained certification under OHSAS 18001, ISO 14001, ISO 9001 and BRC at the plnats in Villa del Totoral, Salto, Villa Mercedes and Córdoba.

Brazil | Confectionery and Chocolates

Sales to third parties by the Confectionery and Chocolates Business for 2018 amounted to ARS 4,652.4 million compare with 2017 that amounted to 4,188.1 million., both values expressed in constant currency.

In a context in which the Brazilian economy showed a recovery of activity and consumption, which enabled a gradual exit from the recession produced during 2015 and 2016, the Confectionery Business was able to maintain volumes, but with a drop in turnover. Good performances were achieved in certain products in the portfolio. Butter Toffees and lollipops were the main products.

The main launches of products, and which will continue into 2019, were carried out to continue developing, mainly, the strategic segment of gummies.

The Chocolates market had an increase in sales volume and turnover in all the segments in which we participate. The most notable were assorted boxes and family tablets. The Easter market in Brazil continued with a recovery in volumes sold and revenue, which was reflected in our performance in that market.

Among the most important launches of the Chocolate Business we mention the launch of the bon o bon Morango and Tortuguitas confites, continuing to develop and strengthen these brands along with the Arcor corporate brand.

Among the industrial investments, the most important are the adaptations for the launch of new products, automations for the mixing of raw materials, new wrappers and packaging machines and in fire networks.

In the Rio das Pedras and Bragança Paulista plants, the OHSAS 18001, ISO 14001 and ISO 9001 standards certifications are maintained, and in the area of food safety standards, the BRC certification was once again complied with.

Brazil | Cookies

Sales to third parties for the cookies segment in 2018 amounted to ARS 3,609.4 millions, while last year sales amounted to ARS 3,208.2 million, both values expressed in constant currency.

During 2018, the Cookies market in Brazil showed a retraction. In this high competitiveness context, the Cookies Business increase the sales volume compared to the previous year, mainly driven by products of the brands Tortuguita and Triunfo.

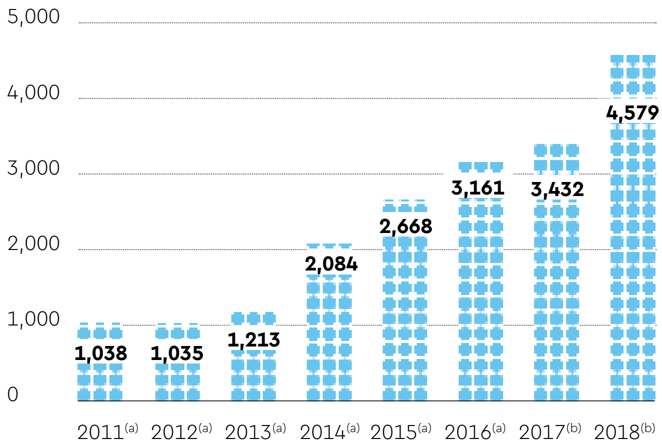
The main product launches were under the Tortuguita brand, targeting new packaging designs, with the tendency to launch products in flowpack formats. Also, commercial actions were highlighted during the year with the development of regional and price positioning strategies, which accounted for the growth of the products marketed under the brand Triunfo.

Industrial investments include line adaptations, new depositors that allow for manufacturing in various formats, together with the installation of new flowpack-format wrapping machines.

The Campinas and Contagem plants complied with the maintenance of the OHSAS 18001, ISO 9001, ISO 14001 and BRC certification.

EVOLUTION OF OPERATING INCOME

MILLION ARS



[a] In nominal currency, it does not contain the effects of the inflation adjustment.
[b] In homogeneous currency, at December 2018 values.

Andean Region | Confectionary and Chocolates

Sales to third parties in 2018 amounted to ARS 5,353.2 million, while, in 2017 amounted to ARS 4,142.9 million, both values expressed in constant currency.

In Chile, main market of the region, sales showed an increase in volume and turnover both in the local market and in exports. Important and innovative launches were carried out under core brands, with the objective of expanding the product portfolio, which allowed sales to grow. In the chocolate category, a new bon o bon lemon flavored was launched and the Rocklets Ball in doypack format. In chewing gum, the launch of Bigtime Ultra and Acid was highlighted. In other segments, the launch of the Oba Oba and Chubitón brands also stood out.

The main investments were focused on the installation of new product lines in sweets and increased chocolate capacity, along with automated filling and packaging. In addition, during the year OHSAS 18001, ISO 9001, ISO 14001 certification was achieved and food safety standards were met to obtain BRC certification.

In Peru, sales and invoicing volume in the domestic market remained stable as regards the prior year. We continued with the strategy of focusing, directing advertising investment toward the brands Bon o Bon and Topline. During 2018, within the co-branding agreement with Coca-Cola, an important participation was maintained within the segment, with Topline Inka Kola flavor gum.

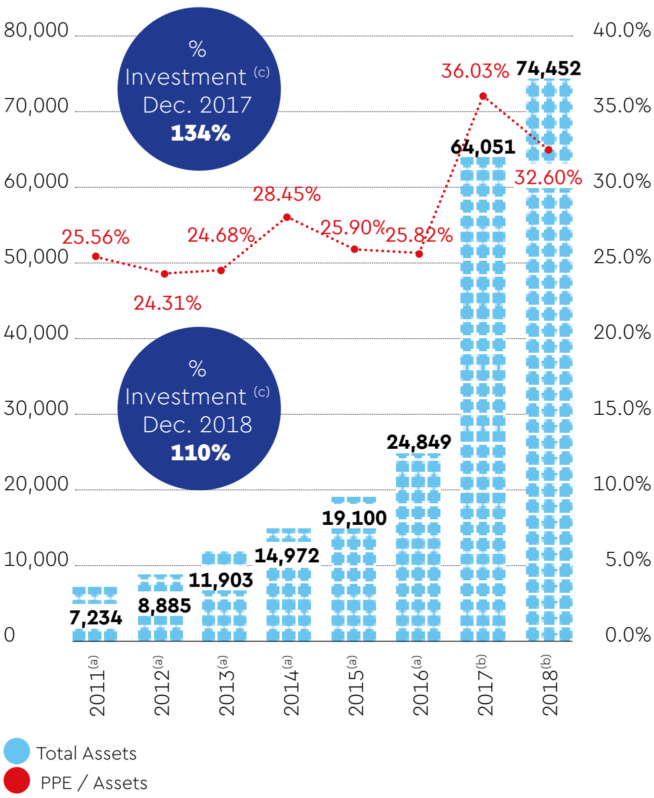
The main investments were focused on the installation of a line of molded chocolates.

In Ecuador, a significant improvement was recorded in 2018 in turnover and in the volumes sold, despite a stabilized market that still exhibits signals of contraction as a result of the restrictions on imports imposed by the local government for several consecutive years. These safeguards and import quotas were eliminated as from July 2017.

The dynamics of launches was resumed; in the foreground were Bon o Bon Coco and Sapito Lácteo, in addition to the renewal of designs and gift presentations. Further, commercial actions were implemented to support core brands and sales channels.

EVOLUTION OF TOTAL ASSETS AND RELATION BETWEEN PROPERTY, PLANT, AND EQUIPMENT TO TOTAL ASSETS

MILLION ARS



(a) In nominal currency, it does not contain the effects of the inflation adjustment.
(b) In homogeneous currency, at December 2018 values.
(c) Additions of property, plant, and equipment over the depreciation of property, plant, and equipment.

Andean Region – Chile | Cookies

At the end of 2018, sales to third parties amounted to ARS 1,897.3 million, compared to ARS 1,400.8 million of the previous year, both values expressed in constant currency.

The business presented an increase in sales volume and turnover in the country, achieving an increase in market share. Launches were carried out under the Selz Arroz brand, with the objective of maintaining leadership, based on proposals that can be appealing to consumers. Besides, Chocolinas and Coquitas cookies were launched in the local market, upgrading our proposal in the category of sweet dry cookies.

The main investments were focused on the installation of a new line for producing cookies that enables to increase production capacity, together with new fixtures that enhance the plant's overall productivity.

At the Cerrillos plant, OHSAS 18001 certification was achieved and the auditing standards were maintained to obtain ISO 9001, ISO 14001 and BRC certifications.

Andean Region – Chile | Packaging

At the end of 2018, sales to third parties amounted to ARS 3,077.2 million, while in the previous year they amounted to ARS 2,024.7 million, both values expressed in constant currency.

During the year, sales grew significantly in volume and turnover, mainly in the fruit and vegetable market, with a strong positioning in volume of traditional packaging. We also maintained our innovative profile in the industry with special products and differential printing and the consolidation of the level of customer service.

The industrial market remained stable; our position in large accounts was strengthened and this ranks us as one of the major players in the corrugated cardboard packaging market.

At industrial level, we can mention the installation of a second boiler and a new package wrapping machine for finished products.

During 2018, the ISO 14001 certification related to Environmental Quality Management was complied with and the PEFC certification was maintained, which guarantees the sustainable origin of raw materials and manufactured products, reaffirming Grupo Arcor's commitment to sustainability and care for the environment.

Southern Subsidiaries

Sales to third parties for the Southern Subsidiaries segment in 2018 amounted to ARS 4,193.4 million and ARS 3,183.1 million at the end of the previous year, both values expressed in constant currency.

The business in Paraguay showed a positive performance in all the product lines marketed there, which allowed growth in volume and turnover in all segments. Among the variables that allowed this performance are the commercial actions carried out, the coverage of the point of sale, the launch of new products and the development of products with higher added value.

Among the commercial actions, those carried out on the brands Tortuguitas, Cofler, Saladix and the successful product launches, mainly Bon o Bon Limón, Cofler Graffiti, Top Line Seven Click Fresh and the expansion of the ice-cream portfolio stand out.

To this the consolidation of the Dairy Business is added which started in mid-2016 through a contractual agreement with Mastellone de Paraguay, a company of the Mastellone Group. This business continues to increase sales volumes, with excellent performance based on the capitalization of opportunities in the sales points, improvement of commercial management and leadership in the cheese segment.

Sales in Bolivia in 2017 increased in terms of volume as a result of the commercial actions and aggressive campaigns, mainly in the wholesale channel, supported by high volume purchasing management in line with the objective of guaranteeing the supply of high rotation products. The growth in sales of bocaditos (chocolate nibbles) and bonbons, alfajores, tablets and wafer nougat is noteworthy.

The main commercial actions of the year were focused on strategic brands, such as Topline and bon o bon. With these brands, we participated in music events and campaigns for special dates and created other promotions for consumers.

It is important to note that as from August, an agreement has been effective with the company Mastellone de Paraguay, of the Mastellone Group, for the distribution and marketing of the La Serenísima brand products portfolio in Bolivia.

Sales in Uruguay also showed an increase in volume and turnover during 2018, maintaining the leadership in the Confectionery and Chocolates Business. The launch of successful products, such as Cofler Graffiti, Cofler Aireados and Natural Break, among others, stands out. The main commercial actions of the year focused on the strategic brands, like Topline and bon o bon, Cofler, Rocklets and Mogul.

In the category of Ice-creams, the focus was on the more strategic brands for the business and improvements were achieved for profitability, in addition to innovating launches of products under the Bon o Bon and Águila brands.

Other International Markets

In 2018, the Arcor Group continued with its sustained strategy for international participation in mass consumption Businesses which has allowed the positioning of Arcor as the Argentine Group with the largest number of open markets around the world, as it exports to more than 120 countries.

In June 2018, the Board of Directors of the Company approved an agreement to invest with Webcor Group, one of the largest food distribution companies in Angola. The agreement is intended to install an industrial plant to start the production of candies and cookies in that country.

Among the operations in North America, the growth of sales in the domestic market, mainly driven by the Barcel channel and the supermarket, stands out in Mexico. Strategies for developing the bon o bon brands, Nikolo, Butter Toffees and Poosh are maintained, and communication is expanded through social network actions and mass media campaigns.

Among the main investments in the industrial plant in Toluca, the installation of new wrappers and end-of-line equipment for flowpack wrapping and display.

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 massive consumptionin group in the country.

During January 2018, Arcor S.A.I.C. and Bagley Argentina S.A. jointly acquired shares for an equivalent value in pesos of USD 5.24 million, after accepting an irrevocable offer to amend the agreement of purchase option and sale of shares. Subsequently, on June 1, 2018, certain shareholders of Mastellone, exercising their right as per the first sale option, defined in the framework contract celebrated in 2015, communicated their intention to sell part of the share package for a total price of approximately USD 6.8 million.

As a result of both events, the interest of Arcor S.A.I.C. and Bagley Argentina S.A amounted jointly to 42.6466% in the capital stock of Mastellone Hermanos S.A.

FUNCTIONAL AREAS

Finances

The financial policy of the Arcor Group is focused on generating the necessary funds for normal business operations, as well as for the financing of the investment and acquisition plan.

Fiscal year 2018 presented a more complex context than previous years in the countries where the Group has operations, due to both external and internal factors. Among external factors, the most relevant was the exit of investors from emerging markets, which caused a severe depreciation of those currencies, Argentina being one of the most afflicted countries.

In view of this context of greater volatility of exchange rates and difficult access to credit in international markets, Argentina entered into a record/an unprecedented assistance agreement with the International Monetary Fund that enabled financing for the fiscal deficit and for the settlement of financial liabilities. This agreement contemplates an economic program hitherto unseen in Argentina, taking short-term interest rates to levels well above inflation.

Arcor Group, foreseeing/in anticipation of a situation with less liquidity and without significant financial debts falling due, focused on having all lines of credit with local banks operative, as well as access to financing sources from foreign trade.

In the course of 2018, consolidation of the financial management of the units of acquired companies was completed, aligning them with the Group financial policy.

As part of the group's sustained development, the policies for financing clients in the Packaging Business were encouraged, making it easier to obtain credit through the use of credit cards.

To accompany the financial development of primary producers of tomatoes and corn, lines of credit were used for discounting documents at specific rates, and the producers were connected with Mutual Guarantee Companies.

With these actions, an important reduction in costs of financing was achieved for this type of provider, and we plan to continue making progress in the use of these instruments.

The financial guidelines for 2019 will concentrate on the same objective of previous years, which consists on keeping the cash flows necessary for working capital demands and investments, as well as compliance with financial obligations undertaken.

Administration and Systems

Work was done in 2018 for the integration of Zucamor Group to the process models and technological standards of Arcor Group, modernizing users' computer equipment and the technology for networks, communications, wi-fi, videoconferences and mobile phones.

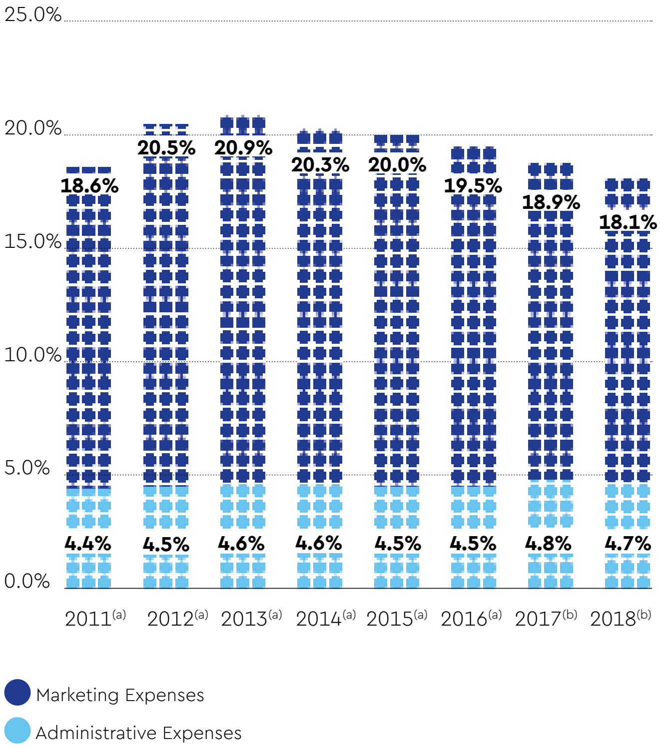
Regarding business applications, this year the companies in Zucamor Group started with the migration to the processes and systems of Arcor Group, with the purpose of achieving synergy between the structures, adopting consistent policies and administrative procedures and optimizing the use of resources. The Antares model – Packaging version– was implemented for Zucamor Cuyo S.A., introducing Kiwiplan for corrugated cardboard plants, JDE industrial model for recycled cardboard plants and installing JDE for commercial, logistics and administrative processes. Implementation for the other companies in the Zucamor Group will continue during 2019.

Also in fiscal year 2018, Oracle OTM was implemented for the management of transportation of transferred products in Argentina and Brazil operations.

To continue with the digital strategy, we incorporated processing of applications in the Azure service (Microsoft) and AWS (Amazon). These technologies, together with Oracle Cloud, allow for the growth of technological operation in an efficient and flexible manner and by keeping the security, quality, support and performance standards. As a requirement of the new technologies, several management applications were updated and modernized.

EVOLUTION OF ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

MILLION ARS



(a) In nominal currency, it does not contain the effects of the inflation adjustment.
(b) In homogeneous currency, at December 2018 values.

For the purpose of optimizing processes, within the framework of digital transformation, it was decided to add an RPA (Robotic Process Automation) solution, and automation began in several administrative circuits; besides, a project was started for the digitalization and integration of floor management at the plant.

Numerous projects were run to fulfill regulatory requirements in different countries; the most outstanding among these are the design and implementation of several solutions to comply with the changes required for applying the accounting inflation adjustment in Argentina, together with various tax requirements in other countries. Payment management in Peru and Ecuador was also integrated, along with other administrative accounting processes in those countries.

Regarding business intelligence tools, HR dashboards were created for Management Development, SGD, Jobs and Education, and Operating Expenses Control dashboards for all businesses, making it possible to consolidate information on real time, in an agile and transparent way.

Implementation of a new talent management platform was started for HR processes, in particular for processes of employees development and training, with a new Arcor University platform.

Seeking to improve employees' access to productive solutions, mobile phone service in Brazil was updated. As to office software, the use of Office 365 was strengthened as well as the management of information in the cloud. Communication networks were upgraded, both at the offices and industrial plants. As regards information security, the processes for work positions and mobile equipment securing were continued, in addition to ongoing monitoring of threats.

Human Resources

During 2018, actions and processes continued to improve the collaborators development, commitment and improving the organizational environment. Arcor University continued encouraging the development of employees and to align the design of new programs with our Competence Model. The project for the construction of Specialized Technical Schools by Specialty continued throughout the year; the Industrial School continued focusing on activities in the areas of Quality, MAPHI, SGI, Development and Supply Chain.

Management positions were covered internally by 92%, largely thanks to the identification of talent and replacement tables defined in the Strategic Resources Planning (PRE, for its acronym in Spanish) process; the development of the 2018 edition took place on a new technological platform, which facilitates the integration of information and decision making.

Arcor Group continued with its Young Professionals Program, through which 20 employees joined the areas of Operations, Management, Marketing, Trade Marketing and HR sectors. Further, within the inclusion program, disabled people joined the industrial, logistic and commercial operations and functional areas in Argentina, Brazil, Mexico and Chile, reaching a total of 388 active employees with disabilities throughout the year. In 2018, the Group continued with the corporate program of internships in the locations where we operate, which led to a successful early selection of talent.

In Argentina, as a result of the acquisition of Zucamor Group, the corporate Human Resources systems were implemented in 2018, ensuring the administration of processes in full. The ADAM system for payroll processing was implemented in Zucamor Cuyo S.A. In 2019, it will be implemented in the remaining companies of the Zucamor Group.

Sustainability

For Arcor Group, sustainability is a business approach that creates economic, social and environmental value in the long term and allows to maximize opportunities and manage business risks, working together with the other players that make up its value chain.

The Company deeply integrates sustainable development into its business model and enshrines its commitment to sustainability in its Mission, Vision, Values, Code of Ethics and Conduct and all the related policies and procedures. Since 2010, Arcor Group has a Sustainability Policy in place, whereby it undertakes five specific commitments and a general commitment to sustainable development regarding these matters, considered the most relevant priorities by both the company and its stakeholders: rational use of water, energy efficiency and climate change, rational use of packaging materials, respect for and protection of human rights and labor rights, and active life and healthy eating.

This path of triple value generation that we are following is reflected in the Sustainability Strategy 2020 which seeks to increase the company's corporate value through sustainable management and governance, based on three pillars of action: sustainable identity, operational continuity and increasing demand.

In order to properly implement the Strategy and enforce the Policy, the company fosters cross-organization monitoring of sustainability, governance, planning, and management. In the course of 2018, corporate areas and businesses promoted more than 830 initiatives aligned with the commitments defined in the Sustainability Policy through 13 Operational Sustainability Plans. Both the Comprehensive Management System (SGI), used in the 46 operating sites of the Company, and the Performance Management System (SGD) for evaluating Group employees, include sustainability as a key component.

For more information, please refer to 2018 Sustainability Report of Arcor Group, available at www.arcor.com.

Community Relations

Interacting with the community implies acknowledging and accepting the significance of being co-responsible for its comprehensive development. It is precisely from the understanding a relationship between company and community must go beyond peaceful coexistence that the strategic action framework of Arcor Group is defined.

To do so, we have designed a strategy focused on recognizing and managing the impacts of our business operation on the territory, thus to timely and efficiently manage the actions and relationships developed in the community by the company.

In fiscal year 2018 the process of strengthening the area as a component of the industrial management of the sites continued; to this aim, participation in the different instances and workspaces of SGI was intensified, at corporate and business level. Databases were consolidated, the reporting system was improved and the dashboard and integrated analysis model were placed into service, through which territory diagnosis was updated.

It is noteworthy that the plan designed to cover for the new sites resulting from the incorporation of Zucamor was fulfilled; a new Local Committe was made up at Mundo Dulce-México, and actions were coordinated with Mastellone in the context of the Donations Program.

In this way, starting from the 23 Local Committees and according to the various programs and projects implemented, work was achieved in 30 communities, with 792 organizations and over 300,000 beneficiaries.

Regional Social Investment for children

Arcor Group is committed to the respect and promotion of children's rights in the region.

Because of it, Arcor Foundation in Argentina (1991), Arcor Institute in Brazil (2004) and Arcor Foundation in Chile (2015) trabajan con la misión de contribuir para que la educación sea una herramienta de igualdad de oportunidades para la infancia.

The three entities promote Grupo Arcor's Social Investment Policy at the regional level, focusing on two topics: Healthy Life and Childhood – with the promotion of active and healthy life habits from childhood – and Childhood and Rights – aiming at encouraging different social players to take action in connection with children rights. To this end, they support initiatives focused on childhood,

generating training processes and seek to place the issue on the social agenda, setting in motion all the involved players: community, families, schools, Government, community-based organizations and companies.

With this perspective, 177 projects were supported in Argentina, Chile and Brazil in 2018, with the participation of 116,672 children and 54,037 adults.

Resources destined to social investment and to management of community impacts[1]

In 2018, the total amount destined to social investment and to management of community impacts amounted to ARS 171,448,803 in constant values, of which ARS 113,191,263 were channeled through product donations; and, in addition, contributions in cash and materials to implement various initiatives of community involvement for ARS 26,301,386. At the same time, ARS 31,956,154 were destined for the activity performed by the Arcor Foundation in Argentina and Chile and the Arcor Institute in Brazil.

Remuneration of Directors and Syndics, Remuneration Policy of the Board of Directors and Management Boards

As of December 31, 2018 remunerations to the Board of Directors have been accrued for technical-administrative functions and special tasks, for the amount, at historical values, of ARS 115,469,874. This figure, restated at constant values at 12.31.2018, amounts to ARS 140,726,879. Directors' remunerations are proposed considering their responsibilities, the time devoted to their functions, their competence and professional reputation, and the value of their services in the market.

In addition, fees to the Committee of Syndics have been accrued for the duties performed during the year ended December 31, 2018, by the amount of, in historical values ARS 2,912,064. This amount restated at constant values at December 31, 2018, represents ARS 3,585,381.

[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.

The compensation of the Board of Directors is fixed and approved by the Shareholders' Meeting, taking into account the 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, 2019.

CHAIRMAN

Mr. Luis Alejandro PAGANI

VICE-CHAIRMAN

Mr. Alfredo Gustavo PAGANI

REGULAR DIRECTORS

Mr. José Enrique MARTIN
Mr. Alejandro Fabián FERNANDEZ
Mr. Víctor Daniel MARTIN
Mr. Guillermo ORTIZ DE ROZAS
Mr. Alfredo Miguel IRIGOIN
Mr. Fernán Osvaldo MARTÍNEZ

ALTERNATE DIRECTORS

Mrs. Lilia María PAGANI
Mrs. Karina Ana Mercedes PAGANI de CAÑARTE
Mrs. Marcela Carolina GIAI

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, 2019.

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

Arcor 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 2018 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

	2018 %	2017 %	2016 %
Current assets / Total Assets	25.82	24.78	30.91
Non-Current assets / Total Assets	74.18	75.22	69.09
Current Liabilities / Total Liabilities + Shareholders' Equity	20.83	15.44	25.01
Shareholders' equity / Total liabilities + Shareholders' Equity	30.33	38.00	40.51

B) CHANGES IN EXPENSES AND REVENUES IN RELATION TO SALES

	2018 %	2017 %
Gross profit	34.27	35.01
Selling expenses	(21.39)	(22.43)
Administrative expenses	(6.97)	(7.22)
Other income / losses, net	(0.78)	(0.95)
Net gain on investments in associates	2.95	3.07
Net financial results	(20.36)	(0.08)
Income tax	6.11	0.29
Net Income for the year	(6.17)	7.68

INVESTMENTS OF ARCOR S.A.I.C.

The main investments of Arcor S.A.I.C. discharged during the year ended December 31, 2018 were as follows:

Caption	Amount in ARS
Land and constructions	5,352,829
Machinery and facilities	30,471,036
Furniture, tools, vehicles and other equipment	100,849,189
Construction works and equipment in transit	811,839,131

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

COMPANIES		LOANS GRANTED
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	475,282,434.00	-
ARCOR U.S.A. INC. Paid-in shares: USD	9,990.00	-
ARCORPAR S.A. Paid-in shares: PYG	6,400,000,000.00	-
ASAMA S.A. Paid-in shares: ARS	156,505,498.00	1.541.073
BAGLEY ARGENTINA S.A. Paid-in shares: ARS	9,279.00	21.087.417
BAGLEY CHILE S.A. Paid-in shares: CLP	-	-
BAGLEY LATINOAMÉRICA S.A. Paid-in shares: EUR	49,700,611.00	-
CAMLE S.A. Paid-in shares: ARS	-	-
CARTOCOR CHILE S.A. Paid-in shares: CLP	6,632,261,044.31	-
CARTOCOR DO BRASIL S.A. Paid-in shares: BRL	882,079.00	-
CARTOCOR PERÚ S.A. Paid-in shares: PEN	3,510.00	-
CARTOCOR S.A. Paid-in shares: ARS	7,729,081.00	-
CONSTRUCTORA MEDITERRÁNEA S.A.C.I.F.I. Paid-in shares: ARS	2,331,346.35	2.552.025
DOS EN UNO DO BRASIL IMP. E COM. DE ALIM. LTDA. Paid-in shares: BRL	3,000,000.00	-
GAP INVERSORA S.A. Paid-in shares: ARS	33,686.00	679.788
GAP REGIONAL SERVICES S.A. Paid-in shares: UYU	-	-
GAP INTERNATIONAL HOLDING S.A. Paid-in shares: USD	49,950.00	-
HASSA S.A. Paid-in shares: ARS	-	-
INDALAR S.A. Paid-in shares: ARS	343,589.00	88.924.848
INDUSTRIA ALIMENTOS DOS EN UNO S.A. Paid-in shares: CLP	53,099,431,471.59	-
INDUSTRIA DOS EN UNO DE COLOMBIA LTDA. Paid-in shares: COP	201,172,356.00	-
LA CAMPAGNOLA S.A.C.I. Paid-in shares: ARS	1,872,820,735.00	231.843.642
MALUGAN S.A. Paid-in shares: ARS	-	-
MASTELLONE HERMANOS S.A. Paid-in shares: ARS	139,447,864.00	-
MUNDO DULCE S.A. DE C.V. Paid-in shares: MXN	-	-
PAPEL MISIONERO S.A.I.F.C. Paid-in shares: ARS	-	-
SUBEL S.A. Paid-in shares: ARS	-	-
UNIDAL ECUADOR S.A. Paid-in shares: USD	-	-
UNIDAL MÉXICO S.A. DE C.V. Paid-in shares: MXN	933,785,300.00	-
ZUCAMOR CUYO S.A. Paid-in shares: ARS	-	6.416.714
VAN DAM S.A. Paid-in shares: UYU	70,000,000.00	-
ZUCAMOR S.A. Paid-in shares: ARS	112,577,166.00	-

LOANS RECEIVED	TRADE ACCOUNTS RECEIVABLE	TRADE ACCOUNTS PAYABLE	OTHER RECEIVABLES
ARS			
-	47,702,723	21,889,774	750,000
-	113,666,665	-	-
-	15,848,852	-	-
-	211,699,193	4,858,701	-
-	58,681,190	9,041,770	-
-	146,186,996	-	-
-	-	-	-
-	466,523,434	17,047,078	-
-	2,025,374	-	-
-	-	-	637,754,792
-	-	-	-
-	1,173,171	-	-
-	-	-	-
-	-	-	-
166.100.553	68,719,163	73,206,199	-
-	1,795,895	623,798	-
-	-	-	-
-	-	-	-
-	-	16,912,700	-
-	-	-	-
-	-	-	-
-	-	-	-
-	202,021,734	267,670	-
-	3,490,674	-	-
-	65,735,058	15,712,965	-
-	-	-	-
-	3,210,021	5,188,727	-
-	675,578	-	-
-	13,715,160	10,458,651	-
-	-	-	-
-	45,621,933	-	-
-	1,313,100	13,354,302	-
-	1,386,948	-	-
-	85,600,725	-	-
-	20,389,902	826,852	-

BALANCES AND TRANSACTIONS WITH PARENT, SUBSIDIARIES, ASSOCIATES AND JOINT CONTROL COMPANIES (CONTINUATION)

COMPANIES	SALES OF GOODS AND SERVICES	RECOVERY OF EXPENSES
ARCOR A.G. (S.A. Ltd.)	65,774,020	-
ARCOR ALIMENTOS BOLIVIA S.A.	326,552,914	2,288,275
ARCOR DE PERÚ S.A.	49,933,978	-
ARCOR DO BRASIL LIMITADA	90,049,121	-
ARCOR U.S.A. INC.	220,304,874	-
ARCORPAR S.A.	482,085,085	3,567,703
ASAMA S.A.	-	-
BAGLEY ARGENTINA S.A.	2,937,033,789	29,475,050
BAGLEY CHILE S.A.	6,196,026	-
CAMLE S.A.	-	-
CARTOCOR CHILE S.A.	2,009,974	-
CARTOCOR S.A.	432,999,829	22,532,770
CONSTRUCTORA MEDITERRÁNEA S.A.C.I.F.I.	495,841	143,591
GAP INVERSORA S.A.	-	-
GAP REGIONAL SERVICES S.A.	-	-
GRUPO ARCOR S.A.	271,708	-
HASSA S.A.	-	-
INDALAR S.A.	194,326	-
INDUSTRIA ALIMENTOS DOS EN UNO S.A.	480,193,775	-
INDUSTRIA DOS EN UNO DE COLOMBIA LTDA.	5,576,882	-
LA CAMPAGNOLA S.A.C.I.	934,288,296	14,050,698
MALUGAN S.A.	-	-
MASTELLONE HERMANOS S.A.	24,424,961	-
MUNDO DULCE S.A. DE C.V.	1,325,779	-
PAPEL MISIONERO S.A.I.F.C.	9,960,171	1,797,837
SUBEL S.A.	-	-
UNIDAL ECUADOR S.A.	91,360,794	-
UNIDAL MÉXICO S.A. DE C.V.	2,579,081	-
UNIDAL VENEZUELA S.A.	-	-
VAN DAM S.A.	288,581,328	2,180,709
ZUCAMOR S.A.	14,393,786	2,965,010
ZUCAMOR CUYO S.A.	4,889,199	1,015,735

We submit for the consideration of the Shareholders the Annual Report and related documentation. The notes referred correspond to the Separate Financial Statements ended in December 31, 2018 and we request the approval of the management carried out.

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 12, 2019

PURCHASES OF GOODS	PURCHASES OF SERVICES	OTHER EXPENSES	INTEREST FINANCIAL INCOME	INTEREST FINANCIAL EXPENSES
		ARS		
-	26,174,332	-	-	-
-	-	-	-	-
-	-	-	-	-
61.569.788	-	-	-	-
-	-	840,578	-	-
-	-	-	-	-
-	-	-	(53,153)	-
71,278,900	26,083,499	-	(19,079)	(266,482)
-	-	-	-	-
-	-	-	-	-
-	-	–	-	-
1,365,425,376	27,933,279	-	-	480,802
-	10,050,730	-	(34,186)	3,937
-	-	-	(87,198)	-
-	21,734,865	-	-	-
-	-	-	-	-
-	-	-	-	-
-	246,297	-	(5,598,057)	-
37,363,949	-	-	-	-
-	-	-	-	-
71,958,440	790,385	-	(61,000,146)	2,140,866
-	-	-	-	-
107,172,000	-	-	-	-
-	-	-	-	-
12,675,580	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	8,572,823	-	-	-
-	-	-	-	-
-	-	-	-	-
881,638	-	-	-	-
-	-	-	(152,001)	-

ANNEX I: CODE OF CORPORATE GOVERNANCE

REPORT ON THE COMPLIANCE DEGREE OF THE CODE OF CORPORATE GOVERNANCE

Annex IV, Chapter I, Title IV of the National Securities Commission (New Text 2013)

	COMPLIANCE		NONCOMPLIANCE	INFORM OR EXPLAIN
	TOTAL	SUBTOTAL		
PRINCIPLE I. SHOWING THE RELATION BETWEEN THE ISSUER, THE HOLDING COMPANY HEADED OR INTEGRATED BY THE ISSUER AND/OR ITS RELATED PARTIES				
RECOMMENDATION I.1:				
To guarantee the disclosure from the Management Body of applicable policies to the relation between the Issuer with the holding company headed and/or integrated by the issuer and with its related parties. To reply whether the Issuer has a regulation or a domestic policy of transaction approvals between the related parties pursuant to article 73 of the law N# 17,811, operations carried out with shareholders and members of the Management Body, Senior managers and trustees and/or security councilors, within the Holding company headed or integrated by the Issuer. To specify the main guidelines of the regulations or the internal policy.		X		Arcor Commercial and Industrial Public Limited Company (hereinafter referred to as "Arcor SAIC" or "the Company" indifferently) conforms to the existing legal regulations that include among other issues, subjects such as conflict of interest, operations with related parties and the disclosure of this kind of operations. On the other hand, and considering that the Company does not make public offer of its shares, the guidelines for article 72 and the provisions pursuant to law N# 26,831 are not applicable to it. Notwithstanding the foregoing, the Board of Directors passed a Code of Ethics and Conduct (hereinafter referred to as the "Code of Ethics and Conduct"), an Administrative Procedure of the Code of Ethics and Conduct's, and Conflict of Interest's Procedure (hereinafter referred to as Conflict of Interest's Procedure"), which apply to both the members of the Management Body and employees of Arcor Group (hereinafter "the contributors"), which the Statutory Audit Committee have agreed with, being under the responsibility of the Code of Ethics and Conduct solving the situations arising from the compliance of the Code of Ethics and Conduct. Said Code of Ethics and Conduct is based on eight ethic principles, including, among others, to show transparency and respect the agreements made with the different audiences linked to the company, to promote long-term and trust-based relations; to foster communication based on the truth of the information and events; as well as to respect the national and international laws and conditions, integrating our value chain into this compromise and promoting a sustainable and competitive commercial environment. The Management Procedure of the Code of Ethics and Conduct and the Conflict of interest's procedure state that in those situations referred to as possible conflicts of interest in commercial relations, the contributors shall rely on the resolution of the Ethics and Conduct Committee as the highest decision-making body of this subject. The Ethics and Conduct Committee is made up of an incumbent director, a Human Resources General Manager, the Corporate Environmental, Sanitary and Industrial Protection Manager (MAHPI), the Corporate Sustainability Manager and a Legal Affairs Manager. On the other hand, the Internal Audit Department ensures compliance with the Company's policies in general and especially compliance with those related to the Code of Ethics and Conduct.

