



2019 As of December 31, 2019 /
59^o Fiscal Year

As of December 31, 2019 /
59^o Fiscal Year



59th Fiscal Year

59th Fiscal Year





After a new year, the international economy was once again weakened. According to IMF, the growth rate for 2019 was 2.9%. Although that occurred in an unequal form in the different parts of the world, powers such as the United States and China showed a slowdown in its economies compared to 2018. The ended year left a rest of uncertainty with respect to the international trade and an imbalance in the global situation.

According to ECLAC's preliminary balance sheet, in 2019, the economic growth in Latin America was estimated at 0.1%. This number reinforces what the IMF projected, compared to 1.0% of the previous year and once again evidencing this slowdown. In Argentina, a large part of this result had to do with the sharp economic recession and a political uncertainty resulting from the electoral year. Other factors, such as year-over-year inflation of 53.8% and the devaluation of the Argentine peso -with its

impact on an unexpected outflow of dollar deposits- affecting directly to customers and the market.

In this complex context, the Argentine economy suffered a contraction of 3.0% in 2019 according to ECLAC's projections. Facing this national and international stage, the level of consolidated sales of Arcor Group, expressed in homogeneous currency, evidences an increase compared to the previous year.

With regard to our business abroad, positive results are in sight. A slow recovery in sales volumes and turnover in Brazil and in the businesses of South Subsidiaries stands out. Against the previously mentioned panorama concerning to the economy at the national level, it is understandable that Argentina's mass consumption businesses have presented

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As another milestone of this year, we are proud of mentioning our investment Alliance with Coca Cola Argentina -Kamay Ventures-. This fund aims to finance and advise start-ups with innovative projects, in seven different areas with the support of Overboost, an experienced company accelerator.

The summary of all the actions developed during this year shows Arcor Group's vocation for permanent evolution, inspired by passion, commitment and our entrepreneurial spirit. In the future, we will continue in search of new initiatives that contribute to improve the quality of people's lives and of society in general.



Luis. A. Pagani
Arcor Group's President



A LEADING MULTINATIONAL GROUP

FROM ARGENTINA, TO THE WORLD

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 every occasion of consumption, and reaches more than 100 countries. Currently, Arcor Group is made up of three business divisions: Consumer Food

Products (Food, Chocolates, Cookies, Confectionery, Ice-creams 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 commercial offices in the Americas, Europe and Asia, and more than 40 industrial plants in Latin America.

CONSUMER FOOD 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, according to their food preferences and needs. We

promote healthy lifestyles based on a varied and balanced diet, from a strategy that we work with the scientific community; improvement of nutritional profiles and entry into new categories; and raising awareness about the value of a balanced life to all our stakeholders.

PRODUCTS FOR EVERYONE

GLUTEN-FREE PRODUCTS - LOW OR REDUCED IN SODIUM AND SUGAR - REDUCED IN SATURATED FATS - SOURCE OF FIBER, OMEGA 9, VITAMINS AND MINERALS - DIETARY SUPPLEMENTS - RIGHT PORTION SIZE



FOOD



CHOCOLATE



COOKIES



CONFECTIONERY



ICE CREAM




FUNCTIONAL
PRODUCTS

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 (Sugar mill), we have the capacity to produce 150,000 tons of sugar, and we generate 11 MW

of renewable energy through sugar cane bagasse. Aiming to boost this Business unit, in 2019, we launched to the market common table sugar and Muscovado sugar, unique in Argentina and second at world level to have Bonsucro certification. Bonsucro is a global platform that promotes economic, social and environmental sustainability in sugar cane sector.



PRODUCTION: common and muscovado sugar, milk, ethyl alcohol from cereals, fructose, maltose, glucose, corn starch, corn flour, semolina, corn oil and a significant number of corn by-products used for animal feeding animal.

1,4 MILLIONS OF TN

OF MILLED SUGAR
CANE PER YEAR

1,800 TN

OF GROUND
CORN PER DAY

85,000 LITRES

OF ALCOHOL
PRODUCED PER DAY

50,000 LITRES

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, Conerflex 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 environment conservation.



PRODUCTION: corrugated cardboard, recycled paper, virgin paper, cardboard packaging, paper bags, flexible packaging, plastics and bioplastics extrusion, POP material, forestry.

260,000 TN

OF PAPER PER YEAR

900 MILLIONS OF M²

OF CORRUGATED
CARDBOARD PER YEAR

12,000 TN

OF FLEXIBLE MATERIAL
PER YEAR

23,000 HECTARES

OF OUR OWN FOR FOREST
DEVELOPMENT

**MORE THAN 40
INDUSTRIAL
PLANTS**
in Latin America

**LARGEST
PRODUCER**
of paper in Argentina and
an important referent in
South America

One of the
**LARGEST MILK
PRODUCERS**
in Argentina

**1st
WORLD
PRODUCER**
of hard candies

Investments for
**950 MILLION
DOLLARS**
in the last 10 years

Exports to more than
100 countries for
**270 MILLION
DOLLARS**

**COMMERCIAL
OFFICES**
in Argentina, Uruguay,
Paraguay, Bolivia,
Colombia, Ecuador,
Mexico, The United
States, Spain and China

20,000
collaborators

1st
maize flour
PRODUCER
in Argentina

3 MILLION
kg of products
produced daily

LEADING
cookie, alfajor and cereal
COMPANY
in the region

**200
PRODUCTS
LAUNCHED
annually**

Argentina's
**LEADING
FOOD
COMPANY**

ARGENTINE LEADER

in the production of
corrugated cardboard

World-Class Retail DISTRIBUTION MODEL

1 MILLION
points of
sale reached
in the region

**ONE OF THE
LARGEST
SUGAR
PRODUCERS**
in Argentina

10 consecutive
years as a
**REPUTATION
LEADER**
in Argentina -
Merco Ranking



ARCOR IN THE WORLD

PRESENCE IN MORE
THAN 100 COUNTRIES*



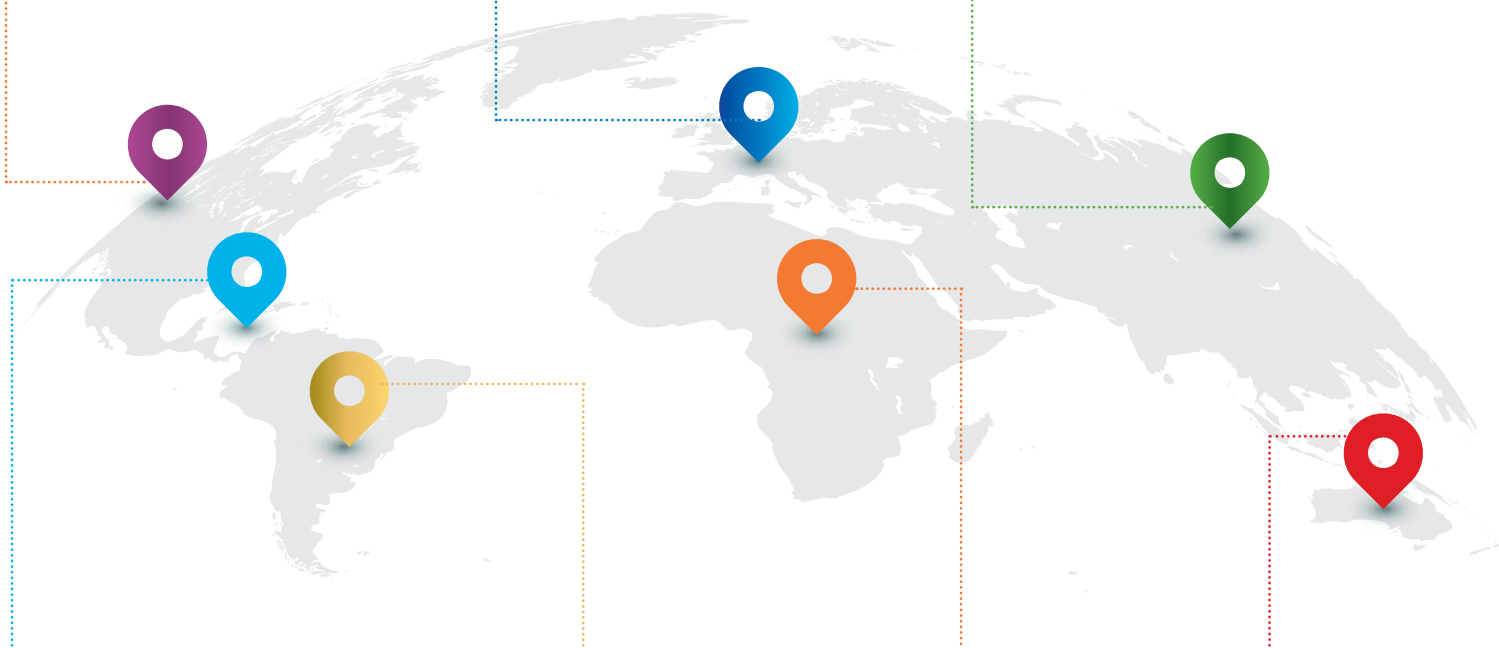
The USA - Mexico



Netherlands - United Kingdom
- Georgia - Bulgaria - Spain -
Estonia - Sweden



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 - Ghana - Gambia -
Mozambique - Madagascar
- Angola - Cape Verde -
Cameroon - South Africa



New Zealand

* Main countries listed.

COMMERCIAL OFFICES



SOUTH AMERICA

Arcor S.A.I.C.

Buenos Aires, Argentina
(Headquarters)

Arcor S.A.I.C.

Córdoba, Argentina
(Headquarters)

Industria Dos en Uno de Colombia Ltda.

Bogotá, Colombia (1998)

Unidal Ecuador S.A.

Guayaquil, Ecuador (1998)

Arcor Alimentos Bolivia S.A.

Santa Cruz de la Sierra, Bolivia (2004)

Arcorpar S.A.

Asunción, Paraguay (1976)

Van Dam S.A.

Montevideo, Uruguay (1979)

Gap Regional Services S.A.

Montevideo, Uruguay (2008)



EUROPE

Arcor A.G. (S.A. LTD.)

Barcelona, Spain (2002)



ASIA

Arcor Trading

(Shanghái) CO., LTD.

Shanghái, China (2006)



NORTH AMERICA

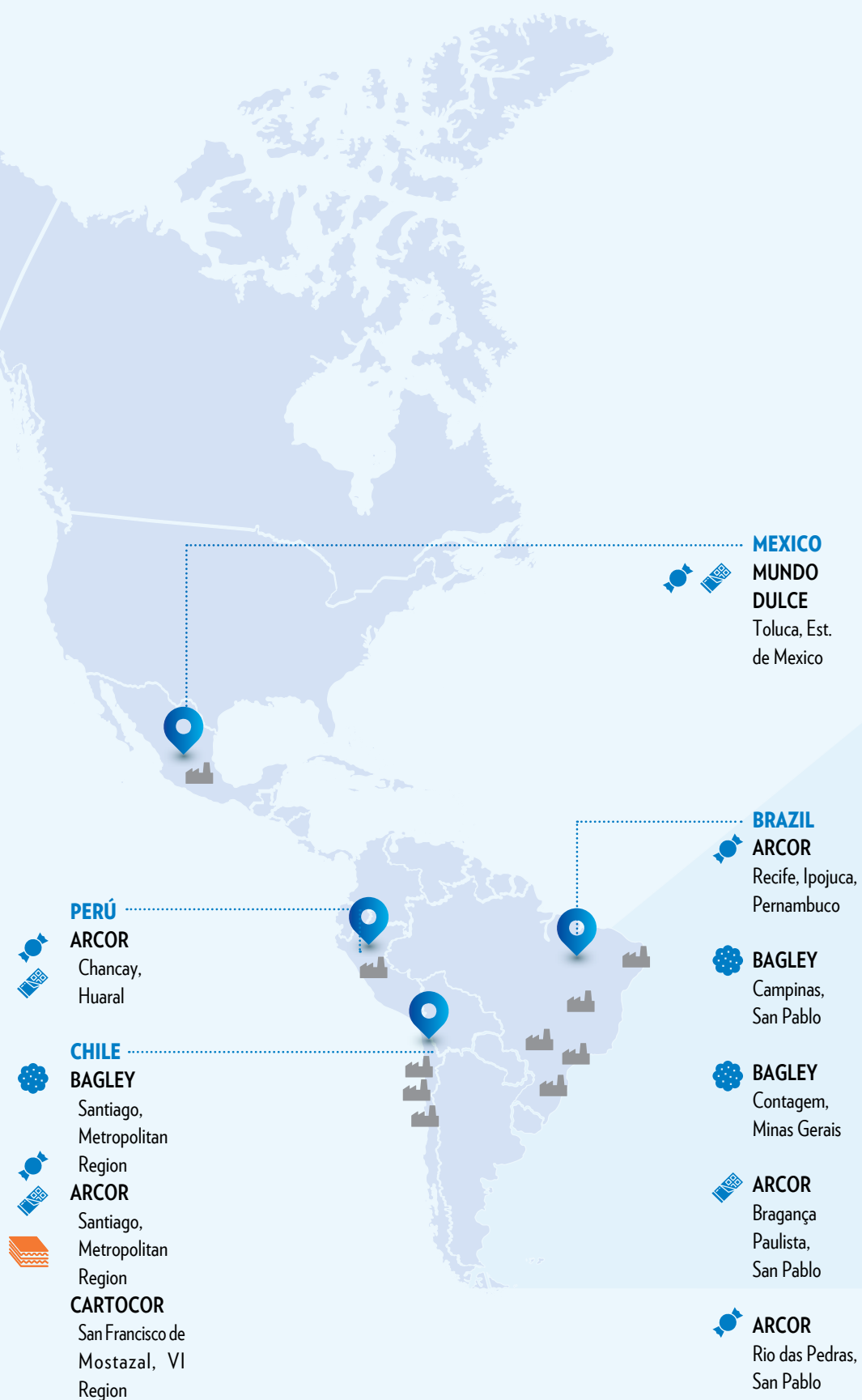
Arcor USA Inc.

Miami, EE.UU. (1993)

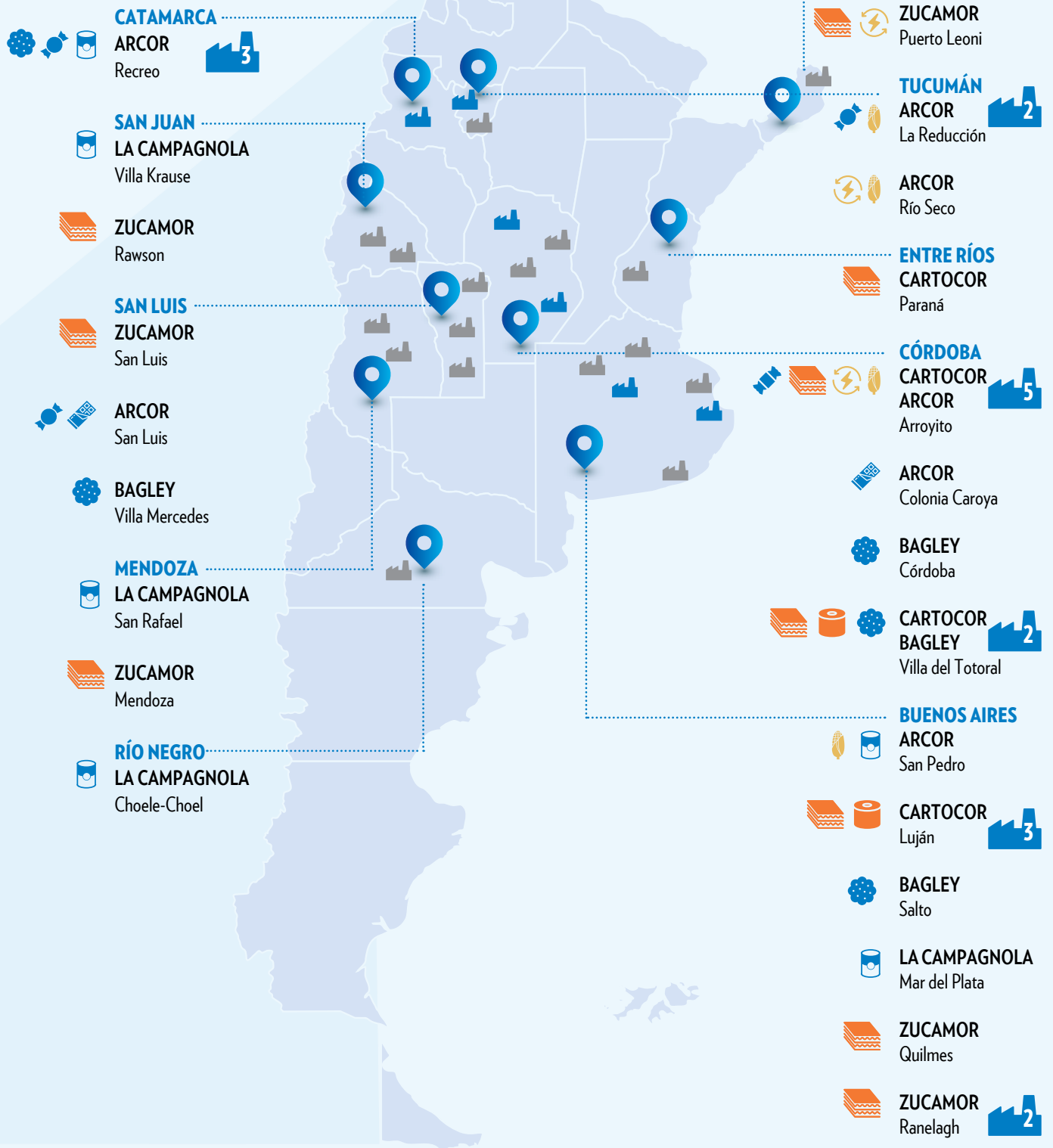
Unidal Mexico S.A. de C.V.

Mexico D.F., Mexico (2000)

MORE THAN 40 INDUSTRIAL PLANTS IN LATIN AMERICA



ARGENTINA



FOOD



CHOCOLATE



COOKIES



CONFECTIONERY



AGRIBUSINESS



ENERGY



CARDBOARD
/PAPER



FLEXIBLE



INDUSTRIAL
PLANTS



COMPLEX WITH MORE
THAN ONE INDUSTRIAL
PLANT



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.



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.



MISION

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.

OUR VALUES





As a company committed to sustainability, it promotes initiatives, projects and programs that seek to create 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.

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. This commitment is based on the Company's Social Investment Policy and, from the perspective of Children's Rights, its actions are guided around two thematic axes: Childhood and Healthy Life, and Childhood and Comprehensive Development during Early Childhood.

SUSTAINABILITY POLICY

In 2010, Arcor Group formalized its commitment to promote sustainable management in a sustainability policy made up 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 business units, 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
MATERIAL**



**RESPECT FOR
AND PROTECTION
OF HUMAN AND
LABOR RIGHTS**



**ACTIVE LIFE
AND HEALTHY
NUTRITION**

NOTICE OF SHAREHOLDERS' MEETING


TO THE SHAREHOLDERS

Pursuant to the provisions of the Corporate Bylaws and regulations in force, the Board of Directors calls on the shareholders of ARCOR SOCIEDAD ANÓNIMA INDUSTRIAL Y COMERCIAL (the "Company") to attend

the Ordinary and Extraordinary General Meeting to be held on April 25, 2020, at 12 p.m., at the corporate headquarters located at Avenida Fulvio S. Pagani 487, Arroyito, province of Córdoba, Argentina, to consider the following Agenda:

AGENDA

1. Pursuant to the provisions of the Corporate Bylaws and regulations in force, the Board of Directors calls on the shareholders of ARCOR SOCIEDAD ANÓNIMA INDUSTRIAL Y COMERCIAL (the "Company") to attend the Ordinary and Extraordinary General Meeting to
2. AGENDA be held on April 25, 2020, at 12 p.m., at the corporate headquarters located at Avenida Fulvio S. Pagani 487, Arroyito, province of Córdoba, Argentina, to consider the following Agenda:
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: (i) Accumulated Results and Income for the Fiscal Year; (ii) consideration of the total or partial reversal or increase of the Special Reserve for Future Dividends and/or Optional Reserve for Future Investments; (iii) absorption of Unallocated Losses; (iv) the distribution of cash dividends and/or the constitution of other legal reserves.
6. Consideration of remunerations to the Board of Directors (in thousands of pesos, 212,015 ARS in nominal values, such amount restated to constant values as of December 31, 2019 to the amount of 275,406 ARS in thousands of pesos) corresponding to the fiscal year ended on December 31, 2019, 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. Determination of the number of regular and alternate members of the Board of Directors, and appointment if it corresponds.
8. Election of three regular and three alternate Syndics, to integrate the Syndics Committee.
9. Appointment of the External Auditor, and the External Alternate Auditor, who will certify the Financial Statements for Fiscal Year No. 60 and determine their fees.
10. Consideration of the extension of the Global Program of Issuance of Simple Corporate Bonds, nonconvertible into shares, as decided at the Shareholders' Meeting held on February 27, 2010, extended and authorized on October 25, 2010 by Resolution No. 16439 of the National Securities Commission (C.N.V., by its initials in Spanish); and renewed and extended by the decision made in the Shareholders' Meeting held on November 28, 2014, authorized by Resolution No. 17849 of C.N.V. on October 30, 2015, (ii) every class and/or series issued, reissued or reopened under such framework for a maximum period of five years from the authorization of the extension of the program by the C.N.V., or the maximum term that may be set by future regulations that may be applicable, in which case the Board of Directors may decide to extend the term validity. Ratification of the destination of the funds from the placement of the negotiable obligations that are issued under the program. Delegation to the Board of Directors, for a period of five years, in accordance with article 9 of the Negotiable Obligations Law No. 23,576 and its amendments, with powers to sub-delegate to one or more of its members, or to one or more managers of the first line of the Company, for a period of three months or the maximum term that may be set by future regulations that may be applicable, renewable, according to article 1 of chapter II of title II of the C.N.V. rules, of: (a) the broadest powers to determine the terms and conditions of the program that were not expressly defined in the meeting and the determination of the terms and conditions of each kind and / or series of negotiable obligations issued under the



program, including but not limited to the time, amount, currency, term, price, interest rate, form and payment conditions and any other condition or modality that, the Board of Directors considers appropriate to set; (b) request authorization of public offer before the C.N.V., the negotiation of the negotiable obligations in the country's markets and / or, eventually, abroad; (c) determine the destination of the funds of each series and / or class of negotiable obligations that are issued under the program; (d) enter into all kinds of agreements with local and / or foreign financial institutions in order to subscribe and integrate said securities for their placement in the local and / or international market; (e) determine who will act as organizers, underwriters, co-underwriters, trustees, representatives of negotiable obligations holders, representatives of trustees in the country, guarantee agents, payment and / or registration and / or transfer, other agents in Argentina and / or abroad and any other participant in the issuance and placement of the negotiable obligations and / or in the constitution of the guarantees granted in relation to them; (f) enter

into contracts related to the issuance, placement, listing and negotiation of the negotiable obligations under the program; (g) submit the request for listing or negotiation (as applicable) of negotiable obligations before Bolsas y Mercados Argentinos S.A., Mercado Abierto Electrónico S.A. and / or any other stock or over-the-counter market in Argentina and / or abroad and / or in compensation systems in the country or abroad; or before agents; (h) request provision of services before Caja de Valores S.A. and / or any other escrow, registration and payment agent in Argentina or abroad; (i) approve and subscribe the Program prospectus, prospectus supplements and / or supplement of price or documentation that is required by the comptroller authorities and other documents of the issuance; (j) appoint the people authorized to carry out the corresponding procedures to issue the negotiable obligations; (k) hire one or more risk-rating agents; and, (l) carry out all necessary and / or convenient acts to implement said resolutions, including the power to sub-delegate the powers delegated to the Board of Directors

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 up to and including April 21, 2020, from 9 a.m. to 3 p.m. If the necessary quorum has not been met at the scheduled time, the Assembly will be held on second call on April 30, at 12 p.m. 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, in the article 4 of section III of chapter I of title XII, and concordant provisions of the rules approved by General Resolution No. 622/2013 and its amendments of the National Securities Commission.

BOARD OF DIRECTORS

COMPLEMENTARY NOTICE TO THE CALL OF SHAREHOLDERS' MEETING

According to what is established in General Resolution No. 830/2020 of the National Securities Commission (C.N.V.) it is informed to the Shareholders of ARCOR SOCIEDAD ANÓNIMA INDUSTRIAL Y COMERCIAL (la "Sociedad") that, exceptionally, (i) Ordinary and Extraordinary General Meeting to be held on April 25, 2020, at 12 p.m., or on second call on April 30, at 12 p.m., and (ii) the Extraordinary General Meeting to be held on April 25, 2020, at 1 p.m., or on second call on April 30, at 1 p.m.; both at the corporate headquarters located at Avenida Fulvio S. Pagani 487, Arroyito, province of Córdoba, Argentina; will be carried out by simultaneous transmission of sound, images and words, through the Cisco Webex Teams platform, only if the dates in which the mentioned Meetings will be held are within the period in which, by order of the competent authorities, it is prohibited, limited or restricted the free movement of people in general, as a consequence of the state of sanitary emergency, declared by the Decree of Necessity

and Urgency No. 297/2020 and its possible extensions. In order to participate in these Meetings, all shareholders who have confirmed their attendance will be sent an instruction with the way to access to the videoconference. Shareholders will vote after the treatment of each item on the agenda. The possibility of exceptionally confirming attendance is made available to Shareholders through email to the inbox notifsociedades@arcor.com, up to and including April 21, 2020, indicating a telephone number and email address. Shareholders, who will participate in said Meetings through attorneys-in-fact, must send to the Company, to the email mentioned above, the corresponding enabling instrument duly authenticated, up to and including April 17, 2020. Shareholders are informed that the documentation to be addressed is available on the website of the National Securities Commission (Autopista de Información Financiera - Financial Information Highway).

The Board of Directors.

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 FERNÁNDEZ

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 SYNDIC

Mr. Hugo Pedro GIANOTTI

Mr. Alcides Marcelo Francisco TESTA

Mr. Daniel Alberto BERGESE





As of December 31, 2019
59th Fiscal Year

As of December 31, 2019
59th Fiscal Year



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 59th year beginning on January 1st and ended December 31st, 2019.

OVERVIEW

According to IMF, the estimated growth rate of the world economic activity for 2019 would be in the order of 2.9%. During the year, said projections were corrected downwards by various factors, among which the greater trade barriers; the uncertainty surrounding international trade and the geopolitical situation; and the macroeconomic tensions in various emerging market economies stand out.

With regard to the performance of the world's leading economies, according to the IMF, the United States growth would have been an annual 2.3% in 2019, while China an annual 6.1%. In both cases, this shows a slowdown relative to the growth achieved the previous year.

The ECLAC Preliminary Overview for 2019 estimated an economic growth in Latin America as a whole of 0.1%, which implies a marked slowdown with respect to 1.0% in the prior year. In 2019, in contrast to previous years, most countries in the region would experience a slowdown in the rate of growth of their economic activity. Less dynamic domestic demand has been accompanied by low aggregate external demand and more fragile international financial markets. This scenario has been compounded by growing grievances and social conflicts that have erupted with unusual intensity in some countries of the region, such as Chile, Bolivia and Ecuador.

Argentina suffered a deep economic recession in 2019, coupled with the political uncertainty surrounding the election year. With a rate of inflation of 53.8%, consumer purchasing power decreased. Additionally, the local currency suffered a new devaluation as from August that year, triggering an unexpected withdrawal of US

dollar deposits from the financial system, and a rise in the reference interest rate. According to the projections of the ECLAC, within this complex context, the Argentine economy will contract by 3.0%.

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 32.9% of the group's consolidated sales, and sales of the companies from Argentina, which include exports to third parties, represented 67.1% of consolidated sales in 2019.

As regards business abroad, there has been a slow recovery in sales volumes and turnover in Brazil; it is important to note the performance of the Southern Subsidiaries Business, especially the increase in sales in Paraguay. Performance of the mass consumption segment (Confectionery and Chocolates Business) in the Andean Region has been affected in the last quarter of 2019 by the halt in sales in Chile and Ecuador, as a result of the social conflict occurred in the two countries.

Argentina's mass consumer businesses (Confectionery, Chocolates, Ice Cream, Cookies, Food and Functional Products) suffered a decline in sales volumes during the year, in line with the general decline in the domestic market due to a complex scenario of economic recession, high levels of inflation and the impact of currency devaluation. In this context, consumption in general was affected by the decrease in consumer purchasing power. However, the loss in volume was somewhat less than the market average, thanks to the commercial actions carried out and the strength and diversity of the brands in the group's portfolio.

1 Source: International Monetary Fund, "Update on the World Economic Outlook", Davos, January 2020.

2 Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean, 2019" (LC/PUB.2019/25-P), Santiago, 2019.

At industrial level, the volumes of the Packaging Business in Argentina were also affected by the decline in economic activity, showing different behaviors in the sectors where the Company operates. Cardboard boxes and paper bags segments recorded higher volumes than in the previous year, compared to the flexible packaging segment which recorded lower volumes.