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	COMPLIANCE		NONCOMPLIANCE	INFORM OR EXPLAIN
	TOTAL	SUBTOTAL		
PRINCIPLE I. SHOWING THE RELATION BETWEEN THE ISSUER, THE HOLDING COMPANY HEADED OR INTEGRATED BY THE ISSUER AND/OR ITS RELATED PARTIES				
RECOMMENDATION I.2:				
To ensure the existence of preventive measures for conflicts of interests. To answer whether the Issuer has, notwithstanding the current regulations, clear policies and specific identification procedures, handling and resolution of conflicts of interest that could arise between the members of the Management Body, senior managers and trustees and/or security councilors in their relationship with the Issuer or with other people linked to it. To describe their major aspects.	X			The company has a Code of Ethics and Conduct, to which the members of Board of Directors, of the Statutory Audit Committee of Arcor SAIC and the contributors of Arcor Group have agreed with, a Management Procedure of the Code of Ethics and Conduct and a Conflicts of Interest's Procedure. They are applicable to the members of the Board of Directors and of the Statutory Audit Committee as well as to the Company's employees and the corporations belonging to Arcor Group. For Armor Group, a conflict of interest is caused when the behavior, participation, and interests of a contributor interferes o seems to interfere in any way with the company's interests, either to get inadequate personal gains due to the position held in the company, or to participate totally or partially in business activities or relations with suppliers, customers or partners of Arcor Group in a personal capacity and not as a Company's representative, or to do external work activities, of personal character, that may cause conflict in relation to the interests of Arcor Group, being all the contributors of Armor Group responsible for ensuring the compliance of the Code of Ethics and Conduct. It has been set up that no employee can represent Arcor Group in commercial relations in which she or he could have any self-interest, having to take impartial, objective decisions based on professional judgment. The contributors shall disclose and report to the line manager, or in case of being impossible, to the Ethics and Conduct Committee, any possible situation that can create a potential conflict of interest with the company, so as to determine the end of said conflict. Finally, in those situations referred to as possible conflicts of interest in commercial relations, the contributors shall rely on the resolution of the Ethics and Conduct Committee as the highest decision-making body on this subject. The Ethics and Conduct Committee relies on the collaboration of the Internal Audit Management Office, which is responsible for the administration of the ethical line, as well as receiving, recording, investigating, analyzing and preparing all the cases to be submitted to the Ethics and Conduct Committee. Annually, all the employees of the Company and of those companies belonging to Arcor group, including those who are part of the general management and those who accomplish sensitive tasks for the Company, should complete, with the force of a sworn statement, a personal declaration about potential conflicts of interest that may arise.

ANNEX I: CODE OF CORPORATE GOVERNANCE

REPORT ON THE COMPLIANCE DEGREE OF THE CODE OF CORPORATE GOVERNANCE

Annex IV, Chapter I, Title IV of the National Securities Commission (New Text 2013)

	COMPLIANCE TOTAL	COMPLIANCE SUBTOTAL	NONCOMPLIANCE	INFORM OR EXPLAIN
PRINCIPLE I. SHOWING THE RELATION BETWEEN THE ISSUER, THE HOLDING COMPANY HEADED OR INTEGRATED BY THE ISSUER AND/OR ITS RELATED PARTIES				
RECOMMENDATION I.3:				
To prevent the inadequate use of inside information. To answer whether the Issuer has, notwithstanding the current regulations, with affordable policies and mechanisms preventing the inadequate use of privileged information by the Management Body's members, senior managers and trustees and/or security councilors, controlling shareholders or that have a major influence, participating professionals and the other people mentioned in the articles 7 and 33 of Law N# 677/01. To describe their major aspects.	X			Notwithstanding the compliance of current regulations pursuant to the use of privileged information, the Company through the Code of Ethics and Conduct, relies on a mechanism that prevents from the inadequate use of privileged information concerning the Board of Directors' members and the Company's Statutory Audit Committee as well as all the employees of Arcor Group; to this effect, the rules of conduct state: (i) that Arcor Group ensures that any information of its actions towards the press and towards society in general is communicated in an open, clear, truthful and authorized way; and (ii) that all that information considered confidential should be addressed by the group and trustworthy contributors, ensuring the exclusive use of it for issues related to business management. Besides, there are information security policies concerning data protection. The Company has certified the International Regulation ISO/IEC 27001, standard for information security regarding protection and treatment of Arcor Group's data. Furthermore, it is stated that different company's suppliers should subscribe to confidentiality agreements.
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
RECOMMENDATION II. 1:				
To ensure that the Management Body takes on the management and supervision of the Issuer and its strategic orientation.				
II.1.1:				
To answer whether the Management Body passes:				
II.1.1.1				
To answer whether the Management Body passes a strategic or business plan, as well as the management objectives and annual budgets.	X			The Board of Directors is, pursuant to the current regulations, the highest management body of the Company, and, as such assesses and passes the Company's strategic and operative plans, the budget for the next calendar year and the objectives of year under consideration.

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	COMPLIANCE		NONCOMPLIANCE	INFORM OR EXPLAIN
	TOTAL	SUBTOTAL		
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.1.2				
To answer whether the Management Body passes the investment (in financial assets and capital goods) and financial policy.	X			The investment and financial policy arises from the budget guidelines and from the plans passed by the Board of Directors. Furthermore, the Company has a Financial, Investment and Strategic Committee in charge of assessing the alternative financial sources, investment plans and new businesses, submitting the investment and financial proposals, through the management, to the Board of Directors. The aforementioned committee is made up of four incumbent Directors of the Company, one of which is independent, according to the regulations of the National Security Commission (hereinafter as "NSC"); at the same time, one of the directors integrating the committee is the Executive Director of Arcor SAIC, and relies on the participation of the Financial General Manager.
II.1.1.3				
To answer whether the Management Body passes the corporate government policy (compliance with the Corporate Governance Code).			X	The Company has implemented a series of policies and/or mechanisms specified in the good corporate government practices mainly related with the ethics and conduct of its management body and its employees such as: management control, objective setting and achievement, communication between the Board of Directors and senior management, sustainability and the constitution of an Audit Committee, among others. Notwithstanding the policies and/or mechanisms aforementioned and of the current Report on the compliance degree of the Corporate Governance Code, the Company does not actually have a Corporate Governance Code passed by the Board of Directors.
II.1.1.4				
To answer whether the Management Body passes the selection, assessment and compensation policy of the senior managers.		X		The selection of the senior management's members is made based upon the descriptions of the functions and the responsibilities in charge of each management, and the skills required for holding such positions. It is recommended to read this response together with those specified in points II.5.1 and II.5.2.2. The assessment of the General Managers is based on a management tool called Performance Management System (hereinafter referred to as "PMS") which consists in setting goals and subsequently assessing the management abilities specified in the description of skills required for each position in the general management offices. It is recommended to read this answer together with the one specified in points II.2.2. Regarding the compensation to the senior management, you should refer to the answers given under the points VII.2.1, VII.2.2, VII.2.3, and VII.2.4.

ANNEX I: CODE OF CORPORATE GOVERNANCE

REPORT ON THE COMPLIANCE DEGREE OF THE CODE OF CORPORATE GOVERNANCE

Annex IV, Chapter I, Title IV of the National Securities Commission (New Text 2013)

	COMPLIANCE		NONCOMPLIANCE	INFORM OR EXPLAIN
	TOTAL	SUBTOTAL		
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.1.5				
To answer whether the Management Body passes the appointment of responsibilities' policy to the senior managers.		X		The Company has descriptions of the functions, responsibilities and skills required for each position of the senior management.
II.1.1.6				
To answer whether the Management Body passes the monitoring of the senior managers' succession planning.	X			Arcor Group manages succession planning for all management levels through a process called Strategic Resource Planning Process (SRP); also, the Board of Directors has created a Human Resources Committee, which has to ensure the existence of a succession planning for senior management's members. The focus of such process is on achieving a better identification of our talents through tools that validate their development potential. SRP is a key process contributing to manage the future of the organization. Through such process, it is sought to ensure the creation, development and retention of our talents for business sustainability. Regularly the Human Resources Management reports to the Company's Board of Directors concerning SRP's major indexes, such as the internal coverage rate of management positions, mapped positions with an internal domestic chart, training and development of high-fliers. Besides, at the moment of composing the annual Report, the development of the system at issue is checked.
II.1.1.7				
To answer whether the Management Body passes the policy of corporate social responsibility.	X			The Company relies on a Code of Ethics and Conduct, based on a clear value statement, ethical principles, and rules of conduct, which lead the Company and employees' actions towards a responsible management. Besides, Arcor Group has a Sustainability Policy, made up of a general commitment and five specific commitments, with the main and outstanding topics for the business from the viewpoint of sustainability. (I) General Commitment with Sustainable Development. a) To establish a sustainable management of procedures, based on a balance between the economic, social and environmental aspects. b) To promote communities' comprehensive development where we work and contribute to the sustainable development of the regions, in which we operate. c) To support and respect the Human Rights' protection within our area of influence, ensuring not being an accomplice of cases where these rights are violated. d) To ease and sponsor activities and projects so as to promote sustainability and human development.

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	TOTAL	SUBTOTAL		
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.1.7				
				e) To apply the best environmental preservation practices, reducing and making up for the effects of our actions. f) To promote awareness and training programs, seeking to raise the awareness of each company's member and our value chain, as active agents in the construction of a corporate culture committed to sustainability. (ii) Specific commitments: a) Rational water usage. b) Energy efficiency and reduction of the effects contributing to global climate change. c) Rational use of packaging materials. d) Respect and protection of Human and Labor rights. e) An active life and a healthy diet. Arcor group has a regional structure that makes up of a management system and a sustainability governance. Its main body is the Arcor Sustainability Committee (ASC), headed by the president and made up of senior management members of the company. El CSA leads the strategic definitions related to the motivation of a sustainable government. Specifically, these are its following functions: -To counsel the Department in all the aspects related to sustainability, supporting the identification and analysis of risks as well as high-impact opportunities -To determine priorities and implement corporate policies, strategies and activities, related to sustainability of Arcor Group's businesses. To assess the company's performance regarding the sustainability of its businesses, and monitor and reduce environmental and social effects that arise from its actions. -To assess and make recommendations related to the company's relation strategy with its wide audiences. -To follow and asses the implementation of Arcor Sustainability Plan. -To ensure that adequate and effective communication policies exist to construct and protect Arcor's reputation as an internal and external sustainable company. The sustainability governance corporate structure, is complemented to the Sustainability Committees in Brazil and Chile and with the Sustainability Corporate Management, source of information and stimulus for innovation in sustainability practices, facilitating and providing technical advice in different areas and businesses of the group. The company's Sustainability Plan is composed of the initiatives included in the Sustainable Operations Plans (SOP), and of the corporate project headed by ASC based on the Sustainability Policy, Sustainability Strategy, priority action lines and Risk and Opportunity matrices of Sustainability defined by the group and by each one of its businesses. Also, Arcor Group relies on a management strategy for community impacts oriented to acknowledge and supervise the impact of the company-community relationship, to strategically manage risks and opportunities, and to promote the activities of comprehensive community development.

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PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.1.7				
				Finally, it is important to point out that Arcor Group is committed to respecting and promoting the children's rights of the region. That is why, through Arcor Foundation Argentina (1991), Arcor Institute Brazil (2004) and Arcor Foundation Chile (2015), the Company has the mission of contributing so as education is a tool for equal opportunities during childhood. The three organizations promote the Social Investment Policy of Arcor Group, focusing on two central areas: Childhood and Healthy Life- promoting active and healthy life habits since childhood- Childhood and Rights- seeking to mobilize the social agents regarding the fulfillment of children's rights. In order to do so, they support initiatives with a focus on childhood, generate training processes, and seek to set the topic on the social agenda.
II.1.1.8				
To answer whether the Management Body passes the policies of comprehensive risk management and of internal control, and of fraud prevention.		X		The Company relies on the Committees of Sustainability, Audit, Ethics, Conduct, Finances, Investments, Strategies, Human Resources, and Purchases, which assess and report to the Board of Directors about the diverse aspects of its competence, linked to the management of risks, domestic control and fraud prevention. Likewise, the Board of Directors requests specific reports to the Senior Management and to special councilors, carries out a regular control of the budget compliance, and monitors the strategic objectives and the development of key variables. For its part, the senior management of the Company supports its decisions about the corporate risk management throughout cross-disciplinary works and specialized sources' reports. The risks specific to each area of responsibility are run by its appropriate management.

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PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.1.9				
To answer whether the Management Body passes the training policy and continuous training for the members of the Management Body and the senior managers. In case of having such policies, to make a description of their main aspects.		X		The Company, through the application of PMS and the description of its functions, responsibilities and competences, promotes and orients the training of the senior management's members. The Human Resources Committee is responsible for elaborating, updating and monitoring the compliance of the continuous Training and Development Programs for the members of the senior management, having to notify it to the Board of Directors. In turn, both Board of Directors and senior management's members attend to different courses, forums, conferences, fairs, and participate in several chambers, activities of updating and improvement with the objective of staying up-to-date concerning the regulations, situations and contexts affecting their areas of concern. It is important to highlight that, during 2018, Arcor Group took part in the Working Group "Sustainable Food System" in Business 20 (G20's chapter on business). Our resident and Executive Director was the Chair of such group.
II.1.2				
Regarding them as relevant, to include another policies carried out by the Management Body which have not been mentioned and specify the major points.	X			Arcor Group has developed, notwithstanding the policies aforementioned, the Integral Management System (SGI, in Spanish). SGI is a tool designed by and for Arcor Group to manage industrial and logistical operations, taking into account the company's culture and the concepts, as well as the requisites and tools of improvement regarded as world-class. The SGI comprises the Vision, Mission, Values and Ethical Principles, the Code of Ethics and Conduct and the Arcor Group's Sustainability Policy, international regulations including Safety Management and Occupational Health Systems (OHSAS 18001), Quality Management System (ISO 9001), Environmental Management System (ISO 14001), Good Manufacturing Practices (GMP), Business Excellence Management System, which contains the principles defined in National Quality Award (MGEE), the British Retail Consortium (BRC) Global Food Safety Standard of and the Good Agricultural Practices (BPA), as well as the improvement tools such as total productive maintenance, Japanese philosophy focused on people's self-management and the reduction of losses (TPM), the management philosophy centered on the reduction of losses and the value added in all the chain, Lean Manufacturing, Sigma 6 methodology, based on the steady improvement on the abilities of zero-defect searching processes, the Japanese methodology of order, cleanness and standardization called 5S, the Theory of Constraints (TOC), and the methodology to make rapid product changes in the manufacturing processes (Single Minute of Exchange of Die, SMED).

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PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.2				
				The SGI is underpinned by six elements that are the main focus upon which the system is organized: (I) Direction Commitment and leadership, (II) Orientation to Customers, to Consumers and to the Community, (III) Management of Key processes, (IV) Management of Supporting Processes, (V) People Management and (VI) Continuous Improvement. The system applies to the activities, products and services developed within the field of Operations and Supply Chain of Arcor Group, and is oriented to meet the needs of our Stakeholders. The guidelines designed within the SGI framework involve, among others, the ones related to the management of relations with the customers and the community, to the product's design, the integrated management of the supply chain, the manufacturing processes and assessment of environmental impacts, the identification and assessment of safety and hygiene risks, the assessment and selection of suppliers, as well as monitoring the implementation of SGI's requisites during Arcor Group processes. The Executive Director, the General Management of Industrial Operations and Supply Chain, the Corporate Management of MAHPI and the Equity Security, The Corporate Management of Quality and Food Legislation, the Community Relations Management, the Corporate Management of Human Resources, Logistic and Engineer, are in charge of the design, implementation and assessment of strategies defined within the SGI's framework. Within that context, Arcor Group factories have received third party audits and ISO 9001 and 14001 standards in most of the factories, OHSAS 18001 in 31 factories and 3 dairy barns and BRC in 25 factories have been certified. The certificates of the Food Safety Standard FSSC 22000 at 2 Packaging factories and the certificate of Forest Stewardship Council (FSC) at the Paper and Corrugated Cardboard Boxes Factories. Within that framework, it is important to highlight that, in 2017, the Corporate Management of Supplies was included into certificate ISO 9001 of Arcor Group, being a major achievement to continue strengthening the management system. Likewise, It is important to emphasize that within that area the program called "REconocer" (to recognize) was launched in a comprehensive way, being a tool that allows to have an wide vision of suppliers throughout a qualification system that considers not only the technical aspects of quality, but also the commercial and sustainability practices. This program not only allows for a better recognition of the Supply chain, but also promotes a sustainable management in the value chain of the company reducing the risks when evaluating the management of financial, legal, capacity, service level, social, safety, hygiene and environmental aspects.

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PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.2				
				Besides, since 2016, the group has certificates of UTZ standard, related to the sustainable use of cocoa, at its factories in Colonia Caroya and Arroyito, and of RSPO standard related to the sustainable use of palm and its derivatives. On the other hand, The Agri-sustainable Program, launched since 2012, is oriented to ensure the amount, quality, healthiness as well as environmental and social responsibility of the main raw materials produced and bought by the company. For this purpose, each Business analyses and characterizes the supply of its materials (cereal, sugar, fruits and green vegetables, fats and oils, cocoa derivatives and dairy products), in order to develop practices and carry out purchasing and agricultural production standards that allow them to guarantee a long-term sustainability. Within the framework of such program, the mill La Providencia of Arcor Group in 2017 reached the certificate of the standard Bonsucro, a global platform that promotes economic, social and environmental sustainability in the cane sugar field, being the first mill in Argentina and America Latina outside Brazil to achieve it. Furthermore, within this framework, four farms owned by the company in Mendoza get the certification of the standard Global GAP (Good Agricultural Practices). Also, the Mill has the certificates of Global GAP (standard of certification for guaranteeing that the agricultural production meet the standards of food safety, environmental and food products), Local GAP (a norm ensuring that the cane sugar production, especially during the recollection and the management of post-harvest waste, is carried out without using fire), and NOP-USDA (a program of organic certification developed by the Agricultural Department of the United States that set the rules with acceptable practices, listing the substances passed or banned for its use and describe the requisites of record keeping for the production and manufacture of organic products). As regards the continuous improvement processes, in 2018, two factories of Arcor Group were recognized by the Japan Institute of Plant Maintenance (JIPM), the Bagley factory won an Excellence Award and the factory Cartocor Paraná won the Special Award. On the other hand, within the framework of the Conflict of Interest Procedure, the Board of Directors establish that the regulations for the acceptance and the offering of presents, which establish that contributors shall refrain from giving or accepting gifts or favors that conditioned the commercial relation between Arcor Group and third parties. The aforementioned regulation, specifies the conditions in which gifts or entertainments can be accepted or delivered, what to do in case of receiving a present that does not comply with the fixed guidelines, and the situations that shall be reported to the Ethics and Conduct Committee.

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PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
II.1.3				
To answer whether the Isuuer has a policy aimed to ensure the availability of information relevant to the decision-making of the Management Body and a management lines' route of direct inquiry, so as to be equally symmetrical to all its members (executives, external and independents) and far enough in advance, allowing the adequate analysis of its content. To specify.	X			The Company's Statute indicates in Article 30 that the Board of Directors' president is responsible for submitting all the Company's issues and businesses for consideration to the Management Body, with the required information or antecedents for their consideration and resolution. Likewise, the senior management relies on regular reports linked to the Company's management and the national and international environment, which are at the disposal of all the Board of Directors' members who needed it. Besides, there are committees in which the different members of the Board of Directors and the Company's managers participate. Finally, it is important to highlight that the diverse managements and committees carry out presentations on a regular basis before the Board of Directors, reporting on their areas of concern and establishing that opportunity as an ideal environment for exchanging opinions between the Board of Directors' members and the exponents.
II.1.4				
To answer whether the topics submitted for consideration to the Management Body are accompanied by a risk analysis of the decisions that could be taken, bearing in mind the corporate risk level defined as acceptable by the Issuer. To specify.	X			The topics submitted for consideration to the Board of Directors are previously analyzed by areas with adequate technical knowledge and then, submitted to the Board of Directors by senior management members with jurisdiction on the matter to be discussed. On such behalf, when corresponding, the risks associated to the decisions are detailed that they could be taken.
RECOMMENDATION II.2				
To ensure an effective Monitoring of the corporate Management.				
II.2.1				
To answer whether the Government Body checks the compliance with the annual budget and the business plan.	X			Regularly the senior management submits to the Board of Directors the development of operations comparing the budget with its implementation level and its performance in the same period of the previous year. In this example, the reasons for deviation regarding the estimated budget are specified.
II.2.2				
To answer whether the Management Body checks out the senior manager's performance and their compliance with the objectives set for them (the stipulated utility levels versus the utilities made, the financial rating, the quality of the accounting report, the market share, etc.)	X			In addition to the information detailed in point II.1.1.4, the Board of Directors, when approving the budget, passes the objectives for the general managements. Also, the managements regularly submit management reports to the Management Body concerning the development of the different businesses and the Company's aspects, allowing a follow-up and assessment about the objectives' compliance levels.

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II.2.2				
To describe the relevant aspects of the Issuer Management Control's policy specifying the techniques used and the frequency of monitoring made by the Management Body.				The Company's management control policy consists in the issuance and monthly communication of a result report to the members of the senior management. In such report, the results obtained are compared for each business, and for the Company in a consolidated way, with the budgeted levels and the previous year's performance, specifying the reasons why the main deviations might arise. This report is submitted regularly to the Board of Directors. During the year 2018, the Board of Directors held 6 meetings in which they report on the Management Results and the Consolidated Financial Position of the Company.
RECOMMENDATION II.3:				
To show the assessment process of the Government Body's performance and its effect.				
II.3.1				
To answer whether each member of the Management Body complies with the Company's Bylaws and, in that case, with the operating Regulations of the Management Body. To specify the main guidelines of the Regulations. To indicate the compliance level of the Company's Bylaws and the Regulations.	X			All the Board of Director's members comply with the Company's Bylaws. Besides, It is also reported that the Board of Directors does not have operating regulations as established in articles 5 and concordant with the General Corporation Law.
II.3.2				
To answer whether the Management Body presents their management results taking in to account the objectives set at the beginning of the term, so the shareholders can access the compliance level of such objectives, which include financial and non-financial aspects. Besides, the Management Body submits an analysis about the compliance level of the policies specified under Recommendation II, items II.1.1, and II.1.2. To specify the main assessment aspects of the Shareholders General Assembly about the compliance level from the Management Body of the fixed objectives and of the policies detailed under Recommendation II, points II.1.1 and II.1.2, indicating the date of the Assembly where such assessment was submitted.		X		The Board of Directors provides the shareholders with the information and documents pursuant to the existing legal regulations, so that they can realize an adequate assessment of management in case the Assembly is held. The aforementioned documents, along with the Sustainability Report, show both financial and non-financial data, the description of the global objectives for the following year, the strategy to adopt as well as the level and means of compliance. The last Shareholders' Assembly where the aforementioned documents were discussed was hold on April 27th, 2018. In the second point of the Agenda, the Report, Financial Statement and the Reporting Summary concerning to the exercise finished on December 31st, 2017; and in the third point of the Agenda the management of the Board of Directors was passed regarding the exercise finished on December 31st, 2017.

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PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID MANAGEMENT AND SUPERVISION OF THE ISSUER				
RECOMMENDATION II.4: :				
That the number of external and independent members be a major proportion in the Management Body.				
II.4.1				
To answer whether the proportion of executive members, external and independent (the latter ones defined by the regulations of this Commission) of the Management Body has a relation with the Issuer's capital structure. To specify.	X			Considering that the controlling shareholder hold 99.68% of the Company's votes, the Board of Directors considers that its composition is adequate to the Company's capital structure.
II.4.2				
To Answer whether during the current year, the shareholders agreed though a General Assembly a policy aimed to maintaining a proportion of at least 20% of the independent members to the total number of the Management Body's members. To make a description of the relevant aspect of such policy and of any other shareholders agreement that allows to understand how the Management Body's members are designed and how long. To indicate whether the independence of the Government Body's members was called into question during the year and whether there were abstentions due to conflicts of interest.			X	Article 14 of the Company's Bylaws sets out that it will be headed and managed by a Board of Directors made up of 5 to 12 incumbent members and an equal or less number of alternate members, as decided by the Shareholders Assembly. Besides, it established that the directors will last three fiscal years in office, and they may be reelected indefinitely. On the other hand, article 15 of the Company's Bylaws expresses that as long as the Company is admitted by the Public Offer Regime and results compulsory, there will be an Audit Committee made up of three incumbent and three alternate members, of which, most of them shall be in the capacity of independent pursuant to the Regulations of the NSC and all of them should belong to the Company's Board of Directors. As provided under article 15 of the Company's Bylaws, it is important to explain that the Company's does not have an authorization for issuing shares, and thus, it is not compulsory to set up an Audit Committee on such terms. Furthermore, it is reported that (i) the Company has not taken notice of the existence of agreements between shareholders, (ii) in the last period, the capacity of independence declared by the Company's directors was not questioned, and (iii) in the last period, there were not abstentions due to conflicts of interest.
RECOMMENDATION II.5:				
To commit to the existence of regulations and procedures inherent to the selection and the proposal of the Management Body's members and the Issuer's senior managers.				
II.5.1				
To answer whether the Issuer has an Appointments Committee.	X			The Board of Directors has created a Human Resources Committee, which has some of the functions given by the General Resolution N# 606/2012 and by the Amended Text 2013 of the NSC regulations to the Appointment Committee.

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II.5.1				
				Thus, all the functions assigned to the Appointments Committee are carried out by the Shareholders' Assembly, the Board of Directors and the Human Resources Committee and the Human Resources Management.
II.5.1.1				
To answer whether the Issuer has an Appointments Committee made up of at least three members of the Management Body, most of them independents.			X	The Company's Human Resources Committee is made up of dependent incumbent directors, according to NSC regulations and the Human Resources General Manager.
II.5.1.2				
To answer whether the Issuer has an Appointments Committee headed by an independent member of the Management Body.			X	The directors who are part of the Human Resources Committee are not independents, pursuant to the NSC regulations.
II.5.1.3				
to answer whether the Issuer has an Appointments Committee that is made up of members who demonstrate aptitudes and experiences in subjects related to human capital policies.	X			The Human Resources Committee's members have a wide experience in corporate management and policies related to human capital.
II.5.1.4				
To answer whether the Issuer has an Appointments Committee that hold a meeting twice a year.		X		The compulsory number of meetings for the Human Resources Committee has not bet set up. During 2018, the Human Resources Committee has met 5 times.
II.5.1.5				
To answer whether the Issuer has an Appointments Committee whose decisions are not necessarily			X	According to the General Corporation Law, the Shareholders Assembly has the power of appointing the Board of Director's members. The Human Resources Committee has not authority in this respect.
II.5.2				
In case of having an Appointments Committee, to answer whether such committee has:				
II.5.2.1				
To answer whether the Appointments Committee validates the inspection and assessment of its regulations and suggest the Management Body to do the amendments for passing it.			X	The Human Resources Committee has not regulations.

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II.5.2.2				
To answer whether the Appointments Committee proposes the development of criteria (qualification, experience, professional and ethical reputation, among others) for the selecting the new members of the Management Body and the senior managers.		X		One of the Human Resources Committee's functions is proposing the criteria that shall be considered at the moment of selecting new members for being part of the Senior Management.
II.5.2.3				
To answer whether the Appointments Committee identifies candidates for members of the Management Body to be presented by the Committee to the Shareholders general assembly.			X	The Human Resources Committee has not authority in this respect.
II.5.2.4				
To answer whether the Appointments Committee suggest the members of the Management Body that are going to be part of the Management Body's Committees according to their antecedents.			X	The Human Resources Committee has not authority in this respect.
II.5.2.5				
To answer whether the Appointments Committee suggests that the President of the Board of Directions not to be the General Manager of the Issuer at the same time.			X	The Human Resources Committee has not authority in this respect.
II.5.2.6				
To answer whether the Appointments Committee ensures the availability of the curriculum vitae of the Management Body's members and of the senior managers in the website of the Issuer, in which the period of their term is specified in the first instance.			X	The Human Resources Committee has not authority in this respect.
II.5.2.7				
To answer whether the Management Body confirms the existence of a succession plan of the Management Body and senior managers.		X		Within its responsibilities, the Human Resources Committee shall validate the existence of a succession planning for the senior management members. See also the answer given under point II.1.1.6.
II.5.3				
In case of considering it relevant, to include the introduced policies made by the Appointments Committee of the Issuer that have not been mentioned in the previous point.	X			The Board of Directors has also set out the Human Resources Committee's functions. (i) to elaborate, update and monitor the compliance of continuous Training and Development Programs of the senior management's members; (ii) to define and participate in the general strategy of labor relations including the trades of the proper staff, contractor and third parties; and (iii) to take part in the survey results and the definitions of the strategies for improving the corporate environment.

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RECOMMENDATION II.6				
To assess the advantage that the members of de Management Body and/or trustees and/or security councilors carry out functions in the different Issuers. To answer whether the issuer sets a limit to the members of the Management Body and/or trustees and/or security councilors to carry out the functions in other organizations that do not belong to the economic group, headed by and/or integrated by the Issuer. To specify said limit and to detail whether in the course of the year any violation to said limit has been verified.		X		The Board of Directors considers that as much as its members and/or trustees comply with their responsibilities, it is not necessary to set participation limits for the Board of Directors or for the audit body of other organizations. Notwithstanding, the Code of Ethics and Conduct and the Conflict of Interests Procedure, documents to which the Statutory Audit Committee has subscribed, determine that the contributors or Directors that have external working activities, of personal nature, must guarantee that said activities not cause conflict in relation to Arcor Group interests.
RECOMMENDATION II.7				
To guarantee the Training and Development of the Management Body members and of the senior managers of the Issuer.				
II.7.1				
To answer whether the Issuer has for the members of the Management Body and the senior managers continuous Training Programs related to the existing necessities of the Issuer, which include issues pertaining their roles and responsibilities, the integral management of corporate risks, business related specific knowledge and its regulations, the dynamics of the governance of the company, and issues of corporate social responsibility. In the case of the Statutory Audit Committee members, issues pertaining international accounting standards, audit and internal control issues, and of capital market specific regulations. To describe the programs that have been conducted in the course of the year and its performance level.		X		The Board of Directors and the senior management members attend to forums, conferences, fairs and also participate in different chambers, and in further training and updating activities. The Company, by means of the application of PMS and the description of the functions, responsibilities and skills required for each position, encourages and orients the courses of action to be taken by the members of the senior management pertaining their education and training necessities. In turn, the Company Human Resources Committee is responsible of the elaboration, updating and control of the compliment of the continuous Training and Development Programs for the senior management members.
II.7.2				
To answer whether the Issuer encourages, by other means not mentioned in II.7.1, the members of the Management Body and senior managers to maintain a permanent training that complements their education level in a way that adds value to the Issuer. To indicate the way in which it is conducted.		X		The PMS and the description of the positions are means used by the Company to encourage its contributors to maintain a continuous training attitude that complements their education level. Within the PMS, the Company contributors must annually propose their development plan, taking into consideration the description of their functions, responsibilities and skills required for each position on which the company relies, and the previous period performance.

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PRINCIPLE III. TO ENDORSE AN EFFECTIVE POLICIY OF IDENTIFICATION, MEASUREMENT, ADMINISTRATION AND DISCLOSURE OF CORPORATE RISKS.				
RECOMMENDATION III				
The Management Body must rely on a policy of integral management of corporate risks and monitor its appropriate implementation.				
III.1				
To answer whether the Issuer has policies of integral management of corporate risks (about compliance of the strategic, operational, financial, of accounting reports, of laws and regulations objectives, among others). To describe their major aspects.		X		The Company has a Sustainability Committee, a Statutory Audit Committee, a Finance, Investment and Strategy Committee, a Human Resources Committee, and a Procurement Committee, all of which assess and report to the Board of Directors about the different aspects belonging to their jurisdictions, related to the management of risks, internal control and prevention of frauds. In turn, the Board of Directors requests for specific reports to the senior management and to specialized consultants, controls periodically the compliance of the budget, and monitors the strategic objectives and the main variables evolution. On the other hand, the Internal Audit Management, among its functions, prepares risks matrices of the processes it audits. The Company senior management backs up its corporate risk management decisions by means of interdisciplinary works and reports from specialized sources. The specific risks of each responsible area are operated by its correspondent management. As regards Sustainability, Arcor Group has identified the main risks of the business, which derive from the economic, social and environmental development, and has extended this methodology to each one of its businesses, which have their own sustainability matrices. Likewise, as regards community management, Arcor Group has an economic, environmental and social impacts matrix, to facilitate the compilation and record of unified and comparable information that allows the management of Arcor possible impacts in the local development of the communities in which it operates. Said matrix covers the scope of influence of the Company's operations and approaches the effects directly or indirectly produced by the presence of Arcor Group in each location by means of 100 economic, social and environmental qualitative and quantitative indicators. In turn, the Sustainability Scorecard platform has been set into motion. It is a control panel that measures and informs in a systematic way and at corporate level the progress of Arcor Group towards the compliance of the Sustainability Strategy.

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	TOTAL	SUBTOTAL		
PRINCIPLE III. TO ENDORSE AN EFFECTIVE POLICY OF IDENTIFICATION, MEASUREMENT, ADMINISTRATION AND DISCLOSURE OF CORPORATE RISKS.				
III.2				
To answer whether there exists a Risks Management Committee within the Management Body or the General Management. Inform about the existence of proceeding manuals and detail the main risk factors that are specific for the Issuer or its activity and the mitigation actions implemented. In the absence of said Committee, the supervision work conducted by the Statutory Audit Committee in reference to risks management shall be described. Likewise, the level of interaction between the Management Body or its Committees and the General Management of the Issuer as regards the integral management of corporate risks shall be specified.		X		The Company does not have a Risks Management Committee, however, as informed in II.1.1.8 and III.1, different committees have been established within the structure of ARCOR SAIC which evaluate and report to the Board of Directors respecting the different issues of its competence related to the risks management. In turn, the management as well as the senior management conduct risks assessments permanently to take decisions and evaluate the corporate management. Pertaining the risks management, the Audit Committee must supervise the functioning of the internal control systems and the accounting administration procedures, as well as the application of the policies regarding the information about the risks management of the Company. Arcor Group manages its industrial operations following documented guidelines. To manage said documents (policies, manuals, proceedings, instructions, programs, records, listings) there is an IT system named Loyal ISO, with a wide access for the staff. It meets the issue established requirements by the international standards and it has been assessed in different occasions in external audits of norms such as ISO 9001, ISO 14001, OHSAS 18001, BRC. The customers are subjected to the established policies, proceedings and controls, which are detailed in a Credits Manual. In turn, the majority of the Arcor Group administrative work is standardized in proceeding manuals. The decided on methodology for the control of the documents guarantees their preparation by staff with in-depth knowledge of the process associated to each document and the authorization of the senior staff for each case. The main risks factors related to our company are detailed in the chapter Prospects Risks Factors published in relation to our Global Program of Corporate Bonds Issuing and in the notes of our Financial Statements related to the Administration of Financial Risks. To reduce the risks aforementioned, Arcor Group has established internal control processes, making budget controls, monitoring the evolution of the key variables and has established special committees. As informed in II.1.3 and II.1.4, the Company committees have been structured in such a way so that the management body and the senior management members can participate on it, to obtain an appropriate interaction as regards risks management

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	TOTAL	SUBTOTAL		
PRINCIPLE III. TO ENDORSE AN EFFECTIVE POLICY OF IDENTIFICATION, MEASUREMENT, ADMINISTRATION AND DISCLOSURE OF CORPORATE RISKS.				
III.3				
To answer whether there is an independent function within the Issuer General Management which implements the integral risks management policies (the function of Risk Management Officer or its equivalent). Specify.			X	An independent function as Risk Management Office or its equivalent does not exist.
III.4				
To answer whether the integral risks management policies are constantly updated according to the known recommendations and methodologies on the subject. To specify which ones.		X		Arcor Group industrial processes are based on the certifications mentioned in II.1.2. Finally, as regards the protection and access to the company's data, the Company bases its standards on the international Norm ISO/IEC/27001.
III.5				
To answer whether the Management Body notifies the results of the management risks supervision conducted jointly with the General Management in the financial statements and the Annual Memory. To specify the main points of the conducted expositions.	X			The Board of Directors informs in its Financial Statements, Memory and Sustainability Report about the environment in which the company's activities and its perspectives have been conducted as well as the actions taken and the achievements attained, together with the main objectives of the Company, its different businesses and its functional areas, thus communicating not only the company's financial statements but also its challenges and the courses of action taken and conducted.
PRINCIPLE IV. TO SAVEGUARD THE FINANCIAL INFORMATION INTEGRITY BY INDEPENDENT AUDITS.				
RECOMMENDATION IV:				
To guarantee the independence and transparency of the functions entrusted to the Statutory Audit Committee and the External Auditor.				
IV.1				
To answer whether the Management Body when choosing the members of the Statutory Audit Committee, considering that the majority must be an independent audit, evaluates the importance of it to be preside by an independent member.			X	The company has a Statutory Audit Committee constituted by the Board of Directors voluntary decision, on the basis of the Company not making a public offering of its shares. The Statutory Audit Committee is made up of four Board of Directors members, one of which is an independent auditor, according to the NSC, and in turn, one of the directors, who is a committee member, is the Executive Director of Arcor SAIC. In addition, the Corporate Manager of the Internal Audit Committee and the Management Body, Taxes and Systems General Manager participate in the Statutory Audit Committee.

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PRINCIPLE IV. TO SAVEGUARD THE FINANCIAL INFORMATION INTEGRITY BY INDEPENDENT AUDITS.				
IV.2				
To Answer whether there exists an internal audit function which reports to the Statutory Audit Committee or to the President of the Management Body, and which is responsible of the assessment of the internal control system. To indicate whether the Statutory Body Committee or the Management Body conduct an annual assessment about the performance of the internal audit area and its professional work level of independence, by which it is understood that the professionals in charge of said function are independent form the remaining operative areas and also meet the independence requirements respecting the control shareholders or other entities related that have significant influence over the Issuer. In addition, to specify if the internal audit function is performed in accordance with the international norms for the professional work of the internal audit issued by the Institute of Internal Auditors (IIA).	X			The Internal Audit area depends on an Arcor SAIC Director, it reports organizationally to the Statutory Audit Committee and its purpose is to contribute to the reduction of the potential impact that the risks in the way to achieving Arcor Group objectives, accompanying the different areas by implementing and optimizing the controls and proceedings. The Statutory Audit Committee assess the performance and independence of the internal auditors. Said assessments are recorded in the corresponding Statutory Audit Committee minute, and the results are informed to the Director of the Company. The professionals in charge of the Internal Audit function are independent from the other operative areas of the company. The Internal Audit Area performs its tasks following the guidelines established in the international norms for the professional work of the internal audit issued by the IIA.
IV.3				
To answer whether the members of the Statutory Audit Committee conduct an annual assessment about the suitability, independence, and performance of the External Auditors, appointed by the Shareholders Meeting. To describe the relevant aspects of the proceedings implemented to conduct the assessment.	X			The functions of the statutory Audit Committee are to control the plans of the external auditors, to assess the different rendered services, its performance and the maintenance of its independent condition according to what the audit norms in force establish. In that way, said assessments are recorded in the corresponding Statutory Audit Committee minute, and the results are informed to the Director of the Company. The relevant aspects of the proceedings implemented by the statutory audit Committee to conduct the assessment are mainly to confirm that the audit plan to be conducted according to the conditions contracted, to assess the performance and consider the independence of the external auditors in relation to the fees billed by the company PRICE WATERHOUSE & CO. LLC an Arcor Group, requiring to the Auditors a pertinent declaration, by the external auditors.
IV.4				
To answer whether the Issuer has a policy regarding the rotation of the Statutory Audit Committee and/or of the External Auditor, and concerning the latter, if the rotation includes the external audit company or only the individuals.			X	The members of the Statutory Audit Committee are appointed, for the term of three fiscal years in the performance of their duties, by the Shareholders Meeting, and can be reelected for indefinite periods according to the Company Statute. In accordance with the norms in force, the Shareholders Meeting appoints the external auditors of the Company to perform their duties for annual periods.

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PRINCIPLE V. TO RESPECT THE SHAREHOLDERS RIGHTS				
RECOMMENDATION V.1:				
To ensure that the shareholders have access to information about the Issuer.				
V.1.1				
To answer whether the Management Body promotes periodical informative meetings with the shareholders which coincide with the presentation of the intermediate financial statements. To further explain the amount and frequency of meetings held during the year.			X	The Company complies with the norms in force set up by the NSC for the presentation of the financial statements and disclosure of information, and with corresponding legislation as regards the access to information by the shareholders.
V.1.2				
To answer whether the Issuer has mechanism to inform to its investors and a specific area to answer queries. In addition, it has a website for the shareholders and other investors, which also facilitates the communication among them. To detail.		X		The Company uses its website as a communication mechanism with its investors (www.arcor.com, the website of the NSC (www.cnv.gov.ar) the presentations held when issuing marketable securities and the Shareholders Meetings.
RECOMMENDATION V.2:				
To promote the active participation of all the shareholders.				
V.2.1				
To answer whether the Management Body takes the corresponding measures to promote the participation of all the shareholders in the General Shareholders Meetings. To further explain, while distinguishing between the measures required by law and the ones intentionally offered by the Issuer to its shareholders.	X			The Society complies with the legal norms in force to promote the participation of all the shareholders in the meetings
V.2.2				
To answer whether General Shareholders Meeting has Regulations ensuring the information is made available to the shareholders far enough in advance to make decisions. To describe its main guidelines.			X	The Society complies with the legal norms in force as regards making the information and the documentation available for the shareholders to make decisions. That is why, anticipating the celebration of the Shareholders Meeting required by the legal norms in force. The information and documentation necessary to make decisions is made available to the shareholders.
V.2.3				
To answer whether the mechanisms implemented by the Issuer so as for the minority shareholders to propose topics of discussion in the General Shareholders Meeting according to what the norms in force establish prove to be applicable. To further explain the results	X			The Board of Directors is bound to ensure compliance of the applicable norms for the Society, and to that effect, there are no impediments for the minority shareholders to propose in front of the Board of Directors topics to be discussed in the Meetings. To date there are no antecedents as regards the proposal of topics to be discussed in the Meetings by the minority shareholders.

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PRINCIPLE V. TO RESPECT THE SHAREHOLDERS RIGHTS				
V.2.4				
To answer whether the Issuer has incentive policies for the most prominent shareholders, such as the institutional investors. To specify.			X	The Board of Directors considers appropriate that the Company does not make distinctions between its shareholders when calling Meetings or to provide information, therefore, the possibility of establishing this kind of policies has not been considered.
V.2.5				
To answer whether in the Shareholder Meetings, where the member of the Management Body are proposed, are announced previous to the election the following: (i) each candidate's stance as regards the adoption of a Corporate Governance Code, and (ii) the basis of said stances.			X	The norms that are applicable for the Society at the moment of the designation and acceptance of the charges of Board of Directors members do not required said manifestations.
RECOMMENDATION V.3:				
To guarantee the equality principle between share and vote. To answer whether the Issuer has a policy that promotes the equality principle between share and vote. To indicate how the outstanding shares by type composition has changed in the last three years.		X		Even though the Company's capital is represented by the type A shares, having the right to five votes each, and by type B shares, having the right to one vote each, type A shares represent only a 0,024 % of the total of shares issued by the Company and have the right to a 0,118 % of the possible votes of the Company. In the last three years the relative composition of votes by the type of shares has not changed.
RECOMMENDATION V.4:				
To establish protection mechanisms for the shareholders when taking control. To answer whether the Issuer adheres to the public offering of compulsory leasing. Otherwise, to further explain if there exist other alternative mechanisms, provided in the bylaws, such as the tag along or others.			X	The Company does not have the authorization for the public offering of shares, and thus, it is not legally bound to implement said mechanisms.
RECOMMENDATION V.5:				
To encourage the Issuer's shareholding dispersion. To answer whether the Issuer has a shareholding dispersion of at least 20 per cent of its common shares. Otherwise, the Issuers has a policy to increase its shareholding dispersion in the market.			X	The Company does not offer publicly its shares and, thus, it does not have a policy to increase the dispersion in the market. Arcor Group (the controlling company of Arcor SAIC, constituted and existing according to the Republic Argentina norms) owns 99.6865% of the shares of the social capital, and no variations have been recorded in the last three years. Arcor Group LLC shareholders do not own, individually, economic and/or political rights that allow the constitution of the corporate will of the Company.

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	TOTAL	SUBTOTAL		
PRINCIPLE V. TO RESPECT THE SHAREHOLDERS RIGHTS				
RECOMMENDATION V.6:				
To ensure the existence of a transparent dividends policy.				
V.6.1				
To answer whether the Issuer has a distribution of dividends policy foreseen in the Bylaws and approved by the Shareholders Meeting where the conditions to distribute the dividends in cash or shares are established. Should this exist, specify the criteria, frequency and conditions that must be met for the payment of dividends.			X	Annually, the Board of Directors submits for consideration of the Shareholders Meeting the destination of the current year results and the Company reserves, indicating it in the Memory and other corresponding documents, its dividends distribution proposal and the limitations the Meeting shall consider regards the destination of the funds aforementioned.
V.6.2				
To answer whether the Issuer has documented processes for the elaboration of the proposal pertaining the destination of the Issuer retained earnings that result in the legal, statutory, voluntary reserves of a new year and/ or the payment of dividends. To further explain the processes and to detail in which Shareholders General Meeting Record the distribution of dividends (in cash or shares) was approved, in case it is not foreseen in the Bylaws.	X			The Board of Directors informs about the effects and restrictions of the norms in force on the destination of the retained earnings in the Financial Statements and in the Memory of each fiscal year. In turn, the Board of Directors of the Company submits for consideration of the shareholders, before the celebration of the Shareholders Meeting summoned to that effect, a proposal of dividends distribution. For the foregoing purposes, registered on the records made by the senior management regarding topics such as earnings to be allocated, the Company's financial situation, economic perspectives and investment plans. The distribution of dividends was settled in the Shareholders Meetings held on April 27th, 2018 and July 25th, 2018.
PRINCIPLE VI. TO MAINTAIN A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY				
RECOMMENDATION VI:				
To provide the community with information about the Issuer and with a direct communication channel with the company.				
VI.1				
To answer whether the Issuer has a free access website, which is updated and not only provides with relevant information of the company (Bylaws, economic group, Management Body composition, financial statements, annual memory, among others) but also which collects the users' queries.	X			The Company has different channels that collect users' queries, among which there can be found: - Institutional web (www.arcor.com): from this site, users have access to Arcor's institutional information, latest news and launch of products, information about sustainability management and access to a virtual library with the history of Sustainability Reports published. Besides, it has a direct access to the NSC web, where the Company makes available for the users the Bylaws, information about the management body composition and the financial statements, among other reports and documents. In addition, in the site contact information of each Company branch is made available: e-mail, telephone number, address and other additional information for the public in general.

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PRINCIPLE VI. TO MAINTAIN A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY				
				- Web sites: www.arcor.com.ar, www.arcor.com.br y www.arcor.com.cl - Social Media. - Customer service. - ArcorBuy, to contact suppliers. - ArcorNet to contact distributors. - Line of Ethics. On the other hand, within the relationship strategy with the communities where it works, Arcor Group encourages different dialog instances with the main actors of the community, such as interviews and meetings with leaders of the area (organization members, government organizations and neighbors), assistance to talks and workshops in local organizations (schools, soup kitchens, community centers) partnerships with local, state and national governments, and NGO for the management of articulated projects. Finally, Arcor Group has a study methodology to know its different interest groups perceptions about the "Company-Community relationship."
VI.2				
To answer whether the Issuer sends out an Environmental and Social Responsibility Balance annually, verified by an independent External Auditor. In case it exists, indicate the legal or geographical coverage or scope, and where it is made available. To specify the norms or initiative adopted to develop its policy of corporate social responsibility (Global Reporting Initiative and/or United Nations Global Compact, ISO 26,000, SA8000. Millennium Development Goals, SGE 21-Foretica, AA 1000 Equator Principles, among others).		X		As from 2005, Arcor Group annually publishes it Sustainability Report, putting forwards to all its interest groups transparent and systematized information about its economic, social and environmental performance. Currently, this Report is being made according to the GRI Standards (Global Reporting Initiative), Special option. In turn, the Report follows the recommendations of the International Norm ISO 26000 about Social Responsibility for the elaboration of reports, and it meet the required aspects to reach the advanced level of Communication of Progress (CoP) of the United Nations Global Compact. As from 2013, Arcor Group has included in its Report the Guidelines of the Children Rights initiative and Corporate Principles. In addition, as from 2016, the Report includes in the Index of Content, the relationship between these and the Sustainable Development Goals (SDG), according to the SDG Compass tool, a guide developed between the United Nations and the GRI which orients the company about the alignment of strategies and about how to measure and manage its contribution to the fulfillment of the SDGs Finally, even though the Report does not have an external verification, many of the processes put forward in it have been certified by independent mediators, according to the renowned international norms. Sustainability Reports can be found in www.arcor.com.

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	TOTAL	SUBTOTAL		
PRINCIPLE VII. TO PAY IN A RESPONSIBLE AND FAIR WAY				
RECOMMENDATION VII:				
To establish straightforward policies about the members of the Management Body and senior managers' remunerations, with special attention to the contractual or statutory limitations, in relation to the existence or nonexistence of profits.				
VII.1				
To answer whether the Issuer has a Remunerations Committee.	X			The Board of Directors has constituted a Human Resources Committee, which is in charge of some of the functions designated to the Remunerations Committee by the General Resolution N# 606/2012 and by the Amended Text 2013 of the NSC norms. Therefore, the functions designated to the Remunerations Committee are performed by the Shareholders Meeting, the Company Board of Directors, the Human Resources Committee and the Human Resources Management.
VII.1.1				
To answer whether the Issuer has a Remunerations Committee composed by at least of three Administrative Body members, mostly independent.			X	The Company Human Resources Committee is composed by two alternate directors, who are not independent, according to the criteria established by the NSC norms and the Human Resources General Manager.
VII.1.2				
To answer whether the Issuer has a Remunerations Committee presided by an independent member of the Management Body.			X	The directors that form the Human Resources Committee shall not be independent, according to the criteria established by the NSC norms.
VII.1.3				
To answer whether the Issuer has a Remunerations Committee with members that are suitable and have experience as regards human resources policies.	X			The Human Resources Committee members have extensive experience in corporate management and policies related to human capital.
VII.1.4				
To answer whether the Issuer has a Remunerations Committee that meets minimum two times a year.		X		A compulsory amount of meetings for the Human Resources Committee has not been established. During 2018 the Human Resources Committee has met 5 times.
VII.1.5				
To answer whether the Issuer has a Remunerations Committee whose decisions are not necessarily related to the Shareholders General Meeting neither to the Supervisory Body but has an advisory function pertaining the Management Body members' remuneration.			X	According to the General Corporation Laws, the Company Shareholders' Meeting has the faculty of determining the Board of Directors member's fees. The Human Resources Committee does not have said faculties.

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	TOTAL	SUBTOTAL		
PRINCIPLE VII. TO PAY IN A RESPONSIBLE AND FAIR WAY				
VII.2				
To answer whether a Remunerations Committee exists, it has the following functions:				
VII.2.1				
To answer whether the Remunerations Committee ensures the existence of a relation between the key staff performance and their fixed and variable compensation, considering the risks assumed and its management.	X			The Human Resources Committee is in charge of monitoring that the structure of remunerations of the key staff is adequate to their performances and risks management. The remuneration policies of the management departments are based on a remuneration structure composed by a fixed and a variable compensation. The fixed compensation is related to the level of responsibility requires for the position and to its competitiveness related to the market. The variable compensation is related to the goals settled at the beginning of the fiscal year and the level of fulfillment through the fiscal year by means of their management. In addition, there is a periodical revision to check if the position each manager fulfills has an annual compensation (remunerations and benefits) that complies with what the local market establishes. This comparison is made following the HAY methodology (a parameter used by the wage administration and of structure that derives from the job performance evaluation method HAY, used for all the company) of each position, supported by charts and job descriptions following the HAY Remunerations System at a global level.
VII.2.2				
To answer whether the Remunerations Committee supervises that the variable part of the compensation corresponding to the Management Body members and senior managers is related to the medium and/or long term efficiency of the Issuer.		X		The Human Resources Committee is in charge of supervising that the variable part of the senior management members' compensation is related to the medium and/or long term efficiency. The variable compensation of the General Managers is affected by a 10% of the achievement of the goals within the Arcor Sustainability Policy, so in this way, the variable part of the compensation is related to the medium and long term performance of the Company. In 2017, the process of integration of sustainability in all the group's Performance Management System (SGD) continued. Within this framework, a total number of 811 contributors established specific goals, and compromised themselves to contribute from their job areas to make Arcor Group a sustainable company. Besides, 14 businesses and corporate areas defined their division goals related to sustainability, thus mounting to 3,208 contributors, achieved by the SGD. The fees and the tasks of the Board of Directors members and the Company performance are proposed by the management body to the Shareholders Meeting based on the applicable norms (point 261 of the General Corporations Law and the concordant dispositions of the Amended Text 2013 of the NSC Norms).

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	TOTAL	SUBTOTAL		
PRINCIPLE VII. TO PAY IN A RESPONSIBLE AND FAIR WAY				
VII.2.3				
To answer whether the Remunerations Committee revises the competitive position of the Issuer policies and practices as regards remunerations and benefits of comparable companies, and whether changes are suggested.	X			The Human Resources Committee is in charge of: (i) revising Arcor Group policies and practices as regards staff remunerations and benefits to adjust them to market uses, recommending changes in case it shall be necessary; and (ii) revising and suggesting updates to the retention, promotion, discharge and suspension of key staff.
VII.2.4				
To answer whether the Remunerations Committee defines and notifies the retention, promotion, discharge and suspension of key staff policies.		X		The Board of Directors, in the exercise of its powers, in joint action with the Human Resources Committee, has established descriptions of functions, responsibilities and competences required for each position of the senior management. Similarly, the Human Resources Management has reported to all the Company's contributors the Competences Model of Arcor Group, the Performance Management System, the Remunerations System based on the HAY Method and the Strategic Resources Plan, which together with the Code of Ethics and conduct make up the retention, promotion, discharge, training and suspension of staff policies of Arcor Group. The Human Resources Committee is in charge of revising and proposing (i) updates to the retention, promotion, discharge and suspension of key staff policies, and (ii) the criteria that shall be considered when electing new members to conform the senior management.
VII.2.5				
To answer whether the Remunerations Committee informs about the guidelines to determine the retirement plans of Management Body members' and senior managers of the Issuer.		X		The Human Resources Committee is in charge of revising, informing and submitting under the Board of Directors consideration, the guidelines of the retirement plans that concern the senior management members. The Human Resources Committee is in charge of revising, informing and submitting under the Board of Directors consideration, the guidelines of the retirement plans that concern the senior management members. The Board of Directors has established a Pension Plan and an Anticipated Retirement Plan, which include the senior management and the members of the Board of directors that work under a contract.
VII.2.6				
To answer whether the Remunerations Committee regularly accounts for the actions taken and the topics analyzed in each of their meetings to the Management Body and to the Shareholders Meeting.				The Human Resources Committee shall advice and inform to the company Board of Directors as regards the topics of its tenure. The Board of Directors accounts for the topics discussed herein to the shareholders, by means of the Memory, the Sustainability Report and the annual financial statements.

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	TOTAL	SUBTOTAL		
PRINCIPLE VII. TO PAY IN A RESPONSIBLE AND FAIR WAY				
VII.2.7				
To answer whether the Remunerations Committee guarantees the attendance of the Remunerations Committee President to the General Shareholders Meeting where the Management Body remunerations are approved, so as to further explain the Issuer policy as regards the payment of the Management Body members and the senior managers.			X	The Board of Directors members that are at the disposal of the shareholders in the Meetings, to clear any doubt it shall appear as regards the Company policies.
VII.3				
To consider relevant to mention the policies applied by the Remunerations Committee of the Issuer that have not been mentioned in the previous point.	X			See answer II.5.3.
VII.4				
In case a Remunerations Committee does not exist, explain how the functions described in VII.2 are conducted within the Management Body.				Not applicable.
PRINCIPLE VIII. TO ENCOURAGE THE CORPORATE ETHICS.				
RECOMMENDATION VIII:				
To guarantee ethic conducts within the Issuer.				
VIII.1				
To answer whether the Issuer has a Corporate Code of Conduct. To indicate the main guidelines and if they are of public knowledge. Said Code is signed at least by the Management Body members and the senior managers. To indicate if its application is fostered with suppliers and customers.	x			Arcor Group Code of Ethics and Conduct establishes the set of values, principles and norms that orient the Company responsible performance. To ensure its compliment, an administrative proceeding has been developed, an Ethics and Conduct Committee has been created and a Line of Ethics has been enabled for Arcor Group contributors, suppliers and customers, so they can make anonymous and confidential questions or complaints The Code of Ethics and Conduct dispositions are applied to the Company Board of Directors members and to all the staff who works under a contract in direct dependence with the companies that belong to Arcor Group. To said Code the members of the Statutory Audit Committee of Arcor SAIC have adhered. The Board of Directors members and the company's conductive level (managers), have signed their adherence to the Code of Ethics and Conduct. The application of Arcor Group ethic principles is fostered in customers and suppliers by notifying to them the Line of Ethics. In turn, when starting the trade relations Arcor Group suppliers are asked to sign an letter of adherence to the basic principles of responsible management, and from 2012 the same policy has been applied with the customers of the group.

	COMPLIANCE TOTAL	COMPLIANCE SUBTOTAL	NONCOMPLIANCE	INFORM OR EXPLAIN
PRINCIPLE VIII. TO ENCOURAGE THE CORPORATE ETHICS.				
VIII.1				
				Finally, we inform that within Law 27401 framework, a Corporate Liability Criminal Law, the Company's Board of Directors has elected a Chief Compliance Officer in charge of the development, coordination and supervision of the Integrity Program of Arcor Group.
VIII.2				
VIII.2 To answer whether the Issuer has mechanisms to receive accusations as regards illicit or non-ethical conducts, face-to-face or by electronic means, thus guaranteeing that the information delivered complies with the highest standards of integrity and confidentiality, and record and conservation of the information. To indicate whether the reception and assessment of accusations service is carried by the Issuer staff of by external and independent professional to further protect the complainants.	X			The company has a Line of Ethics from which inquires, accusations and comments are received and an Ethics and Conduct Committee that looks after the compliment of the Code of Ethics and Conduct. The Line of Ethics is a tool to facilitate the presentation, anonymously and confidentially, on inquires or events that may manifest a non-compliance of the Code of Ethics and Conduct. It is a fax number, an email address and a mailing address. The Internal Audit Management, conformed by independent professional as regards other operative areas of the Company, is in charge of the reception and analysis of accusations service, which is internal. For the purpose of spreading the Line of Ethics and to foster the compliment of the standards of ethics defined by the Company, the Ethics and Conduct Committee decided to conduct a training by electronic means (e-learning), with interactive pages, for the Arcor Group contributors during 2017, extending it to Chile contributors in 2018, and in 2019 it shall be extended to Zucamor Group contributors.
VIII.3				
To answer whether the Issuer has policies, processes and systems to manage and solve the accusations aforementioned in point VIII.2. To describe the relevant aspects of the policies and indicate the involvement level of the Statutory Audit Committee in said resolutions, particular as regards the accusation related to internal control for accounting reports, and those related to the conduct of the Management Body members and senior managers.	X			To manage the compliance to the Code of Ethics and Conduct to ensure its uniform implementation in the everyday activities of the business, Arcor Group has established a process which guidelines are detailed hereafter: 1) RECEPTION: with total confidentiality and discretion, the Internal Audit Management receives and analyzes the cases. 2) RECORD: each case is recorded and the assessment process is started to present it to the Ethics and Conduct Committee. 3) ANALYSIS: an analysis of the case is conducted, thus clarifying questions shall be made, and actions will be taken to corroborate the veracity of the situations accused. 4) RESOLUTION: the Ethics and Conduct Committee gathers to treat the cases and the resolutions are informed to the interested parties, and a follow up in made to ensure its compliance. The Internal Audit Area informs to the Statutory Audit Committee about the relevant accusations related to internal control and fraud topics.

ANNEX I: CODE OF CORPORATE GOVERNANCE

REPORT ON THE COMPLIANCE DEGREE OF THE CODE OF CORPORATE GOVERNANCE

Annex IV, Chapter I, Title IV of the National Securities Commission (New Text 2013)

	COMPLIANCE		NONCOMPLIANCE	INFORM OR EXPLAIN
	TOTAL	SUBTOTAL		
PRINCIPLE IX. TO DELVE INTO THE SCOPE OF THE CODE				
RECOMMENDATION IX:				
To foster the inclusion of the previsions that are part of the good practices of a good government in the Bylaws. To answer whether the Management Body assesses if the Corporate Governance Code shall be reflected totally or partially in the Bylaws, including the general and specific responsibilities of the Management Body. To indicate which previsions are effectively included in the Bylaws from the validity of the code until now.			X	Given the normative framework that regulates the Company's activities and its corporate bodies, the previsions included in the Bylaws and the principles and policies adopted by it, it is not deemed necessary to incorporate in the Bylaws the set of guidelines that compose the Corporate Governance. However, the Board of Directors does not reject the possibility of including in the Bylaws the new practices related to the Corporate Body in the future.

ARCOR S.A.I.C.

Luis Alejandro Pagani
President

Consolidated Financial Statements

As of and for the years ended December 31, 2018 and 2017.

CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31 2018 AND 2017

CONTENT

Information included in compliance with Article 1, Chapter III, Title IV of RT/CNV

CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31 2018 AND 2017

GLOSSARY TERMS

Term	Definition
ARG PCGA	TP (technical pronouncements) issued by the FACPCE with the exception of TP No. 26 (and its amendments) 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.
BRL	Brazilian Real.
CLP	Chilean Peso.
CNV	National Securities Commission of the Argentine Republic.
COP	Colombian Peso.
EUR	Euro.
FACPCE	Argentine Federation of Professional Councils in Economic Sciences.
FASB	Financial Accounting Standards Board.
Group/ Arcor Group	Economic group formed by Arcor S.A.I.C. and its subsidiaries.
IASB	International Accounting Standard Board.
IFRIC	International Financial Reporting Interpretations Committee.
IFRS	International Financial Reporting Standards.
INDEC	National Institute of Statistics and Census.
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	Renminbi.
RT	Technical Pronouncements issued by the FACPCE.
Subsidiaries Companies	Renminbi.
TO / CNV	Resoluciones Técnicas emitidas por la FACPCE.
USD	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.
UYU	Restated Text of the National Securities Commission.
USD	American Dollar.
UYU	Uruguayan Peso.

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, 2018 Y 2017
(Values expressed in Argentine Peso)

ASSETS	Notes	12.31.2018	12.31.2017
NON-CURRENT ASSETS			
Property, plant and equipment	5	24,273,769,337	23,078,043,343
Investment properties	6	173,158,487	287,469,443
Intangible assets	7	3,840,217,925	3,846,042,256
Investment in associates	8	3,744,107,198	3,525,624,957
Biological assets	9	488,911,158	573,439,119
Deferred tax assets	10	1,895,912,788	199,455,170
Other investments	13	1,124,479	1,236,326
Derivative financial instruments	14	287,289,560	111,399,804
Other receivables	11	1,278,771,813	1,690,123,114
Trade accounts receivable	11	312,530	257,955
TOTAL NON-CURRENT ASSETS		**35,983,575,275**	**33,313,091,487**
CURRENT ASSETS			
Biological assets	9	259,970,475	200,562,493
Inventories	12	17,324,715,349	13,138,251,702
Derivative financial instruments	14	5,748,369	29,096,782
Other receivables	11	2,579,372,938	2,130,067,110
Trade accounts receivable	11	13,458,716,595	11,307,173,328
Other investments	13	14,815	20,660
Cash and cash equivalents	15	4,840,331,548	3,933,072,525
TOTAL CURRENT ASSETS		**38,468,870,089**	**30,738,244,600**
TOTAL ASSETS		74,452,445,364	64,051,336,087

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

See our report date March 12, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

Victor Jorge Aramburu
Chairman
Syndics Committee

Luis Alejandro Pagani

Chairman

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.

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2018 Y 2017
(Values expressed in Argentine Peso)

LIABILITIES AND EQUITY	Notes	12.31.2018	12.31.2017
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Common stock – Outstanding shares	17	700,000,000	700,000,000
Capital adjustment		2,844,980,502	2,844,980,502
Treasury stock		(779,994)	(779,994)
Legal reserve	16	257,957,280	257,957,280
Optional reserve for future investments		1,473,513,449	1,473,513,449
Special reserve for future dividends		171,179,754	684,374,735
Special reserve adoption of IFRS	16	374,510,894	374,510,894
Retained earnings	18	7,665,732,482	10,018,803,688
Other equity components	19	688,161,742	(1,117,882,774)
SUBTOTAL ATTRIBUTABLE TO THE COMPANY´S SHAREHOLDERS		**14,175,256,109**	**15,235,477,780**
Non-controlling interest	20	6,265,650,135	5,844,003,644
TOTAL EQUITY		20,440,906,244	21,079,481,424
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	21	22,625,540,930	18,175,135,327
Derivative financial instruments	14	26,213,195	41,585,498
Deferred tax liabilities	10	1,440,147,395	2,399,375,173
Employee retirement benefits obligations	22	847,151,103	747,526,848
Provisions	23	483,548,351	583,087,963
Trade accounts payable and other liabilities	24	98,206,112	110,574,466
TOTAL NON-CURRENT LIABILITIES		**25,520,807,086**	**22,057,285,275**
CURRENT LIABILITIES			
Loans	21	11.021.317.106	6.197.193.670
Derivative financial instruments	14	194.684.907	21.349.189
Income tax payable		444.151.293	280.285.220
Employee retirement benefits obligations	22	118.946.627	102.641.852
Provisions	23	133.950.705	175.300.678
Advances from customers		147.460.856	98.764.583
Trade accounts payable and other liabilities	24	16.430.220.540	14.039.034.196
TOTAL CURRENT LIABILITIES		**28,490,732,034**	**20,914,569,388**
TOTAL LIABILITIES		54,011,539,120	42,971,854,663
TOTAL EQUITY AND LIABILITIES		74,452,445,364	64,051,336,087

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

See our report date March 12, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

Victor Jorge Aramburu Chairman Syndics Committee	Luis Alejandro Pagani Chairman	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.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31 2018 AND 2017
(Values expressed in Argentine Peso)

	Notes	For the year ended	
		12.31.2018	**12.31.2017**
Sales of goods and services	26	85,628,938,127	78,720,886,098
Cost of sales and services provided	27	(61,048,457,479)	(55,917,879,967)
SUBTOTAL		**24,580,480,648**	**22,803,006,131**
Results generated by biological assets	30	(108,129,318)	68,718,962
GROSS PROFIT		**24,472,351,330**	**22,871,725,093**
Selling expenses	28	(15,474,344,829)	(14,896,362,027)
Administrative expenses	28	(4,059,196,965)	(3,755,192,019)
Other (losses) - net	31	(359,477,013)	(788,138,908)
OPERATING INCOME		4,579,332,523	3,432,032,139
Financial income	32	(868,072,549)	(231,559,650)
Financial expenses	32	(5,781,765,892)	(697,988,025)
Net monetary position result	32	378,428,260	766,601,807
NET FINANCIAL RESULTS		**(6,271,410,181)**	**(162,945,868)**
Net results on investments in associates	8	(184,117,478)	635,840,054
INCOME BEFORE INCOME TAX		**(1,876,195,136)**	**3,904,926,325**
Income tax	33	865,308,113	(815,020,104)
NET (LOSS) / INCOME FOR THE YEAR		**(1,010,887,023)**	**3,089,906,221**
(Loss) / Income attributable to:			
Company's shareholders		(1,820,049,318)	2,289,494,244
Non-controlling interest	20	809,162,295	800,411,977
TOTAL		(1,010,887,023)	3,089,906,221
(Losses) / Earnings per share attributable to the Company's shareholders			
BASIC AND DILUTED (LOSSES) / EARNINGS PER SHARE	34	(0.02600)	0.03271

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

See our report date March 12, 2019
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.

Victor Jorge Aramburu
Chairman
Syndics Committee

Luis Alejandro Pagani

Chairman

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Values expressed in Argentine Peso)

	Notes	For the year ended	
		12.31.2018	12.31.2017
NET (LOSS) / INCOME FOR THE YEAR		**(1,010,887,023)**	**3,089,906,221**
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR			
Items that may be subsequently be reclassified to income/loss			
Cash flow hedges[1]	19	24,095,093	21,959,718
Tax effect	19 y 33	(8,790,119)	(7,643,607)
SUBTOTAL		**15,304,974**	**14,316,111**
Currency translation differences in companies	19	2,126,711,207	(135,294,350)
Tax effect	19 y 33	(5,550,704)	2,279,180
SUBTOTAL		**2,121,160,503**	**(133,015,170)**
Total items that can later be reclassified to income/loss		**2,136,465,477**	**(118,699,059)**
Items that will not be reclassified to income/loss			
Participation in other comprehensive income for actuarial gain / (losses) of defined benefit plans of companies	8	6,563,181	(4,005,540)
Actuarial (loss) of defined benefit plans	22	(102,724,918)	(36,062,564)
Tax effect	33	16,245,380	(887,101)
Total Items that will not be reclassified to income/loss		**(79,916,357)**	**(40,955,205)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**2,056,549,120**	**(159,654,264)**
NET COMPREHENSIVE INCOME FOR THE YEAR		1,045,662,097	2,930,251,957
Other comprehensive income for the year attributable to:			
Company's shareholders		1,718,877,133	(100,941,250)
Non-controlling interest		337,671,987	(58,713,014)
TOTAL		2,056,549,120	(159,654,264)
Total comprehensive (loss) / income for the year attributable to:			
Company's shareholders		(101,172,185)	2,188,552,994
Non-controlling interest		1,146,834,282	741,698,963
TOTAL		1,045,662,097	2,930,251,957

[1] Includes the results of operations to hedge the risk of fluctuations in commodity prices (futures and options).