In this context of high volatility in Argentina and in the Region, the Group has applied severe policies to curb costs; an adequate working capital management and a reduction in production investments to meet its liquidity needs for the fulfillment of its commitments. In this regard, the Group's liquidity levels amounted to ARS 9,967.1 million, with a net increase in cash of ARS 2,905.7 million, compared to the position at the beginning of the year (without computing the quotation difference and the effect of conversion and restatement of cash and cash equivalents).

OUTLOOK

According to IMF3 projections, a slow recovery is expected during the year 2020, with an expected 3.3% annual growth of the world economy. Phase 1 of the trade agreement between the United States and China, which seeks to put an end to the tariff war that shook the world economy throughout 2019, was signed in January 2020. This is a positive event in terms of the world growth outlook. However, the risks of a downturn remain high, including, for example, heightened geopolitical tensions - particularly between the United States and Iran, a new worsening of foreign relations between the United States and its trade partners, and the uncertainty surrounding the potential economic consequences in China and -given its influence- the rest of the world of the Covid-19 outbreak (commonly known as "coronavirus"). In this regard, on March 2, 2020, the Organization for Economic Cooperation and Development (OECD) published a report that indicates a revised world growth expectation of 2.4% due to coronavirus, compared to the world growth expectation of 2.9% published at the end of 2019 by the same organization.

For the United States, growth is expected to be around 2.0% in 2020 and then 1.7% in 2021. This downward revision is based on a trend toward a neutral fiscal policy and the slackening

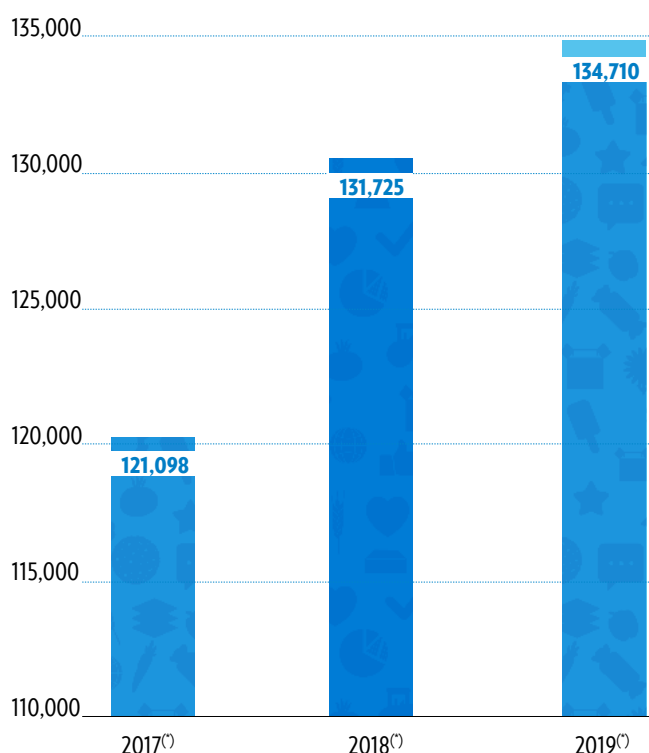
impetus as a result of relaxed financial conditions. China is expected to grow 6% annually. In both cases, these growth rates are lower than those seen in 2019.

In terms of foreign trade, the year 2020 will pose a big challenge for countries in Latin America due to the slower growth expected for the region's main trade partners (China and the United States). In this context, the preliminary balance published by the ECLAC indicates an expected 1.3% growth in GDP for the region. These projections include higher growth in Brazil, which is expected to reach an annual 1.7%, and a (-1.3%) contraction in the Argentine economy in 2020.

In the local sphere, according to the Market Expectations Survey (REM, for its acronym in Spanish) carried out by the

EVOLUTION OF SALES

MILLION ARS



(*) In homogenous currency, at December 2019 values.

3 Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean, 2019" (LC/PUB.2019/25-P), Santiago, 2019.

TO THE SHAREHOLDERS

Argentine Central Bank in February 2020, the market can expect an overall inflation of 41.7% for the next twelve-month period. Likewise, in relation to other macroeconomic variables, EMN participants project a contraction of the Gross Domestic Product for the year 2020 of (-1.5%), and that the wholesale nominal exchange rate for December 2020 will reach 78.7 Argentine pesos per dollar.

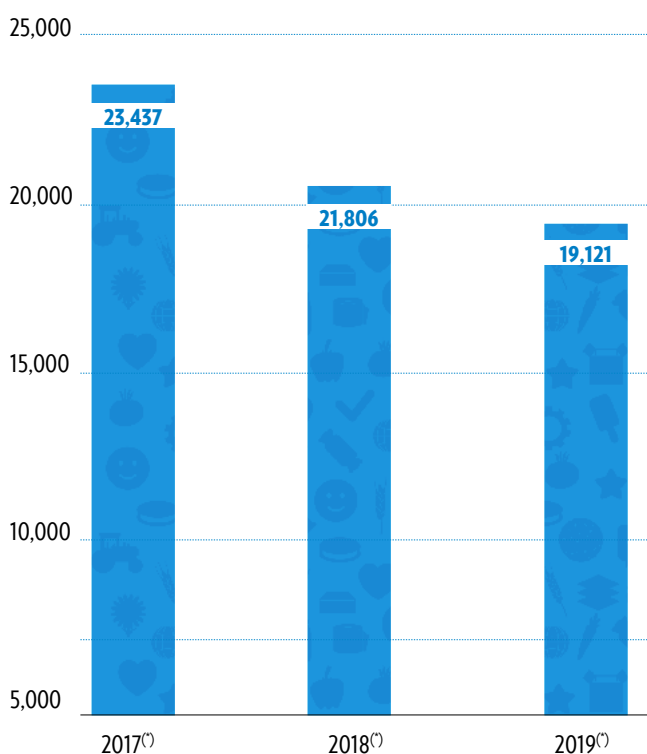
Additionally, within this context, it will be essential for Argentina to reach a successful foreign debt renegotiation agreement in order to generate greater dynamism in domestic demand, with improved consumption, lower inflation and a recovery of real wages, among other macroeconomic variables.

In view of the perspectives of the international, national and regional economy, our actions drive us to continue growing, always keeping in mind our vision for the coming years: to be a leading food and candy company in Latin America and recognized in the international market, standing out for our sustainable practices and for our capacity to generate new business.

In this sense, we will continue with the strategy of focusing on our core businesses: Mass Consumption Foods (Candy, Chocolates, Ice Cream, Cookies and Food), Packaging and Agribusiness, together with the development of strategic association projects in the markets where we participate, prioritizing liquidity and a healthy financing structure in order to ensure compliance with obligations and commitments, as well as the management of working capital and the containment of fixed expenses, for the purpose of obtaining the funds required to carry out transactions and investment projects.

EVOLUTION OF SHAREHOLDERS' EQUITY AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY

MILLION ARS



^(*) In homogenous currency, at December 2019 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, 2019.



ARGENTINA | CONFECTIONERY AND CHOCOLATES

In 2019, the Confectionery and Chocolates Business reached sales to third parties of ARS 24,524.2 million, while in the previous year sales amounted to ARS 26,345.2 million, both values expressed in constant currency.

In another recessive year, with high inflation and decrease in consumers' purchasing power, in which consumption in general was affected, the Confectionery Business showed a reduction in sales volume. However, through innovation, cost efficiency, along with consistent work on our brands and the value generated in them, the business was able to defend its position, with the following categories standing out: wafer nougat, lollipops and individual gummies.

The most relevant launches in Golosinas were concentrated in the core brands: Extreme Watermelon Mogul, Individual Eucalyptus Mogul, Fiber Nougat, Natural Break Red Fruits Bar and Topline Seven Menthol.

Mundo Mogul, Topline Ultra "Dura" and Turrón con Jugo Arcor "La pareja del año" 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. 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. Under the framework of this alliance, during 2019 doy pack presentations and new cereal bar flavors were launched, together with the incorporation of new marketing channels.

Within the same context of sales decline in consumer products, and with the condition of operating in a market of momentum and high value compared to other categories



of mass consumption of food, the Chocolate Business ends 2019 with a drop in sales volume but maintained its leadership in the different segments.

The Bonbons and Children's Products segments stood out for increased sales volumes, thanks to the performance of Assorted Chocolate Boxes and the launch of Rockleton, respectively. This was the result of the communication campaign and the activities carried out in all the channels.

Additionally, in the segments that show higher consumer spending (Chocolate Bars and Coated Wafers), the innovation generated through the successful launch of

certain products, such as Alfa Block and the Chocolinas XL wafer, in addition to the broad brand portfolio, contributed to offset the negative impact in these segments as a result of the general situation prevailing in Argentina.

The main industrial investments in the Confectionery Business were made to expand the capacity of certain lines in the Arroyito plant, while in the Chocolate Business, investments were made mainly in the Colonia Caroya plant.

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



Additionally, for third consecutive year, organic sugar was produced and sold on the international market in larger quantities than in the previous year. The company continues to produce raw sugar, which is sold entirely to the US market.

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 2019 amounted to ARS 6,810.5 million, while in the previous year sales amounted to ARS 5,731.9 million, both values expressed in constant currency.

The Business continues with its strategy of strengthening the competitive advantages that vertical integration gives to the mass consumption businesses that the Arcor Group has in Argentina, and taking advantage of the conditions that the country offers in agro-industrial matters, in order to increase the sales of ingredients for other companies.

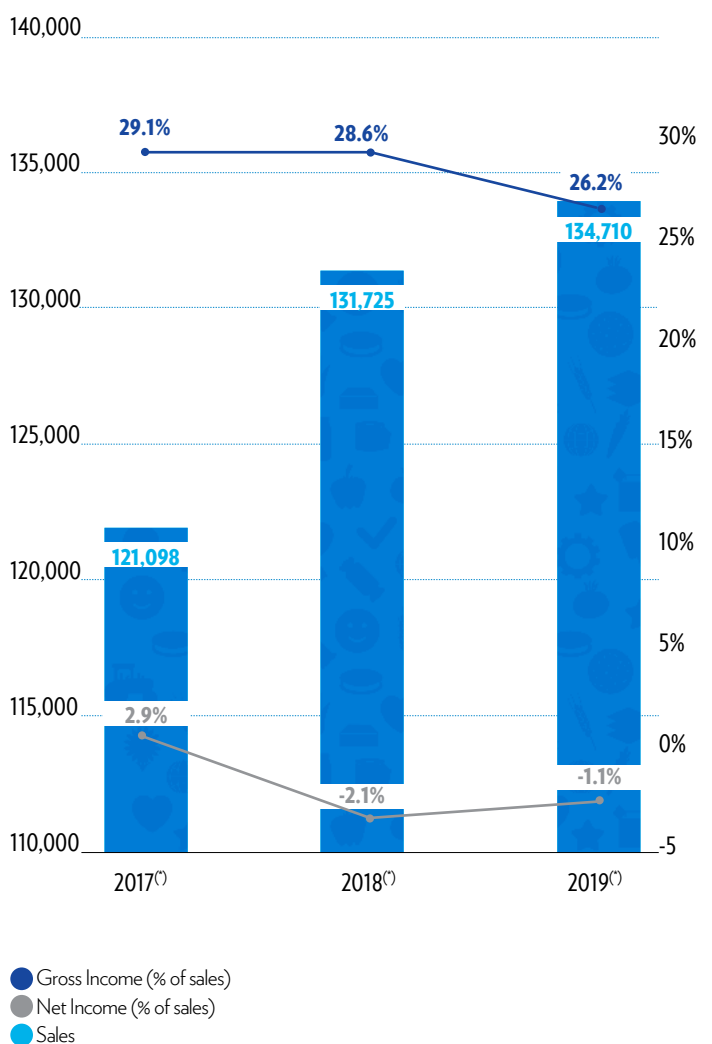
Corn syrup production was carried out during the year with good levels of productivity and efficiency. The company achieved great acceptance in the market, reaching the required standards to be certified suppliers of the main customers.

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, and the FSSC 22000 certification, a standard necessary to be able to sell to the United States.

During 2019, the company entered into the sweetener segment, establishing direct contact with consumers. To this end, it developed two varieties of fractionated sugar: refined sugar and brown sugar, with the aim of offering, on store shelves, the full range of sugar used by Arcor in its products.

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

MILLION ARS



^(*) In homogenous currency, at December 2019 values.



ARGENTINA | PACKAGING

During 2019, sales to third parties of the Packaging segment in Argentina amounted to ARS 23,717.5 million compared to ARS 22,093.9 million for the year 2018, both values expressed in constant currency.

The year 2019 unfolded with generalized drops in the level of economic activity. In this context, sales by the Packaging Business displayed different behavior in the sectors the company participates in. The cardboard box and paper bag segments showed an increase in volumes compared with the previous year, while the flexible packaging segment reported a drop in volumes.

During the year, the commercial strategy was focused on being close to our clients, with the objective of achieving mutual benefits through the value added. It is also worth noting the development of products for the fishing, meat and fruit and vegetable industries, which are based on the resistance, design and print quality of our packaging. Additionally, trays were developed for dairy products to replace the use of plastic, and Shelf-ready packaging was introduced, enabling our clients to save in restocking costs

and improve product display. All these actions contributed to offset the drop in market volumes and improve our share in higher-profitability markets.

The industrial investments of the Business were focused on improving the quality and volumes produced. In addition, with the aim of maximizing production synergies and optimizing production capacities, equipment that had been replaced in certain plants was transferred to other plants, and the necessary infrastructure work was carried out at the destination plant.

During 2019, the Paraná, Luján, Arroyito and Villa del Totoral plants maintained their OHSAS 18001, ISO 14001 and ISO 9001 certifications. The FSSC 22001 certification was maintained in the Flexibles plants of Luján and Villa del Totoral plants. In addition, the special TPM level 3 award was obtained during the year in the Arroyito plant.

Likewise, the Zucamor Group's industrial plants maintained their ISO 9001 and FSC certifications. In addition, the Quilmes plant achieved OHSAS 18001 certification in 2019 and the San Juan and San Luis plants achieved ISO 14001 certification.



ARGENTINA | FOODSTUFFS PRODUCTS

In 2019, sales to third parties by the Foodstuffs Business amounted to ARS 11,171.3 million, while in 2018 amounted to ARS 11,673.3 million, both values expressed in constant currency.

As with other business segments in Argentina, a generalized drop in consumption was seen in 2019, which affected most of the categories in which we participate. Additionally, the volume of tomato preserves fell due to problems with the supply of raw material. This was the result of a considerably lower crop than in the previous year due to unfavorable climatic conditions.

These drops were offset in part by the good performance in the Powdered Juice and Solid Jams categories, and the volume generated by the entry into new segments, such as Gluten-free Premixes and Spices.