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

Victor Jorge Aramburu
Chairman
Syndics Committee

Luis Alejandro Pagani
Chairman

See our report date March 12, 2019
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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Values expressed in argentine peso)

CAPTIONS	OWNERS' CONTRIBUTIONS			RETAINED		
	CAPITAL COMMON STOCK OUTSTANDING SHARES	CAPITAL ADJUSTMENTS (1)	TREASURY STOCK	OPTIONAL RESERVE FOR FUTURE INVESTMENTS	SPECIAL RESERVE FOR FUTURE DIVIDENDS	SPECIAL RESERVE, ADOPTION OF IFRS (note 16)
Balances at January 1, 2018	700,000,000	2,844,980,502	(779,994)	257,957,280	1,473,513,449	684,374,735
Net (loss) for the year	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**
Setting-up of reserves (1)	-	-	-	-	-	(513,194,981)
Cash dividend (2)	-	-	-	-	-	-
TOTAL AT DECEMBER 31, 2018	700,000,000	2,844,980,502	(779,994)	257,957,280	1,473,513,449	171,179,754

(1) Corresponds to the difference between the adjusted capital value and the historical value, according to the requirements of the LGS.
(2) Distribution of cash dividends of the Company, were approved by the Ordinary and Extraordinary Shareholders' Meeting held on April 27, 2018 and the Ordinary and Extraordinary Shareholders' Meeting held on July 25, 2018.

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

Victor Jorge Aramburu
Chairman
Syndics Committee

Luis Alejandro Pagani
Chairman

EARNINGS		OTHER EQUITY COMPONENTS				
RETAINED EARNINGS (note 18)	OPTIONAL RESERVE FOR FUTURE INVESTMENTS	TRANSLATION RESERVE (note 19)	RESERVE FOR CASH FLOW HEDGES (note 19)	SUBTOTAL ATTRIBUTABLE COMPANY'S SHAREHOLDERS	NON-CONTROLLING INTEREST (note 20)	TOTAL EQUITY
374,510,894	10,018,803,688	(1,104,134,558)	(13,748,216)	15,235,477,780	5,844,003,644	21,079,481,424
-	(1,820,049,318)	-	-	(1,820,049,318)	809,162,295	(1,010,887,023)
-	(87,167,383)	1,790,739,376	15,305,140	1,718,877,133	337,671,987	2,056,549,120
-	**(1,907,216,701)**	**1,790,739,376**	**15,305,140**	**(101,172,185)**	**1,146,834,282**	**1,045,662,097**
-	513,194,981	-	-	-	-	-
-	(959,049,486)	-	-	(959,049,486)	(725,187,791)	(1,684,237,277)
374,510,894	7,665,732,482	686,604,818	1,556,924	14,175,256,109	6,265,650,135	20,440,906,244

See our report date March 12, 2019
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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Values expressed in argentine peso)

CAPTIONS	OWNERS' CONTRIBUTIONS			RETAINED		
	COMMON STOCK OUTSTANDING SHARES	CAPITAL ADJUSTMENTS [1]	TREASURY STOCK	LEGAL RESERVE (note 16)	OPTIONAL RESERVE FOR FUTURE INVESTMENTS	SPECIAL RESERVE FOR FUTURE DIVIDENDS
Balances at January 1, 2017	700,000,000	2,844,980,502	(779,994)	257,957,280	1,473,513,449	490,038,360
Net income for the year	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**
Setting-up of reserves [1]	-	-	-	-	-	194,336,375
Cash dividend [2]	-	-	-	-	-	-
Prescribed Dividend [3]	-	-	-	-	-	-
Capital contribution	-	-	-	-	-	-
Increase for acquisitions (note 40)	-	-	-	-	-	-
Transfer of shares to the non-controlling (note 40)	-	-	-	-	-	-
TOTAL AT DECEMBER 31, 2017	700,000,000	2,844,980,502	(779,994)	257,957,280	1,473,513,449	684,374,735

[1] Corresponds to the difference between the adjusted capital value and the historical value, according to the requirements of the LGS.
[2] Distribution of cash dividends of the Company, were approved by the Ordinary and Extraordinary Shareholders' Meeting held on April 29, 2017.
[3] As set out by article 40 of the Corporate Bylaws, the unclaimed uncollected dividends become prescribed in favor of the company.

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

Victor Jorge Aramburu
Chairman
Syndics Committee

Luis Alejandro Pagani

Chairman

EARNINGS		OTROS COMPONENTES DEL PATRIMONIO		SUBTOTAL ATTRIBUTABLE COMPANY'S SHAREHOLDERS	NON-CONTROLLING INTEREST (note 20)	TOTAL EQUITY
SPECIAL RESERVE, ADOPTION OF IFRS (note 16)	RETAINED EARNINGS (note 18)	TRANSLATION RESERVE (note 19)	RESERVE FOR CASH FLOW HEDGES (note 19)			
374,510,894	8,495,939,763	(1,028,551,725)	(28,063,732)	13,579,544,797	5,709,313,273	19.288.858.070
-	2,289,494,244	-	-	2,289,494,244	800,411,977	3.089.906.221
-	(39,673,933)	(75,582,833)	14,315,516	(100,941,250)	(58,713,014)	(159.654.264)
-	**2,249,820,311**	**(75,582,833)**	**14,315,516**	**2,188,552,994**	**741,698,963**	**2.930.251.957**
-	(194,336,375)	-	-	-	-	-
-	(532,643,349)	-	-	(532,643,349)	(692,566,022)	(1.225.209.371)
-	23,338	-	-	23,338	-	23.338
-	-	-	-	-	958	958
-	-	-	-	-	85,278,095	85.278.095
-	-	-	-	-	278,377	278.377
374,510,894	10,018,803,688	(1,104,134,558)	(13,748,216)	15,235,477,780	5,844,003,644	21.079.481.424

See our report date March 12, 2019
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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017
(Values expressed in Argentine Peso)

	Notes	12.31.2018	12.31.2017
CASH FLOWS FOR OPERATING ACTIVITIES			
Net (loss) / income for the year		**(1.010.887.023)**	**3.089.906.221**
Income tax and minimum notional income tax	33	(865.308.113)	815.020.104
Adjustments to:			
Depreciation of property, plant and equipment and investment properties	28	2.792.247.125	2.458.552.189
Amortization of intangible assets	28	69.747.045	74.121.959
Setting up of allowances deducted from assets and provisions included in liabilities, net		555.196.053	329.843.591
Net financial results	32	6.271.410.181	162.945.868
Net gain (loss) on investments in associates	8	184.117.478	(635.840.054)
Results from initial recognition and changes in the fair value of biological assets	9	92.060.953	(102.356.606)
Results from the sale of property, plant and equipment and investment properties	31	(139.850.733)	(97.771.088)
Result of derecognition of finance leases	21	(32.072.936)	-
Subtotal of adjustments:		**9.792.855.166**	**2.189.495.859**
Net collections from payments of derivative financial instruments		664.735.953	(19.212.382)
Payments for purchases, net of collections from sales of biological assets		(409.718.846)	(284.262.395)
Payment of income tax and minimum notional income tax		(1.607.578.409)	(1.714.249.535)
Net variation in operating assets and liabilities		(3.549.214.404)	1.926.345.780
Net cash flows provided by operating activities		**3.014.884.324**	**6.003.043.652**
CASH FLOWS FOR INVESTMENT ACTIVITIES			
Payments for advances and acquisition of property, plant and equipment, intangible assets and others		(3.017.681.447)	(3.316.490.275)
Sale of property, plant, equipment and investment properties		376.218.075	120.181.880
Payment for additional subscription of Mastellone Hermanos S.A. shares	39	-	(939.819.598)
Payment for purchase of shares of Mastellone Hermanos S.A.	39	(367.525.930)	(363.207.854)
Payment for purchase of shares of Zucamor Group net of cash provided	40	-	(3.523.831.531)
Payment of contributions in associates	8	(46.199)	(24.290)
Transfer of shares to the non-controlling interest	20	-	278.377
Other funds arising from investments in companies		103.881.250	-
Net cash flows (used in) investment activities		**(2.905.154.251)**	**(8.022.913.291)**
CASH FLOWS FOR FINANCING ACTIVITIES			
Collections from bank loans taken	21	4.436.835.996	3.118.598.593
Payment of bank loans	21	(3.081.518.151)	(3.290.364.506)
Net variation in short-term loans	21	3.950.991.931	709.157.923
Net collection of costs associated with the issue of corporate bonds	21	-	6.779.018.856
Payment of debt for corporate bonds	21	-	(1.441.239.268)
Payments of financial leases	21	(19.412.795)	(30.028.436)
Payments of interest	21	(4.040.296.768)	(2.516.801.457)
Payments of dividends		(1.015.673.238)	(1.179.582.822)
Contributions received from the non-controlling interest	20	-	958
Net cash flows provided by financing activities		**230.926.975**	**2.148.759.841**
NET INCREASE IN CASH AND CASH EQUIVALENTS		340.657.048	128.890.202
Cash and cash equivalents at the beginning of the year	15	**3.933.072.525**	**4.115.518.693**
Net financial results and currency translation differences from cash and cash equivalents		688.368.926	(264.128.832)
Loss from monetary position of cash and cash equivalents		(121.766.951)	(47.207.538)
Net increase in cash and cash equivalents		340.657.048	128.890.202
Cash and cash equivalents at the end of the year	15	**4.840.331.548**	**3.933.072.525**

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

See our report date March 12, 2019
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(Partner)

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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 2018 AND 2017

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 (paper, 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 24, 2017, being the same in process of registration. 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 58th year, have been approved by the Board of Directors' Minute N° 2318 dated on March 12, 2019.

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 another rounding unit that is expressly indicated.

The accounting policies applied are based on the IFRS issued by the IASB and interpretations issued by the IFRIC that are applicable at the date of these consolidated financial statements. The preparation of these consolidated financial statements in accordance with IFRS requires the Company to make estimates and assessments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of issue of these consolidated financial statements as well as recorded income and expenses.

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-financial 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.

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Chairman

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.1 Basis for preparation

December 31, 2017 figures disclosed in these financial statements for comparative purposes arise from adjusting for inflation the amounts in the financial statements at that date, as described in Note 2.5 to these consolidated financial statements. If appropriate, certain reclassifications were made 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, 2018:

IFRS 15, "Revenue from contracts with customers": is a new method of revenue recognition jointly agreed by the IASB and FASB (Financial Accounting Standards Board) which allows for improvements in financial reporting on revenue, and eases its comparability at an international level. It was published in May 2014. The application of this standard did not generate significant impact on these consolidated financial statements.

Amendments to 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. In addition, this standard adds a model of expected receivable losses, which replaces the financial assets impairment model used under IAS 39. This standard also incorporates an expected credit loss model that replaces the financial asset impairment model used in IAS 39. Finally, it is confirmed that, when a financial debt measured at amortised cost is modified without derecognition, a gain or loss should be recognised immediately in the income statement. The application of this amendment did not generate significant impact on these consolidated financial statements.

Amendments to IFRS 2, "Share-based payments": This amendment clarifies how to account for certain type of transactions of share-based payments. The application of this amendment did not generate significant impact on these condensed interim consolidated financial statements.

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

IFRIC 22, "Transactions in foreign currency and early consideration": This standard are 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. The application of this standard did not generate significant impact on these consolidated financial statements.

Victor Jorge Aramburu Chairman Syndics Committee	Luis Alejandro Pagani Chairman	See our report date March 12, 2019 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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.2 Changes in accounting policies. New and amendments accounting standards

(b) New published standards, amendments and interpretations which have not yet come into force for fiscal years beginning on January 1, 2018 and have not been adopted early:

Amendment to IFRS 9 "Financial Instruments", prepayment features with negative compensation: This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. It was published in May 2017, and is effective for annual periods commencing on or after 1 January, 2019.

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 with early adoption permitted if the IFRS 15 "Revenue from contracts with customers" is also applied. The Group is evaluating the impacts arising from the standard and expects to apply these effects as from 2019.

IFRIC 23, "Uncertainty over Income tax treatments": this standard clarifies how the recognition and measurement requirements under IAS 12 "Income Tax", are applied when there is uncertainty over the income tax treatment. This standard was published in June 2017 and is effective for annual reporting periods beginning on or after January 1, 2019.

Amendments to IAS 19 "Employee benefits": these amendments require an entity to use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus. These amendments was published in February 2018 and are effective for annual periods beginning on or after 1 January 2019.

Amendments to IFRS 3 "definition of a business": This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This amendment was published in October 2018 and will be effective for fiscal years beginning on or after January 1, 2020.

Amendments to IAS 1 and IAS 8 on the definition of material: These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. This amendment was published in October 2018 and will be effective for fiscal years beginning on or after January 1, 2020.

There are no other IFRS or IFRIC interpretations that are not yet effective and which are expected to have a significant effect on the Group.

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(Values expressed in Argentine Peso)

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 excluded from consolidated on the date 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 (*) 12.31.2018 DIRECT	12.31.2018 DIRECT PLUS INDIRECT	12.31.2017 DIRECT	12.31.2017 DIRECT PLUS INDIRECT
Arcor A.G. (S.A. Ltd.)(1)	Switzerland	EUR	EUR	12.31.2018	100.00000	100.00000	100.00000	100.00000
Arcor Alimentos Bolivia S.A.	Bolivia	BOB	BOB	12.31.2018	-	99.00000	-	99.00000
Arcor de Perú S.A.	Peru	PEN	PEN	12.31.2018	-	99.96184	-	99.96184
Arcor do Brasil Ltda.(2)(12)	Brazil	BRL	BRL	12.31.2018	89.87436	99.99038	83.32018	99.98442
Arcor U.S.A. Inc.	USA	USD	USD	12.31.2018	99.90000	99.90500	99.90000	99.90500
Arcorpar S.A.	Paraguay	PYG	PYG	12.31.2018	50.00000	50.00000	50.00000	50.00000
Arcor Trading (Shanghai) Co. Ltd.	China	RMB	RMB	12.31.2018	-	100.00000	-	100.00000
Asama S.A.(10)	Argentina	ARS	ARS	12.31.2018	99.98343	99.98426	99.98182	99.98272
Bagley Argentina S.A.	Argentina	ARS	ARS	12.31.2018	0.00401	50.64327	0.00401	50.64327
Bagley Chile S.A.	Chile	CLP	CLP	12.31.2018	-	50.84330	-	50.84330
Bagley do Brasil Alimentos Ltda.	Brazil	BRL	BRL	12.31.2018	-	51.00000	-	51.00000
Bagley Latinoamérica S.A.(3)	Spain	EUR	EUR	12.31.2018	51.00000	51.00000	51.00000	51.00000
BI S.A.	Argentina	ARS	ARS	12.31.2018	-	99.99570	-	99.99569
Camle S.A.(10)	Argentina	ARS	ARS	12.31.2018	-	-	99.97512	99.97637
Cartocor S.A.(4)	Argentina	ARS	ARS	12.31.2018	99.99680	99.99696	99.99680	99.99696
Cartocor Chile S.A.	Chile	CLP	CLP	12.31.2018	28.07196	99.99773	28.07196	99.99773
Cartocor do Brasil Ind. Com. e Serv. Ltda.(12)	Brazil	BRL	BRL	12.31.2018	100.00000	100.00000	0.00011	99.99696
Cartocor de Perú S.A.	Peru	PEN	PEN	12.31.2018	0.22653	99.99697	0.22653	99.99697
Constructora Mediterránea S.A.C.I.F.I.	Argentina	ARS	ARS	12.31.2018	99.97433	99.97433	99.97433	99.97433
Dos en Uno do Brasil Imp. e Com. de Al. Ltda.(12)	Brazil	BRL	BRL	12.31.2018	26.38242	99.99292	26.38242	99.98853
GAP International Holding S.A.(5)	Chile	CLP	USD	12.31.2018	99.90000	99.90500	99.90000	99.90500
GAP Regional Services S.A.	Uruguay	UYU	USD	12.31.2018	-	99.90500	-	99.90500
Hassa S.A.(10)	Argentina	ARS	ARS	12.31.2018	-	-	99.98805	99.98865
Indalar S.A.(11)	Argentina	ARS	ARS	12.31.2018	99.99738	99.99751	96.45807	96.45820
Industria de Alimentos Dos en Uno S.A.(6)	Chile	CLP	CLP	12.31.2018	100.00000	100.00000	100.00000	100.00000
Industria Dos en Uno de Colombia Ltda.	Colombia	COP	COP	12.31.2018	7.61529	100.00000	7.61529	100.00000
La Campagnola S.A.C.I.	Argentina	ARS	ARS	12.31.2018	99.98367	99.98449	99.96496	99.96671
Malugan S.A.(10)	Argentina	ARS	ARS	12.31.2018	-	-	99.97838	99.97946

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(Values expressed in Argentine Peso)

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.3 Shares in subsidiaries and associates

(a) Subsidiaries

COMPANIES	COUNTRY	LOCAL CURRENCY	FUNCTIONAL CURRENCY	CLOSING DATE	PERCENTAGE OF INTEREST (*) 12.31.2018 DIRECT	12.31.2018 DIRECT PLUS INDIRECT	12.31.2017 DIRECT	12.31.2017 DIRECT PLUS INDIRECT
Mundo Dulce S.A. de C.V.(7)	Mexico	MXN	MXN	12.31.2018	-	49.99993	-	49.99993
Papel Misionero S.A.I.F.C.	Argentina	ARS	ARS	12.31.2018	-	96.06746	-	96.06744
Subel S.A.(10)	Argentina	ARS	ARS	12.31.2018	-	-	99.99116	99.99160
Unidal Ecuador S.A.	Ecuador	USD	USD	12.31.2018	-	99.98223	-	99.98129
Unidal México S.A. de C.V.(8)	Mexico	MXN	MXN	12.31.2018	99.99985	99.99985	99.99985	99.99985
Van Dam S.A.	Uruguay	UYU	UYU	12.31.2018	100.00000	100.00000	100.00000	100.00000
Zucamor Cuyo S.A.	Argentina	ARS	ARS	12.31.2018	-	99.99549	-	99.99547
Zucamor S.A.(9)	Argentina	ARS	ARS	12.31.2018	72.74298	99.99571	72.74298	99.99569

(*) 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) It consolidates Papel Misionero S.A.I.F.C., Zucamor Cuyo S.A. and BI S.A.
(10) On December 15, 2017, the companies Asama S.A. (subsisting company), Camle S.A., Hassa S.A., Malugan S.A. and Subel S.A. (merged companies), signed a prior merger commitment, effective as from January 1, 2018 (note 38).
(11) On December 18, 2018, the companies Arcor S.A.I.C. (subsisting company) and Indalar S.A. (merged company), signed a prior merger commitment, effective as from January 1, 2019.
(12) On January 30, 2019, by the meeting of Partners and alteration of the Social contracts, the extinction of Cartocor do Brasil Ind. Com. e Serv. Ltda. and Dos en Uno do Brasil Imp. e Com. de Alim. Ltda., being incorporated by Arcor do Brasil Ltda.

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. In addition, 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.

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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.3 Shares in subsidiaries and associates

(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.

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 information in high-inflation 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". For this purpose, in general terms, non-monetary items should include the inflation generated as from the acquisition date or revaluation date, as applicable. These requirements also comprise the comparative information contained in the financial statements.

To determine the existence of a hyperinflationary economy under the terms of IAS 29, the standard details a series of factors to be considered, including a cumulative inflation rate over three years that is close to or exceeds 100%. For this reason, in accordance with IAS 29, the Argentine economy should be considered as highly inflationary as from July 1, 2018.

In turn, Law No. 27,468 (Official Gazette December 4, 2018) amended Section 10 of Law No. 23,928 as amended, and provided that the repeal of the all regulations that establish or authorize index-adjustment, monetary restatement, cost variation or any other way of restatement of debts, taxes, prices or tariffs of goods, works or services/utilities, does not apply to the financial statements, and the provisions of Section 62 in fine of General Companies Law will still be applicable. That law also repealed Decree No. 1269/2002 dated July 16, 2002, as amended, and delegated to the National Executive Branch, through its control authorities, the power to set the effective date of the rules governing financial statements to be filed. Therefore, under General Resolution 777/2018 (Official Gazette 12/28/2018), the National Securities Commission (CNV) established that the issuing entities under its control shall apply to financial statements for annual, interim and special periods ending on or after December 31, 2018 the method of restatement to constant currency, pursuant to IAS 29.

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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.5 Financial information in high-inflation economies

According to IAS 29, the financial statements of entities reporting in the currency of a hyperinflationary economy shall be stated in terms of the measuring unit current at the date of the financial statements. Statement of financial position amounts not already expressed in terms of the measuring unit current at the date of the financial statements shall be restated by applying a general price index. All items in the statement of income shall be expressed in terms of the measuring unit current at the date of the financial statements by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.

Restatement of opening balances is calculated as from the indexes established by the FACPCE based on price indexes published by the Institute of National Statistics and Census (INDEC). The variation of the index used for restatement of these consolidated financial statements has been 47.65% for the fiscal year ended December 31, 2018 and 24.80% for the year ended December 31, 2017.

Below are the main procedures to be applied for the adjustment for inflation mentioned above:
- Monetary assets and liabilities recorded at the monetary unit current at year end are not restated as they are already expressed in terms of the monetary unit current at the date of the financial statements.
- Non-monetary assets and liabilities accounted for at their acquisition cost at the balance sheet date and equity items are restated by applying the corresponding index adjustments.
- All items in the statement of income are adjusted by applying the relevant conversion factors.
- Financial results were disclosed in real terms, not considering the inflationary effect.
- The effect of inflation on the Company's net monetary position is included in the Statement of Income, under Financial results, net within the caption Gain or loss on monetary position.
- Comparative amounts have been inflation-adjusted following the same procedure explained above.

In the first period of application of the inflation adjustment, the equity accounts were restated as follows:
- The capital was restated from the date it was contributed or the date of the last accounting adjustment for inflation, whatever happened later. The resulting amount was incorporated to the Capital adjustment account.
- The translation reserve and the reserve for cash flows hedge were disclosed in real terms, not considering the inflationary effect.
- Other comprehensive income items were restated as from each date of accounting allocation.
- Other reserves were not restated in the first application of the adjustment.

2.6 Foreign currency translation

(a) Functional and presentation currency

Figures included in the financial statement of each of the Group's entities are stated in their functional currency. In general, in the case of foreign Group companies, the functional currency is the currency of each country, as it is the currency of the primary economic environment in which those entities operate. The consolidated financial statements are stated 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**	**12.31.2018**	**12.31.2017**
Bolivia	BOB	0.1856	0.3752
Brazil	BRL	0.1033	0.1783
Chile	CLP	18.5272	33.1419
China	RMB	0.1830	0.3523
Colombia	COP	86.6600	160.8712
Ecuador	USD	0.0267	0.0539
Spain	EUR	0.0233	0.0449
U.S.A.	USD	0.0267	0.0539
Mexico	MXN	0.5242	1.0640
Paraguay	PYG	158.9584	301.9559
Peru	PEN	0.0899	0.1749
Switzerland	EUR	0.0233	0.0449
Uruguay	UYU	0.8642	1.5530

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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);
(iii) Resulting exchange translation are recorded in other comprehensive income, and
(iv) For valuation of the caption Investments in subsidiaries and associates and/or the preparation of the consolidated financial statements in the currency of a high-inflation economy, income and expenses are restated at the monetary unit current at year end and translated at the exchange rate prevailing at year end; translation differences are restated and have been restated in real terms.

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.

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 that 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.

In addition, 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.

Expenses of repair and maintenance are recognized in the consolidated statement of income during the financial year in which they are incurred.

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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(Values expressed in Argentine Peso)

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, in real terms (eliminating the respective inflationary hedges), to ARS 62,542,507 and ARS 48,459,857 for the year ended December 31, 2018 and 2017, 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.

Useful life for each item that belong to property, plant and equipment caption, are listed below:

ITEM	USEFUL LIFE
Lands	Without depreciation
Constructions	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.

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, 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

2.9 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) e 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.

(b) Brands

Brands 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, based on the analysis of all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash flows for the entity. These intangible assets are not amortized and they are tested annually for impairment either individually or at the level of the cash generating unit. The classification of the indefinite useful life is reviewed on an annual basis to confirm its sustainability.

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

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

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

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

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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.9 Intangible assets

(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, forest plantation, 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" of the consolidated statement of income.

(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.

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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.11 Biological assets

(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 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 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 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).

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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.11 Biological assets

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 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 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 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.

(f) Forest plantation

t mainly comprises plantations of pine of species Taeda and Ellioti. These biological assets are used by the Group mainly for the production of wood (biological products), which will be consumed in the manufacture of virgin paper.

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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

(f) Forest plantation

Forest plantation is accounted for as "Biological assets" until harvest. The harvested wood, 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 its biological development (from 0 to 3 years from plantation), 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 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 (standing wood crops) 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), on the basis or sustainable forest management plans considering the potential growth of forests, and discounted using an appropriate rate under the circumstances. For the purposes of the estimate, other factors are considered as the phenological status of crops and range of plantations, expected yield per hectare according to the natural soil conditions, wood price and estimated costs of farm work and inputs up to the deforestation date.

Additionally, the biological assets expected to be harvested within the next twelve months are classified as current assets.

The difference between the fair value of the biological products 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 cost, and the changes in fair value of biological assets during the year, are charged to the item "Income/Loss from biological assets", in the consolidated statement of income.

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.

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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

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.

Financial assets at fair value through profit or loss are subsequently recognised at fair value.

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.

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.

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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.13 Derivative financial instruments and hedging transactions

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.

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 32).

Further, the options to purchase Mastellone Hermanos S.A. shares resulting from the transaction described in Note 39 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 32).

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, harvested wood, 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.

The Company recognizes an allowance for bad debts for an amount equal to the expected credit losses over the life of the receivable. The expected loss to be recognized is determined based on the percentage of uncollectibility by ranges of due dates, for each receivable. This historical percentage must contemplate future expectation of collecting the credits and, therefore, estimated changes in performance.

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 and with low exposure to significant changes in value.

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

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.17 Equity – 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.

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.

Victor Jorge Aramburu
Chairman
Syndics Committee

Luis Alejandro Pagani
Chairman

See our report date March 12, 2019
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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.20 Income tax and minimum notional income tax

- Deferred income tax

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.

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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.20 Income tax and minimum notional income tax

(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.

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 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.

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.

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.25 Revenue recognition on sales

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

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 the transfer of control occurs with the delivery of the 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, and the customer has accepted the products in accordance with the sales contracts, the acceptance provisions have expired, or the Group has objective evidence that all the acceptance criteria have been satisfied.

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, bags, virgin fiber paper, 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, as well as contributions for advertising, 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 is recognized in the consolidated statement of income on a straight-line basis over the term of the lease.

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Syndics Committee

Luis Alejandro Pagani

Chairman

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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 Group 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

The Company has revised its methodology for impairment of receivables under the model of expected credit losses set forth in IFRS 9. For trade receivables, the Company has applied a simplified approach to estimate expected credit losses, which requires the criterion of maintaining a provision for impairment over all the life of trade receivables. The expected loss is determined based on the percentage of uncollectibility by ranges of due dates for each trade receivable. For the measurement of the expected credit loss, trade receivables have been grouped according to their characteristics in relation to credit risk and to the time elapsed after due date.

The application of this modification as compared to the former methodology did not have a significant impact at the date of initial adoption.

At December 31, 2018, the allowance for doubtful accounts totals ARS 711,717,153, while at 31 December 2017, this amounts to ARS 604,135,717.

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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, or according to the natural soil conditions, the price of grains, cane, wood, 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 39) 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 39) and his subsequent measurement are capable of similar considerations than those exposed before.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND POLICIES

(i) Investment in subsidiaries – Allocation of the transaction cost

The initial accounting of the investment at Zucamor S.A. (note 40) requires the determination of the fair value of assets and liabilities of such subsidiary. The Group uses all the available information for this determination and, for certain identifiable assets and liabilities in the transaction, it may hire independent appraisers to assist in the fair values estimates. In some cases, assumptions related to the timing and amount of future income and expenses associated with an asset are used to determine its fair value. This assumptions can vary significantly over the time with respect to these initial estimates and, if the time taken is greater or if the net cash flow decreases significantly, the results of those estimates could differ from those actually accounted for by the Group.

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 flexible, virgin paper, cardboard bags, and 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) operative result.

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

The results of discontinued operations, if any, are not included in the measurement of operative result.

		See our report date March 12, 2019 PRICE WATERHOUSE & CO. S.R.L.
		(Partner)
Victor Jorge Aramburu Chairman Syndics Committee	Luis Alejandro Pagani Chairman	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.

NOTE 4. SEGMENT INFORMATION

a) Segment information at December 31, 2018:

	Argentina					
	Confectionery	Cookies	Foodstuffs	Packaging[2]	Agro-industries	Other industrial products
Sales to third parties[1]	17,125,929,185	16,103,831,781	7,588,352,038	14,362,360,110	3,726,064,057	66,228,738
Inter-segment sales	5,214,040,399	842,762,412	460,507,523	2,727,229,906	2,769,866,210	1,274,261,443
TOTAL SALES	22,339,969,584	16,946,594,193	8,048,859,561	17,089,590,016	6,495,930,267	1,340,490,181
Adjusted EBITDA	1,782,607,762	1,835,131,286	(700,583,597)	1,185,226,683	(500,617,017)	35,417,070
Depreciation and amortization	(487,458,125)	(435,001,254)	(166,376,048)	(779,603,328)	(333,658,631)	(47,180,658)
Income tax	803,420,085	(922,791,366)	366,422,368	345,099,977	305,456,902	(15,964,477)
Net result on investments in associates	-	-	-	-	-	-

[1] Includes the sales of goods and services to associates.

b) Segment information at December 31, 2017:

	Argentina					
	Confectionery	Cookies	Foodstuffs	Packaging[2]	Agro-industries	Other industrial products
Sales to third parties[1]	17,568,769,965	17,275,852,645	8,173,047,055	10,349,309,848	3,818,421,299	80,270,976
Inter-segment sales	4,952,316,620	754,910,968	352,989,555	2,415,938,114	2,915,699,739	1,201,746,467
TOTAL SALES	22,521,086,585	18,030,763,613	8,526,036,610	12,765,247,962	6,734,121,038	1,282,017,443
Adjusted EBITDA	1,377,625,882	2,396,494,055	(524,417,343)	397,165,314	(210,933,855)	(3,815,865)
Depreciation and amortization	(379,858,620)	(427,025,814)	(160,067,053)	(625,867,681)	(337,662,469)	(56,445,500)
Income tax	(230,291,973)	(1,121,816,331)	187,273,497	338,390,550	80,703,971	(7,388,831)
Net result on investments in associates	-	-	-	-	-	-

[1] Includes the sales of goods and services to associates.
[2] Includes the results generated by the Zucamor Group from the acquisition date (note 40).

Victor Jorge Aramburu
Chairman
Syndics Committee

Luis Alejandro Pagani
Chairman

Brazil		Andean Region			Northern, Center and Overseas	Southern Branches	Rest of countries and abroad business	Adjustments and eliminations	Total at 12.31.18
Confectionery	Cookies	Confectionery	Cookies	Packaging					
4,652,437,886	3,609,453,200	5,353,199,702	1,897,346,857	3,077,251,190	3,866,130,994	4,193,375,624	6,976,765	-	85,628,938,127
386,880,797	207,062,314	620,614,600	209,410,603	86,172,638	67,100,968	8,642,313	78,204,315	(14,952,756,441)	-
5,039,318,683	3,816,515,514	5,973,814,302	2,106,757,460	3,163,423,828	3,933,231,962	4,202,017,937	85,181,080	(14,952,756,441)	85,628,938,127
(138,726,531)	(250,757,192)	404,878,514	170,730,751	236,125,702	193,041,133	369,806,280	(56,829,263)	13,880,942	4,579,332,523
(160,953,337)	(66,670,589)	(144,995,123)	(44,301,264)	(36,257,767)	(123,240,883)	(29,794,465)	(6,502,698)	-	(2,861,994,170)
(1,462,363)	22,627,811	(42,650,604)	(37,411,552)	(69,406,036)	228,048,357	(44,064,748)	(72,016,241)	-	865,308,113
-	-	-	-	-	-	-	(184,117,478)	-	(184,117,478)

Brazil		Andean Region			Northern, Center and Overseas	Southern Branches	Rest of countries and abroad business	Adjustments and eliminations	Total at 12.31.17
Confectionery	Cookies	Confectionery	Cookies	Packaging					
4,188,152,060	3,208,192,254	4,142,884,142	1,400,775,525	2,024,720,169	3,298,405,166	3,183,131,734	8,953,260	-	78,720,886,098
245,868,086	154,333,994	359,472,977	130,553,475	59,483,291	51,315,871	6,749,753	56,967,449	(13,658,346,359)	-
4,434,020,146	3,362,526,248	4,502,357,119	1,531,329,000	2,084,203,460	3,349,721,037	3,189,881,487	65,920,709	(13,658,346,359)	78,720,886,098
(320,693,902)	(236,068,037)	168,928,860	35,029,619	162,311,805	14,017,122	246,849,733	(52,469,450)	(17,991,799)	3,432,032,139
(158,871,685)	(58,903,403)	(118,478,830)	(33,355,829)	(45,134,160)	(100,829,394)	(27,818,512)	(2,355,198)	-	(2,532,674,148)
18,147,399	17,217,550	(25,110,880)	(11,812,706)	(22,420,203)	(39,910,976)	(37,225,753)	39,224,582	-	(815,020,104)
-	-	-	-	-	-	-	635,840,054	-	635,840,054

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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 operative result to the profit before taxes is shown below:

	12.31.2018	12.31.2017
Operative result by reportable segments	**4,579,332,523**	**3,432,032,139**
Financial income	(868,072,549)	(231,559,650)
Financial expenses	(5,781,765,892)	(697,988,025)
Results from net monetary position	378,428,260	766,601,807
Results of investments in associates	(184,117,478)	635,840,054
INCOME BEFORE INCOME TAX	(1,876,195,136)	3,904,926,325

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:

	12.31.2018					
	Argentina	Brazil	Chile	Mexico	Abroad	Total
Property, plant and equipment(1)	17,883,229,623	1,698,766,860	3,397,363,942	941,229,546	353,179,366	**24,273,769,337**
Investment properties	97,700,853	32,047,431	36,256,334	-	7,153,869	**173,158,487**
Intangible assets	3,603,202,851	221,847,304	14,022,255	-	1,145,515	**3,840,217,925**
Biological assets	488,911,158	-	-	-	-	**488,911,158**

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

	12.31.2017					
	Argentina(2)	Brazil	Chile	Mexico	Abroad	Total
Property, plant and equipment(1)	18,006,487,559	1,496,110,110	2,661,096,610	674,196,394	240,152,670	**23,078,043,343**
Investment properties	103,677,748	24,699,293	155,513,864	-	3,578,538	**287,469,443**
Intangible assets	3,636,148,089	194,318,707	13,532,994	-	2,042,466	**3,846,042,256**
Biological assets	573,439,119	-	-	-	-	**573,439,119**

(1) Intercompany income/loss was eliminated in the purchasing company.
(2) Includes the non-current assets acquired in the transaction described in note 40.