During the year, communication actions were carried out in the Powdered Juice categories under the BC brand, and for the Presto Pronta brand with the launch of new flavored polenta. The Company continued with the digital communication strategy "Always On" for the La Campagnola brand. It is also worth noting the launch of Arcor RTD Juices, La Campagnola Spices, Gluten-Free Premixes, Aguila Cake mixes, BC Desserts, Flavored Polenta and Sauces in 200 gr. format.

Over the past few years, the fruit and vegetable industry were adversely affected, owing to high costs, increase in imports and a general decline in consumption. In this context, the Foodstuff Business redefined activities at industrial level with the objective of improving operation and relocated the productive capacity of the San Martin plant to the Industrial Park in Villa Mercedes, San Luis. In addition, the Choele Choele plant operations for the 2020 season were suspended, absorbing this capacity with the investments made over the past few years at the San Juan plant.

The rest of the industrial investments of this Business were concentrated in Villa Mercedes, through the addition of new box assemblers, improvements in productivity and innovative formulation systems that allowed for the launch of new products. At the San Juan plant, the last stages of the tomato paste plant were executed.

During the year 2019, the plants in San Juan, Villa Mercedes and Mar del Plata maintained the certification of standards OHSAS 18001, ISO 14001, ISO 9001 and BRC. In the San Rafael plant the ISO 9001 certification was met, and in the four own farms the Global GAP certification of good agricultural practices was obtained.



ARGENTINA | COOKIES

Sales to third parties of the Cookies Business for 2019 amounted to ARS 24,086.4 million, compared to 2018 sales that amounted to ARS 24,772.9 million, both values expressed in constant currency.

The cookie market, as well as the rest of the mass consumption market, showed a decrease in sales volume compared to the previous year, highlighting the growth in sales of second and white brands, complemented by the growth in sales in the Wholesale Channel.

In this context, our sales volume dropped compared to the prior year, at percentages similar to those of the market. Focus on our strategic brands and segments was maintained. Further, the rise in sales of the Lía brand is highlighted, which also accompanied the growth in the Wholesale channel.

The advertising investment was concentrated on the following brands: Chocolinas, Criollitas and Cereales Bagley. The main launches were: Alfajores Aguila mini black and white, Bagley Cereal cookies and Lía mini cereals and mini matées, which had very good results.

In the industrial activity, the Salto plant stands out as one of the main investments with the addition of a new



product line. Also, investments were made in infrastructure and technology, which enabled progress in connectivity and digitalization of our production processes. The automation of the case packing process for one of the lines was implemented at the Villa Mercedes Plant.

During 2019, the Villa del Totoral, Salto, Villa Mercedes and Córdoba plants maintained their OHSAS 18001, ISO 14001, ISO 9001 and BRC.



BRAZIL | CONFECTIONERY AND CHOCOLATES

Sales to third parties by the Confectionery and Chocolates Business for 2019 amounted to ARS 7,874.3 million, compared to ARS 7,157.0 million in the previous year, both values expressed in constant currency.

Under a declining consumption scenario, the Confectionery Business reached a sales volume slightly lower than that of the prior year, although it recorded an increase in turnover. Good performance was achieved in certain portfolio products. Mainly the products of the lines Butter Toffees, Poosh and, the lollipops Big Big and 7 Belo stood out.

The main product launches were made in order to continue developing, mainly, the gummy bear segment, which was the one with the highest growth during the year, thanks to successful communication actions.

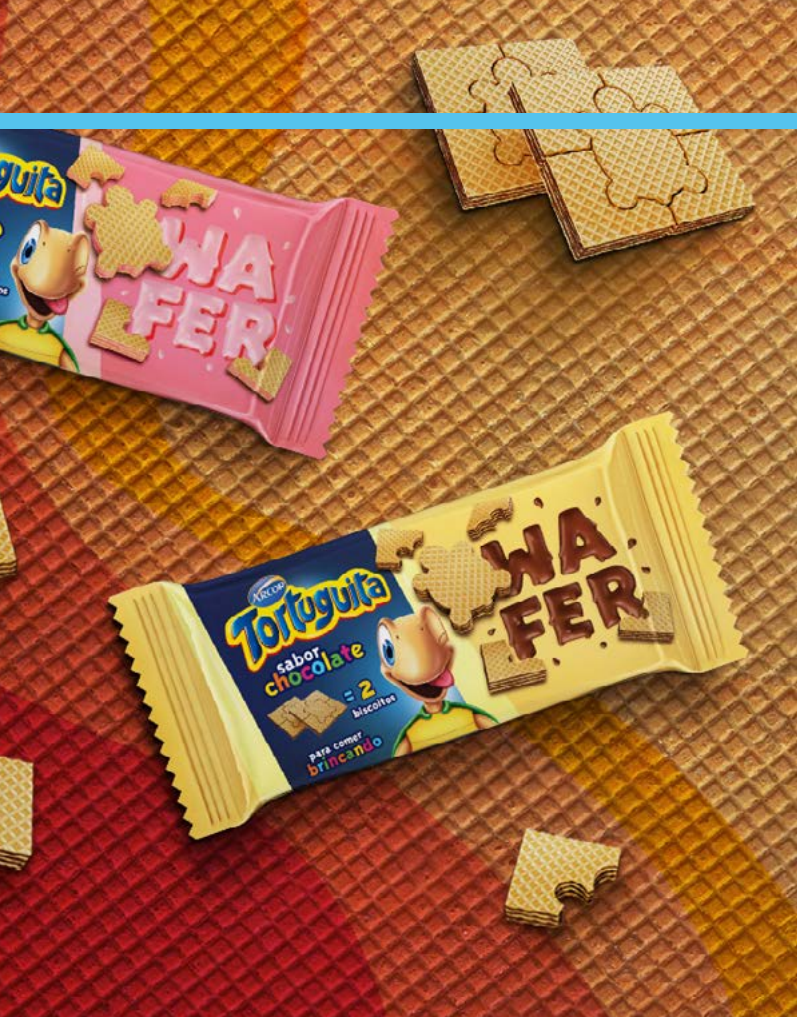
The Chocolate Business, in turn, kept the growth curve of the past years and recorded an increase in both turnover

and volumes sold, compared to last year. The performance of the core brands in the lines Tortuguita and bon o bon was highlighted. As for the Easter segment, recovery in volumes sold and revenue continued.

Among the most important launches of the Chocolate Business, the launch of bon o bon Amor and caramel milk stood out, continuing with the development and strengthening of these brands together with the Arcor corporate brand.

Among industrial investments, we can mention the adjustments to launch new products, new wrapping and packaging machines in flowpack format. Those investments will expand the capacity of the lines, with increases in efficiency and improvement of our products quality.

The plants in Rio das Pedras and Bragança Paulista maintain the OHSAS 18001, ISO 14001 and ISO 9001 certifications, and in terms of food safety standards, the BRC certification was once again achieved.



Industrial investments include the adjustments to lines for the launch new products, installation of sundry automated case packing, and other investments that allow for expanding the capacity and obtaining efficiency and labor ergonomics improvements.

The transfer of operations from the Campinas distribution center to the city of Extrema, in Minas Gerais is remarked with the consequent impact on the value chain of operations in Brazil.

In the Campinas and Contagem plants, the maintenance of the OHSAS 18001, ISO 9001, ISO 14001 and BRC certification standards were met.

BRAZIL | COOKIES

Sales to third parties for the cookies segment in 2019 amounted to ARS 6,451.3 million, while previous year sales amounted to ARS 5,552.5 million, both values expressed in constant currency.

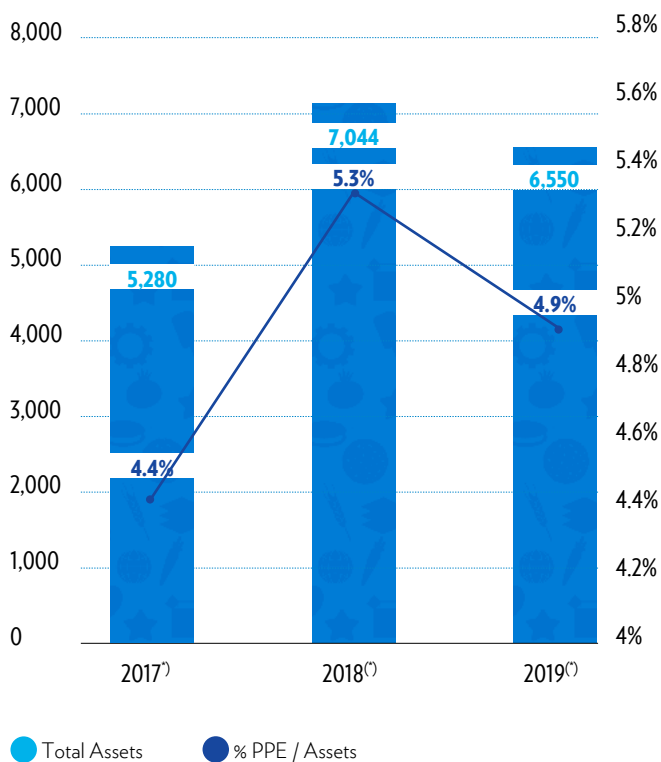
During the year 2019, the biscuit market in Brazil presented a slight retraction along with the increase in the cost of flour, one of its main inputs. In this highly competitive context, the Biscuit Business managed to increase sales volume compared to the previous year, mainly driven by products from the Tortuguita brands. In addition, the flowpack packaging formats, launched in 2018, were the fastest growing in 2019, achieving more competitive prices.

Within the launches of products, Tortuguita Wafer is noted as an innovative product and different from other products in the cookies market in Brazil and the region, with the feature of giving a wafer the format of a tortoise.

Within the framework of the 95-year anniversary of the brand Aymoré, leading in the state of Minas Gerais, commercial actions were taken as well as a communication plan in the media that led to a recovery in sales of products under this brand.

EVOLUTION OF OPERATING INCOME

MILLION ARS



⁽¹⁾ In homogenous currency, at December 2019 values.



in bon or bon and Topline. The co-branding agreement with Coca-Cola also stands out, managing to maintain an important participation within the segment, with Topline Inka Kola flavor gum.

In Ecuador, the market contraction, the economic situation and social crisis of October were the main factors that adversely affected sales for the year. In this scenario, we could maintain turnover in levels similar to those of the prior year and an increase in volumes sold was achieved.

ANDEAN REGION | CONFECTIONARY AND CHOCOLATES

Sales to third parties in 2019 amounted to ARS 7,690.7 million, while, in 2018 amounted to ARS 8,234.9 million, both values expressed in constant currency.

In Chile, the main market of the region, sales showed a decrease by volume and turnover as against the prior year, affected mainly by the social outbreak occurred during the last quarter of the year, which generated a decline in internal consumption in the different sales channels.

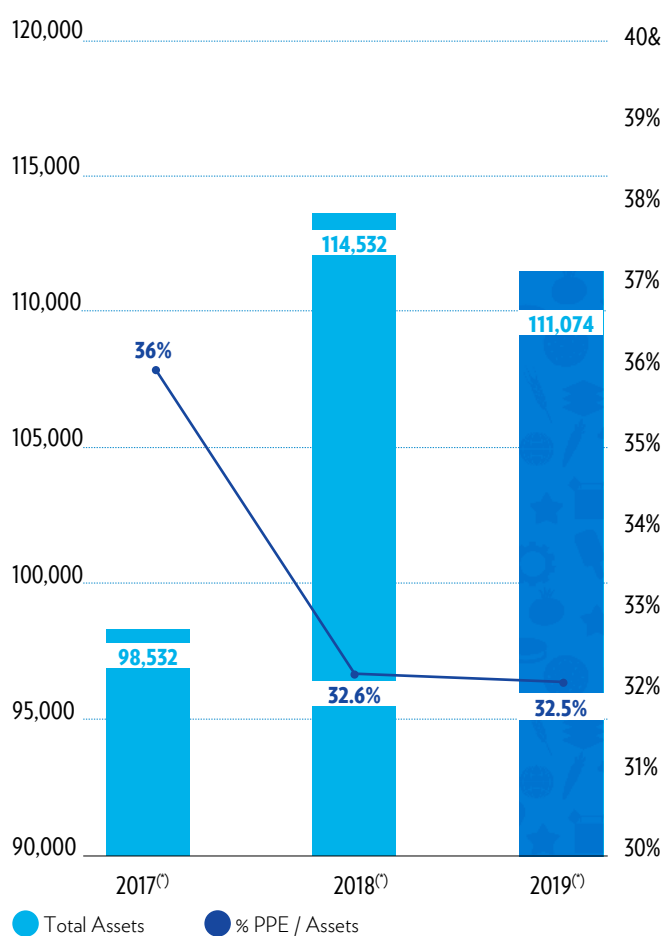
In spite of this context, during the year, significant and innovative launches were carried out with the aim of fostering core brands and developing the brand Mogul in the sweet's category. As regards chewing gums, the launch of Bigtime Ultra box and Manchate la Lengua within the segment of chewing gums for children was noteworthy.

The main investments were related to improvements in the productivity of confectionery and chocolate lines, with the production of gummies under the Mogul brand. Además, durante el año se alcanzaron las certificaciones OHSAS 18001, ISO 9001, ISO 14001 and achieved compliance with food safety standards for BRC certification, moving from category C to B.

In Peru, sales volume and turnover also showed a decrease with respect to the previous year, in line with the drop observed in the market. In terms of business, the subsidiary maintained its portfolio strategy, focusing on the chocolate and candy categories, through investments in marketing

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

MILLION ARS



^(*) In homogenous currency, at December 2019 values.



ANDEAN REGION - CHILE | COOKIES

At the end of 2019, sales to third parties amounted to ARS 2,994.5 million, compared to ARS 2,918.7 million of the previous year, both values expressed in constant currency.

In 2019, there was a drop in total sales, with a slight increase by volume. Nonetheless, it is important to mention that the decrease in sales was especially recorded in the last quarter, as a result of the social outbreak which affected mainly Supermarkets due to fires or plunders.

There were launches -focused on the development of a healthier world- in the cereal category through Cereal Kids, the new brand with a portfolio of 12 products in puffed grains and extruded flakes for breakfast. In addition, the launch of Maná Chocolate tripack stood out in the segment of sweet dry cookies.

Main investments in the industrial area include the installation of a new end-of-line and adjustment to building facilities and equipment with the aim of achieving a significant rise in productivity at the plant. This project will be finished by 2020.

During the year, Bagley Chile's industrial plant maintained its ISO 9001, ISO 14001, OHSAS 18001, and BRC certification.

ANDEAN REGION - CHILE | PACKAGING

At the end of 2019, sales to third parties amounted to ARS 5,213.9 million, while in the previous year they amounted to ARS 4,733.8 million, both values expressed in constant currency.

If compared to the prior year, sales volumes decreased slightly, mainly in the fruit market due to the decline in export of fresh produce experienced by Chile. However, turnover in local currency shows an increase compared to the prior year, as a result of the devaluation of the Chilean peso.

During the year, penetration of high value-added products in the fruit market (preprint, offset) was intensified, which enabled compensation of the drop in volumes with value. As for the industrial market, consolidation of the participation in important customers and the opening of new significant accounts, permitted a growth in volume as against the prior year.

At industrial level, there is an overall change in the general line for the exit of packages, giving more efficiency in the operation of storage and dispatch.

Likewise, the factory complex complied with the ISO 9001 and ISO 14001 certifications, related to Environmental Quality Management, and maintained the PEFC certification, which guarantees the sustainable origin of raw materials and manufactured products.



and expansion in Confectionery and Chocolates in the wholesale channel. Sales for the year dropped as a result of social conflict occurred in October and November.

The main investments of the year were focused on strategic brands such as bon o bon and Topline.

Uruguay also records a decrease in sales by volume compared to the prior year, mainly due to stagnation of the economic activity with a general downturn in consumption. Nonetheless, focus on core brands continued such as Topline, Cofler, Rocklet's, Mogul and bon o bon. Furthermore, the leadership in the market share of confectionery and chocolates was asserted.

The main commercial actions throughout 2019 were the development of the businesses of Confectionery and Chocolates, including launches such as Rockleton, Natural Break bar, Tofi alfajores among others. The focus of the Ice Cream segment was kept on the most strategical brands for the business, which improved the segment's performance.

SOUTHERN SUBSIDIARIES

Sales to third parties for the Southern Subsidiaries segment in 2019 amounted to ARS 7,102.2 million and ARS 6,450.8 million at the end of the previous year, both values expressed in constant currency.

The performance of the subsidiary in Paraguay is worth underlining, which, in spite of the decline in the level of activity and consequently in consumption suffered by the country, recorded increases in sales volumes and turnover compared to the previous year, thanks to the performance of products in the Chocolate, flour and dairy products business.

Among the variables allowing for this performance is the work of Trade Marketing and Marketing which, aimed at reinforcing our brand positioning, carried out marketing campaigns throughout the year, with the brands Topline and Tabletas Arcor, bon o bon, Promo Helados (Hela2) and Tortuguita cookies standing out.

In terms of product launches, the main highlights were Topline Ultra, new flavors in Topline, bon o bon strawberry flavored, Natural Break, Tortuguita tablet are mentioned as main product launches, as well as the expansion of the portfolio of dairy products with the marketing of Danone products in Paraguay.

In the case of Bolivia, 2019 ended with the increase in volumes sold as well as turnover, as a result of the addition of new lines of products from Chile (Dos en Uno), with the brands Grosso chewing gums, Sapito and Chubi being highlighted, which enabled the leadership growth

OTHER INTERNATIONAL MARKETS

The Arcor Group continues with its strategy of international participation in the mass consumption business. This has allowed Arcor to position itself as a leading multinational group that offers food for all moments of the day and for consumption occasions, reaching more than 120 countries. The diversity of market variables, changes in rules and a global environment marked by the commercial pulse between the United States and China affected the growth achieved in recent years in some countries.

In view of the agreement signed between Arcor Group and Grupo Webcor as to the investment project aimed at installing an industrial plant in Angola for the manufacture of confectionery, bonbons and cookies, in August 2019, the civil work started in Luanda for the construction of the factory.

Among the transactions in North America, in Mexico the growth in sales in the internal market stands out, mainly driven by the Supermarket channel. The focus of brand strategy was kept on our emblematic brand bon o bon, including digital communication strategies. In addition, the positioning reached by the wafer bon o bon is noteworthy, with a significant rise in the volume sold.



The main investments in the industrial plant in Toluca include the modification of the filled gum line, the installation of new fast wrappers and the installation of equipment for filling different formats of glass containers, among other investments.

In the US, sales recorded an important growth in terms of volume compared to the prior year, thanks to the recovery of customers and a greater activity of the Dollar channel in the US.

KAMAY VENTURES - INVESTMENT ALLIANCE WITH COCA - COLA DE ARGENTINA

In line with innovation in business and the entrepreneurial spirit that characterizes the group, the setting up in 2019 of Kamay Ventures, in alliance with Coca Cola de Argentina, is worth mentioning.

The two large companies, both of them with consolidated market leadership in different food and beverage segments, set up this fund that aims at financing and advising start-ups with innovative projects, in seven different areas: digital trade, digital banking (fintech), digital S&OP (consumer intelligence), Internet of Things (distribution, packaging and logistics), Ag-Tech (primary production, trading and sustainability), applied biotechnology and environment.

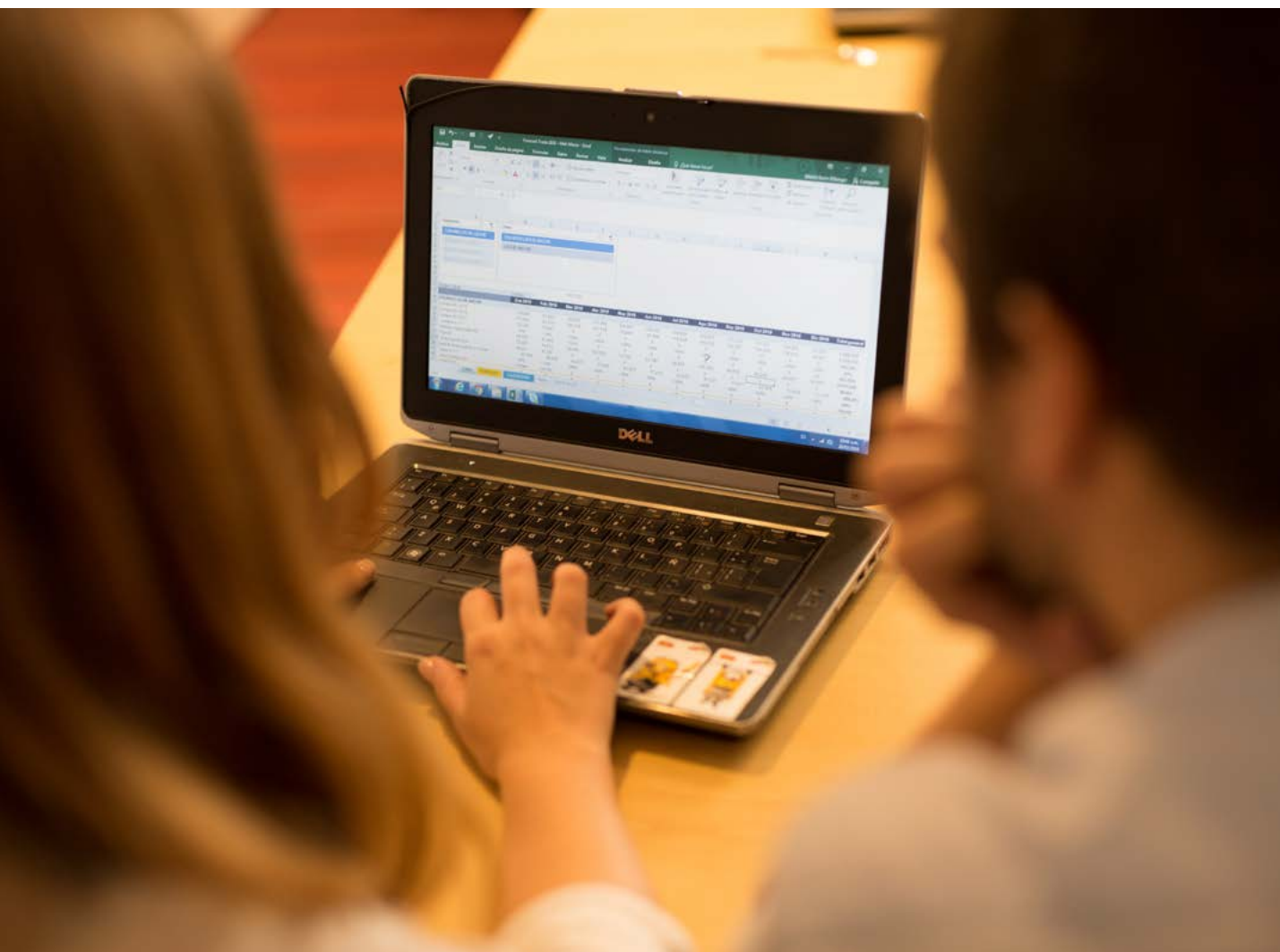
It is the first open-end capital fund created in Argentina for this type of projects, and is managed independently by Overboost, an accelerator of companies with experience in this field.

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 90 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 most important massive consumption group in the country.

Since that date, certain shareholders of Mastellone Hermanos S.A., making use of the right conferred by the first sale option defined in the framework contract celebrated in 2015, communicated their intention to sell part of the share package. During 2019, the option to sell exercised totalled approximately USD 13.4 million. The acquisitions were made in equal parts by Arcor S.A.I.C and Bagley Argentina S.A., which together hold 47.3815% of the capital of Mastellone Hermanos S.A.

Since the agreement with Mastellone, co-branding products were launched to enhance brands of both companies. Further, by taking advantage of the regional presence of Arcor Group, several commercial models have been developed in the countries of the Southern Subsidiaries, allowing the addition of dairy products to the commercial portfolio.



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.

The year 2019 was once again characterized by a high level of complexity in several of the countries where the group operates. Especially in Argentina, with high inflation rates, a rising country risk, high interest rates in real terms and a strong exchange pressure that led to a significant devaluation of the Argentine peso.

Within this highly uncertain context and besides the fact that 2019 has been an election year, enormous efforts were devoted to keep Group's liquidity and lower exposure to exchange rates, through a currency hedging strategy in the futures market.

The implementation of exchange controls in Argentina since September, affecting both international trade and purchase and sale of US dollars by companies and individuals, led to redefine treasury processes in depth.

As for financing structure, short-term debt maturities were extended with transactions exceeding 12 months. In addition, under favorable conditions a new Class of Corporate Bonds (Class 12) for approximately ARS 1,700 million was issued. It is the Group's intention to intensify the use of this tool in 2020.

For the year 2020 we will continue with the strategy of privileging cash generation, maintaining adequate liquidity levels and extending the maturity profile of peso denominated debt.

ADMINISTRATION AND SYSTEMS

In 2019, the Zucamor Group companies continued to be incorporated into the process models and technological standards of the Arcor Group. In this sense, the functions of payment, finance, treasury management and other administrative/accounting processes have been migrated to corporate areas which are managed on a centralized basis within the Group.

Progress was made on the project Industria 4.0, accompanying the challenges as to digital transformation and focus on optimization, through the implementation of new networks and MES software (Simatic IT of Siemens) at the Salto plant, thus achieving the plant's digitalization and integration. In addition, RPA (Robotic Process Automation) technology was implemented for automation of internal administrative management processes.

To comply with tax regulations and requirements in the different countries in which the group operates, several projects were carried out. In Argentina, the implementation of the electronic credit invoice and the application of the adjustment for inflation were the most relevant.

In November, the Company's Board defined a merger process whereby the subsidiaries La Campagnola S.A.C.I. and Asama S.A. will be absorbed. On December 11, 2019, the merger agreement was approved by the Extraordinary Shareholders' meeting, which was already approved by the shareholders' meetings held on that date by La Campagnola S.A.C.I. and Asama S.A. The effective merger date is January 1, 2020.

During November and December 2019, administrative and operating activities were carried out as planned. Several areas of the Group take active part in this process to meet deadlines and milestones previously defined, aimed at improving management and obtain synergies in daily operation as from the merger.

Regarding business intelligence tools, the implementation of dashboards for the Control of Operating Expenses for all businesses and countries allowing the processing of information on real time and in a transparent and quick manner.

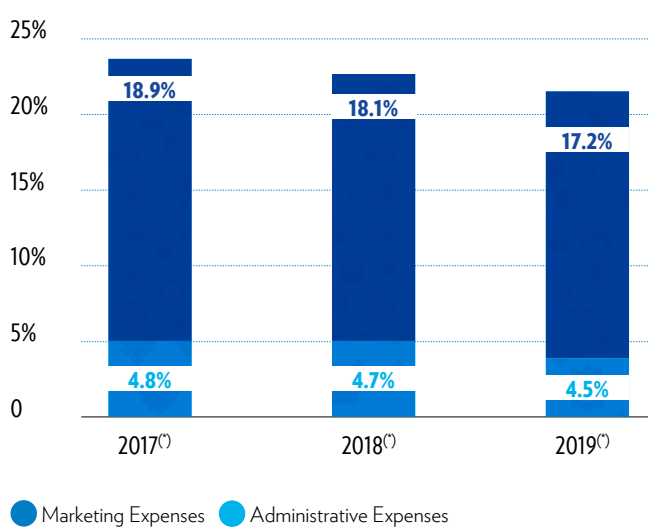
For HC processes, the platform Digital Cartelería (Digital Posters) was enabled which communicates -on a digital format- the news to the plants and improves communication costs.

As for commercial solutions, improvements were made in the portal for customers ArcorNet2.0, which also included the commercial operations in Chile, Peru, Ecuador y Mexico. New applications were added to facilitate communication with the sales point and consumers and a solution for the management of promoters in Brazil was implemented.

At year end, continuing the optimization strategy, the version of Oracle JDE was changed simultaneously for all Arcor Group, enabling more efficient options in the operating management with the addition of mobile applications, online indicators, notices, integrated accesses, etc. Pursuing the same objective, platforms in the cloud were updated: Azure (Microsoft), AWS (Amazon) and OCI (Oracle), making consumption more efficient and flexible and keeping quality standards, support and performance.

EVOLUTION OF ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

MILLION ARS



⁽¹⁾ In homogenous currency, at December 2019 values.



As for connectivity, a process was initiated for the addition of new network technologies (SDWAN) with a cost-effective objective and efficiency in the communication of all sites. As regards information security, the processes for work positions and mobile equipment securing were continued, in addition to ongoing monitoring of threats. Also, a project for the modernization of fixed telephony services was launched to become integrated with collaboration tools (Cisco technology), which intensifies services of calls, online collaboration and video-conference for enhanced support according to Group needs.

HUMAN RESOURCES

During the year 2019, actions and processes continued to be implemented at a global level to streamline the administrative management process, intensify staff training and improve the organizational climate and commitment.

In this respect, leadership programs continued under the framework of the Arcor University, the objective of which is to train leaders capable of promoting the development of people, such as Integrated Leadership programs, Emerging Leadership and Feedback Workshops. In addition, the development of skills training programs continued, which applied blended learning methodology for the first time as is the case of the course “Proactivity and Entrepreneurial Spirit”.

The Young Professional and Entrepreneurs Program continued in 2019 with new joiners in several areas of the Group. The program was designed with the objective of adding professionals with potential development, focused on Engineering, Public Accountant, Business Administration,

Marketing graduates, keen on industrial administration, finance, marketing, commercial and distribution center areas.