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

	12.31.2018			12.31.2017		
	Argentina	Abroad	Total	Argentina	Abroad	Total
Sales	58,979,742,675	26,649,195,452	**85,628,938,127**	57,274,603,220	21,446,282,878	**78,720,886,098**

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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	**1,752,694,633**	**15,839,918,144**	**175,204,310**	**33,994,665,814**	**4,146,631,066**	**2,346,827,244**	**58,255,941,211**
Additions	-	56,100,078	-	126,760,987	278,513,393	2,612,835,778	3,074,210,236
Deletions	(1,035,626)	(52,454,261)	[2](20,203,254)	(573,320,632)	(735,788,401)	-	(1,382,802,174)
Transfers[3]	(37, 165,059)	707,000,745	49,029,356	1,483,737,862	108,292,228	(2,456,484,009)	(145,588,877)
Effect of currency translation	97,133,102	1,114,331,420	-	2,752,888,462	311,058,765	163,255,972	4,438,667,721
Original value at the end of year	**1,811,627,050**	**17,664,896,126**	**204,030,412**	**37,784,732,493**	**4,108,707,051**	**2,666,434,985**	**64,240,428,117**
Depreciation							
Accumulated depreciation at beginning of year	**-**	**(8,021,314,472)**	**(66,450,326)**	**(23,843,727,920)**	**(3,246,405,150)**	**-**	**(35,177,897,868)**
Deletions	-	39,459,613	[2]10,238,065	506,171,920	651,967,569	-	1,207,837,167
Transfers[3]	-	98,362,661	-	-	(233,283)	-	98,129,378
Effect of currency translation	-	(687,043,526)	-	(2,357,084,350)	(255,705,150)	-	(3,299,833,026)
Depreciation for the year[1]	-	(603,132,205)	(37,907,768)	(1,826,354,858)	(327,499,600)	-	(2,794,894,431)
Accumulated depreciation at end of year	**-**	**(9,173,667,929)**	**(94,120,029)**	**(27,520,995,208)**	**(3,177,875,614)**	**-**	**(39,966,658,780)**
TOTAL AL 12.31.2018	1,811,627,050	8,491,228,197	109,910,383	10,263,737,285	930,831,437	2,666,434,985	24,273,769,337

[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	Machinery and facilities	Furniture, tools, vehicles and other equipment	Construction works and in transit equipment	Total
Cost							
Original value at the beginning of year	**805,933,040**	**13,503,865,998**	**112,460,412**	**29,236,258,589**	**3,747,289,064**	**2,803,372,289**	**50,209,179,392**
Increase for acquisitions (note 40)	866,563,347	1,257,664,131	-	2,865,767,390	214,411,998	373,895,920	5,578,302,786
Additions	95,496,338	97,455,954	-	168,237,861	226,276,790	2,752,250,368	3,339,717,311
Deletions	(2,163,889)	(83,832,060)	-	(293,638,050)	(130,874,877)	(233,552)	(510,742,428)
Transfers[3]	-	1,097,678,104	62,743,898	2,254,839,598	137,317,828	(3,544,445,091)	8,134,337
Effect of currency translation	(13,134,203)	(32,913,983)	-	(236,799,574)	(47,789,737)	(38,012,690)	(368,650,187)
Original value at the end of year	**1,752,694,633**	**15,839,918,144**	**175,204,310**	**33,994,665,814**	**4,146,631,066**	**2,346,827,244**	**58,255,941,211**
Depreciation							
Accumulated depreciation at beginning of year	**-**	**(7,564,953,071)**	**(34,280,003)**	**(22,680,677,348)**	**(3,115,487,879)**	**-**	**(33,395,398,301)**
Deletions	-	72,943,474	-	284,846,031	119,231,985	-	477,021,490
Transfers[3]	-	(4,119,628)	-	-	(137,966)	-	(4,257,594)
Effect of currency translation	-	24,142,808	-	178,910,347	26,151,669	-	229,204,824
Depreciation for the year[1]	-	(549,328,055)	(32,170,323)	(1,626,806,950)	(276,162,959)	-	(2,484,468,287)
Accumulated depreciation at end of year	**-**	**(8,021,314,472)**	**(66,450,326)**	**(23,843,727,920)**	**(3,246,405,150)**	**-**	**(35,177,897,868)**
TOTAL AT 12.31.2017	1,752,694,633	7,818,603,672	108,753,984	10,150,937,894	900,225,916	2,346,827,244	23,078,043,343

[1] The accounting allocation of the charge to income/loss for the year is shown in Note 28.
[2] 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.

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

	12.31.2018	12.31.2017
Cost – Capitalized finance lease	14,504,920	162,997,509
Accumulated depreciation	(4,351,476)	(94,415,016)
TOTAL	10,153,444	68,582,493

In some cases, the financial lease periods last until March 2019, 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:

	12.31.2018	12.31.2017
	Land and constructions	
Cost		
Original value at beginning of year	**552,408,923**	**562,813,910**
Additions	5,281,996	2,443,432
Deletions	(448,332,455)	(2,855,010)
Transfers[1]	145,588,877	(8,134,337)
Effect of currency translation	18,768,016	(1,859,072)
Original value at the end of year	**273,715,357**	**552,408,923**
Depreciation		
Accumulated depreciation at beginning of year	**(264,939,480)**	**(270,393,203)**
Deletions	268,543,844	707,230
Transfers[1]	(98,129,378)	4,257,594
Effect of currency translation	(5,291,564)	1,933,698
Depreciation for the year[2]	(740,292)	(1,444,799)
Accumulated depreciation at the end of year	**(100,556,870)**	**(264,939,480)**
TOTAL	173.158.487	287.469.443

[1] Transfer to/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, 2018 and 2017 are ARS 2.793,715,304 and ARS 2,283,270,620, respectively. Those values were obtained from reports prepared by independent professional appraisers by an approach of selling prices of comparable properties located in geographically nearby areas.

Gain and expenses generated by investment properties at December 31, 2018 and 2017, 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	**935,863,172**	**2,749,734,923**	**464,482,945**	**4,150,081,040**
Additions	-	-	35,775,076	35,775,076
Deletions	(12,033,378)	-	(135,035)	(12,168,413)
Effect of currency translation	30,056,945	7,320,059	15,281,458	52,658,462
Original value at end of year	**953,886,739**	**2,757,054,982**	**515,404,444**	**4,226,346,165**
Amortization				
Accumulated amortization at beginning of year	**-**	**-**	**(304,038,784)**	**(304,038,784)**
Deletions	-	-	135,035	135,035
Effect of currency translation	-	-	(12,477,446)	(12,477,446)
Amortization for the year(1)	-	-	(69,747,045)	(69,747,045)
Accumulated amortization at the end of year	**-**	**-**	**(386,128,240)**	**(386,128,240)**
TOTAL AT 12.31.2018	953,886,739	2,757,054,982	129,276,204	3,840,217,925

(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	**593,309,787**	**2,582,664,557**	**481,029,571**	**3,657,003,915**
Increase for acquisitions (note 40)	356,672,934	168,259,123	877,112	525,809,169
Additions	-	-	70,708,337	70,708,337
Deletions	-	-	(84,058,026)	(84,058,026)
Effect of currency translation	(14,119,549)	(1,188,757)	(4,074,049)	(19,382,355)
Original value at end of year	**935,863,172**	**2,749,734,923**	**464,482,945**	**4,150,081,040**
Amortization				
Accumulated amortization at beginning of year	**-**	**-**	**(316,802,556)**	**(316,802,556)**
Deletions	-	-	83,864,743	83,864,743
Effect of currency translation	-	-	3,020,988	3,020,988
Amortization for the year(1)	-	-	(74,121,959)	(74,121,959)
Accumulated amortization at the end of year	**-**	**-**	**(304,038,784)**	**(304,038,784)**
TOTAL AT 12.31.2017	935,863,172	2,749,734,923	160,444,161	3,846,042,256

(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 354,372,645 and ARS 312,040,711, as of December 31, 2018 and 2017, respectively..

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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:

	12.31.2018	12.31.2017
Cookies Argentina	1,399,153,637	1,399,153,637
Confectionery Argentina	1,148,391,656	1,148,391,656
Packaging Argentina (note 40)	168,259,123	168,259,123
Confectionery Chile	10,694,442	8,826,944
Southern subsidiaries	30,556,124	25,103,563
TOTAL	2,757,054,982	2,749,734,923

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. 6% and 12% in 2018 and 2016 approximately, depending on the geographic location of the segment.

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.

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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	Valor de libros al 31.12.17
GAP Inversora S.A.	Argentina	Investment and financial transactions	5.0000	10,377	(13,710)
Mastellone Hermanos S.A.	Argentina	Industrialization and commercialization of products, by-products and derivatives of milk	[(1)]42.6466	3,744,096,821	3,525,624,957
TOTAL				3,744,107,198	3,525,611,247

[(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 details the evolution and composition of the caption investment in associates:

	Participation in associates	Trade accounts payable and other liabilities	Total
Balances at January 1, 2018	**3,525,624,957**	**(13,710)**	**3,525,611,247**
Addition for initial subscription of Mastellone Hermanos S.A. shares. (note 39)	367,525,930	-	367,525,930
Capital contributions	-	46,199	46,199
Net results on investments in associates	(184,082,770)	(34,708)	(184,117,478)
Variation in translation reserve	28,465,523	12,596	28,478,119
Participation in other comprehensive income for actuarial gains of defined benefit plans of associates	6,563,181	-	6,563,181
Transfers between items	10,377	(10,377)	-
TOTAL AT 12.31.2018	3,744,107,198	-	3,744,107,198

	Participation in associates	Trade accounts payable and other liabilities	Total
Balances at January 1, 2017	**1,363,958,487**	**-**	**1,363,958,487**
Addition for initial subscription of Mastellone Hermanos S.A. shares. (note 39)	363,207,854	-	363,207,854
Addition for additional subscription of Mastellone Hermanos S.A. shares. (note 39)	939,819,598	-	939,819,598
Application of the additional subscription option of Mastellone Hermanos S.A. shares. (note 39)	243,776,403	-	243,776,403
Capital contributions	24,290	-	24,290
Net results on investments in associates	635,902,636	(62,582)	635,840,054
Variation in translation reserve	(17,034,479)	24,580	(17,009,899)
Participation in other comprehensive income for actuarial gains of defined benefit plans of associates	(4,005,540)	-	(4,005,540)
Transfers between items	(24,292)	24,292	-
TOTAL AT 12.31.2017	3,525,624,957	(13,710)	3,525,611,247

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NOTE 8. INVESTMENTS IN ASSOCIATES

The following tables summarized the financial information related with associates as of December 31, 2018, 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[2]	Sales	Gross profit	Results for the period[2]	Other comprehensive income for the period	Total comprehensive income for the period[2]
GAP Inversora S.A.	1,018	158	2	769	405	-	-	(554)	175	(379)
Mastellone Hermanos S.A.[1]	13,525,431	7,839,535	9,089,260	4,629,109	7,646,493	34,233,323	10,189,758	(1,995,515)	1,900,276	(95,239)

[1] Financial information obtained from the consolidated financial statements at December 31, 2017. 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 39).
[2] Equity and earnings attributable to the Shareholders of each associate.
[3] See section "Industrial promotion regime for the indirect associate Mastellone San Luis S.A." in Note 39.

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:

	12.31.2018	12.31.2017
Gain/(Loss) on investment in associate Gap Inversora S.A.	(34,708)	(62,582)
Gain/(Loss) on investment in associate Mastellone Hermanos S.A. (Note 39)	(569,781,551)	183,892,058
Variation of the major and minor values of identifiable assets and liabilities of Mastellone Hermanos S.A. (Note 39)	385,698,781	452,010,578
TOTAL	(184,117,478)	635,840,054

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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	**Total Income**	**Other comprehensive income**
	Debtor / (Creditor)	Gain / (Loss)	
Figures attributable to the Shareholders of Mastellone Hermanos S.A. accordance to his financial statements	**7,646,493**	**(1,995,515)**	**1,900,276**
Elimination of the effect of Mastellone Hermanos S.A. for revaluation of property, plant and equipment, for the years ended at December 31, 2016 and 2017[1]	(1,022,385)	-	-
Elimination of depreciation of property, plant and equipment corresponding to the revaluation registered in the year ended at December 31, 2018[1]	(1,831,337)	-	(1,831,337)
Elimination of the effect allocated in other comprehensive income due to a change in the income tax rate on the deferred liability recorded to recognize the tax effect of the revaluation of property, plant and equipment.	(337,722)	-	-
Elimination of depreciation of property, plant and equipment corresponding to the revaluation registered in the years ended at December 31 2016 and 2017[1]	225,430	225,430	-
Elimination of restatement effect of non-monetary assets not revalued by Mastellone and of the result for "Excess of restated value over revalued value of assets valued at fair value" by Mastellone.[4]	310,596	310,596	-
Subtotal - Figures attributable to the Shareholders of Mastellone Hermanos S.A. computed for the purposes of the equity method	**4,991,075**	**(1,459,489)**	**68,939**
Shareholding of Arcor S.A.I.C. and Bagley Argentina S.A.	42,6466%	38,3918% / 40,2438% / 42,6466%	
Figures of Mastellone Hermanos S.A. attributable to Arcor S.A.I.C.	**2,128,524**	**(591,097)**	**28,466**
Incorporation, as the income/loss for the year, of the effect of the change in the income tax rate on the deferred liability recorded due to the difference between the tax base and the fair value of property, plant and equipment	86,932	-	-
Incorporation of the restatement effect from the date of acquisition of non-monetary assets incorporated to the Group as attributed cost.	21,314	21,314	
Incorporation of major and minor values of identifiable assets and liabilities for assignment of the price paid[2][3]	795,966	385,699	6,563
Incorporation of goodwill[2]	711,361	-	-
Figures corresponding to Arcor Group accordance to its financial statements	**3,744,097**	**(184,084)**	**35,029**

[1] Mastellone Hermanos S.A. applies the "revaluation model" set forth by IAS 16 for valuing its main "property, plant and equipment" items. Arcor Group applies the "cost model" established by that standard. The figures are disclosed net of the tax effect.
[2] It includes all the interest acquired at December 31, 2018.
[3] It includes the closing balance and the changes for the year of the major and minor values of identifiable assets and liabilities, as disclosed in Note 39.
[4] Elimination for the purposes of its replacement by the restatement effect calculated by the Group from the date of acquisition of each shareholding.

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NOTE 9. BIOLOGICAL ASSETS

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

	Fruit Crops	Grain sown land	Sugar cane sown land (3)	Beef or dairy cattle	Forest plantation (4)	TOTAL
Total non-current at January 1, 2018	-	-	-	132,079,962	441,359,157	573,439,119
Total current at January 1, 2018	39,687,237	35,928,418	89,075,185	14,325,583	21,546,070	200,562,493
TOTAL AT JANUARY 1, 2018	39,687,237	35,928,418	89,075,185	146,405,545	462,905,227	774,001,612
Additions at historical cost	60,575,074	135,186,157	166,282,607	1,357,721	72,927,427	436,328,986
Initial recognition and changes in fair value[5]	(16,725,282)	30,498,676	(33,154,421)	6,326,064	(79,005,990)	(92,060,953)
Decreases due to harvest of biological products[1]	(50,382,614)	(119,635,071)	(102,284,902)	-	(73,862,883)	(346,165,470)
Decreases due to sale of biological assets[2]	-	-	-	(23,222,542)	-	(23,222,542)
TOTAL AT DECEMBER 31, 2018	33,154,415	81,978,180	119,918,469	130,866,788	382,963,781	748,881,633
Total non-current at December 31, 2018	-	-	-	112,453,934	376,457,224	488,911,158
Total current at December 31, 2018	33,154,415	81,978,180	119,918,469	18,412,854	6,506,557	259,970,475

(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) Depending on the phenological status at year end, they were valued at historical cost or fair value less harvest costs, as appropriate (Note 2.11).
(5) In the case of agricultural and forest plantations, it includes all the changes in fair value of biological assets occurred during the year, irrespective of whether they have been harvested/ deforested at year-end.

	Fruit Crops	Grain sown land	Sugar cane sown land (3)	Beef or dairy cattle	Forest plantation (4)	TOTAL
Total non-current at January 1, 2017	-	-	-	144,004,848	-	144,004,848
Total current at January 1, 2017	27,701,602	45,157,543	58,469,130	16,430,515	-	147,758,790
TOTAL AT JANUARY 1, 2017	27,701,602	45,157,543	58,469,130	160,435,363	-	291,763,638
Additions at historical cost	79,318,824	78,385,491	132,984,676	276,916	45,198,172	336,164,079
Increase for acquisitions (Note 40)	-	-	-	-	376,336,973	376,336,973
Initial recognition and changes in fair value[5]	1,458,995	38,202,866	(19,484,951)	10,234,053	71,945,643	102,356,606
Decreases due to harvest of biological products[1]	(68,792,184)	(125,817,482)	(82,893,670)	-	(30,575,561)	(308,078,897)
Decreases due to sale of biological assets[2]	-	-	-	(24,540,787)	-	(24,540,787)
TOTAL AT DECEMBER 31, 2017	39,687,237	35,928,418	89,075,185	146,405,545	462,905,227	774,001,612
Total non-current at December 31, 2017	-	-	-	132,079,962	441,359,157	573,439,119
Total current at December 31, 2017	39,687,237	35,928,418	89,075,185	14,325,583	21,546,070	200,562,493

(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) In the case of agricultural, it includes all the changes in fair value of biological assets occurred during the year, irrespective of whether they have been harvested at year-end.
(5) In the case of agricultural and forest plantations, it includes all the changes in fair value of biological assets occurred during the year, irrespective of whether they have been harvested/ deforested at year-end.

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NOTE 9. BIOLOGICAL ASSETS

Information as of December 31 2018 and 2017, 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**	**Forest plantation**
Harvest of biological products for the fiscal year ended 12.31.2018 per biological asset.	7,815 Tn.	17,729 Tn.	[1]18,945 Tn.	[3]226,403 Tn.	[4]36,753 Tn.
Area intended for biological assets at 12.31.2018	203 Has.	6,567 Has.	-	5,558 Has.	6,824 Has.
Physical quantities of biological assets at 12.31.2018 (heads)	-	-	[2]5,824	-	-
Estimated useful lives	7 months	7 months	5 lactation	10 months	[5]17 years

[1] It corresponds to tons of fluid milk.
[2] From the total, 4,112 are dairy cattle and the remaining 1,712 are cattle for slaughter.
[3] Corresponds to tons of sugar cane plantations.
[4] Corresponds to tons of wood.
[5] Corresponds to the average age of the crop.

	Fruit Crops	**Grain sown land**	**Dairy cattle or for slaughter**	**Sugar cane sown land**	**Forest plantation**
Harvest of biological products for the fiscal year ended 12.31.2017 per biological asset.	8,226 Tn.	24,802 Tn.	[1]18,751 Tn.	[3]207,751 Tn.	[4]54,449 Tn.
Area intended for biological assets at 12.31.2017	252 Has.	5,689 Has.	-	5,135 Has.	6,781 Has.
Physical quantities of biological assets at 12.31.2017 (heads)	-	-	[2]5.913	-	-
Estimated useful lives	7 months	7 months	5 latactions	10 months	[5]17 years

[6] It corresponds to tons of fluid milk.
[7] From the total, 4,383 are dairy cattle and the remaining 1,530 are cattle for slaughter.
[8] Corresponds to tons of sugar cane plantations.
[9] Corresponds to tons of wood, from the acquisition date up to the closing date.
[10] Corresponds to the average age of the crop.

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, 2018 and 2017, in accordance with the explanation mentioned in Note 37.2:

	Level 1	**Level 2**	**Level 3**	**Total**
Biological assets at fair value				
Dairy cattle or for slaughter	-	130,866,788	-	130,866,788
Fruit crops	-	-	33,154,415	33,154,415
Forest plantation[1]	-	-	382,963,781	382,963,781
Total Biological assets at fair value at 12.31.18	-	130,866,788	416,118,196	546,984,984

[1] From the total of forest plantation at December 31, 2018, ARS 343,042,273 were valued at fair value less harvest costs, and, ARS 39,921,508 were valued at historical cost (Note 2.11).

	Level 1	**Level 2**	**Level 3**	**Total**
Biological assets at fair value				
Dairy cattle or for slaughter	-	146,405,545	-	146,405,545
Fruit crops	-	-	39,687,237	39,687,237
Forest plantation[1]	-	-	462,905,227	462,905,227
Total Biological assets at fair value at 12.31.17	-	146,405,545	502,592,464	648,998,009

[1] From the total of forest plantation at December 31, 2017, ARS 440,065,936 were valued at fair value less harvest costs, and ARS 22,839,291 were valued at historical cost (Note 2.11).

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NOTE 9. BIOLOGICAL ASSETS

The following non-observable data was used to measure fruit trees plantations and forest plantations (fair value level 3):

Biological assets at fair value	Fair value at 12.31.18	Measurement techniques	Non-observable data	Connection of non-observable data with fair value
Fruit crops	33,154,415	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.

Biological assets at fair value	Fair value at 12.31.18	Measurement techniques	Non-observable data	Connection of non-observable data with fair value
Forest plantation	382,963,781	Present value of net cash flows	Yield of wood per Has	Greater the number of yield, higher the fair value.
			Market price of the wood	Higher the market price, higher the fair value.
			Discount rate	Higher the discount rate, lower the fair value.
			Cost of plantation, maintenance and harvest	Greater the cost of plantation, maintenance 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, 2018:

	01.01.2018
Assets	
Tax loss carryforward	146,800,417
Trade accounts receivable and other receivables	10,530,645
Inventories	34,135,504
Biological assets	(12,527,734)
Property, plant and equipment and investment property	(26,253,370)
Intangible assets	(19,945)
Derivative financial instruments	-
Cash and cash equivalents and other investments	-
Other investments	-
Provisions	51,171,719
Trade accounts payable and other liabilities	(4,402,103)
Loans	20,037
Subtotal – Deferred assets	**199,455,170**
Liabilities	
Tax loss carryforward	279,449,625
Trade accounts receivable and other receivables	56,521,118
Inventories	23,823,545
Biological assets	(112,537,354)
Derivative financial instruments	7,468,141
Property, plant and equipment and investment property	(2,732,475,175)
Cash and cash equivalents and other investments	(41,361,115)
Investments in companies	(29,564,284)
Intangible assets	(224,481,544)
Provisions	170,848,180
Loans	17,975,470
Trade accounts payable and other liabilities	184,958,220
Subtotal – Deferred liabilities	**(2,399,375,173)**
Total Net Deferred Tax assets / liabilities	(2,199,920,003)

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Translation difference	Expense charged to income	Expense charged to other comprehensive income	12.31.2018
4,142,672	2,464,886,384	-	2,615,829,473
1,521,966	(1,855,929)	-	10,196,682
3,024,931	58,126,387	-	95,286,822
-	(69,931,084)	-	(82,458,818)
21,847,030	(993,788,592)	-	(998,194,932)
–	(24,531,510)	-	(24,551,455)
-	8,710,891	(8,790,119)	(79,228)
-	(11,829,397)	-	(11.829.397)
-	(27,462,990)	(5,550,704)	(33,013,694)
8,647,410	94,864,191	-	154,683,320
12,335,019	117,901,791	17,173,959	143,008,666
-	27,015,312	-	27,035,349
51,519,028	**1,642,105,454**	**2,833,136**	**1,895,912,788**
504,477	(238,902,657)	-	41,051,445
7,120,545	27,328,848	-	90,970,511
(748,115)	(78,672,949)	-	(55,597,519)
-	70,931,405	-	(41,605,949)
-	(7,468,141)	-	-
(24,932,446)	1,412,651,435	-	(1,344,756,186)
-	32,850,345	–	(8,510,770)
-	(38,778,962)	-	(68,343,246)
244,817	35,171,418	-	(189,065,309)
1,612,245	(91,543,847)	-	80,916,578
-	(18,467,159)	-	(491,689)
6,567,866	(135,312,768)	(928,579)	55,284,739
(9,630,611)	**969,786,968**	**(928,579)**	**(1,440,147,395)**
41.888.417	2,611,892,422	1,904,557	455,765,393

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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, 2017:

	01.01.2017
Assets	
Tax loss carryforward	65,443,183
Trade accounts receivable and other receivables	46,680,178
Inventories	3,613,129
Biological assets	-
Property, plant and equipment and investment property	8,116,028
Intangible assets	1,083,850
Provisions	27,166,926
Trade accounts payable and other liabilities	20,083,190
Loans	-
Subtotal - Deferred liabilities	**172,186,484**
Liabilities	
Tax loss carryforward	297,400,068
Trade accounts receivable and other receivables	35,937,423
Inventories	111,064,597
Biological assets	(87,606,742)
Derivatives financial instruments	15,111,733
Property, plant and equipment and investment property	(2,040,822,372)
Cash and cash equivalents and other investments	(31,276,012)
Investments in associates	(35,599,851)
Intangible assets	(190,400,785)
Provisions	189,882,818
Loans	(56,534,295)
Trade accounts payable and other liabilities	166,174,380
Subtotal - Deferred liabilities	**(1,626,669,038)**
Total Net Deferred Tax assets / liabilities	(1,454,482,554)

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Translation difference	Addition for acquisition (note 40)	Expense charged to income	Expense charged to other comprehensive income	12.31.2017
(2,382,775)	-	83,740,009	-	146,800,417
(12,152,122)	-	(23,997,411)	-	10,530,645
(4,710,376)	-	35,232,751	-	34,135,504
-	-	(12,527,734)	-	(12,527,734)
(7,335,474)	-	(27,033,924)	-	(26,253,370)
33,21	-	(1,137,005)	-	-19,945
23,137,589	-	867,204	-	51,171,719
3,948,055	-	(23,933,111)	(4,500,237)	(4,402,103)
-	-	20,037	-	20,037
538,107	**-**	**31,230,816**	**(4,500,237)**	**199,455,170**
2,605,034	72,921,348	(93,476,825)	-	279,449,625
59,15	28,741,935	(8,217,390)	-	56,521,118
319,46	5,866,066	(92,787,658)	-	23,823,545
(29,086,006)	(23,304,396)	27,459,790	-	(112,537,354)
-	-	15	(7,643,607)	7,468,141
(3,614,566)	(1,384,866,373)	696,828,136	-	(2,732,475,175)
-	-	(10,085,103)	–	(41,361,115)
-	-	3,756,387	2,279,180	(29,564,284)
-	(124,123,352)	90,042,593	-	(224,481,544)
(7,615,137)	77,164,496	(88,583,997)	-	170,848,180
-	(2,401,761)	76,911,526	-	17,975,470
5,286,120	7,177,499	2,707,085	3,613,136	184,958,220
(32,684,865)	**(1,342,824,538)**	**604,554,559**	**(1,751,291)**	**(2,399,375,173)**
(32,146,758)	(1,342,824,538)	635,785,375	(6,251,528)	(2,199,920,003)

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NOTE 10. DEFERRED TAX ASSETS / LIABILITIES

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

COUNTRY	12.31.2018	12.31.2017
Argentina[1]	30,00%	35,00%
Bolivia	25,00%	25,00%
Brazil	34,00%	34,00%
Chile[2]	27,00%	26,00%
China	25,00%	25,00%
Colombia	25,00%	25,00%
Ecuador	25,00%	21,00%
Spain	25,00%	25,00%
USA	21,00%	23,70%
Mexico	30,00%	30,00%
Paraguay	10,00%	10,00%
Peru	29,50%	27,00%
Switzerland	14,60%	14,60%
Uruguay	25,00%	25,00%

[1] In accordance with the legislation in force, the tax rate will be reduced gradually to 30% in 2019, and then 25% as from 2020 (Note 33).

Companies	Maturity Year				Total	Tax rates	Total at the tax rate
	2019	2020	2021 on	Without maturity			
Arcor S.A.I.C.[1]	198,110,704	75,872,013	8,311,726,474	-	8,585,709,191	30% / 25%	2,156,332,833
Arcor U.S.A. Inc.[1]	-	-	102,838,329	-	102,838,329	21%	21,596,049
Industria de Alimentos Dos en Uno S.A.[2]	-	-	-	13,641,007	13,641,007	27%	3,683,072
La Campagnola S.A.C.I.[1]	-	-	1,001,068,388	-	1,001,068,388	25%	250,267,097
Unidal México S.A. de C.V.[1]	114,840,292	135,681,567	374,923,121	-	625,444,980	30%	187,633,494
Zucamor S.A.[2]	-	-	124,561,243	-	124,561,243	30%	37,368,373
TOTAL	312,950,996	211,553,580	9,915,117,555	13,641,007	10,453,263,138		2,656,880,918

[1] The following are part of deferred tax assets
[2] The following are part of deferred tax liabilities

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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

	12.31.2018	12.31.2017
Non-Current		
Trade accounts receivable with third parties	312,530	257,955
Total Non-Current	**312,530**	**257,955**
Current		
Trade accounts receivable with third parties	12,824,344,683	10,881,731,190
Documentary credits	830,356,155	699,960,396
Trade accounts receivables with related parties (note 36)	18,639,846	13,844,985
Doubtful account balances and in litigation	497,093,064	315,772,474
Less: Allowances for doubtful accounts	(711,717,153)	(604,135,717)
Total Current	**13,458,716,595**	**11,307,173,328**
TOTAL	13,459,029,125	11,307,431,283

Other receivables

	12.31.2018	12.31.2017
Non-current		
Tax credits	317,606,045	253,952,019
Minimum notional income tax credits[(1)]	530,265,426	761,271,325
Guarantee deposits	229,995,503	290,039,061
Advances to suppliers for purchases of property, plant and equipment	159,899,398	336,909,676
Prepaid expenses	17,233,623	34,699,769
Trade accounts receivables with related parties (note 36)	679,788	1,431,586
Miscellaneous	56,655,839	50,428,434
Less: Allowance for other doubtful accounts	(33,563,809)	(38,608,756)
Total Non-current	**1,278,771,813**	**1,690,123,114**
Current		
Refunds receivables	91,904,536	182,431,810
Guarantee deposits	34,662,929	41,964,359
Tax credits	1,211,616,055	1,095,395,260
Advances to suppliers for purchases of inventories and other products and services	833,937,638	462,697,359
Ordinary financial debtors	13,615,343	15,927,719
Financial debtors with related parties (note 36)	688,846	684,926
Prepaid expenses	372,246,901	331,743,610
Miscellaneous	40,826,136	37,055,731
Less: Allowance for other doubtful accounts	(20,125,446)	(37,833,664)
Total Current	**2,579,372,938**	**2,130,067,110**
TOTAL	3,858,144,751	3,820,190,224

(1) Reference to repetition actions filed in Note 33.

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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, 2018 and 2017, the amounts of the allowances for impairment of trade accounts receivable were ARS 711,717,153 and ARS 604,135,717, respectively. The aging of these trade accounts receivable is as follows:

	12.31.2018	**12.31.2017**
To be beaten	27,787,426	-
SUBTOTAL DUE – IMPAIRED	**27,787,426**	**-**
Up to three months	58,394,443	21,049,522
From three to six months	27,299,349	23,240,653
From six to twelve months	38,973,970	33,207,531
Over a year	559,261,965	526,638,011
SUBTOTAL DUE – IMPAIRED	**683,929,727**	**604,135,717**
TOTAL DUE – IMPAIRED	711,717,153	604,135,717

At December 31, 2018 and 2017 there are ARS 573,587,259 and ARS 318,438,340 respectively, of trade accounts receivable which are past due but not impaired. The aging of these trade accounts receivable is as follows:

	12.31.2018	**12.31.2017**
From three to six months	197,156,096	68,338,631
From six to twelve months	127,421,940	66,009,968
Over a year	249,009,223	184,089,741
TOTAL DUE – NOT IMPAIRED	573,587,259	318,438,340

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

	12.31.2018	**12.31.2017**
ARS	8,181,395,699	8,371,953,648
BOB	108,626,675	85,906,252
BRL	2,254,304,898	1,910,575,573
CLP	2,564,959,271	1,830,561,346
COP	10,183,941	5,544,719
EUR	35,138,149	37,355,532
MXN	392,607,842	250,612,138
PEN	202,279,610	132,664,577
PYG	248,533,813	208,223,938
RMB	5,158,663	3,928,099
USD	3,020,224,430	2,087,174,107
UYU	293,760,885	203,121,578
TOTAL	17,317,173,876	15,127,621,507

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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, 2018	604,135,717	76,442,420	680,578,137
Increases	171,006,393	16,938,910	187,945,303
Decreases	(113,938,937)	(4,730,102)	(118,669,039)
Uses	(15,332,287)	(15,254,994)	(30,587,281)
Restatement, currency translation and Exchange difference effects	65,846,267	(19,706,979)	46,139,288
TOTAL AL 12.31.2018	711,717,153	53,689,255	765,406,408

	Trade accounts receivable[1]	Other receivables[2]	TOTAL
At January 1, 2017	584,643,215	100,109,910	684,753,125
Increases for acquisitions (Note 40)	65,150,471	16,679,195	81,829,666
Increases	81,890,949	14,964,515	96,855,464
Decreases	(67,534,618)	(13,907,834)	(81,442,452)
Uses	(15,750,129)	(10,030,072)	(25,780,201)
Restatement, currency translation and Exchange difference effects	(44,264,171)	(31,373,294)	(75,637,465)
TOTAL AT 12.31.2017	604,135,717	76,442,420	680,578,137

[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 Note27 (Refunds on exports), note 28 and note 33 (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:

	12.31.2018	12.31.2017
Raw materials and materials	9,149,097,000	6,622,312,923
Raw materials and materials in transit	898,109,323	440,763,329
Work in process	527,777,160	525,252,286
Finished products	7,266,537,874	5,939,190,592
Less: Allowance for inventory losses	(516,806,008)	(389,267,428)
TOTAL	17,324,715,349	13,138,251,702

Changes in allowances for inventory losses for years ended December 31, 2018 and 2017 are as follows:

	TOTAL
At January 1, 2018	389,267,428
Increases[1]	521,412,840
Decreases[1]	(276,363,680)
Uses	(132,012,848)
Effect of currency translation	14,502,268
TOTAL AT 12.31.2018	516,806,008

[1] The accounting allocation of increases and decreases is "Other miscellaneous expenses" shown in Note 28.

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(Partner)

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NOTE 12. INVENTORIES

	TOTAL
At January 1, 2017	334,491,586
Increases due to acquisition (Note 40)	27,099,217
Increases[1]	325,133,979
Decreases[1]	(216,138,636)
Uses	(80,517,011)
Effect of currency translation	(801,707)
TOTAL AT 12.31.2017	389,267,428

[1] The accounting allocation of increases and decreases is shown in "Other miscellaneous expenses" in Note 28.

Information required by Schedule D, 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:

	12.31.2018	12.31.2017
Non-Current		
Government securities	-	30,373
Other	1,124,479	1,205,953
NON-CURRENT TOTAL	**1,124,479**	**1,236,326**
Current		
Government securities	14,815	20,660
CURRENT TOTAL	**14,815**	**20,660**
TOTAL	1,139,294	1,256,986

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

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 39)	287,289,560	26,213,195
NON – CURRENT TOTAL	**287,289,560**	**26,213,195**
Current		
Foreign currency term contracts	-	64,881,687
Cocoa forward contracts and financial options	5,748,369	-
Mastellone Hermanos S.A. options (note 39)	-	129,803,220
CURRENT TOTAL	**5,748,369**	**194,684,907**
TOTAL AT DECEMBER 31, 2018	293,037,929	220,898,102

	Assets	Liabilities
Non-Current		
Options Mastellone Hermanos S.A. (Note 39)	111,399,804	41,585,498
NON-CURRENT TOTAL	**111,399,804**	**41,585,498**
Current		
Foreign currency term contracts	127,864	556,441
Cocoa forward contracts and financial options	28,968,918	-
Mastellone Hermanos S.A. options (note 39)	-	20,792,748
CURRENT TOTAL	**29,096,782**	**21,349,189**
TOTAL AT DECEMBER 31, 2017	140,496,586	62,934,687

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NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

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 2018 and 2017:

- Arcor S.A.I.C.