Under the inclusion program, in 2019, new disabled people joined the Group in industrial, logistics, commercial and functional areas for operations in Argentina, Brazil, Mexico and Chile, reaching a total of 250 active employees with disabilities at group level throughout the year, to which 19 people with disabilities were integrated into the value chain.

The 90% of the managerial positions were filled with employees included in the Strategic Resources Planning Process and identified as having potential for growth.

In 2019, the digital distribution of the salary slips, and labor documentation was implemented in Argentina which will continue in 2020. In addition, all companies of Zucamor Group were included in the HC corporate administrative model.

By aligning internal practices with definitions established by the Company’s Committee of Healthy Lifestyle Habits, teams were formed with the participation of the physicians of our operations, which implemented feeding programs. Action focuses were directed towards conscious eating, healthy nutrition, myths and truths about diets. In addition, internal campaigns were implemented on Healthy Lifestyle Habits.

In view of the economic context and contraction in the region especially in Argentina, we worked on adapting our work force and structures to achieving more efficiency in operations and generate synergies.



SUSTAINABILITY

Arcor Group understands sustainability as a business strategy and approach that allows for managing risks and maximizing opportunities, at the time it enables the creation of economic, social and environmental value for itself as well as for its sphere of influence in the long term.

The Company 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, for the most relevant and priority issues for the company and its stakeholders. These are: the rational use of water, energy efficiency and minimization of impacts that contribute to climate change, rational use of packaging materials, respect for and protection of human rights and labor rights, and active life and healthy eating.

In 2016, the company assumed its 2020 Sustainability Strategy. This strategy seeks to increase the company's corporate value through sustainable business management and governance and is based on three pillars of action:

- Sustainable identity, to strengthen the Arcor Group identity, basing it on its values and culture as differentiating elements;
- Operational continuity to guarantee the ongoing improvement of operations through a sustainable management of all its processes; and
- Growth in the demand, to promote business models

and strategies, products and brands that generate sustainable bonds.

A management system and governance of sustainability is driven to implement the strategy and comply with this Policy in a correct manner, in all the Company's corporate businesses and areas. 27 programs, projects and initiatives from the Sustainable Corporate Committee -formed by the Company's President and the General Managements- were promoted in 2019 as well as more than 830 initiatives through 13 Operational Sustainability Plans (POS) for the different business units and countries where Arcor Group is present.

In 2020 the Corporate Sustainability Management will face the challenge of developing a new Sustainability Strategy for the company for the next five years (2021-2025). From the progress made in the first 10 years as from the encouragement of a sustainable management at Arcor Group, it will seek to integrate sustainability even more into the company's business model. In addition, global megatrends and international transformations will be taken into consideration and considered as directing the process, with the intention to continue creating value for the company and the need to develop leaders, structures, processes, and relations that make sustainability an essential component in decision making.

More information, including indicators monitored under the framework of the sustainability strategy, is available in the 2019 Sustainability report of Arcor Group published in www.arcor.com as well as in controlling agencies. (CNV and BYMA).



COMMUNITY RELATIONS

Arcor Group assumes joint responsibility for the overall development of the communities of which it forms part. This is the reason why its actions are beyond its harmonic coexistence and seeks to expand productive, environmental, human and social capital.

To do so, we have designed a strategy focused on recognizing and managing the impacts of our business operation in the community, to timely and efficiently manage the actions and relationships developed by the company in each territory. In this way, the company perceives relationships with the community as an integral and strategic process, closely linked to business management.

During 2019, the process of strengthening the area as a component of the industrial management of the bases continued. For this purpose, a model was designed to address the company-community relationship applied to each industrial plant, by identifying the main impacts on economic, social and environmental issues and analyzing the company's incidence in the territory and conditions of its surrounding environment.

In this way, from the 22 Local Committees formed, and according to the various programs and projects implemented, work was achieved in 32 communities, with 765 organizations and over 200,000 people were reached by the initiatives developed. Likewise, within this framework, the company participated in 16 articulated management spaces.

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) carry out the company's Social Investment Policy in the region, in order to contribute to making education a tool for equal opportunities for boys and girls.

These three entities focus their work on two thematic areas:

- Healthy Life and Childhood: with the promotion of active and healthy life habits from childhood; and
- Childhood and Integrated Development of the First Years: seeking to mobilize different social actors around the realization of children's rights.

To that end, the group supports projects on social and educational issues, provides adults with training and education relating to childhood, and also endorses initiatives aiming at installing the topic of childhood in the social agenda. With this perspective, during 2019, they supported 181 projects in Argentina, Brazil and Chile, in which 100,157 children and 144,562 adults participated.



RESOURCES DESTINED TO SOCIAL INVESTMENT AND TO MANAGEMENT OF COMMUNITY IMPACTS⁴

In 2019, the total amount destined to social investment and to management of community impacts amounted to ARS 355,184,530, in constant values, of which ARS 280,754,670 were channeled through product donations; and, in addition, contributions in cash and materials to implement various initiatives of community involvement for ARS 36,554,887. At the same time, ARS 37,874,973 were destined for the activity performed by the Arcor Foundation in Argentina and Chile and the Arcor Institute in Brazil.

PROPOSAL FOR THE ALLOCATION OF UNAPPROPRIATED RETAINED EARNINGS AND DIVIDENDS DISTRIBUTION

The Separate Statement of Changes in Equity for the year ended December 31, 2019 presents a negative balance, in thousands of pesos, of ARS 1,695,095 which includes, among other concepts, the result of the year for, in thousands of pesos, ARS 1,469,079 (loss).

The Board of Directors considers it appropriate to submit for the consideration of the Shareholders' Meeting the withdrawal from the Special Reserve for Future Dividends in the amount of, in thousands of pesos, ARS 1,695,095 in order to absorb the negative balance of the Unappropriated Earnings account.

REMUNERATION OF DIRECTORS AND SYNDICS, REMUNERATION POLICY OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARDS

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), on the occasion of the approval of the annual financial statements.

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.

⁴ These figures do not include the investments made in the Human Resources area or in environmental projects. It also excludes customer and supplier development actions.



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 Report for fiscal year 2019 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.. It contributes to the continuous improvement of the Company's ethical climate, by promoting awareness, communication and training campaigns for all employees and stakeholders specific to each value chain.

K) SUSTAINABILITY COMMITTEE

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

- Providing advice to Management in all aspects related to sustainability, supporting identification and treatment of risks and opportunities with relevant impact for the Group.
- Setting priorities and implementing policies, strategies and corporate actions, related to the sustainability of Arcor's business.

- Evaluating the Company's performance in connection with the sustainability of its business, and monitoring and minimizing environmental and social impact of its operations.
- Evaluating and giving recommendations on sustainability 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

	2019 %	2018 %	2017 %
Current assets / Total Assets	24.91	25.82	24.78
Non-Current assets / Total Assets	75.09	74.18	75.22
Current Liabilities / Total Liabilities + Shareholders' Equity	21.02	20.83	15.44
Shareholders' equity / Total liabilities + Shareholders' equity	26.63	30.33	38.00

B) CHANGES IN EXPENSES AND REVENUES IN RELATION TO SALES

	2019 %	2018 %
Gross profit	32.05	34.27
Selling expenses	(19.54)	(21.39)
Administrative expenses	(7.10)	(6.97)
Other income / losses, net	(0.94)	(0.78)
Net gain on investments in associates	4.04	2.95
Net financial results	(8.99)	(20.36)
Income tax	(2.82)	6.11
Net loss for the year	(3.30)	(6.17)

INVESTMENTS OF ARCOR S.A.I.C.

The main investments of Arcor S.A.I.C. discharged during the year ended December 31, 2019 were as follows:

Caption	Amount in ARS
Land and constructions	5,344,348
Machinery and facilities	18,122,863
Furniture, tools, vehicles and other equipment	115,692,985
Construction works and equipment in transit	495,398,643

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

COMPANIES		LOANS GRANTED
		ARS
ARCORA G. (S.A. LTDA.) 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 LTDA. Paid-in shares: BRL	476,415,067,00	-
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	3,414
BAGLEY ARGENTINA S.A. Paid-in shares: ARS	9,279,00	-
BAGLEY CHILE S.A. Paid-in shares: CLP	-	-
BAGLEY LATINOAMÉRICA S.A. Paid-in shares: EUR	49,700,611,00	-
CARTOCOR CHILE S.A. Paid-in shares: CLP	6,632,261,044,31	-
CARTOCOR PERÚ S.A. Paid-in shares: PEN	-	-
CARTOCOR S.A. Paid-in shares: ARS	7,729,081,00	-
CONSTRUCTORA MEDITERRÁNEA S.A.C.I.F.I. Paid-in shares: ARS	10,478,217,10	3,087
GAP INVERSORA S.A. Paid-in shares: ARS	33,686,00	-
GAP REGIONAL SERVICES S.A. Paid-in shares: UYU	-	-
GAP INTERNATIONAL HOLDING S.A. Paid-in shares: USD	49,950,00	-
GRUPO ARCORA S.A. Paid-in shares: ARS	-	-
INDUSTRIA DE 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	161,143,366,00	-
LA CAMPAGNOLA S.A.C.I. Paid-in shares: ARS	1,872,820,735,00	1,620,461
MASTELLONE HERMANOS S.A. Paid-in shares: ARS	154,930,102,00	-
MUNDO DULCE S.A. DE C.V. Paid-in shares: MXN	-	-
PAPEL MISIONERO S.A.I.F.C. 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	-
VAN DAM S.A. Paid-in shares: UYU	70,000,000,00	-
ZUCAMOR CUYO S.A. Paid-in shares: ARS	-	57,257
ZUCAMOR S.A. Paid-in shares: ARS	112,577,166,00	119,795

LOANS RECEIVED	TRADE ACCOUNTS RECEIVABLE	TRADE ACCOUNTS PAYABLE	OTHER RECEIVABLES
ARS			
-	57,290	41,970	1,194
-	94,779	-	-
-	93,531	-	-
-	253,010	14,991	-
-	196,126	16,033	-
-	189,857	-	-
-	5	-	-
4,315	763,779	34,845	-
-	2,545	-	-
-	-	-	-
-	-	-	-
-	-	-	-
283,857	80,831	172,464	-
-	2,974	1,129	-
-	-	-	-
-	-	50,902	-
-	-	-	-
-	743	-	-
-	469,990	-	-
-	357	-	-
-	-	19,729	-
-	4,175	-	-
-	1,079	-	-
-	60,408	7,370	-
-	58,833	-	-
-	2,097	38,513	-
-	23,113	-	-
-	2,698	113	-
-	24,504	-	-

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

SOCIEDADES	SALES OF GOODS AND SERVICES	RECOVERY OF EXPENSES
	ARS	
ARCOR A.G. (S.A. LTDA.)	69,740	-
ARCOR ALIMENTOS BOLIVIA S.A.	444,749	2,825
ARCOR DE PERÚ S.A.	118,652	-
ARCOR DO BRASIL LTDA.	135,679	-
ARCOR U.S.A. INC.	461,803	-
ARCOPAR S.A.	645,640	3,346
ASAMA S.A.	-	-
BAGLEY ARGENTINA S.A.	4,372,141	49,726
BAGLEY CHILE S.A.	1,599	-
CARTOCOR CHILE S.A.	3,259	-
CARTOCOR S.A.	637,974	35,127
CONSTRUCTORA MEDITERRÁNEA S.A.C.I.F.I.	675	262
GAP INVERSORA S.A.	-	-
GAP REGIONAL SERVICES S.A.	-	-
GRUPO ARCOR S.A.	824	-
INDUSTRIA DE ALIMENTOS DOS EN UNO S.A.	831,017	60
INDUSTRIA DOS EN UNO DE COLOMBIA LTDA.	3,984	-
LA CAMPAGNOLA S.A.C.I.	1,330,489	19,805
MASTELLONE HERMANOS S.A.	48,816	-
MUNDO DULCE S.A. DE C.V.	2,191	-
PAPEL MISIONERO S.A.I.F.C.	39,015	5,385
UNIDAL ECUADOR S.A.	121,375	-
UNIDAL MÉXICO S.A. DE C.V.	4,262	-
VAN DAM S.A.	383,413	1,191
ZUCAMOR S.A.	43,846	10,109
ZUCAMOR CUYO S.A.	23,359	1,906

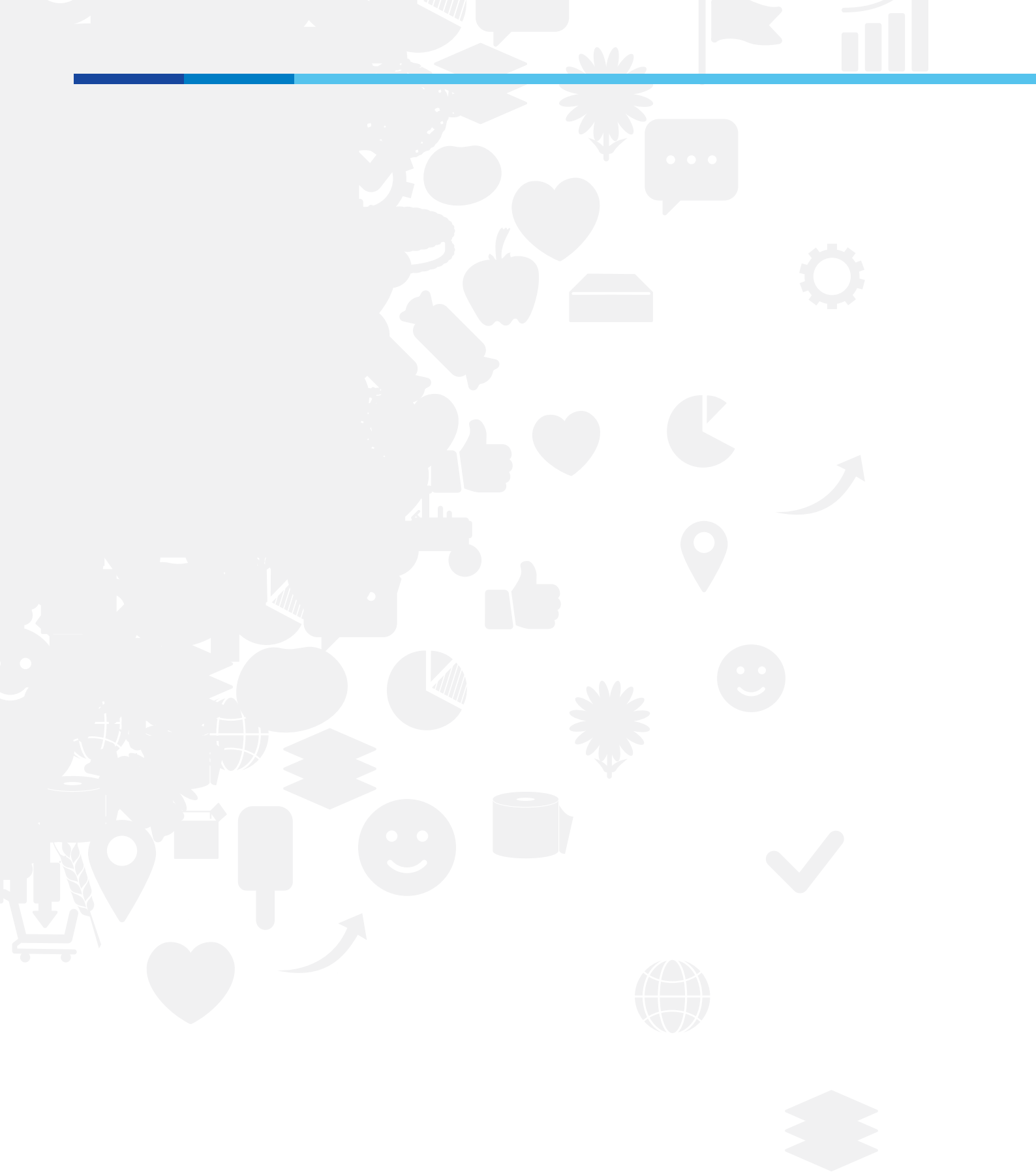
We submit for the consideration of the Shareholders the Annual Report and related documentation. The notes referred correspond to the Separate Financial Statements ended in December 31, 2019 and we request the approval of the management carried out.

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 9, 2020

PURCHASES OF GOODS	PURCHASES OF SERVICES	OTHER INCOME	OTHER EXPENSES	INTEREST FINANCIAL INCOME	INTEREST FINANCIAL EXPENSES
ARS					
-	42,313	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
48,691	-	-	-	-	-
-	-	-	1,884	-	-
-	-	-	2,916	-	-
-	-	-	-	43	-
106,598	43,611	-	-	(582)	108
-	-	1,811	-	-	-
-	-	-	-	-	-
1,910,313	29,180	-	-	(10,311)	23,533
-	12,634	-	-	(429)	-
-	-	-	-	3	-
-	45,512	-	-	-	-
-	-	-	-	-	-
5,232	-	-	-	-	-
-	-	-	-	-	-
138,123	1,020	-	-	(27,499)	6,670
30,795	-	-	-	-	-
-	-	-	-	-	-
15,636	-	-	-	-	-
-	-	-	-	-	-
-	17,096	-	-	-	-
-	-	-	-	-	-
594	-	-	-	3,599	(9,514)
94,640	-	-	-	(2,603)	359

THE BOARD OF DIRECTOR



ANNEX I TO ARCOR S.A.I.C ANNUAL REPORT, REPORT ON THE CODE OF CORPORATE GOVERNANCE

FOR THE FISCAL YEAR ENDED ON DECEMBER 31, 2019

A) FUNCTION OF THE BOARD OF DIRECTORS

PRINCIPLES

I. The company must be led by a professional and trained Board of Directors that will be in charge of laying the necessary foundations to ensure the sustainable success of the company. The Board of Directors is the guardian of the company and of the rights of all its Shareholders.

II. The Board of Directors must be in charge of defining and promoting corporate culture and values. In its function, the Board of Directors must guarantee the compliance with the highest standards of ethics and integrity based on the best interest of the company.

III. The Board of Directors must be in charge of ensuring a strategy inspired in the vision and mission of the company, which is aligned with its values and culture. The Board must work constructively together with management to ensure the correct development, implementation, monitoring, and modification of the company's strategy.

IV. The Board of Directors will permanently control and supervise the company's management, ensuring that it takes actions aimed at implementing the strategy and the business plan approved by the board.

V. The Board of Directors must have mechanisms and policies necessary to carry out its function and that of each of its members efficiently and effectively.

1. The Board of Directors establishes the ethical work culture and the vision, mission and values of the company.

APPLICABLE.

When considering the Mission, Vision and Values developed as a result of the joint work carried out with the different General Managements of the Company, during 2015, the Board of Directors ("The Board") of Arcor Sociedad Anónima Industrial y Comercial ("ARCOR SAIC", the "Company") approved the following Corporate Philosophy:

(1) 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;

(2) Mission: to provide people all over the world with the opportunity to enjoy delicious and healthy food and confectionery products of high quality, that will turn their everyday life into magical moments for gatherings and celebrations;

(3) Values: (i) Integrity: We obtain results through transparent, coherent and responsible behavior. (ii) Entrepreneurial environment: We promote an environment that encourages innovative thinking and boosts new initiatives amongst our team members while optimizing the available resources and investments. We recognize and value teamwork, theoretical and practical knowledge and intuition gained through experience. (iii) Closeness and commitment to the value chain: We are closely committed to the entire value chain, which includes our suppliers, employees and shareholders as well as our customers, consumers and the general community. We are convinced that growth can only be achieved if we all grow together. (iv) Balanced life: We believe that health is the result of a balanced life. For that reason, we promote a balanced diet, physical activity, entertainment and play. (v) 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 is an opportunity to grow.

ANNEX I TO ARCOR S.A.I.C ANNUAL REPORT, REPORT ON THE CODE OF CORPORATE GOVERNANCE

FOR THE FISCAL YEAR ENDED ON DECEMBER 31, 2019

On the other hand and taking into account the characteristics of the Packaging business unit, the following Vision and Mission were approved for said business unit, sharing the values of Arcor Group:

(1) Vision: to be the leading packaging materials company in Latin America, recognized for the quality of its products and services, permanent innovation and excellence in customer service.

(2) Mission: to provide our customers with innovative and sustainable solutions in packaging materials, being at the forefront of global market trends.

Taking into account our Corporate Philosophy, Arcor Manifesto was approved:

“We believe in entrepreneurs, who have dreams and make them come true. With that very same spirit, Arcor was founded in 1951. Thanks to those first entrepreneurs, who nourished this project, we self-renew with new dreams that come alive developing a wide variety of food and confectionery, always looking for growth opportunities. We believe that diversity is the wealth of the world, that is why we are proud of our brands being recognized by millions of consumers in more than 120 countries. We work in order that our products surprise, amuse, delight consumers, and make them enjoy magical moments, strengthening sincere and lasting bonds every day, caring for the environment and enabling the development of the communities which we are part of. We are proud to keep intact the original values, passion and spirit of the pioneers. And, we are convinced that future is possible if we nourish bonds and help families around the world to have more Magical Moments in their lives.”

Finally, in relation to the Company's ethics and integrity policies, it is recommended to read the contents developed in relation to Principle F, points 22, 23 and 24.

2. The Board sets the general strategy of the company and approves the strategic plan developed by management. In doing so, the Board of Directors takes into account environmental, social and corporate governance factors. The Board of Directors supervises its implementation by using key performance indicators and taking into account the best interests of the company and all its shareholders.

APPLICABLE.

It has been established as a general strategy of Arcor S.A.I.C. the focus on the main businesses (Mass Consumption, Packaging and Agribusiness) and the development of strategic partnership projects, prioritizing liquidity and a healthy financing structure in order to guarantee compliance with obligations and commitments, as well as obtaining the funds required to carry out operations and investment projects.

The Board of Directors approved the 2016-2020 Sustainability Strategy, which aims to increase the Company's corporate value through the sustainable management and governance of the businesses. Sustainability Strategy is made up of three pillars of action: (i) Sustainable identity, to strengthen the identity of the company, basing it on our values and culture as differentiating elements; (ii) Operational continuity, to guarantee the continuous improvement of our operations by promoting a sustainable management in all our processes; and (iii) Demand growth, to promote business models and strategies, products and brands that foster sustainable links.

ANNEX I TO ARCOR S.A.I.C ANNUAL REPORT, REPORT ON THE CODE OF CORPORATE GOVERNANCE

FOR THE FISCAL YEAR ENDED ON DECEMBER 31, 2019

In addition, the directors of ARCOR S.A.I.C. approved the Sustainability Policy, which is made up of one general commitment and five specific commitments, with the most relevant and priority issues for the business from the perspective of sustainability.

(I) General Commitment to Sustainable Development: a) Establish a sustainable management of processes, based on a balance of economic, social and environmental dimensions. b) Promote integral development of the communities in which we operate and contribute to the sustainable development of the regions where we are set up. c) Support and respect the protection of human rights within our sphere of influence, making sure that we are not involved in cases of violations to these rights. d) Facilitate and sponsor actions and projects to promote sustainability and human development. e) Apply the best environmental conservation practices, minimizing and compensating the impacts of our operations. f) Promote consciousness and training programs, seeking to raise awareness on each member of the company and our entire value chain, as active agents in building a corporate culture committed to sustainability.

(II) Rational use of water: a) Promote efficient management of the water we use, reducing consumption, recycling and replenishing in accordance with existing technical conditions. b) Involve our value chain in the implementation of good water use practices, promoting the reduction, reuse and recycling of its consumption.

(III) Energy efficiency and minimization of the impacts that contribute to global climate change: a) Adopt, promote and boost initiatives for the rational use of energy, through efficient consumption, seeking to contribute to the conservation of natural resources. b) Take a proactive and preventive approach in relation to environmental challenges, through the adoption of clean and low-carbon processes and technologies. c) Prevent contamination and encourage the practice of materials reduction, reuse and recycling, in the development and manufacturing processes of our products. d) Reduce the volume of waste sent to land-fill sites.

(IV) Rational use of packaging materials: a) Optimize the use of packaging materials in all our processes. b) Support research and technological development projects that contribute to minimizing the environmental impacts caused by the packaging material of our products. c) Raise awareness and promote in our value chain, the best waste management practices and final disposal of packaging material.

(V) Respect and protection of human and labor rights: a) Comply with legislation in force, ensuring decent working conditions, professional development, improvement of knowledge and equal opportunities, involving our value chain in this commitment. b) Respect voluntary union association and recognize the right to collective bargaining. c) Contribute to the eradication of all forms of forced labor and child labor. d) Promote practices that contribute to inclusion and diversity within the company's sphere of action. e) Enable and support actions and projects that contribute to the generation of equal opportunities for children.

(VI) Active life and healthy nutrition: a) Promote healthy lifestyle habits, in particular healthy nutrition, physical activity and overcoming addictions. b) Contribute to the scientific evaluation of the nutritional properties and health effects of the substances that make up food. c) Produce food that helps to nourish with pleasure, meeting the needs of all its consumers. d) Investigate and develop product lines in accordance with the recommendations of the World Health Organization and national health plans, considering the acceptability of the products and available technologies. e) Use only ingredients considered safe according to the criteria of the World Health Organization in product manufacturing. f) Adopt responsible advertising and dissemination practices aimed at spreading healthy lifestyles.

ANNEX I TO ARCOR S.A.I.C ANNUAL REPORT, REPORT ON THE CODE OF CORPORATE GOVERNANCE

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The Board of Directors and senior management prepare the Operating Plan (PO) and the Budget (Pe) for each year, taking into account: (i) the general strategy; (ii) the Sustainability Strategy; and (iii) the Sustainability Policy.

The process of preparing the PO and Pe (by its initials in Spanish) is as follows: based on the guidelines established by the Board of Directors, the different business units and areas of Arcor Group, led by the Chairman, collect and summarize the pertinent information in order to submit a preliminary proposal to the Board. Subsequently, an iterative process of revision, discussion and adjustment is carried out in a series of meetings in which all those managers and directors involved in the preparation of PO and Pe participate. Once this process is finished, there is a call for a meeting of the Board of Directors to submit the PO and Pe for consideration. At said meeting, the main variables, guidelines and risks considered are ratified, and the PO and Pe for the following year are approved, along with the objectives of the Board and senior management. In case that during a fiscal year a significant change occurs in the variables and assumptions considered when preparing the aforementioned documents, they are reviewed and, if necessary, PO and Pe are modified.

Moreover, the Board of Directors requests specific reports to senior management and specialized consultants, periodically controls budget compliance, and monitors strategic objectives and the evolution of key variables.

What is more, the Company has an Ethics and Conduct Committee, an Audit Committee, a Finance, Investment and Strategy Committee, a Human Resources Committee, a Purchase Committee, and a Sustainability Committee. All of them evaluate and report to the Board of Directors on several issues of their competence, linked to risk management, internal control and fraud prevention.

3. The Board of Directors supervises management and ensures that it develops, implements and maintains an adequate internal control system with clear reporting lines.

APPLICABLE.

The Board of Directors is responsible for designing and monitoring the framework for risk management, internal control, and fraud prevention. Therefore, it evaluates and approves the reporting structures, functions, and responsibilities of senior management. Also, the Board of Directors has established a series of Committees, of which more information can be found in point 4. Such committees evaluate and report to the Board on several issues of their competence.

Meanwhile, the Company's senior management supports decisions on corporate risk management through interdisciplinary work and reports from specialized sources.

The specific risks of each area of responsibility are managed by its corresponding management.

The Company's Management Control Policy consists of:

(I) A monthly issuance and communication of a results report to the members of senior management. It compares the results obtained by each business, and by the Company on a consolidated basis, with the budgeted levels and performance in the previous year, detailing the reasons for the main deviations presented. This report is periodically presented to the Board of Directors

(II) Regularly, the managers report to the Board of Directors on the evolution of the different businesses, areas and

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aspects of the Company. It allows monitoring and verifying the level of achievement of the objectives, which encompass both quantitative and qualitative goals, and in the framework of the strategies stated in point 1, are set to the short, medium and long term.

4. The Board of Directors defines the corporate governance structure and practices, appoints the person responsible for their implementation, monitors their effectiveness and suggests changes if necessary.

APPLICABLE.