At December 31, 2018, Arcor S.A.I.C. held forward contracts for dollar purchases with due date in May, 2019, of USD 40,000,000, at a weighted average price of ARS 45.15 per USD. As a result of, this transaction, , the Company recognized a liability for ARS 61,744,000 which were charged to the item "Net Financial Results" in the consolidated statement of income. The Company recognized for the above transactions, and other transactions that were settled during the year, gains in constant currency of ARS 394,766,700, which were charged to the item "Net Financial Results" in the consolidated statement of income.

During the year ended December 31, 2017, the Company did not perform forward transactions for the purchase of foreign currency.

- Unidal México S.A. de C.V.

At December 31, 2018 the subsidiary held US dollar forward purchase transactions with due date between January and May 2019, for USD 9,000,000, at a weighted average price of MXN 19.91 per USD. As a result of these transactions, the subsidiary has a liability ARS 3,137,687, which were disclosed in the item "Derivative financial instruments" in the consolidated balance sheet. As a result of these transactions and others that have been settled during the previous year, has recognized gains in constant currency of ARS 899.049, which were charged to the item "Net Financial results", in the consolidated statement of income.

At December 31, 2017, the subsidiary held US dollar forward purchase transactions with due date between January and July 2018, for a total of USD 7,500,000, at a weighted average price of MXN 20.06 per US dollar. As a result of these transactions, the Company has an asset of ARS ARS 127,864 and a liability of ARS 556,441, 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 gains in constant currency of ARS 434,390, which were charged to the item "Net Financial results", in the consolidated statement of income.

- Arcor do Brasil Ltda.

For the year ended December 31, 2018, the subsidiary did not perform forward transactions for the purchase of US dollars. At December 31, 2018, Arcor do Brasil Ltda. does not hold derivative financial instruments with these characteristics.

During the year ended December 31, 2017, the subsidiary performed forward transactions for the purchase of US dollars with due date between February and June 2017, for USD 5,000,000, at a weighted average price of BRL 3.33 per USD. As a result of these transactions, recognized losses of ARS 6,590,942, which were charged to the item "Net Financial Results" in the consolidated statement of income. At December 31, 2017, Arcor do Brasil Ltda. did not hold derivative financial instruments with these characteristics.

- Bagley do Brasil Alimentos Ltda.

For the year ended December 31, 2018, the subsidiary did not perform forward transactions for the purchase of US dollars. In the year ended December 31, 2018, Bagley Bagley do Brasil Alimentos Ltda. does not hold derivative financial instruments with these characteristics.

During the year ended in December 31, 2017, the subsidiary participated in forward contracts for the purchase of US dollars with due dates between February and June 2017, for USD 5,000,000, at a weighted average price of BRL 3.33 per USD. As a result of this transaction, the subsidiary has recognized losses for ARS 6.590.942, which were charged to the item "Net Financial results", in the consolidated statement of income. At December 31, 2017, Bagley do Brasil Alimentos Ltda. does not hold derivative financial instruments with these characteristics.

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NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

Cocoa forward contracts and financial options

Arcor S.A.I.C. and Arcor do Brasil Ltda. 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.

- Arcor S.A.I.C.

At December 31, 2018, the Company holds forward contracts for the purchase of cocoa with due date between March and December, 2019, for a total of 70 tons of cocoa grain at a weighted average price of USD 2.431 per ton.

As a result of these transactions, Arcor S.A.I.C. has an asset of ARS 2,238,504 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 income for ARS 25,276,959 which was charged to the item "Cost of sales and services provided" (gains of ARS 125,247) in the income statement and in the item "Cash flow hedge" (gains of ARS 25,151,712) of the statement of other comprehensive income as described in Note 2.13 to these consolidated financial statements.

At December 31, 2017, Arcor S.A.I.C. held forward contracts for the purchase of cocoa with due date between July, 2018 and May, 2019, for a total of 5,500 tons of cocoa grain at a weighted average price of USD 2.100 per ton.

As a result of these transactions, Arcor S.A.I.C. had an asset of ARS 28,955,927 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 a net gain of ARS 18,123,927, which was charged to the item "Cost of sales and services provided" (loss of ARS 158,938) in the statement of income and in the item "Cash flow hedge" (gains for ARS 18.282.865) of the statement of other comprehensive income as described in Note 2.13 to these consolidated financial statements.

- Arcor do Brasil Ltda.

At December 31, 2017, Arcor do Brasil Ltda. has an asset of ARS 3,509,865 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 1,056,619, which was charged to the item "Cash flow hedge" of the statement of other comprehensive income as described in Note 2.13 to these consolidated financial statements.

At December 31, 2017, the subsidiary has an asset of ARS 12,991 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 income of ARS 3,675,451, which was charged to the item "Cost of sales and services provided" (loss for ARS 1,402) in the statement of income and in the item "Cash flow hedge" (gains for ARS 3,676,853) of the statement of other comprehensive income as described in Note 2.13 to these consolidated financial statements.

NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

Purchase and sale options of Mastellone Hermanos S.A. shares.

The transaction with Mastellone Hermanos S.A. and its shareholders described in Note 40 to these consolidated financial statements, establishes purchase and sale options of the associate's shares, which are valued at fair value at the closing date. Those fair values have been estimated through "Black & Scholes" models and "Montecarlo 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 37.2 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 "Montecarlo 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.

NOTE 15. CASH FLOW STATEMENT – ADITIONAL INFORMATION

The balances of cash and cash equivalents are disclosed below:

	12.31.2018	12.31.2017
Cash and short-term bank deposits	3,202,185,375	2,330,972,643
Time deposits	1,203,642,269	407,451,561
Financial assets at fair value[1]	434,503,904	1,194,648,321
TOTAL	4,840,331,548	3,933,072,525

[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, or that were generated as consequence of the acquisition described in Note 40:

	12.31.2018	12.31.2017
Additions of property, plant and equipment, investment properties, intangible assets and other not paid at year end	(145,902,461)	(286,342,371)
Additions of property, plant and equipment, intangible assets and other for the acquisition of Zucamor Group (Note 40)	-	(5,935,852,832)
Additions of investments in associates and purchase of Mastellone Hermanos S.A. shares through the application of financial instruments (Note 39)	-	(243,776,403)
Cash dividends not paid at year-end	(612,744,808)	-
Increase in loans for the acquisition of Zucamor S.A. (Note 40)	-	2,826,443,993

NOTE 16. RESTRICTION ON THE DISTRIBUTION OF PROFITS

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

As required by the CNV, retained earnings generated by adoption of IFRS, amounting to ARS 374,510,894 (ARS 203,256,621 in historical values), 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.

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NOTE 17. CHANGES IN COMMON STOCK

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

	2018	2017	2016
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, 2018, the common stock, of ARS 700,000,000, is represented by 16,534,656 no endorsed nominatives shares Class A 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.

NOTE 18. RETAINED EARNINGS

The following tables outline the changes in Retained Earnings for the year ended December 31, 2018 and 2017, respectively:

	TOTAL
Balances at January 1, 2018	10,018,803,688
Net income for the year	(1,820,049,318)
Actuarial (losses) of defined benefit plans	(87,167,383)
Setting-up of reserves:	
Special Reserve for Future Dividends(1)	513,194,981
Distribution of dividends(1)	(959,049,486)
TOTAL AT 12.31.2018	7,665,732,482

(1) As per the Ordinary and Extraordinary Shareholder's Meeting held on April 27, 2018 and July 25, 2018.

	TOTAL
Balances at January 1, 2017	8,495,939,763
Net income for the year	2,289,494,244
Actuarial gains (losses) of defined benefit plans	(39,673,933)
Setting-up of reserves:	
Special Reserve for Future Dividends(1)	(194,336,375)
Distribution of dividends(1)	(532,643,349)
Dividends prescribed(2)	23,338
TOTAL AT 12.31.2017	10,018,803,688

(1) As per the Ordinary and Extraordinary Shareholder's Meeting held on April 29, 2017.
(2) As set out by Article 40 of the Company Bylaws, dividends uncollected, or claimed prescribe in favor of the Company.

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, 2018	(1,104,134,558)	(13,748,216)	(1,117,882,774)
Cash flow hedges:			
– Gains and losses for hedge instruments	-	24,095,259	24,095,259
– Tax effect of hedge instruments	-	(8,790,119)	(8,790,119)
Currency translation difference:			
– Currency translation difference in the Group and associates	1,796,290,080	-	1,796,290,080
– Effect on income tax (Notes 10 and 33)	(5,550,704)	-	(5,550,704)
TOTAL AT 12.31.2018	686,604,818	1,556,924	688,161,742

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Victor Jorge Aramburu
Chairman
Syndics Committee

Luis Alejandro Pagani
Chairman

NOTE 19. OTHER EQUITY COMPONENTS

	Translation reserve	Reserve for cash flow hedges	TOTAL
Balances at January 1, 2017	(1,028,551,725)	(28,063,732)	(1,056,615,457)
Cash flow hedges:			
– Gains and losses for hedge instruments	-	21,959,123	21,959,123
– Tax effect of hedge instruments	-	(7,643,607)	(7,643,607)
Currency translation difference:			
– Currency translation difference in the Group and associates	(77,862,013)	-	(77,862,013)
– Effect on income tax (Notes 10 and 33)	2,279,180	-	2,279,180
TOTAL AT 12.31.2017	(1,104,134,558)	(13,748,216)	(1,117,882,774)

NOTE 20. NON-CONTROLLING INTEREST

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

	TOTAL
Balances at January 1, 2018	5,844,003,644
Interest in net income for the year	809,162,295
Translation reserve	330,421,127
Actuarial (gains) from defined benefit plans	7,251,026
Interest in other comprehensive income from cash flow hedges	(166)
Cash dividends[1]	(725,187,791)
TOTAL AT 12.31.2018	6,265,650,135

[1] Includes dividends distribution of the subsidiary Bagley Latinoamérica S.A. for ARS 612,744,808, Arcorpar S.A. for ARS 61,090,724, Mundo Dulce S.A. de C.V for ARS 39,027,238 and Bagley Argentina S.A. for ARS 12,044,616.

	TOTAL
Balances at January 1, 2017	5,709,313,273
Interest in net income for the year	800,411,977
Translation reserve	(57,432,337)
Actuarial (losses) from defined benefit plans	(1,281,272)
Reserve for cash flow hedges	595
Capital contributions	958
Cash dividends[1]	(692,566,022)
Increases for acquisitions (note 40)	85,278,095
Sale of participations to the non-controlling interest	278,377
TOTAL AL 12.31.2017	5,844,003,644

[1] Includes dividends distribution of the subsidiary Bagley Latinoamérica S.A. for ARS 622,667,381, Arcorpar S.A. for ARS 59,381,776, Bagley Argentina S.A. for ARS 10,507,429 and Cartocor S.A. for ARS 9,436.

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NOTE 21. LOANS

The following table show the composition and evolution of loans:

	12.31.2018	12.31.2017
Non-Current		
Bank loans	2,437,806,686	2,054,299,908
Corporate Bonds	20,187,734,244	16,085,071,188
Obligations for financial leases	-	35,764,231
TOTAL NON-CURRENT	**22,625,540,930**	**18,175,135,327**
Current		
Bank loans	10,034,506,873	5,615,979,801
Corporate Bonds	968,181,522	485,980,192
Obligations for financial leases	3,124,823	45,667,584
Discounts of documents	15,503,888	49,566,093
TOTAL CURRENT	**11,021,317,106**	**6,197,193,670**
TOTAL	33,646,858,036	24,372,328,997

	12.31.2018	12.31.2017
	Creditor/(Debtor)	
Opening balance of the year	**24,372,328,997**	**17,512,086,729**
Increase for acquisitions (note 40)	-	2,826,443,993
Net increase in loans	5,306,309,776	5,875,171,598
Payment of interests	(4,040,296,768)	(2,516,801,457)
Payment of finance leases	(19,412,795)	(30,028,436)
Derecognition of financial leases	(82,256,393)	-
Interests accrued and foreign exchange differences	7,737,118,347	852,235,639
Effect of currency translation	373,066,872	(146,779,069)
CLOSING BALANCE	33,646,858,036	24,372,328,997

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

- Balances at December 31, 2018:

Non-Current	**From one to two years**	**From two to three years**	**From three to five years**	**Over five years**	**Total**
Bank loans	258,440,427	155,926,911	2,023,439,348	–	**2,437,806,686**
Corporate bonds	-	1,208,162,626	-	18,979,571,618	**20,187,734,244**
TOTAL AT 12.31.2018	258,440,427	1,364,089,537	2,023,439,348	18,979,571,618	22,625,540,930

Current	**Within to three months**	**From three to six months**	**From six to nina months**	**From nine months to a year**	**Total**
Bank loans	7,347,777,248	1,930,029,468	204,058,378	552,641,779	**10,034,506,873**
Corporate bonds	683,181,522	285,000,000	-	-	**968,181,522**
Obligations for financial leases	3,124,823	-	-	-	**3,124,823**
Discounts of documents	15,503,888	-	-	-	**15,503,888**
TOTAL AT 12.31.2017	8,049,587,481	2,215,029,468	204,058,378	552,641,779	11,021,317,106

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NOTE 21. LOANS

- Balances at December 31, 2017:

Non-Current	From one to two years	From two to three years	From three to five years	Over five years	Total
Bank loans	234,818,933	202,833,981	1,616,646,994	–	**2,054,299,908**
Corporate bonds	421,676,941	–	1,781,665,789	13,881,728,458	**16,085,071,188**
Obligations for financial leases	10,917,014	9,538,972	15,308,245	-	**35,764,231**
TOTAL AT 12.31.2017	667,412,888	212,372,953	3,413,621,028	13,881,728,458	18,175,135,327

Current	Within to three months	From three to six months	From six to nine months	From nine to one year	Total
Bank loans	4,421,926,134	474,882,982	327,142,994	392,027,691	**5,615,979,801**
Corporate bonds	485,980,192	-	-	-	**485,980,192**
Obligations for financial leases	34,428,858	3,796,116	3,745,783	3,696,827	**45,667,584**
Discounts of documents	47,556,298	2,009,795	–	–	**49,566,093**
TOTAL AT 12.31.2017	4,989,891,482	480,688,893	330,888,777	395,724,518	6,197,193,670

The carrying value and fair value of loans at December 31, 2018 and 2017 are as follows:

	Carrying value	Fair value
Bank loans	12,472,313,559	12,307,533,785
Corporate bonds	21,155,915,766	19,826,426,111
Obligations for financial leases	3,124,823	3,124,823
Discounts of documents	15,503,888	15,503,888
TOTAL AT 12.31.2018	33,646,858,036	32,152,588,607

	Carrying value	Fair value
Bank loans	7,670,279,709	7,620,756,411
Corporate bonds	16,571,051,380	16,915,101,883
Obligations for financial leases	81,431,815	81,431,815
Discounts of documents	49,566,093	49,566,093
TOTAL AT 12.31.2017	24,372,328,997	24,666,856,202

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 37).

NOTE 21. LOANS

In the following table are exposed the Company loans, which are measured at fair value hierarchy at December 31, 2018 and 2017, according to the explanation of Note 37.2:

	Level 1	Level 2	Level 3	Total
Loans at Fair Value				
Bank loans	-	12,307,533,785	-	12,307,533,785
Corporate Bonds	18,325,781,500	1,500,644,611	-	19,826,426,111
Obligations for financial leases	-	3,124,823	-	3,124,823
Discounts of documents	-	15,503,888	-	15,503,888
Total Loans at fair value at 12.31.18	18,325,781,500	13,826,807,107	-	32,152,588,607

	Level 1	Level 2	Level 3	Total
Loans at Fair Value				
Bank loans	-	7,620,756,411	-	7,620,756,411
Corporate Bonds	14,610,454,845	2,304,647,038	-	16,915,101,883
Obligations for financial leases	-	81,431,814	-	81,431,814
Discounts of documents	-	49,566,092	-	49,566,092
Total Loans at fair value at 12.31.17	14,610,454,845	10,056,401,355	-	24,666,856,200

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

	12.31.2018	12.31.2017
ARS	8,248,972,481	6,300,580,844
BRL	1,265,404,626	1,343,400,543
CLP	745,404,942	579,500,505
USD	23,387,075,987	16,148,847,105
TOTAL	33,646,858,036	24,372,328,997

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. 17,849 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.

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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 Company 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, for a total amount of USD 200 million, 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.

On May 3, 2017, the Company issued Class 10 and Class 11 Corporate Bonds not convertible for shares, at variable rates, for a total nominal value of ARS 1,500 million. The public offering of these corporate bonds issued was authorized by the Under-management of Issuers of the CNV on April 21, 2017.

On June 19, 2017, the Company issued Additional Class 9 Corporate Bonds, at fixed rate, not convertible for shares for a total value of USD 150 million. The public offering of these corporate bonds issued was authorized by the Under-management of Issuers of the CNV on June 9, 2017.

NOTE 21. LOANS

a.3. Principal terms

	Corporate Bonds Class 7(2)	Corporate Bonds Class 8(1)	Corporate Bonds Class 9
Aggregate Principal Amount	ARS 315,552,223	ARS 500,000,000	USD 350,000,000
Issuance date	July 15, 2014	June 15, 2015	July 6, 2016
Price of the issuance	100% of the nominal value	100% of the nominal value	100% of the nominal value
Specified Currency	ARS		USD
Interest rate	Annual Nominal Variable rate equivalent to the aggregate of Badlar rate plus an applicable margin.	Annual mixed Variable rate: 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.	Annual nominal fixed rate of 6%
Applicable Margin	3.38% annual nominal rate.	3.75% annual nominal rate.	Does not have
Amortization and Maturity date	July 15, 2017 (36 months from the date of issuance)	July 15, 2017 (24 months from the date of issuance)	July 6, 2023 (84 months from the date of issuance)
Interest Payment Dates	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.

(1) Paid in full at maturity, during last year, on June 15 2017.
(2) Paid in full at maturity, during last year, on July 15 2017.

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NOTE 21. LOANS

a.3. Principal terms

	Corporate Bonds Class 10	**Corporate Bonds Class 11**	**Corporate Bonds Class 9**
Aggregate Principal Amount	ARS 285,000,000	ARS 1,215,000,000	USD 150,000,000
Issuance date	May 3, 2017	May 3,e 2017	June 19, 2017
Price of the issuance	100% of the nominal value	100% of the nominal value	106.625% of the nominal value
Specified Currency	ARS		USD
Interest rate	Annual Nominal Variable rate equivalent to the aggregate of Badlar rate plus an applicable margin		6% fixed annual nominal rate
Applicable Margin	2.43% annual nominal rate	2.99% annual nominal rate	Does not have
Amortization and Maturity date	Mayo 3, 2019 (24 months from the date of issuance)	Mayo 3, 2021 (48 months from the date of issuance)	July 6, 2023 (73 months from the date of issuance)
Interest Payment Dates	Quarterly, in arrears, on February 3, May 3, August 3, and November 3 of each year, until the due date. The first one falls due on August 3, 2017.	Quarterly, in arrears, on February 3, May 3, August 3, and November 3 of each year, until the due date. The first one falls due on August 3, 2017.	Biannual, in arrears, on January 6 and July 6 of each year, until the due date. The first one falls due on July 6, 2017.

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NOTE 21. LOANS

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

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

- 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.

These commitments and limitations were fully met as of December 31, 2018.

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

During the year ended December 31, 2018, the Company did not incur any long-term loans from local banks.

During July 31, 2017, the Company has taken out long-term loans by local banking institutions for USD 50,000,000, at an interest annual nominal rate of 4% with biannual interest. The due date of the final balance was scheduled for July 2022.

c. Long-term loans of related companies

c.1 Arcor do Brasil Limitada

For the year ended December 31, 2018, the subsidiary does not hold long-term loans.

For 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 35,000,000 and it was fully paid in October 2017.
(ii) In November 2014 for BRL 32.111.724 and it was fully paid in January 2017.

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. At December 31, 2017, the subsidiary does not hold long-term loans.

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NOTE 21. LOANS

c.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.

On December 27, 2017, the subsidiary obtained long-term loans with local banking entities for USD 21,146,807. The conditions of the loans are resume as follow: (i) specified currency: Chilean pesos, (ii) fixed interest rate, (iii) With capital amortization and interest payments in June and December of each year, the first interest payment being in June 2018 and final maturity date scheduled for December 2022. Additionally, with the funds obtained from such loan, the subsidiary fully canceled the short- and long-term banking debt up to that moment, recording the deletion of the corresponding financial liabilities based on that payment.

The loans taken with the above mentioned banking entities establish certain conditions and commitments to being fulfilled for the Company during their effective-term, among which are the compliance with specific financial ratios, which were fulfilled in its entirety on December 31, 2018.

At December 31, 2018 and 2017, the amount owed for these loans amounts to ARS 624,082,634 and ARS 579,500,503, respectively, the weighted average indebtedness nominal annual rate amounts to 5.56% for both years.

c.3 Zucamor Group

There follows the main long-term loans obtained by the acquired companies of Zucamor Group, prior to the acquisition date (Note 40):

- Between December 2010 and November 2011, the subsidiary Papel Misionero S.A.I.F.C obtained funding from the Brazilian National Bank for Economic and Social Development (BNDES) for an amount of USD 25,916,408 at a fixed rate, with half-yearly payments of principal and interest, the last being due in October 2020. Such funding was guaranteed by Banco de la Nación Argentina and is secured by real property mortgage (Note 25). At 31 December, 2017 and 2018 the amount owed for these loans amounts to ARS 210,206,630 and ARS 228,563,862, respectively.

- In June 2015, the subsidiary Zucamor S.A., obtained a loan from a local bank for ARS 100,000,000, with monthly interest payments and annual payments of principal, at a fixed rate the first 24 months, and at BADLAR rate adjusted (BADCOR) plus markup over the remaining term until maturity, scheduled for June 2018. At December 31, 2017, the amount owed for this loan amounts to ARS 49,373,754 which were fulfilled in its entirety on December 31, 2018.

- In September 2015, both subsidiaries (Papel Misionero S.A.I.F.C and Zucamor S.A.), jointly obtained funding in Argentine pesos from a group of local banks for a total amount of ARS 210.000.000, with quarterly interest payments and half-yearly payments of principal, at a fixed rate for the first 18 months and at BADLAR rate adjusted (BADCOR) plus markup over the remaining term until maturity, scheduled for September 2019. At December 31, 2018 and 2017, the amount owed for these loans amounts to ARS 20,539,068 and ARS 78,754,233, respectively.

- Additionally, during the second quarter of 2016, Papel Misionero S.A.I.F.C obtained funding from local banks for a total amount of USD 20,000,000 at a fixed rate with quarterly interest payments and half-yearly payments of principal, the last maturity date being in the second quarter of 2018. At December 31, 2017, the amount owed for these loans amounts to ARS 183,738,049. which were fulfilled in its entirety on December 31, 2018.

- Finally, in March 2017, the subsidiary Zucamor S.A. Obtained a loan with a local bank for an amount of ARS 130,000,000 at a fixed rate, with quarterly interest payments and capital amortization at maturity, scheduled for August 2018. At December 31, 2017, the amount owed for these loans amounts to ARS 195,060,501. which were fulfilled in its entirety on December 31, 2018.

Zucamor Group loans establish certain conditions and commitments to be fulfilled during their effective-term, among which are the compliance with specific financial ratios, on which there are no records of non-compliance At December 31, 2018 or, if there are, they were exempted by the respective creditors before such closing date.

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NOTE 21. LOANS

Obligation for financial leases

The obligations for financial leases subscribed by the subsidiary La Campagnola S.A. is actually secured, since ownership rights over the assets will be restored to the lessor in the event of non-compliance.

	12.31.2018	12.31.2017
Obligations for financial leases – minimum payments:		
Up to a year	3,161,710	46,106,695
From a year to two years	-	11,368,276
From two to three years	-	9,982,772
From three to five years	-	16,403,276
Total minimum payments	**3,161,710**	**83,861,019**
Future financial charges on financial leases	(36,887)	(2,429,204)
PRESENT VALUE OF THE OBLIGATIONS FOR FINANCIAL LEASES	3,124,823	81,431,815

	12.31.2018	12.31.2017
Present value of the obligations for financial leases:		
Up to a year	3,124,823	45,667,584
From a year to two years	-	10,917,014
From two to three years	-	9,538,972
From three to five years	-	15,308,245
PRESENT VALUE OF THE OBLIGATIONS FOR FINANCIAL LEASES	3,124,823	81,431,815

On June 5, 2018 the subsidiary entered into a new agreement with Tetra Pak S.R.L. (Tetra Pak) for the lease of equipment, which is currently in its possession and in use at the Villa Mercedes plant, San Luis. This agreement replaces two prior lease agreements related to the same equipment and includes some additional equipment.

The main terms and conditions of the "Lease of Equipment and Services Provision" agreement are as follows:

- Effective term: 8 years as from January 1, 2018
- Price: USD 3,166,447
- Value of monthly leasing fees: 96 installments of USD 31,043
- Value of the purchase option at the expiration of term: USD 186,261

Further, on June 5, 2018 it was decided that the mentioned agreement may be terminated by both companies, without stating any reason, thus releasing the subsidiary from the payment of the leasing fees and from the purchase option at the expiration of the term.

The subsidiary has accounted for, and reflected in its financial statements, the effects derived from the agreements and notices received, derecognizing the residual value of the equipment involved in the financial leasings arising from prior arrangements, net of the debt recognized for those agreements, and generating a net gain in constant currency of ARS 32,072,936 that was disclosed in the caption Other income/(expenses), net in the consolidated statement of income.

The obligations for financial leases assumed by the subsidiary, effective at December 31, 2018 amount to:

Type of assets	Date of the contract	Instalments	Monthly instalments in USD	Purchase option	
				Date	Amount in USD
Machinery and equipment	Apr-16	35	16,773	Mar-2019	16,773

The Company, considering the economic reality of the agreements, has classified these transactions as financial leases.

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NOTE 21. LOANS

Obligation for financial leases

On July 21, 2010 the subsidiary Dulciora S.A. (currently merged with La Campagnola S.A.C.I.), entered into two lease with Tetra Pak S.R.L. agreements for the provision of machinery and equipment for the elaboration and packaging of juice; with respect to the contract for the elaboration of juices, the assumed fee amounts to USD 37,855 with an option to purchase for an amount of USD 836,989, both payable in 84 monthly instalments.

On June 24, 2014 the Company, undertook a new lease 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 with a purchase option for USD 613,595 of the A3 Speed packaging machine.

In November 2017, the term for exercising the call option for a total amount of USD 1,063,693 was due. which was not exercised, and was considered in the new agreement entered into on June 5, 2018, mentioned above.

On May 21, 2014, the subsidiary undertook another lease agreement, for a new packing equipment A3 Flex payable in 96 monthly installments of USD 30,213.

On April 8, 2015, the subsidiary La Campagnola S.A.C.I., accepted the terms of the offer agreement dated April 1, 2015 of the supplier 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 35 monthly quotas. On April 5, 2016, was certified the ongoing of the above mentioned equipment.

The obligations for financial leases assumed by the subsidiary, effective at December 31, 2017, amounted to:

Type of assets	Date of the contract	Instalments	Monthly instalments in USD	Purchase option	
				Date	Amount in USD
Machinery and equipment	Jul-10	84	20,357	Oct-2017	450,098
Machinery and equipment	Jul-10	84	27,751	Oct-2017	613,595
Machinery and equipment	May-14	96	30,213	Apr-2022	-
Machinery and equipment	Apr-16	35	16,773	Mar-2019	16,773

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NOTE 22. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

The following table details the composition of the caption:

	12.31.2018	12.31.2017
Non-Current		
Retirement benefits	110,532,373	80,373,955
Retirement bonus (a)	249,907,748	279,510,842
Pension plans	486,710,982	387,642,051
TOTAL NON-CURRENT	**847,151,103**	**747,526,848**
Current		
Retirement benefits	107,570,498	87,459,772
Retirement bonus (a)	6,701,239	10,394,147
Pension plans	4,674,890	4,787,933
TOTAL CURRENT	**118,946,627**	**102,641,852**
TOTAL	966,097,730	850,168,700

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

	12.31.2018	12.31.2017
Charge to comprehensive income		
Pension plans (*)	(13,716,699)	69,596,001
Retirement benefits	152,852,696	137,354,826
Retirement bonus	(45,584,055)	22,192,490
Subtotal	**93,551,942**	**229,143,317**
Charge to other comprehensive income		
Retirement benefits	(21,924,030)	(13,778,989)
Pension plans	124,648,948	49,841,553
Actuarial gains / losses of defined benefit plans	**102,724,918**	**36,062,564**
Translation difference	65,635,101	14,715,961
Subtotal - Charges allocated to Other Comprehensive Income	**168,360,019**	**50,778,525**
TOTAL	261,911,961	279,921,842

(a) Retirement bonus

The amount recorded at December 31, 2018 and 2017 amounts to ARS 256,608,987 and ARS 289,904,989, respectively. The detail of the variation in the Group's obligations is as follows:

	12.31.2018	12.31.2017
Balance at beginning of year	289,904,989	242,729,066
Increase for acquisitions (note 40)	-	33,651,850
Cost	18,741,934	28,140,380
Interest	(64,325,989)	(5,947,890)
Actuarial (gain) / losses	(21,924,030)	(13,778,989)
Benefits paid to members	(3,934,666)	(3,972,064)
Translation difference	38,146,749	9,082,636
TOTAL	256,608,987	289,904,989

The portion expected to be settled within twelve months as from the issue of these financial statements amounts to ARS 6,701,239.

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NOTE 22. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

The charge allotted to the consolidated statement of income for the year ended December 31, 2018 and 2017 is as follows:

	Pension plans	Retirement benefits	Retirement bonus	Total at 12.31.2018
Cost[1]	[3] 77,014,236	219,971,289	18,741,934	315,727,459
Interest[2]	(90,730,935)	(67,118,593)	(64,325,989)	(222,175,517)
Subtotal - Charge to income for the year	**(13,716,699)**	**152,852,696**	**(45,584,055)**	**93,551,942**
Actuarial loss	124,648,948	-	(21,924,030)	102,724,918
Translation difference	11,537,150	15,951,202	38,146,749	65,635,101
Subtotal - Charges allotted to other comprehensive income	**136,186,098**	**15,951,202**	**16,222,719**	**168,360,019**
TOTAL AT 12.31.2018	122,469,399	168,803,898	(29,361,336)	261,911,961

[1] Of the total cost charge of ARS 222,867,416, ARS 29,890,181 and ARS 62,969, are included in "Cost of sales", "Selling expenses" and "Administrative expenses", respectively for the year ended at December 31, 2018.
[2] Allocated on "Net Financial results".
[3] For the year ended December 31, 2018, the income charge, expressed in constant currency, of ARS 15,684,201 is disclosed under Managers, directors and syndics' fees and ARS 61,330,035 under Salaries, wages and other benefits (Note 29).

	Pension plans	Retirement benefits	Retirement bonus	Total at 12.31.2017
Cost[1]	[3] 72.304.365	122.246.363	28.140.380	222.691.108
Interest[2]	(2.708.364)	15.108.463	(5.947.890)	6.452.209
Subtotal - Charge to income for the year	**69.596.001**	**137.354.826**	**22.192.490**	**229.143.317**
Actuarial loss	49.841.553	-	(13.778.989)	36.062.564
Translation difference	3.618.791	2.014.534	9.082.636	14.715.961
Subtotal - Charges allotted to other comprehensive income	**53.460.344**	**2.014.534**	**(4.696.353)**	**50.778.525**
TOTAL AL 12.31.2017	123.056.345	139.369.360	17.496.137	279.921.842

[1] Of the total cost charge of ARS 142.727.219, ARS 21.598.291 and ARS 58.365.598 are included in "Cost of sales", "Selling expenses" and "Administrative expenses", respectively for the year ended at December 31, 2017.
[2] Allocated on "Net Financial results".
[3] For the year ended December 31, 2017, the income charge, expressed in constant currency, of ARS 7,864,126 is disclosed under Managers, directors and syndics' fees and ARS 64,440,239 under Salaries, wages and other benefits (Note 29).

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 2018 and 2017 were as follows:

For the year ended December 31, 2018	Argentina	Ecuador	Mexico
Mortality table	G.A.M. 83	IESS 2002	Table de mort. Mex. 2009
Disability table	P.D.T. 85	IESS 2002	IMSS 1997
Normal retirement age in men / women	65 / 60 years old	25 years seniority	65 Average 65 years
Actual discount rate p.a.	5.0%	5.04%	7.8%

For the year ended December 31, 2017	Argentina	Ecuador	Mexico
Mortality table	G.A.M. 83	IESS 2002	Table de mort. Mex. 2009
Disability table	P.D.T. 85	IESS 2002	IMSS 1997
Normal retirement age in men / women	65 / 60 years old	25 years seniority	65 Average 65 years
Actual discount rate p.a.	5.0%	5.36%	7.8%

At December 31, 2018 the impact of a 0.5% favorable/unfavorable change in the actuarial assumptions would result in a (gain)/loss before taxes of approximately ARS (15,556,572) and ARS 16,783,286 respectively.

At December 31, 2017 the impact of a 0.5% favorable/unfavorable change in the actuarial assumptions would result in a (gain)/loss before taxes of approximately ARS (19,261,935) and ARS 20,686,117 respectively.

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NOTE 23. PROVISIONS

The following table details the composition of the caption Provisions:

	12.31.2018	12.31.2017
Non-current		
For labor, civil and commercial lawsuits	389,895,228	429,288,055
Other various provisions	93,653,123	153,799,908
TOTAL NON-CURRENT	**483,548,351**	**583,087,963**
Current		
For labor, civil and commercial lawsuits	111,854,602	149,391,072
Other various provisions	22,096,103	25,909,606
TOTAL CURRENT	**133,950,705**	**175,300,678**
TOTAL	617,499,056	758,388,641

The evolution of the item is as follows:

	Labor, civil and commercial lawsuits[1]	Other various provisions[2]	TOTAL
Balances at January 1 2018	578,679,127	179,709,514	758,388,641
Increases	329,990,278	26,321,396	356,311,674
Decreases	(70,321,415)	(28,983,811)	(99,305,226)
Payments	(179,883,437)	(443,052)	(180,326,489)
Effect of currency translation	(156,714,723)	(60,854,821)	(217,569,544)
TOTAL AT 12.31.2018	501,749,830	115,749,226	617,499,056

	Labor, civil and commercial lawsuits[1]	Other various provisions[2]	TOTAL
Balances at January 1 2017	438,407,147	259,601,532	698,008,679
Increase for acquisitions (note 40)	72,119,168	79,143,369	151,262,537
Increases	343,082,429	14,351,692	357,434,121
Decreases	(32,801,075)	(95,327,156)	(128,128,231)
Payments	(150,008,319)	(23,591,986)	(173,600,305)
Effect of currency translation	(92,120,223)	(54,467,937)	(146,588,160)
TOTAL AL 12.31.2017	578,679,127	179,709,514	758,388,641

[1] The accounting allocation of increases and decreases in labor, civil and commercial lawsuits are shown in Notes 28 and 32.
[2] The accounting allocation of increases and decreases of other provisions is shown in Note 28.

Information required by Schedule E, in compliance with section 1, chapter III, Title 4 of the restated text of the CNV.

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NOTE 24. TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES

The following table details the breakdown of the caption:

	12.31.2018	12.31.2017
Non-Current		
Trade accounts payable		
- Third parties	45,656,180	33,554,794
Tax payables	52,549,932	77,005,962
Other Debts		
- Related parties (note 8)	-	13,710
TOTAL NON-CURRENT	**98,206,112**	**110,574,466**
Current		
Trade accounts payable		
- Third Parties	11,479,386,613	9,554,526,094
- Related parties (note 36)	21,488,677	11,131,732
- Promissory Note	304,709,179	285,356,641
Tax payables	810,294,898	688,556,647
Salaries and social security contributions	3,171,126,149	3,464,388,027
Other Debts:		
- Third Parties	2,074,774	2,668,408
- Related parties (note 36)	28,395,442	32,406,647
- Dividends payable with non-controlling interest	612,744,808	-
TOTAL CURRENT	**16,430,220,540**	**14,039,034,196**
TOTAL	16,528,426,652	14,149,608,662

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:

	12.31.2018	12.31.2017
IT services	94,405,117	131,452,680
Logistic services	231,200,871	326,191,607
Production services	136,260,662	118,827,004
TOTAL	461,866,650	576,471,291

(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:

	12.31.2018	12.31.2017
Within one year	56,272,262	34,568,792
Between 1 and 5 years	105,242,115	94,561,785
Over 5 years	1,227,612	10,221,745
TOTAL	162,741,989	139,352,322

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 2018 and 2017, is disclosed in note 28 under the item "Operating leases".

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NOTE 25. COMMITMENTS AND GUARANTEES GRANTED

(c) Guarantees granted for loans taken by subsidiaries

At December 31, 2018 the subsidiaries did not record any loans with those entities.

At December 31, 2017, the Group has canceled the guarantees for loans to subsidiaries timely granted. At December 31, 2016, the Group recorded surety bonds with subsidiaries Arcor U.S.A. Inc. for USD 7,000,000 and Arcor AG S.A. Ltda. for EUR 3,000,000 to secure credit lines with the entities JP Morgan Chase Bank National Association and Deutsche Bank, respectively.

(d) Other guarantees granted and encumbered and restricted assets

Company	Creditor/ Beneficiary	Original currency	Type of guarantee	Guarantee	Maximum amount guaranteed	Carrying value of the loan granted 31.12.18 ARS	Carrying value of the guarantee granted at 31.12.18 ARS	Carrying value of the loan granted 31.12.17 ARS	Carrying value of the guarantee granted at 31.12.17 ARS
Arcor do Brasil Ltda.	Pottencial Seguradora S.A.	BRL	Aval	Insurance of caution	15,000,000	-	-	-	-
	Swiss Re Corporate Solutions Brasil Seguros S.A.	BRL	Aval			-	-	-	-
Bagley do Brasil Alim. Ltda.	Swiss Re Corporate Solutions Brasil Seguros S.A.	BRL	Aval	Insurance of caution	45,000,000	-	-	-	-
Cartocor S.A.	Banco de la Nación Argentina	ARS	Aval	Discount Documents	N/A	-	15,503,888	-	49,566,093
Papel Misionero S.A.I.F.C	Banco de la Nación Argentina	USD	Aval	Mortgage	33,855,000	210.206.630	2,188,327,257	228,565,862	2,412,204,002

(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, 2018, have a residual value of ARS 12,557,564. The Company is obliged to the guard and safekeeping of these assets and to keep the corresponding insurance policies. At December 31, 2017 amounted to ARS 13,761,262.

Due to tolling agreements between the Company and third parties, at December 31, 2018 the Company has in its deposits a stock of sugar belonging to third parties measured at weighted average price for an amount of ARS 181,745,222. At December 31, 2017 the third-party sugar stock amounted to ARS 165,206,648.

Also, as on December 2018, the Company has in its deposits a stock of finished products for sale that belong to third parties, for a value of ARS 8.506.196 (it does not include stock of other related companies). For the same concept, the stock of these items at December 31, 2016 amounted ARS 8,253,390.

NOTE 26. SALES OF GOODS AND SERVICES

The following table details the breakdown of sales:

	12.31.2018	12.31.2017
Sales of goods to third parties net of discounts and bonuses		
- Third parties	85,409,105,278	78,535,540,536
- Related parties (note 36)	119,360,174	88,175,791
Sales of services		
- Third parties	100,200,967	96,879,400
- Related parties (note 36)	271,708	290,371
TOTAL	85,628,938,127	78,720,886,098

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NOTE 27. COST OF SALES AND SERVICES PROVIDED

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

	12.31.2018	12.31.2017
Inventories at beginning of year	13,138,251,702	12,829,939,259
Increase for acquisitions (note 40)	-	844,507,649
Purchases for the year	36,430,828,991	29,294,581,498
Transfers of biological products from the agricultural activity (note 30)	414,369,757	381,720,458
Refunds on exports (1)	(266,085,542)	(273,200,918)
Sale of by products	(211,013,147)	(194,690,791)
Expenses on production and services provided (note 28)	28,143,968,711	26,219,974,691
Effect of currency translation	722,852,356	(46,700,177)
Inventories at year end (note 12)	(17,324,715,349)	(13,138,251,702)
TOTAL	61,048,457,479	55,917,879,967

(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.

NOTE 28. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

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

	12.31.2018	12.31.2017
Managers, directors and syndics' fees	182,649,266	202,697,617
Fees and compensation for services	584,927,366	611,237,831
Salaries, wages, social security charges and other benefits (Note 29)	21,763,326,820	21,349,643,544
Taxes, rates and contributions	341,818,904	334,584,749
Direct taxes	1,413,457,000	1,679,522,470
Maintenance of property, plant and equipment	2,589,259,982	2,126,198,625
Maintenance of investment properties	997,231	887,923
Depreciation of property, plant and equipment (note 5)	2,791,506,833	2,457,107,390
Depreciation of investment properties (note 6)	740,292	1,444,799
Amortization of intangible assets (note 7)	69,747,045	74,121,959
Freight and haulage	4,415,277,434	4,411,781,324
Fuels and lubricants	436,044,380	321,369,152
Export and import expenses	492,584,531	384,443,051
Third-party services	3,065,727,804	2,995,386,598
Electricity, gas and communications	3,210,597,069	2,308,120,270
Travelling expenses and per diem	548,591,691	547,364,307
Bank services	148,295,411	126,323,743
Quality and environment	193,744,672	167,592,390
Publicity and advertising	1,959,430,712	1,806,624,079
Loss (reversal) for doubtful accounts	57,067,456	14,356,331
Export duties	168,580,371	-
Loss (reversal) for labor lawsuits and others	242,441,884	285,090,838
Operating leases/ rental	774,557,770	658,549,301
Insurance	259,493,809	337,871,389
Systems and application software	469,461,900	432,188,251
Loss (reversal) for other provisions	(2,662,415)	(80,975,464)
Loss (reversal) for other receivables	13,299,968	2,376,543
Other miscellaneous expenses	2,041,431,395	1,808,803,140
TOTAL	48,232,396,581	45,364,712,150

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

(a) Product expenses (Note 27)

	12.31.2018	**12.31.2017**
Managers, directors and syndics' fees	118,468,340	134,483,315
Salaries, wages, social security charges and other benefits (note 29)	15,420,478,456	15,482,391,361
Taxes, rates and contributions	176,425,642	100,875,726
Maintenance of property, plant and equipment	2,393,577,939	1,928,946,481
Depreciation of property, plant and equipment (note 5)	2,524,400,274	2,202,901,388
Amortization of intangible assets (note 7)	15,725,695	15,211,221
Freight and haulage	822,221,832	843,819,480
Fuels and lubricants	388,495,692	278,104,432
Third-party services	1,448,116,592	1,354,238,186
Electricity, gas and communications	2,934,245,569	2,065,090,999
Travelling expenses and per diem	185,598,761	188,925,626
Quality and environment	193,327,078	167,333,056
Loss (reversal) for labor lawsuits and others	216,840,158	232,078,781
Operating leases/ rental	121,967,448	103,783,649
Insurance	181,874,841	251,188,844
Systems and application software	132,254,411	128,537,799
Loss (reversal) for other provisions	(22,592,456)	(23,103,630)
Loss (reversal) for other receivables	703,616	(4,005,200)
Other miscellaneous expenses	891,838,823	769,173,177
TOTAL	28,143,968,711	26,219,974,691

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

(b) Biological assets production expenses (Note 30)

	12.31.2018	**12.31.2017**
Fees and compensation for services	3,742,018	2,879,251
Salaries, wages, social security charges and other benefits (note 29)	122,486,790	93,281,908
Taxes, rates and contributions	8,264,363	10,224,527
Maintenance of property, plant and equipment	24,459,127	29,131,867
Depreciation of property, plant and equipment (note 5) (*)	43,229,116	39,081,994
Freight and haulage	12,273,044	11,039,816
Fuels and lubricants	8,266,649	8,984,286
Third-party services	111,888,355	88,013,103
Electricity, gas and communications	10,285,057	8,597,423
Travelling expenses and per diem	1,340,191	1,696,288
Loss (reversal) for labor lawsuits and others	74,370	446,498
Quality and environment	417,594	259,334
Operating leases/ rental	30,167,386	30,812,629
Insurance	383,553	402,854
Systems and application software	600,106	360,170
Other miscellaneous expenses	140,863,155	138,486,202
TOTAL	518,740,874	463,698,150

(*) At December 31, 2018, it results from the computation of depreciation included in the cost of biological assets at the beginning (ARS 35,026,669), plus depreciation for the year (ARS 46,616,714 – Note 5) less depreciation included in the cost of biological assets at closing (ARS 38,414,267).
At December 31, 2017, it results from the computation of depreciation included in the cost of biological assets at the beginning (ARS 7,665,772), plus depreciation for the year (ARS 66,442,891 – Note 5) less depreciation included in the cost of biological assets at closing (ARS 35,026,669).

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

(c) Selling expenses

	12.31.2018	12.31.2017
Fees and compensation for services	92.705.769	86.747.810
Salaries, wages, social security charges and other benefits (note 29)	3.868.883.320	3.677.907.596
Taxes, rates and contributions	104.178.846	110.722.207
Direct taxes	1.413.457.000	1.679.522.470
Maintenance of property, plant and equipment	138.435.593	140.859.465
Depreciation of property, plant and equipment (note 5)	150.771.972	143.016.644
Amortization of intangible assets (note 7)	25.033.068	25.545.702
Freight and haulage	3.580.782.558	3.556.922.028
Fuels and lubricants	34.820.717	29.787.229
Export and import expenses	492.584.531	384.443.051
Third-party services	1.316.211.806	1.375.953.756
Electricity, gas and communications	153.433.601	133.083.169
Travelling expenses and per diem	252.350.956	247.083.326
Publicity and advertising	1.959.430.712	1.806.624.079
Loss (reversal) for doubtful accounts	57.067.456	14.356.331
Loss (reversal) for labor lawsuits and others	6.220.462	50.983.550
Export duties	168.580.371	-
Operating leases/ rental	543.189.805	466.562.560
Insurance	45.877.641	58.876.128
Systems and application software	168.199.434	149.566.031
Loss (reversal) for other provisions	7.629.266	(63.540.226)
Loss (reversal) for other receivables	363.493	(2.957.623)
Other miscellaneous expenses	894.136.452	824.296.744
TOTAL	15.474.344.829	14.896.362.027

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

(d) Administrative expenses

	12.31.2018	**12.31.2017**
Managers, directors and syndics' fees	182,649,266	202,697,617
Fees and compensation for services	368,783,198	386,032,735
Salaries, wages, social security charges and other benefits (note 29)	2,351,478,254	2,096,062,679
Taxes, rates and contributions	50,496,762	110,324,423
Maintenance of property, plant and equipment	32,787,323	27,260,812
Depreciation of property, plant and equipment (note 5)	73,105,471	72,107,364
Amortization of intangible assets (note 7)	28,988,282	33,365,036
Fuels and lubricants	4,461,322	4,493,205
Third-party services	160,826,347	155,489,376
Electricity, gas and communications	112,369,478	101,108,387
Travelling expenses and per diem	109,301,783	109,659,067
Bank services	148,295,411	126,323,743
Loss (reversal) for labor lawsuits and others	19,306,894	1,582,009
Operating leases/ rental	79,170,393	57,387,176
Insurance	31,357,774	27,403,563
Systems and application software	168,407,949	153,724,251
Loss (reversal) for other provisions	12,300,775	5,668,392
Loss (reversal) for other receivables	12,232,859	9,339,366
Other miscellaneous expenses	112,877,424	75,162,818
TOTAL	4,059,196,965	3,755,192,019

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

(e) Investment property maintenance expenses (Note 31)

	12.31.2018	**12.31.2017**
Fees and compensation for services	1,228,041	1,094,720
Taxes, rates and contributions	2,453,291	2,437,866
Maintenance of investment properties	997,231	887,923
Depreciation of investment properties (note 6)	740,292	1,444,799
Third-party services	28,684,704	21,692,177
Electricity, gas and communications	263,364	240,292
Operating leases/ rental	62,738	3,287
Other miscellaneous expenses	1,715,541	1,684,199
TOTAL	36,145,202	29,485,263

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 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:

	12.31.2018	**12.31.2017**
Salaries, wages, social security contributions	21,463,283,562	21,134,816,562
Early retirement benefits (note 22)	219,971,289	122,246,363
Pension plans (note 22)	61,330,035	64,440,239
Retirement pension (note 22)	18,741,934	28,140,380
TOTAL	21,763,326,820	21,349,643,544

NOTE 30. RESULTS GENERATED BY BIOLOGICAL ASSETS

The following is disclosed the results generated by the main biological assets as on December 31, 2018:

	Fruit crops	**Grain sown land**	**Sugar cane sown land**	**Dairy cattle or for slaughter**	**Forest plantation**	**Total at 12.31.2018**
Sale of biological products	-	67,800,207	-	23,222,542	32,882,094	123,904,843
Cost of sale of biological assets	-	-	-	(23,222,542)	-	(23,222,542)
Cost of sale of biological products	-	(51,338,195)	-	-	(24,567,182)	(75,905,377)
Subtotal income from sale of biological products	**-**	**16,462,012**	**-**	**-**	**8,314,912**	**24,776,924**
Harvest of biological products[1]	50,382,614	119,635,071	102,284,902	162,302,265	73,862,883	508,467,735
Initial recognition and changes in the fair value of biological assets[2]	4,088,047	-	-	6,326,064	(110,596,149)	(100,182,038)
Consumption of harvested biological products	-	-	-	(12,739,069)	-	(12,739,069)
Consumption of other biological products	-	-	-	(9,711,996)	-	(9,711,996)
Production expenses of biological assets of the agricultural activity (note 28)	(71,195,943)	(89,136,395)	(135,439,323)	-	(42,272,724)	(338,044,385)
Production expenses of biological assets of the livestock activity (note 28)	-	-	-	(180,696,489)	-	(180,696,489)
Subtotal production costs of biological assets	**(71,195,943)**	**(89,136,395)**	**(135,439,323)**	**(203,147,554)**	**(42,272,724)**	**(541,191,939)**
TOTAL RESULT GENERATED BY BIOLOGICAL ASSETS	(16,725,282)	46,960,688	(33,154,421)	(34,519,225)	(70,691,078)	(108,129,318)

[1] Measured at fair value at the point of harvest.
[2] In the case of agricultural and forest plantations, it corresponds at changes in the fair value of biological assets not harvested/deforested at year-end.

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NOTE 30. RESULTS GENERATED BY BIOLOGICAL ASSETS

The following is disclosed the results generated by the main biological assets as on December 31, 2017, expressed in constant currency:

	Fruit crops	Grain sown land	Sugar cane sown land	Dairy cattle or for slaughter	Forest plantation	Total at 12.31.2017
Sale of biological products	-	58,119,259	-	24,540,787	13,155,957	95,816,003
Cost of sale of biological assets	-	-	-	(24,540,787)	-	(24,540,787)
Cost of sale of biological products	-	(48,929,327)	-	-	(9,444,246)	(58,373,573)
Subtotal income from sale of biological products	**-**	**9,189,932**	**-**	**-**	**3,711,711**	**12,901,643**
Harvest of biological products[1]	68,792,184	125,817,482	82,893,670	161,912,774	30,575,561	469,991,671
Initial recognition and changes in the fair value of biological assets[2]	(1,094,256)	-	-	10,234,053	63,208,542	72,348,339
Consumption of harvested biological products	-	-	-	(15,938,787)	-	(15,938,787)
Consumption of other biological products	-	-	-	(6,885,754)	-	(6,885,754)
Production expenses of biological assets of the agricultural activity (note 28)[3]	(66,238,933)	(87,614,616)	(102,378,621)	-	(21,838,460)	(278,070,630)
Production expenses of biological assets of the livestock activity (note 28)	-	-	-	(185,627,520)	-	(185,627,520)
Subtotal production costs of biological assets	**(66,238,933)**	**(87,614,616)**	**(102,378,621)**	**(208,452,061)**	**(21,838,460)**	**(486,522,691)**
TOTAL RESULT GENERATED BY BIOLOGICAL	1,458,995	47,392,798	(19,484,951)	(36,305,234)	75,657,354	68,718,962

[1] Measured at fair value at the point of harvest.
[2] In the case of agricultural and forest plantations, it corresponds at changes in the fair value of biological assets not harvested/deforested at year-end.

The production of biological assets is mainly allocated to the transfer from agricultural to industrial production, which is shown below:

	Biological assets that generate agricultural production						
	Fruit crops	Grain sown land	Sugar cane sown land	Dairy cattle or for slaughter	Forest plantation	Total at 12.31.2018	Total at 12.31.2017
Stock at the beginning of biological products	-	-	-	-	8,501,483	8,501,483	5,194,665
Additions for acquisitions	-	-	-	-	-	-	7,088,945
Collection of biological products	50,382,614	119,635,071	102,284,902	162,302,265	73,862,883	508,467,735	469,991,671
Cost of sale of biological products	-	(51,338,195)	-	-	(24,567,182)	(75,905,377)	(58,373,573)
Internal transfers	-	(12,739,069)	-	12,739,069	-	-	-
Consumption of biological products harvested (forage)	-	-	-	(12,739,069)	-	(12,739,069)	(15,938,787)
Subtotal	**50,382,614**	**55,557,807**	**102,284,902**	**162,302,265**	**57,797,184**	**428,324,772**	**407,962,921**
Stock at year end of biological products collected not transferred to the industrial activity (forage)[1]	-	(13,955,015)	-	-	-	(13,955,015)	(26,242,463)
TOTAL TRANSFERS OF BIOLOGICAL PRODUCTS AT 12.31.2018 (note 27)	50,382,614	41,602,792	102,284,902	162,302,265	57,797,184	414,369,757	-
TOTAL TRANSFERS OF BIOLOGICAL PRODUCTS AT 12.31.2017 (note 27)	68,792,184	48,403,052	82,893,670	161,912,775	19,718,777	-	381,720,458

[1] It corresponds at forages in Grain sown land and at wood stock in forest plantation at year-end. Both, Included in "raw materials and materials" (Note 12).

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NOTE 31. OTHER INCOME / (LOSSES) – NET

In the following table is detailed the breakdown of the item other income / (losses) – net:

	12.31.2018	12.31.2017
Tax on financial transactions	(681,003,145)	(819,971,718)
Expenses net from income accrued, generated by investment properties (1)	(32,696,526)	(25,883,947)
Income from the sale of property, plant and equipment and investment properties	139,850,733	97,771,088
Others	214,371,925	(40,054,331)
TOTAL	(359,477,013)	(788,138,908)

(1) Includes maintenance expenses of investments properties for the year ended December 31, 2018 and 2017 for ARS 36,145,202 and ARS 29,485,263 respectively (Note 28).

NOTE 32. FINANCIAL RESULTS

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

	12.31.2018	12.31.2017
Financial income		
Interest:		
- Cash equivalents	25,726,295	4,351,586
- Explicit and implicit	(991,625,863)	(225,748,738)
- Explicit and implicit with related parties (note 36)	(147,941)	347,806
Changes to the fair value of financial assets::		
- Mastellone Hermanos S.A. Options (note 39)	136,262,983	65,052,576
- Other financial assets	(38,288,023)	(75,562,880)
Subtotal financial income	**(868,072,549)**	**(231,559,650)**
Financial expenses		
Interest:		
- Banks and corporate bonds net of amounts capitalized in property, plant and equipment	(1,817,908,713)	(1,363,010,855)
- Financial leases	(391,914)	(4,066,815)
- Explicit and implicit	914,520,280	170,782,552
Foreign exchange differences	(4,877,985,545)	498,307,093
Subtotal of financial expenses	**(5,781,765,892)**	**(697,988,025)**
Result from net monetary position	**378,428,260**	**766,601,807**
TOTAL FINANCIAL RESULTS	(6,271,410,181)	(162,945,868)

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NOTE 33. INCOME TAX

The composition of the charge to results is disclosed below:

	12.31.2018	12.31.2017
Current income tax	(1,746,469,355)	(1,450,795,723)
Income tax – deferred tax method	2,611,892,422	635,785,375
Minimum notional income tax	(114,954)	(9,756)
Subtotal – Income tax allocated to the statement of income	**865,308,113**	**(815,020,104)**
Income tax – deferred tax method	1,904,557	(6,251,528)
Subtotal – Income tax allocated to other comprehensive income	**1,904,557**	**(6,251,528)**
TOTAL INCOME TAX CHARGE	867,212,670	(821,271,632)

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:

	12.31.2018	12.31.2017
Income for the year before tax	**(1.876.195.136)**	**3.904.926.325**
Tax rate of the Company	30%	35%
Tax calculated at the Company's tax rate	**562.858.541**	**(1.366.724.214)**
Permanent differences:		
Non-taxable income	63.364.115	43.298.949
Non-deductible expenses	(61.439.027)	(71.916.228)
Change in unrecognized deferred assets	23.232.135	(326.558.118)
Effect of adjustment of tax rates[1]	(344.052.922)	854.210.855
Effect of restatement on accounting bases that do not affect the deferred position	(229.828.763)	(151.879.691)
Special tax for tax revaluation option – Law 27.430[2]	(141.416.000)	-
Effect of restatement Law 27,430 on tax bases	1.085.730.751	-
Net generation of credits for similar taxes abroad[2]	7.900.971	7.115.886
Tax effect of credits for similar taxes abroad	(2.370.292)	(2.490.560)
Minimum notional income tax	(114.954)	(9.756)
Result from investments in Companies	(55.235.243)	222.544.019
Other effects arising from investments in Group companies	(69.555.195)	(21.401.242)
Others nets	26.233.996	(1.210.007)
Subtotal permanent differences at tax rate	**302.449.572**	**551.704.107**
TOTAL INCOME TAX CHARGE TO EARNINGS	**865.308.113**	**(815.020.107)**
Current income tax	(1.746.469.355)	(1.450.795.723)
Income tax – deferred tax method	2.611.892.422	635.785.375
Minimum notional income tax	(114.954)	(9.756)
TOTAL INCOME TAX CHARGE TO EARNINGS	865.308.113	(815.020.104)

(1) The effect of computing in this reconciliation the corporate rate in effect in Argentina (domicile of the Company) is included, when part of the "Income for the year before tax" is subject to the rate of other jurisdictions; (ii) The effect on the position includes the impact of changes in tax rates occurred in the jurisdiction in which the group operates and (iii) the effect of the difference between the rate used in this reconciliation (30%) and that expected to be effective at the time of reversal of the identified differences between accounting and tax bases.
(2) It is included in the "current income tax" chage.

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NOTE 33. INCOME TAX

- Tax reform in Argentina

On December 29, 2017, the National Executive Branch enacted Law 27,430 on Income Tax. This Law introduced several changes in the treatment of income tax, specially a reduction of the income tax corporate rate that levy the tax profits. The rate reduction will be implemented gradually within 4 years up to 25% in 2020. and is complemented by the application of an additional tax on dividends or profits distributed to physical persons, undivided successions or foreign beneficiaries. This additional tax will be withheld by the entity performing the distribution of dividends or profits at the time of their availability or capitalization, as a flat and final payment, in which case it will be payable on account.

The following table shows the decreasing corporate rates along with the additional tax applicable as indicated above:

Fiscal year:	Corporate rate	Additional tax
2017	35%	0%
2018	30%	7%
2019	30%	7%
2020 onwards	25%	13%

- Tax revaluation – Law No. 27430. Actions to recover payment for Income tax returns 2016

The law prescribes that companies may choose to have their Argentine-based assets that generate taxable income revalued for tax purposes. The special tax on the amount of the revaluation depends on the asset: 8% for real property other than inventories, 15% for real property-inventories, and 10% for personal property and other items of property. Once an option has been exercised for an item of property, the other items of the same category must be written up. This tax is not deductible from income tax, and the tax result arising from the revaluation is not subject to it.

In this context, at December 31, 2018 the subsidiaries Papel Misionero S.A.I.F.C, Cartocor S.A. and Bagley Argentina S.A. had opted for performing the tax revaluation, the deadline for formal exteriorization being March 29, 2019. The sum covered by the provision for this special tax at the end of the year amounts to ARS 141,416,000, included in the current income tax charge. In addition, this tax charge includes the deduction of the inflation-adjusted tax depreciation of the revalued assets.

According to the provisions of Section 292 of Law No. 27430 and its regulatory decree, the subsidiaries Cartocor S.A. and Bagley Argentina S.A., having taken the option for revaluation, will desist from the refund actions initiated in relation to the income tax returns for 2016, for the amounts of ARS 69,501,515 and ARS 252,993,088, respectively.

- Minimum notional income tax

By means of General Instruction No. 2/2017, the Federal Administration of Public Revenue instructed its legal areas to follow the criterion stated by the Federal Supreme Court of Justice, acknowledging that there is no minimum notional income when the accounting balances for the relevant period record losses and, also, losses are recorded in the income tax return for the same tax period. In this regard, the Tax Agency included in the application for preparing the Annual Tax Return of Minimum Notional Income Tax the possibility for the taxpayer to declare that the accounted balance resulted in losses, and also to include tax losses, so as not to pay the mentioned tax. In view of the above, the Company and its subsidiaries La Campagnola S.A.C.I., Indalar S.A. and Constructora Mediterránea S.A.C.I.F.I. have not computed minimum notional income tax for tax period 2018.

Arcor S.A.I.C.

On July 30, 2018, the Company filed a claim for refund before the Tax Authorities for the amounts paid for Minimum Notional Income Tax corresponding to tax periods 2013, 2014, 2016 and 2017, as the Company understands that, under certain criteria, it complies with the parameters of AFIP General Instruction No. 2/2017 and the case law of the Supreme Court of Justice on this matter. The amount claimed is ARS 366,337,528.

NOTE 33. INCOME TAX

- Minimum notional income tax

La Campagnola S.A.C.I.

On December 28, 2017, the subsidiary La Campagnola S.A.C.I. filed a claim for refund before the Tax Authorities for the application of Minimum Notional Income Tax corresponding to tax periods 2013 and 2016, in connection with which it complies with the parameters of AFIP General Instruction No. 2/2017. The amount claimed is ARS 23,301,039.

On January 17, 2019 the AFIP (Tax Authorities), through a resolution, notified the subsidiary that the mentioned claim for refund met a favorable decision in the administrative proceedings, for ARS 22,301,039 plus interest.

NOTE 34. 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 2018 and 2017 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	
	12.31.2018	**12.31.2017**
Net income attributable to the Company's shareholders	(1,820,049,318)	2,289,494,244
Weighted average of outstanding ordinary shares	70,000,000,000	70,000,000,000
BASIC AND DILUTED EARNINGS PER SHARE	(0.02600)	0.03271

NOTE 35. DIVIDENDS PER SHARE

Dividends paid to the Company's shareholders during 2018 amounted to ARS 740,852,900 (expressed in constant currency, ARS 959,049,486), as per the Ordinary and Extraordinary General Shareholders' Meetings held on April 27, 2018 and July 25, 2018, which determined payment of dividends in the amount of ARS 395,000,000 (expressed in constant currency, ARS 532,213,274) and ARS 345,852,900 (expressed in constant currency, ARS 426,836,212), respectively. Based on the number of shares outstanding at the balance sheet date, inflation-adjusted shares represent an ARS 0.01370 dividend per share.

Dividends paid to the Company's shareholders during 2017 amounted to ARS 315,000,000 (expressed in constant currency, ARS 532,643,349 stated in constant currency), as per the Ordinary and Extraordinary General Shareholders' Meetings held on April 29, 2017, that, Based on the number of shares outstanding at the balance sheet date, inflation-adjusted shares represent an ARS 0.00761 dividend per share.

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NOTE 36. TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

Following is detailed the transactions and balances with related parties:

(a) Sales of goods and services[1]

Sales of goods

	Type of relation	12.31.2018	12.31.2017
Logística La Serenísima S.A.	Indirect Associate	214,290	157,502
Mastellone Hermanos S.A.	Associate	112,076,632	80,671,588
Mastellone San Luis S.A.	Indirect Associate	7,069,252	7,346,701
TOTAL		119,360,174	88,175,791

Sales of services

	Type of relation	12.31.2018	12.31.2017
Grupo Arcor S.A.	Parent Company	271,708	290,371
TOTAL		271,708	290,371

[1] Gross amount before segregating the implicit financial interests that has been included in Financial Income.

(b) Purchase of goods

	Type of relation	12.31.2018	12.31.2017
Mastellone de Paraguay S.A.	Indirect Associate	77,269,655	71,715,470
Mastellone Hermanos S.A.	Associate	134,307,686	55,508,614
TOTAL		211,577,341	127,224,084

(c) Other expenses with related parties

	Type of relation	12.31.2018	12.31.2017
Contribution to Fundación Arcor	Others	14,207,708	17,207,026
Contribution to Fundación Arcor Chile	Others	5,855,094	4,136,843
Contribution to Instituto Arcor Brasil	Others	11,362,149	9,376,178
TOTAL		31,424,951	30,720,047

(d) Recovery of expenses

	Type of relation	12.31.2018	12.31.2017
Mastellone de Paraguay S.A.	Indirect Associate	4,928,606	3,686,638
TOTAL		4,928,606	3,686,638

(e) Financial interest (Note 32)

	Type of relation	12.31.2018	12.31.2017
GAP Inversora S.A.	Associate	(87,198)	220,577
Other related parties	Others	(60,743)	127,229
TOTAL		(147,941)	347,806

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NOTE 36. TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

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

Trade accounts receivables (Note 11)

	Type of relation	12.31.2018	12.31.2017
Mastellone de Paraguay S.A.	Indirect Associate	421,229	670,606
Mastellone Hermanos S.A.	Associate	16,854,377	11,860,732
Mastellone San Luis S.A.	Indirect Associate	1,364,240	1,313,647
TOTAL		18,639,846	13,844,985

Trade accounts payables and other liabilities (Note 24)

	Type of relation	12.31.2018	12.31.2017
Mastellone de Paraguay S.A.	Indirect Associate	11,583,808	10,654,689
Mastellone Hermanos S.A.	Associate	9,904,869	477,043
Remuneration of directors to pay	Others	14,994,345	22,733,860
Other related parties	Others	13,401,097	9,672,787
TOTAL		49,884,119	43,538,379

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	12.31.2018	12.31.2017
GAP Inversora S.A.	Associate	679,788	1,431,586
Other related parties	Others	688,846	684,926
TOTAL		1,368,634	2,116,512

(h) Employee benefits

Compensation and other employee benefits accrued to the Board of Directors and the Key personnel from Management as of December 31, 2018 and 2017 amounted to ARS 505,728,691 and ARS 369,822,879 , 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 37. FINANCIAL RISK MANAGEMENT

37.1 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, 2018:

	Amortized cost	Fair value		Total at 12.31.2018
		with changes in the statement of income	with changes in other comprehensive income	
Assets as per balance sheet				
Derivative financial instruments	-	287,289,560	5,748,369	293,037,929
Other receivables[(1)]	653,375,121	-	-	653,375,121
Credits for sales	13,459,029,125	-	-	13,459,029,125
Other investments at amortized cost[(1)]	14,815	-	-	14,815
Cash and cash equivalents	-	4,840,331,548	-	4,840,331,548
TOTAL AT DECEMBER 31, 2018	14.112.419.061	5.127.621.108	5.748.369	19.245.788.538
Liabilities as per balance sheet				
Loans	33,646,858,036	-	-	33,646,858,036
Derivative financial instruments	-	220,898,102	-	220,898,102
Trade accounts payables and other liabilities[(1)]	15,492,695,917	172,885,905	-	15,665,581,822
TOTAL AT DECEMBER 31, 2018	49,139,553,953	393,784,007	-	49,533,337,960

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

- At December 31, 2017:

	Amortized cost	Fair value		Total at 12.31.2017
		with changes in the statement of income	with changes in other comprehensive income	
Assets as per balance sheet				
Derivative financial instruments	-	111,527,668	28,968,918	140,496,586
Other receivables[(1)]	729,342,022	-	-	729,342,022
Credits for sales	11,307,431,283	-	-	11,307,431,283
Other investments[(1)]	30,373	-	-	30,373
Other investments at amortized cost[(1)]	20,660	-	-	20,660
Cash and cash equivalents	-	3,933,072,525	-	3,933,072,525
TOTAL AT DECEMBER 31, 2017	12,036,824,338	4,044,600,193	28,968,918	16,110,393,449
Liabilities as per balance sheet				
Loans	24,372,328,997	-	-	24,372,328,997
Derivative financial instruments	-	62,934,687	-	62,934,687
Trade accounts payables and other liabilities[(1)]	13,314,070,016	69,976,037	-	13,384,046,053
TOTAL AT DECEMBER 31, 2017	37,686,399,013	132,910,724	-	37,819,309,737

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

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NOTE 37. FINANCIAL RISK MANAGEMENT

37.2 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, 2018:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
Derivative financial instruments	5,748,369	-	287,289,560	293,037,929
Cash and cash equivalents	4,840,331,548	-	-	4,840,331,548
TOTAL ASSETS	4,846,079,917	-	287,289,560	5,133,369,477

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities at fair value				
Derivative financial instruments	-	64,881,687	156,016,415	220,898,102
Trade accounts payable and other liabilities[1]	-	172,885,905	-	172,885,905
TOTAL LIABILITIES	-	237,767,592	156,016,415	393784,007

[1] It only includes financial assets and liabilities under IFRS 7.

- At December 31, 2017:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
Derivative financial instruments	29,096,782	-	111,399,804	140,496,586
Cash and cash equivalents	3,933,072,525	-	-	3,933,072,525
TOTAL ASSETS	3,962,169,307	-	111,399,804	4,073,569,111

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities at fair value				
Derivative financial instruments	556,441	-	62,378,246	62,934,687
Trade accounts payable and other liabilities[1]	-	69,976,037	-	69,976,037
TOTAL LIABILITIES	556,441	69,976,037	62,378,246	132,910,724

[1] It only includes financial assets and liabilities under IFRS 7.

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NOTE 37. FINANCIAL RISK MANAGEMENT

37.2 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 of cacao and currency forward 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 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.

37.3 Fair value estimation

Fair value of assets and liabilities carried at fair value

Financial assets and liabilities carried at fair value at December 31, 2018 and 2017, 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 Montecarlo 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, 2018 and 2017 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.

NOTE 37. FINANCIAL RISK MANAGEMENT

37.3 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) 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).

NOTE 37. FINANCIAL RISK MANAGEMENT

37.4 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.

37.5 Market risk

37.5.1 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, 2018 and 2017 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 198,839,667 y ARS 45,139,409, 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, 2018 and 2017, 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 2,187,777,981 and ARS 1,599,368,395, respectively.

37.5.2 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, 2018 and 2017, 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 8,650,009 and ARS 6,997,604 respectively.

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.

NOTE 37. FINANCIAL RISK MANAGEMENT

37.5 Market risk

37.5.3 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, 2018 and 2017, ratio between fixed rate loans and floating rate loans -excluding finance leases- is disclosed in the chart below:

Type of loan	12.31.2018		12.31.2017	
	ARS	%	ARS	%
Fixed rate	31,110,320,723	92	20,929,833,144	86
Variable rate	2,536,537,313	8	3,442,495,853	14
TOTAL	33,646,858,036	100	24,372,328,997	100

Considering that only 8% 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 18.368.215.

37.6 Credit risk

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

37.6.1 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.

37.6.2 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.

37.6.3 Trade accounts receivable with industrial customers

It includes mainly trade accounts receivable for sale of industrial products (corrugated cardboard, flex, bags, virgin fiver paper, 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.

NOTE 37. FINANCIAL RISK MANAGEMENT

37.6 Credit risk

37.6.4 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.

37.7 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 2018 and 2018, 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 2018 and 2017 respectively.

	Carrying value	Maturity dates				
		Less than a year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total at 12.31.2018
	ARS					
Loans	33,646,858,036	12,419,758,689	2,142,244,509	6,124,394,201	20,110,571,619	40,796,969,018
Derivative financial instruments	64,881,687	64,881,687	-	-	-	64,881,687
Trade accounts payable and other liabilities	15,665,581,822	15,821,937,942	45,662,060	-	-	15,867,600,002
TOTAL AT DECEMBER 31, 2018	49,377,321,545	28,306,578,318	2,187,906,569	6,124,394,201	20,110,571,619	56,729,450,707

	Carrying value	Maturity dates				
		Less than a year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total at 12.31.2017
	ARS					
Loans	24,372,328,997	7,300,114,111	2,102,914,084	6,991,537,992	14,707,761,241	31,102,327,428
Derivative financial instruments	556,441	556,441	-	-	-	556,441
Trade accounts payable and other liabilities	13,384,046,053	13,476,077,118	33,554,793	-	-	13,509,631,911
TOTAL AT DECEMBER 31, 2017	37,756,931,491	20,776,747,670	2,136,468,877	6,991,537,992	14,707,761,241	44,612,515,780

The derivative financial instruments disclosed above do not include the call and put options of shares of Mastellone Hermanos S.A. (notes 14 and 39). The cash flow that might stem from the exercise of the mentioned options are shown in note 39 of these consolidated financial statements.

NOTE 37. FINANCIAL RISK MANAGEMENT

37.8 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 as on December 31, 2018 and 2017 arises from the following chart:

	12.31.2018	**12.31.2017**
Loans (note 21)	33,646,858,036	24,372,328,997
(Less) Cash and cash equivalents (note 15)	(4,840,331,548)	(3,933,072,525)
Net debt	28,806,526,488	20,439,256,472
Total equity	**20,440,906,244**	**21,079,481,424**
Total capitalization	49,247,432,732	41,518,737,896
INDEBTEDNESS RATIO	1.4093	0.9696

NOTE 38. CORPORATE REORGANIZATIONS WITHIN THE GROUP

Merger through absorption of Arcor S.A.I.C. whit Indalar S.A.

On December 18, 2018, the company Arcor S.A.I.C. (subsisting company) and Indalar S.A. (merged company), have subscribed to a Merger Framework Agreement.

This Agreement establishes the guidelines for initiating the corporate reorganization process, whereby the Company absorbs all the assets and liabilities of Indalar S.A., with effect from 1 January 2019.

This merger through absorption was made pursuant to the provisions laid down by sections 77 and 78 of Law No. 20.628.

Merger through absorption of Asama S.A. with Camle S.A., Hassa S.A., Malugan S.A. and Subel S.A.

On December 13, 2017, the companies Asama S.A. (subsisting company), Camle S.A., Hassa S.A., Malugan S.A. and Subel S.A. (merged companies), have signed a Framework Merger Agreement, effective as from January 1, 2018.

On March 5, 2018, the subsisting company and the merged companies, subscribed a prior merger commitment, whereby, Asama S.A. absorbed the assets and liabilities of the rest of the companies detailed in the previous paragraph, effective as from January 1, 2018. On March 21, 2018, the respective General Shareholders' Meetings of the companies involved (absorbing and absorbed) approved the prior merger commitment.

On May 22, 2018, the definitive merger agreement was signed.

The Merger by absorption in Asama S.A. with its corresponding increase of capital stock and amendment of the bylaws, was registered on October 22, 2018 in the Public Registry of the Inspección General de Justicia, under number 20169 of book 92, volume – of Sociedades por Acciones. This merger through absorption was made pursuant to the provisions laid down by sections 77 and 78 of Law No. 20.628.

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Chairman
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NOTE 38. CORPORATE REORGANIZATIONS WITHIN THE GROUP

Subsequent events

Merger of Cartocor do Brasil Indústria Comércio e Serviços Ltda. and Dos en Uno do Brasil Importação e Comércio de Alimentos Ltda. into Arcor do Brasil Ltda.

On January 21, 2019, Cartocor do Brasil Indústria Comércio e Serviços Ltda., Dos en Uno do Brasil Importação e Comércio de Alimentos Ltda. and Arcor do Brasil Ltda. subscribed the protocol and justification of merger whereby they agreed to submit to the consideration of their partners the merger of Cartocor do Brasil Indústria Comércio e Serviços Ltda. and Dos en Uno do Brasil Importação e Comércio de Alimentos into Arcor do Brasil Ltda.

On January 30, 2019, the pertinent partners' meetings, through the amendments to the respective articles of incorporation, decided the expiration of Cartocor do Brasil Indústria Comércio e Serviços Ltda. and Dos en Uno do Brasil Importação e Comércio de Alimentos Ltda. and the merger of their worth into that of Arcor do Brasil Ltda.

At the date of issue of these financial statements, the companies involved have submitted the mentioned documentation to the Commerce Board for the State of São Paulo, requesting registration of the merger process.

NOTE 39. 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 USD 50,000,000, (equivalent to ARS 1,053,039,566 expressed in constant currency) 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 208,080,618, expressed in constant currency.

(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.

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NOTE 39. INVESTMENT IN MASTELLONE HERMANOS S.A.

(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.

- 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.

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NOTE 39. INVESTMENT IN MASTELLONE HERMANOS S.A.

Accounting recognition in Arcor 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 Company:

(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 (12.0726% 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 Company understand that the fair value estimated is level 3 hierarchy, in accordance with IFRS 7.

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

Exercise of options during 2017

Additional subscription at Mastellone Hermanos S.A.

In January 2017, within the additional subscription period established in the "Offer for Agreement of Stock Subscription", Arcor S.A.I.C. and Bagley Argentina S.A. (jointly, the "Investors") notified Mastellone Hermanos S.A. (in onwards "Mastellone") of their decision to exercise in equal portions the additional subscription option previously described. In view of the exercise of that option.

- The Investors made on January 17, 2017 an irrevocable capital contribution on account of future subscriptions of shares for the amount of USD 35,000,000, equivalent to ARS 939,819,598 expressed in constant currency, whit the aim to subscribe and pay up 80,879,568 registered, ordinary, Class E shares of ARS 1 par value each and entitled to one (1) vote per share of Mastellone.

- After the Brazil Antitrust Authority authorized that transaction, at the Ordinary and Extraordinary Meeting of Shareholders held on April 7, 2017, the shareholders of Mastellone resolved to increase the capital stock by an amount of ARS 80,879,568, through the issuance of 80,879,568 ordinary, registered and non-endorsable Class E shares carrying one (1) voting right per share, and the new capital stock has been set at ARS 653,969,077. With the subscription of those shares, the investors increased their interest to 33.52650% in the capital stock of Mastellone, with the additional investment accounting for 9.38134% of the capital stock of Mastellone.

Purchase of shares of Mastellone Hermanos S.A.

On April 18, 2017, certain shareholders of Mastellone, in the exercise of the right conferred under the first sale option described in Note 40 to the consolidated financial statements at December 31, 2016, communicated their intention to sell a total of 31,818,189 ordinary, registered, non-endorsable shares of ARS 1 par value each and entitled to one (1) vote per share in Mastellone, for a total price of USD 13,769,072 (equal to ARS 363,207,854 expressed in constant currency). The acquisition was made in equal parts by the Company and its subsidiary Bagley Argentina S.A. and as a result, investors increased their interest to 38.39190% in the capital stock of Mastellone, with the additional investment accounting for 4.86540%.

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NOTE 39. INVESTMENT IN MASTELLONE HERMANOS S.A.

Exercise of options during 2018

Purchase of shares of Mastellone Hermanos S.A.

On February 1, 2018, after obtaining the authorization from the Competition Authority of Brazil, the Company and its subsidiary Bagley Argentina S.A. jointly acquired (50% each) from certain shareholders of Mastellone (onwards, "Mastellone") a total of 12,110,844 shares for a total amount of USD 5,240,873 (equivalent to ARS 147,751,095, expressed in constant currency), after accepting an irrevocable offer to amend the agreement of *purchase option* and sale of shares. Therefore, the Sellers have exercised the first sale option in advance, and for the amount mentioned before, corresponding to fiscal year 2018.

On June 1, 2018, certain shareholders of Mastellone, exercising their right as per the first sale option, informed of their intention to sell a total of 15,173,746 shares for a total price of USD 6,800,000 (equivalent to ARS 219,774,835, expressed in constant currency).

The acquisitions mentioned were made in equal parts by the Company and its subsidiary Bagley Argentina S.A., with the investors rising their interest in the corporate capital of Mastellone to 42.6466%, with the additional investment totaling 4.2547%.

Accounting recognition in Arcor Group at December 31, 2017

In view of the transactions described above, the Group recorded its incremental investment in Mastellone by the equity method established by IAS 28 and the following criteria were applied:

- Mastellone identifiable assets and liabilities were computed at fair value at the date of initial application of the method (February 1, 2018 and June 1, 2018).

- The carrying value of Mastellone at the initial date of application of the equity method were estimated on the basis of their financial statements at December 31, 2017, March 31, 2018 and the accounting and off-balance sheet information of the associate available at that dates.

- To determine the result of the investment between the date of initial application of the method and December 31, 2018, the condensed interim financial statements of Mastellone at December 31, 2018 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 "Results on investments in associates" of the condensed interim individual statement of income.

- 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.

- When determining the consideration to be transferred for the acquisition of shares in Mastellone at February 1, 2018, we considered the price of the transaction (ARS 146,751,095, expressed in constant currency). Likewise, for the acquisition of June 1, 2018, the transaction price was considered (ARS 219,774,835, expressed in constant currency).

The derivative financial instruments, assets and liabilities remaining (resulting from the first and second sale options and purchase option) were measured at their fair value at December 30, 2018 and are disclosed in the "Derivative financial instruments" under non-current assets for 287,289,560, "Derivative financial instruments" under current liabilities for ARS 129,803,220 and "Derivative financial instruments" under non-current liabilities for ARS 26,213,195, respectively. The differences between such fair values at closing and those recognized at the beginning and end of the financial year were allocated to the "Net Financial Result" caption in the consolidated statement of income.

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Syndics Committee

Luis Alejandro Pagani
Chairman

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NOTE 39. INVESTMENT IN MASTELLONE HERMANOS S.A.

The following tables disclose a summary of the evolution of investments in the Company at December 31, 2018:

			Gain / (Loss) - ARS		
	Opening balances	Additions for the period[1]	Result of the period	Other comprehensive income for the period	Balances as of December 31, 2018
Investments realized during the year 2016					
Equity Interest in Mastellone equity at carrying value	1,479,493,230	-	(273,127,773)	16,645,432	1,223,010,889
Recognition of higher and lower values of identifiable assets and liabilities	516,502,896	-	145,189,802	3,715,863	665,408,561
Goodwill	46,016,879	-	-	-	46,016,879
Subtotal - Equity Interest of 24.1452% in Mastellone Hnos. S.A.	**2,042,013,005**	**-**	**(127,937,971)**	**20,361,295**	**1,934,436,329**
Investments realized during the year 2017					
Equity Interest in Mastellone equity at carrying value	1,031,422,601	-	(212,479,111)	9,821,559	828,765,049
Recognition of higher and lower values of identifiable assets and liabilities	(130,420,651)	-	223,752,409	2,192,527	95,524,285
Goodwill	582,610,002	-	-	-	582,610,002
Subtotal - Equity Interest of 14.2466% in Mastellone Hnos. S.A.	**1,483,611,952**	**-**	**11,273,298**	**12,014,086**	**1,506,899,336**
Investments realized during the year 2018					
Equity Interest in Mastellone equity at carrying value	-	267,170,855	(84,174,667)	1,998,534	184,994,722
Recognition of higher and lower values of identifiable assets and liabilities	-	17,621,369	16,756,570	654,789	35,032,728
Goodwill	-	82,733,706	-	-	82,733,706
Subtotal - Equity Interest of 4.2547% in Mastellone Hnos. S.A.	**-**	**367,525,930**	**(67,418,097)**	**2,653,323**	**302,761,156**
TOTAL - INVESTMENT IN ASSOCIATE	3,525,624,957	367,525,930	(184,082,770)	35,028,704	3,744,096,821

Cost of shares acquired	367,525,930
Total - Cost of the investments in associated for the period	367,525,930

[1] Resulting from the initial application of the equity method over interest acquired in the period.

NOTE 39. INVESTMENT IN MASTELLONE HERMANOS S.A.

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 March19, 2015 by the Federal Court of 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 regards the matter at issue, the Federal Court in San Luis found in favor of Mastellone San Luis on September 27, 2016, and this decision was subsequently appealed. On July 28, 2017, the Federal Court of Appeals in Mendoza, resolved to reject the appeal filed by AFIP. Subsequently, On September 27, 2017, such Court resolved to reject the extraordinary appeal filed by AFIP.

By a resolution dated March 31, 2015, the Federal Court of San Luis gave 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.

On April 4, 2017, the Federal Court of Appeals in Mendoza granted the appeal filed by the AFIP, revoking the provisional remedy the Federal Court in San Luis had awarded. On April 21, 2017, Mastellone San Luis filed an extraordinary appeal with that Federal Court of Appeals. Subsequently, on September 27, 2017, the Court of Appeals sustained the extraordinary appeal filed by Mastellone San Luis S.A. As regards the matter at issue, the Federal Court in San Luis found in favor of Mastellone San Luis on July 25, 2016, and this decision was subsequently appealed. On September 27, 2017, the Federal Court of Appeals resolved to reject the appeal filed by AFIP.

On March 23, 2018, the Federal Court of Appeals in Mendoza admitted the extraordinary appeal presented by the AFIP, configuring the federal issue that enables the Supreme Court of Justice. It should also be noted that with regard to the merits, the Federal Court of San Luis, on July 25, 2016 had issued a favorable ruling in favor of Mastellone San Luis.

The industrial promotion benefits recognized by Mastellone San Luis in their financial statements during the fiscal years ended December 31, 2018 and 2017 amounted, in constant currency, to ARS 474.5 million and ARS 566.4 million respectively. These uses are part of the results of Mastellone for the respective years.

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Chairman

NOTE 40. INVESTMENT IN ZUCAMOR S.A.

Description of the transaction

On April 18, 2017, the Board of Directors of the Company accepted the sale offer made by MB III Zuc Cooperatief U.A. (a legal entity organized and existing under the laws of The Netherlands) and by the shareholders of the companies Asama S.A., Camle S.A., Hassa S.A., Subel S.A., and Malugan S.A., to acquire, directly and indirectly, 100% of the capital stock and votes of Zucamor S.A. ("Zucamor Group"), according to the following detail:

(i) From MB III Zuc Cooperatief U.A., 51% of the capital stock and votes of Zucamor S.A.

(ii) 100% of the capital stock and votes from Asama S.A., Camle S.A., Hassa S.A., Subel S.A., and Malugan S.A., which jointly hold 49% of the capital stock and votes of Zucamor S.A.

Subsequently, on July 4, 2017 (date of the acquisition), after obtaining certain necessary government authorizations for completing the transaction, the closure of this occurred, from which:

- Arcor S.A.I.C. (the acquirer) paid in cash the full price agreed upon for the shares mentioned above which amounted to USD 128,574,115 (equivalent to ARS 3,558,400,292, expressed in constant currency)

- The Company took control of Zucamor Group (including Zucamor S.A. and its subsidiaries Zucamor Cuyo S.A., BI S.A. and Papel Misionero S.A.I.F.C) and that of the companies Asama S.A., Camle S.A., Hassa S.A., Subel S.A. and Malugan S.A.

The business acquired ("Zucamor Group") is formed by seven industrial plants located in six places: Misiones (a virgin fiber paper plant), San Luis (a plant of industrial bags), Mendoza (a plant of recycled paper), San Juan (a plant of corrugated cardboard), and three plants in the province of Buenos Aires, in Ranelagh (two plants, one of corrugated cardboard and another of recycled paper) and Quilmes (a plant of corrugated cardboard). Furthermore, Zucamor Group is engaged in the forestry activity in the province of Misiones. With this acquisition, the Packaging Business of Arcor Group (Note 4) adds the manufacture of virgin fiber paper, bag paper (sack Kraft) and paper bags for different industrial segments (cement, flour, sugar, among others).

On July 13, 2017, Arcor S.A.I.C. made an irrevocable capital contribution in Zucamor S.A. that expressed in constant currency amounted to ARS 1,133,527,383 to help finance its operations. This contribution was capitalized as decided by the Extraordinary Shareholders' Meeting of Zucamor S.A. held on September 27, 2017.

At the date of issue of these condensed interim consolidated financial statements, the authorization from the Argentine Agency for the Defense of Competition is pending.

- Transactions with the non-controlling interest

On July 17, 2017, the Company transferred to the associate GAP Inversora S.A. (non-controlling interest of Arcor Group) shares representing 0.0182% of the capital stock in Asama S.A., 0.0088% of the capital stock in Subel S.A., 0.0216% of the capital stock in Malugan S.A., 0.0004% of the capital stock in Camle S.A. and 0.0119% of the capital stock in Hassa S.A., becoming the minority shareholder of all of them. The value of these transfers, expressed in constant currency, amounted to ARS 278,377.

NOTE 40. INVESTMENT IN ZUCAMOR S.A.

- Accounting recognition in the Arcor Group at December 31, 2017

Under the transaction described above, in July 2017 Arcor Group decided to recognize the net identifiable assets acquired, based on the following allocation of the consideration transferred:

Captions of Condensed Interim Consolidated Balance Sheet	Total – Identifiable assets and liabilities at fair value at the date of acquisition	
	Note	**ARS**
Property, plant and equipment	5	5,578,302,786
Brands and other intangible assets	7	357,550,046
Biological assets – Forestations	9	376,336,973
Inventories	27	844,507,649
Trade accounts receivable and other receivables[1]		1,834,225,859
Cash and cash equivalents		34,568,761
Other net assets		520,684
Loans	21	(2,826,443,993)
Employee retirement benefits obligations	22	(33,651,850)
Trade accounts payable and other liabilities		(1,196,410,576)
Provisions	23	(151,262,537)
Deferred tax assets / (liabilities)	10	(1,342,824,538)
SUBTOTAL		**3,475,419,264**
Non-controlling interest added	20	(85,278,095)
TOTAL LIABILITIES AND EQUITY		3,390,141,169
Recognition of the goodwill	7	168,259,123
TOTAL NET IDENTIFIABLE ASSETS ACQUIRED AND GOODWILL		3,558,400,292
Funds cancelled in cash for 51% of Zucamor S.A. shares		(1,805,976,927)
Funds cancelled in cash for 100% of the shares of Asama S.A; Subel S.A; Malugan S.A.; Camle S.A and Hassa S.A.[2]		(1,752,423,365)
TOTAL CONSIDERATION TRANSFERRED[3]		(3,558,400,292)

[1] Net of the allowances for bad debts estimated in ARS 81,829,666 (Note 11).
[2] The main identifiable asset for the companies considered is the share interest in Zucamor S.A. that, as a whole, increased to 49%.
[3] The allocation per acquired Company of the acquired consideration arises from the executed instruments.

In relation to the information described above:

- The identifiable assets and liabilities of Zucamor Group were computed at fair value at the date of acquisition in accordance with IFRS 3 *Business combinations.*

- Contingent liabilities were recognized under IFRS 3, net of indemnification rights.

- The retirement benefit obligations and deferred tax assets and liabilities resulting from the net identifiable assets acquired, were recognized and measured in accordance with IAS 19 *Employee Benefits* and IAS 12 *Income tax,* respectively (exceptions to the principle of fair value measurement, as set forth in IFRS 3). Impacts of the recognition and measurement at fair value of identifiable assets and liabilities acquired on the deferred position were computed using preliminary estimates of those fair values.

- Goodwill is attributable to the expected improvments of the operations combined with the acquired business and the Packaging segment of Arcor Group. It is not expected to be deductible for tax purposes.

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NOTE 40. INVESTMENT IN ZUCAMOR S.A.

- The expenses related to the transaction were recognized in the income for the year, as set forth in item 53 of IFRS 3.

- The non-controlling interest in Zucamor Group was measured, at the acquisition date, considering its interest in recognized identifiable assets and liabilities, measured at fair value, using the option indicated in item 19 (b) of IFRS 3. This non-controlling interest corresponds to the minority interest in the subsidiary Papel Misionero S.A.I.F.C., which amounts to 3.9284% of its capital stock.

Impact on the interim condensed consolidated financial statements at December 31, 2018 and 2017

The Group decided to consolidate the asset and liability balances of the business acquired at December 31, 2017 and the results accrued in the period comprised between July 4, 2017 (acquisition date) and December 31, 2017. This situation has to be considered when reading and interpreting the consolidated financial information of the Group at December 31, 2017, and in comparison with the Group's incorporation at December 31, 2018.

Disclosed below is the contribution made by Zucamor Group in the results of the Group at December 31, 2018 and at December 31, 2017 (from the acquisition date mentioned above):

	Figures between January 1, 2018 and December 31, 2018	**Figures between the date of acquisition (July 4, 2017) and December 31, 2017**
Sales of goods and services	6,367,900,046	2,921,545,042
Operating income	657,043,708	132,627,761
Net financial results	(415,073,903)	17,492,471
Income before income tax	241,969,805	150,120,232
Net income for the year	(36,952,875)	456,295,362
Net income attributable to the company	(42,444,252)	444,028,432
Net income attributable to the Non-controlling interest	5,491,377	12,266,930

NOTE 41. JOINT VENTURE AGREEMENT WITH GROUP WEBCOR

During June 2018, the Board of Directors of the Company approved an agreement to invest with Webcor Group, one of the largest food distribution companies in Angola. The agreement is intended to install an industrial plant to start the production of candies and cookies in that country.

NOTE 42. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, 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 38.

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Consolidated Business Highlights

At December 31, 2018

CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2018, PRESENTED IN COMPARATIVE FORM

I. COMMENT ON ARCOR GROUP'S ACTIVITIES

PREVIOUS CONSIDERATIONS

At the end of the 57th year, covering the period from January 1st to December 31, 2018, Group's sales revenue increased respect prior year. Foreign subsidiaries sales represented 31.1% of the Group's consolidated sales, and the sales in Argentina, including export sales to third parties represented 68.9% of the consolidated sales of the year 2018.

For the year ended on December 31th, 2018, a loss was recorded of ARS 1,010,887,023, which were affected by the movements of certain macroeconomics variables, mainly for the impact of Argentine devaluation and an increase of the inflation from the last semester of the year.

The Company continues with its policy of maintaining suitable liquidity levels in order to fulfill its commitments. As of December 31, 2018, Group's liquidity level amounted to ARS 4,840,331,548 recording a net increase in cash for ARS 340,657,048 compared with the position at the beginning of the year.

The consolidated net cash flow generated by operating activities reached ARS 3,014,884,324 and net funds for ARS 230,926,975 were obtained from financing activities. Funds generated and obtained allowed mainly to finance investments for the purchase of fixed assets and acquisition of subsidiaries for ARS 2,905,154,251.

INVESTMENTS AND DEVELOPMENTS

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

• Machinery and equipment	126,760,987
• Furniture, tools, vehicles and other equipment	278,513,393
• Constructions	56,100,078
• Works in progress and goods in transit	2,612,835,778
TOTAL INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT	3,074,210,236

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CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2018, PRESENTED IN COMPARATIVE FORM

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

	12.31.2018	12.31.2017
Non-current assets	35,983,575,275	33,313,091,487
Current assets	38,468,870,089	30,738,244,600
Total assets	**74,452,445,364**	**64,051,336,087**
Non-current liabilities	25,520,807,086	22,057,285,275
Current liabilities	28,490,732,034	20,914,569,388
Total liabilities	**54,011,539,120**	**42,971,854,663**
Equity attributable to shareholders of the company	14,175,256,109	15,235,477,780
Non-controlling interest	6,265,650,135	5,844,003,644
Total equity	**20,440,906,244**	**21,079,481,424**
Total liabilities and equity	74,452,445,364	64,051,336,087

III. CONSOLIDATED INCOME STRUCTURE COMPARED WITH THE PREVIOUS YEARS

	Profit / (Loss)	
	12.31.2018	12.31.2017
Operating profit	4,579,332,523	3,432,032,139
Net financial results	(6,271,410,181)	(162,945,868)
Net income / (loss) on investment in associates	(184,117,478)	635,840,054
Net Income before income tax	**(1,876,195,136)**	**3,904,926,325**
Income tax	865,308,113	(815,020,104)
Net (loss) / income for the year	**(1,010,887,023)**	**3,089,906,221**
Other comprehensive income for the year	2,056,549,120	(159,654,264)
Net comprehensive income for the year	**1,045,662,097**	**2,930,251,957**
Net comprehensive (loss) / income attributable to:		
Company's shareholders	(101,172,185)	2,188,552,994
Non-controlling interest	1,146,834,282	741,698,963
Total	1,045,662,097	2,930,251,957

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CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2018, PRESENTED IN COMPARATIVE FORM

IV. CASH FLOW STRUCTURE COMPARED WITH THE PREVIOUS YEARS

	Generated by / (Used in)	
	12.31.2018	**12.31.2017**
Operating activities	3,014,884,324	6,003,043,652
Investing activities	(2,905,154,251)	(8,022,913,291)
Financing activities	230,926,975	2,148,759,841
NET INCREASE IN CASH	340,657,048	128,890,202

V. STATISTICAL DATA COMPARED WITH THE SAME PERIODS OF THE FOUR PREVIOUS YEARS

a) RETAIL SEGMENT

	Fourth quarter 2018 Tn.	Fourth quarter 2017 Tn.	Fourth quarter 2016 Tn.	Fourth quarter 2015 Tn.	Fourth quarter 2014 Tn.
Production volume	181,203	177,731	187,197	176,236	185,526
Sales volume – domestic market	169,718	177,116	178,939	183,232	180,778
Sales volume – export market	9,671	8,993	10,630	8,972	10,521

	Accumulated at 12.31.2018 Tn.	Accumulated at 12.31.2017 Tn.	Accumulated at 12.31.2016 Tn.	Accumulated at 12.31.2015 Tn.	Accumulated at 12.31.2014 Tn.
Production volume	781,819	781,092	797,408	789,649	803,707
Sales volume – domestic market	750,321	755,383	759,796	772,794	783,516
Sales volume – export market	29,273	28,753	31,768	32,570	39,300

b) INDUSTRIAL SEGMENTS

	Fourth quarter 2018 Tn.	Fourth quarter 2017 Tn.	Fourth quarter 2016 Tn.	Fourth quarter 2015 Tn.	Fourth quarter 2014 Tn.
Production volume	298,756	335,948	281,082	259,002	251,607
Sales volume – domestic market	208,888	227,906	168,920	151,253	142,969
Sales volume – export market	20,441	30,178	19,377	14,903	13,248

	Accumulated at 12.31.2018 Tn.	Accumulated at 12.31.2017 Tn.	Accumulated at 12.31.2016 Tn.	Accumulated at 12.31.2015 Tn.	Accumulated at 12.31.2014 Tn.
Production volume	1,466,085	1,272,313	1,902,740	1,048,127	1,604,647
Sales volume – domestic market	864,626	807,537	656,089	615,577	612,228
Sales volume – export market	73,768	83,749	71,953	57,638	54,267

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CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2018, PRESENTED IN COMPARATIVE FORM

VI. MAIN CONSOLIDATED FINANCIAL RATIOS AND EBITDA

	31.12.2018	**31.12.2017**
• Liquidity	1.4	1.5
• Solvency	0.4	0.5
• Capital Immobilization	0.5	0.5
• Indebtedness	2.6	2.0
• Interest Rate Hedging	3.9	4.0
• Profitability	(4.9)%	15.3%

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	Operating Income + Depreciation + Amortization of Intangible Assets / Consolidated Financial Interest [1]
• Profitability	Net income for the year / Averaged equity

[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.

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VII. OUTLOOK

According to the projections made by the IMF[1], the decline in global expansion is expected to continue by 2019 and economic activity is expected to grow by 3.5%. Forecasts on world economic growth in latest estimates by the IMF showed a decrease, partially related to the negative effects of the tariff increases introduced by the US and China, but also due to a weakening of morale in financial markets and to a deeper-than-expected contraction in certain emerging markets.

The growth expected for the US is about 2.5% in 2019 and 1.8% in 2020. A solid growth in domestic demand will favor the increase of imports and at the same time enlarge the deficit in the current account.

In the emerging and developing economies of Asia, growth will decrease from 6.5% in 2018 to 6.3% in 2019. Chinese economy will decelerate, even with the fiscal stimulus that will be applied in an effort to partially neutralize the impact of the tariff increase in the US, owing to the combined influence of the necessary hardening of financial regulations and the commercial tensions with the US.

For Latin America, the IMF projects that growth will have an upturn in the next two years, from 1.1% in 2018 to 2.0% in 2019 and 2.5% in 2020, which implies a reduction in previous estimates. The crisis in Venezuela worsened, and lower growth is expected in México for 2019-20, due to the decrease in private investment. However, a rise in growth is forecast in Brazil, where gradual recovery is expected after the 2015–16 recession. Argentine economy will contract in 2019 as the restrictive policies intended to reduce imbalances slow down domestic demand, but a return to growth is expected in 2020.

The ECLAC estimates a contraction of 1.8% in Argentine economy and, in addition, notes that the highest risk for Latin America economic performance in 2019 is still an abrupt deterioration of the financial situation in emerging economies. The year 2018 witnessed the implications of monetary normalization in the US in a context of higher risk aversion and greater financial volatility. Emerging markets, including Latin America, displayed a significant reduction in external financing flows, while their levels of sovereign risk and the depreciation of currencies against the US dollar increased.

In the local sphere, according to the Market Expectations Survey (REM, for its acronym in Spanish) carried out by the Argentine Central Bank in February 2019, the market can expect an overall inflation of 29% for the next twelve-month period. Further, the projections from previous surveys are maintained, regarding the variation of real Gross Domestic Product for 2019 (-1.2%) and 2020 (2.5%); as for the nominal wholesale exchange rate, the rate projected for December 2019 is 48 pesos per US dollar.

In view of the perspectives of the international, national and regional economy, the Board of Directors ratifies the pillars that form the Arcor Group vision: (i) becoming the leading food and candy company in Latin America, (ii) being renowned in the international market, and (iii) standing out for its use of sustainable practices and the capability of entering new businesses. In this sense, the strategy to focus on main businesses will continue (Mass consumption, Packaging and Agribusiness) and the development of projects for strategic alliances, prioritizing liquidity and a sound financing structure with the aim of ensuring compliance with obligations and commitments, as well as on obtaining the funds required to carry out transactions and investment projects.

[1] Source: International Monetary Fund, "Update on the World Economic Outlook", Davos, January 2019.

Victor Jorge Aramburu
Chairman
Syndics Committee

Luis Alejandro Pagani

Chairman

See our report date March 12, 2019
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.

REVIEW REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the
Shareholders, President and Directors of
ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL
Legal Address: Av. Fulvio Salvador Pagani 487
Arroyito - Provincia de Córdoba
C.U.I.T. N°: 30-50279317-5

Review report of 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, 2018, the statements of income and of other comprehensive income, the statement of changes in equity and 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 2017 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. 33 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., Av. Colón 610 - Piso 8º - X5000EPT - Córdoba
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An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements due to fraud or error. In making those risk assessments, the auditor should take into account the internal control relevant to the preparation and fair presentation of the Company's consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements as a whole.

We believe that the evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements mentioned in the first paragraph present fairly, in all material respects, the consolidated financial position of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL and its subsidiaries as of December 31, 2018, 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) 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, 2018 and December 31, 2017:

	12.31.18	12.31.17
Assets	74,452,445,364	64,051,336,087
Liabilities	54,011,539,120	42,971,854,663
Equity	20,440,906,244	21,079,481,424

c.2) Consolidated statement of income and statement of other comprehensive income for the years ended December 31, 2018 and 2017, which show a total comprehensive income of ARS 1,045,662,097 and ARS 2,930,251,957, 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, 2018 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 213,128,292.79, 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, 2018 account for:
f.1) 86,82% of the total fees for services billed to the Company for all items during that fiscal year;
f.2) el 48,22% 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) el 44,51% 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 12, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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

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 1.

1. DOCUMENTS EXAMINED.

a) Consolidated Financial Statements:

• Consolidated balance sheet at December 31, 2018.
• Consolidated statement of income and of other comprehensive income for the year ended December 31, 2018.
• Consolidated statement of changes in equity for the year ended December 31, 2018.
• Consolidated statement of cash flows for the year ended December 31, 2018.
• Selected explanatory notes for the consolidated financial statements for the year ended December 31, 2018.

b) Separate Financial Statements:

• Separate balance sheet at December 31, 2018.
• Separate statement of income and of other comprehensive income for the year ended December 31, 2018.
• Separate statement of changes in equity for the year ended December 31, 2018.
• Separate statement of cash flows for the year ended December 31, 2018.
• Selected explanatory notes for the separate financial statements for the year ended December 31, 2018.

c) Inventory and Annual Report of the Board of Directors for the year ended December 31, 2018.

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, 2018, 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, 2018, as required by Section 12, Chapter III Title IV of the National Securities Commission regulations.

g) Information included in Note 37 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, 2017 (expressed in constant currency) are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with those financial statements.

2. BOARD RESPONSIBILITY RELATED TO THE FINANCIAL STATEMENTS.

The Board of Directors of the Company is responsible for the preparation and presentation of these condensed interim financial statements in exercise of their exclusive functions, these financial statements under International Financing Reporting Standards which were adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and approved by into the regulations of the National Securities Commission (CNV), as approved by Professional Councils in Economic Sciences of Province of Cordoba (CPCE Cba.), as approved by the International Accounting Standards Board (IASB); therefore, it is responsible for the preparation and presentation of the condensed interim consolidated financial statements mentioned in the first paragraph in accordance with International Accounting Standard 34 “Interim Financial Reporting” (IAS 34); and the internal control that the Board of Director consider necessary to allow the preparation of the condensed interim financial statements without material misstatements. Our responsibility is to inform about these documents based on the review that we have performed with the scope detailed in the following paragraph.

3. RESPONSIBILITY OF THE SYNDICS' COMMITTEE.

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 12, 2019 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, 2018, 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.

Ass 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.

4. 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, 2018, 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, 2018, 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, 2018, 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 37 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.

5. REPORT RELATED TO OTHER LEGAL AND REGULATORY REQUIREMENTS.

a. The financial statements of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL stem from accounting records kept in all formal respects in conformity with legal regulations.

b. The financial statements and its inventory 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 resolutions of the National Securities Commission.

c. 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.

d. 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.).

e. 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 12, 2019.

Cr. Victor Jorge Aramburu
Accountant
Chairman of the Syndics'
Committee

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