Based on the development and evaluation of its strategies and plans, ARCOR S.A.I.C.'s Board of Directors periodically reviews that its Corporate Governance policies are in line with the evolution of the economic group. As a result, the Board defines the relevant management charts, as well as the corresponding functions and competencies for each position, along with the reporting lines. Among the measures adopted by the Company, we can highlight the approval of the Code of Ethics and Conduct, and the Corporate Philosophy, as well as the formation of different committees detailed below:

1. - Ethics and Conduct Committee. Since 2009, the Company has had an Ethics and Conduct Committee. Its main function is to ensure compliance with the Code of Ethics and Conduct. It also contributes to the permanent improvement of the company's ethical atmosphere, promoting training, communication and awareness for all the staff, as well as specific stakeholders in the value chain.
2. - Audit Committee. The Audit Committee was created in 2010. Some of its functions are detailed as follows: (a) supervise the operation of the internal control systems and the accounting administrative system, as well as the reliability of the latter and of all financial information and other significant events, (b) supervise the implementation of the policies regarding information on the Company's risk management, (c) review the plans of the internal and external auditors and assess their performance, (d) consider the internal and external audit budget, and (e) evaluate the quality and independence of the different services provided by external auditors according to the provisions of auditing regulations in force. This Committee does not apply the rules established by the National Securities Commission, since the Company is not obliged to set it up in said terms.
3. - Finance, Investments and Strategies Committee. This Committee was established in 2010. Among its functions are the review of the annual budget, the evaluation of alternative sources of financing, investment plans, and new businesses.
4. - Human Resources Committee. The Human Resources Committee was established in 2015 by the Board of Directors. Among its functions, we can highlight: monitoring that the remuneration structure of key personnel is in line with their performance, the risks assumed and long-term performance; and proposing selection criteria, as well as the implementation of training, retention and succession policies for members of the Board of Directors and senior management. Applying the criteria approved by the Board of Directors, on a non-binding basis, the committee proposes candidates for the positions of Directors, members of the Committees and Senior Management, which, when appropriate, are submitted to the Board's consideration, so that it may raise them to the Shareholders' Meeting.
5. - Purchase Committee. It was established in 2015 by the Board of Directors. Its main function is to manage and mitigate the risks related to Arcor Group supply chain.

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6. - Sustainability Committee. Established in 2015, the Sustainability Committee is responsible for the following functions, among others: - Advising the Board on all aspects related to sustainability and supporting the identification and analysis of risks and opportunities of impact relevant to the group. - Establishing priorities and implementing corporate policies, strategies and actions related to the sustainability of Arcor Group business units. - Evaluating the performance of the company regarding the sustainability of its business units, and controlling and minimizing the environmental and social impacts that emerge from its operations. - Evaluating and making recommendations about sustainability based on the company's strategy of relationship with different audiences. - Following up and assessing the implementation of the Arcor Sustainability Plan. - Ensuring that adequate communication policies exist and are effective on building and protecting Arcor's status as a sustainable company, internally and externally.

5. The members of the Board of Directors have enough time to fulfill their duties in a professional and efficient manner. The Board and its committees follow clear and formalized rules for its performance and organization, which are disclosed in the company's website.

NOT fully APPLICABLE.

All Board meetings, as stipulated in the By-laws of Arcor SAIC, and of the different committees, are convened with due anticipation. Moreover, the agenda to be discussed, together with the information that will be considered, is made available in advance.

The Company's Board of Directors is composed of businessmen and professionals with a recognized professional career and reputation, committed to fostering value through constructive communication.

It has been established in the Code of Ethics and Conduct and the Conflict of Interest Procedure that directors who carry out work activities apart from this economic group must ensure that they do not generate conflicts that affect the interests of Arcor Group. On their behalf, the members of the Company's Audit Committee have adhered to the Code of Ethics and Conduct and the Conflict of Interest Procedure.

At www.arcor.com there is a direct link to the website of the National Securities Commission (C.N.V.), in which the Company discloses its By-laws, and the composition and functions of the different Committees, among other information.

B) THE PRESIDENCY IN THE BOARD OF DIRECTORS AND THE CORPORATE SECRETARY

PRINCIPLES

VI. The Chairman of the Board of Directors is responsible for ensuring the effective fulfillment of the Board's functions and leading its members. He should foster a positive work dynamic and promote the constructive participation of its members, as well as guarantee that all the members have access to the elements and information necessary for decision-making. This also applies to the Chairs of each committee of the Board of Directors regarding their due tasks.

VII. The Chairman of the Board must lead processes and establish structures seeking the commitment, objectivity and competence of the members of the Board, as well as the best functioning of the body as a whole and its evolution according to the needs of the company.

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VIII. The Chairman of the Board must ensure that the Board as a whole is involved in and is responsible for the succession of the general manager.

6. The Chairman of the Board is responsible for well-organized Board meetings. He prepares the agenda, making sure that the other members collaborate, and ensures that they receive the necessary materials in advance so that they can participate in the meetings efficiently and in a well-informed manner. The Committee Chairs have the same responsibilities for their meetings.

APPLICABLE.

In the Arcor S.A.I.C. By-laws, it is established that the Chairman must call meetings of the Board of Directors, submitting to the consideration of said body all the Company's issues or businesses, with the background or information necessary for their due consideration and resolution. Within the framework of this responsibility, the Chairman calls in advance the meetings of directors, and clearly states the topics to be discussed.

With regard to the Committees, it is important to highlight that the Chairman of the Board is one of its member, and that he leads the Audit Committee, as well as the Finance, Investments and Strategies Committee, the Human Resources Committee, and the Sustainability Committee.

The Ethics and Conduct Committee, in accordance with its regulations, has the participation of a director as its chairman, whose functions are leading meetings and ensuring compliance with the agreements.

Moreover, as explained in point 9, the Company has a specific management whose responsibility lies in coordinating the corporate aspects of Arcor Group.

7. The Chairman of the Board of Directors ensures the proper internal functioning of the Board through the implementation of formal annual assessment processes.

NOT APPLICABLE.

The Chairman ensures the proper internal functioning of the Board of Directors since he is in charge of enforcing the By-laws and the decisions made by the Shareholders' Meeting and the Board of Directors. Although the Board does not carry out formal evaluations of its members or of the administrative body as a whole, said body makes the information and documentation available in the terms provided by legal regulations in force. Based on such information and documentation, shareholders can carry out an adequate evaluation of the management and the Chairman's performance as a good businessman in the Shareholders' Meeting. The aforementioned documents include the Annual Report, the Financial Statements, and the Sustainability Report, in which both financial and non-financial data are disclosed, and the description of the global objectives for the following year, as well as the strategy to be used and the degree and means of achievement of the established goals.

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8. The Chairman creates a positive and constructive workspace for all the members of the Board of Directors and ensures that they receive continuous training to stay up-to-date and to correctly perform their functions.

APPLICABLE.

In order to make well-informed decisions, as explained in point 3, the Board of Directors meets regularly with management and external consultants, so that they are informed with regard to the evolution of the different businesses, markets, regulations and areas of knowledge.

The leadership and prestige that characterizes Arcor Group has been built based on maintaining the imprint of its founders. Therefore, the members of the Board of Directors attend different forums, conferences, fairs and participate in several chambers, with the aim of staying updated regarding the technologies, products, regulations and contexts involved in their areas of concern.

The attitude of undertaking and innovating typical of ARCOR S.A.I.C., causes a constant concern in the Board and senior management since it must comply with to the most demanding standards. As a result, Arcor Group shows an on-going growth, business integration and product and market diversification.

9. The Corporate Secretary supports the Chairman of the Board of Directors in its effective administration and collaborates in the communication between the shareholders, the Board of Directors and the management.

APPLICABLE.

Within the organization there is a specific management that is independent from the Legal Affairs Management and reports to a member of the Board of Directors. This management works in the coordination of all corporate aspects of Arcor Group, such as planning meetings of the Board of Directors and Assemblies, making available the relevant reports and documents with due anticipation, and paying dividends, among others. It also maintains a fluid dialogue with the members of the Board of Directors, the Audit Committee, the Managers and the shareholders of Arcor S.A.I.C.

Apart from the aforementioned management, there is a General Management of Finance and Administration, Taxes and Systems in charge of investors relations.

In addition, the organization has a General Management of Institutional Communication and Public Affairs, and a Sustainability Corporate Management, both reporting to the Chairman. They are mainly in charge of establishing and ensuring dialogue and communication with the different stakeholders of the company: manufacturers, suppliers, community, customers, consumers, shareholders, government, press, opinion leaders and public opinion, among others.

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10. The Chairman of the Board ensures the participation of all its members in the development and approval of a succession plan for the general manager of the company.

APPLICABLE.

Arcor Group manages succession plans for all management levels through the Strategic Resources Planning Process (PRE, by its initials in Spanish). In addition, the Board of Directors has created a Human Resources Committee, which must verify the existence of a succession plan for members of senior management, keeping the Board informed in this regard.

PRE is a key process that helps manage the future of the organization. This process seeks to ensure the promotion, development and retention of our talents for the sustainability of our business.

Periodically, the General Management of Human Resources reports to the Company's Board of Directors on the relevant indicators of the PRE, such as the rate of internal coverage of managerial positions, positions mapped with internal replacement charts, training and development to high potential personnel, information that is stated in the annual report.

Additionally, the Human Resources Committee develops the criteria that must be considered when proposing, nominating and / or selecting candidates or new members to join the senior management of Arcor S.A.I.C.

C) COMPOSITION, NOMINATION AND SUCCESSION OF THE BOARD OF DIRECTORS

PRINCIPLES

IX. The Board of Directors should have appropriate levels of independence and diversity to allow it to make decisions for the best interests of the company, avoiding group-thinking and decision-making by individuals or dominant groups within the Board.

X. The Board of Directors shall ensure that the company follows formal procedures for the proposal and nomination of candidates to hold positions on the Board, within the framework of a succession plan.

11. The Board of Directors has at least two independent members in accordance with the current criteria established by the National Securities Commission.

APPLICABLE.

Currently, there are two directors who are independent. They were appointed for three fiscal years at the Meeting held on November 27, 2017; and they accepted their positions on the same date.

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12. The company has a Nominations Committee that is made up of at least three (3) members and is chaired by an independent director. If the Nominations Committee chairs, the Chairman of the Board will abstain from participating in the treatment and appointment of his own successor.

NOT APPLICABLE

The Board of Directors has formed a Human Resources Committee made up of the Chairman of the Board (who is also the Executive Director "CEO" of the Company), a regular director (both directors are Non-Independent in accordance with the current criteria established by the National Securities Commission) and the General Manager of Human Resources. All of them have extensive experience in business management and practices related to human capital.

13. The Board of Directors, through the Nominations Committee, develops a succession plan for its members that guides the pre-selection process for candidates to fill vacancies and takes into account the non-binding recommendations made by its members, the General Manager and the Shareholders.

APPLICABLE.

The Board of Directors of Arcor S.A.I.C., based on the proposals made by the Human Resources Committee, establishes the criteria that must be considered when proposing, nominating and / or selecting candidates to be part of the Board and its Committees.

The appointment of the members of the Board of Directors is an exclusive faculty of the Shareholders Meeting, so the recommendations of this Committee, approved by the Board, will always maintain the non-binding character.

The Human Resources Committee must verify the existence of a succession plan for the members of the Board of Directors, and propose candidates for the positions of Directors and members of Committees. The candidates must be submitted to the Board for consideration, so that it can present them with non-binding character in the Shareholders' Meeting.

14. The Board implements a guidance program for its newly elected members.

APPLICABLE.

Once a new director accepts the position, a process is initiated through which he is provided with relevant company information, visits to plants and offices, and meetings with key organization personnel.

D) REMUNERATION

PRINCIPLES

XI. The Board of Directors must provide incentives through remuneration to align management - led by the general manager - and the Board itself with the long-term interests of the company, so that all directors meet their obligations towards all shareholders equitably.

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15. The company has a Remuneration Committee that is made up of at least three (3) members. The members are entirely independent or non-executive.

NOT APPLICABLE.

The Board of Directors has established a Human Resources Committee made up of the Chairman of the Board of Directors (who is also the Executive Director "CEO" of the Company), a regular director (both directors are non-independent according to the current criteria established by the National Securities Commission) and the General Manager of Human Resources, who have extensive experience in business management and human capital policies.

The Human Resources Committee is in charge, among other matters, of:

- (a) monitoring that the remuneration structure of key personnel is adequately related to their performance and risk management;
- (b) supervising that the variable portion of the remuneration of senior management is linked to performance in the medium and / or long term;
- (c) reviewing Arcor Group's policies and practices regarding personnel remuneration and benefits, in order to adjust them to market uses, recommending changes if necessary;
- (d) reviewing and proposing updates to the retention, promotion, dismissal and suspension policies for key personnel;
- (e) reviewing, reporting, and submitting to the Board's consideration the guidelines for retirement plans that affect members of senior management.

16. The Board of Directors, through the Compensation Committee, establishes a remuneration policy for the general manager and members of the Board of Directors.

NOT APPLICABLE.

The remuneration policy for management positions is based on a remuneration scheme made up of a fixed part and a variable part. The fixed remuneration is related to the level of responsibility required for the position and to its competitiveness in the market. The variable remuneration is associated with the objectives set at the beginning of the fiscal year and their degree of fulfillment throughout the fiscal year. The variable remuneration is affected by at least 10% due to the achievement of Sustainability objectives, which are linked to the medium and long term, since they are aligned with the Sustainability Policy and the group's strategies. Additionally, it is periodically reviewed if the position that each manager holds has an annual compensation (remuneration and benefits) according to what the local market is setting. This comparison is based on the HAY Parameter (parameter used in the salary and structure administration that arises from the HAY job evaluation method implemented for the entire company) of each position, supported by file cards and descriptions of positions made with the HAY System at global level.

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The Board of Directors reports to the shareholders on the topics discussed in this recommendation, through the information made available in the Annual Report, the Sustainability Report and the annual financial statements.

The members of the Board of Directors are at the disposal of the shareholders in the Meetings, in order to clarify any doubt that may arise with respect to the policies of the company.

E) CONTROL ENVIRONMENT

PRINCIPLES

XII. The Board of Directors must ensure the existence of a control environment, made up by internal controls developed by management, internal audit, risk management, regulatory compliance and external audit, which establishes the necessary lines of defense to ensure integrity in the company's operations and its financial reports.

XIII. The Board of Directors must ensure the existence of a comprehensive risk management system, which allows to the management and the Board of Directors, to efficiently manage the company towards its strategic goals.

XIV. The Board of Directors must ensure the existence of a person or department (depending on the size and business complexity, the nature of its operations and the risks it faces) responsible for the company's internal audit. In order to evaluate and audit internal controls, corporate governance processes and company risk management, this audit must be independent and objective and have its reporting lines clearly established.

XV. The Audit Committee will be composed of qualified and experienced members, and they must carry out their tasks in a transparent and independent way.

XVI. The Board of Directors shall establish appropriate procedures to ensure the independent and effective intervention of the External Auditors.

17. The Board of Directors establishes the risk appetite of the company and also supervises and ensures the existence of a comprehensive risk management system that identifies, assesses, and decides the course of action, and monitors the risks that the company faces including- among others- environmental and social risks, and those inherent to the business in the short and long term.

APPLICABLE.

The Board of Directors approves Arcor S.A.I.C.'s strategy, which implies a conceptual framework to establish the amount of risk that the company will take. Based on the strategy and reports of the managers and Committees of Arcor Group, the PO and the PE are prepared, as discussed in point 2 of this Report, which set its short term objectives and associated risks.

The Company has the Ethics and Conduct; Audit; Finance, Investment and Strategies; Human Resources; Purchase; and Sustainability Committees, which evaluate and report to the Board of Directors with respect to different aspects of its competence, related to risk management, internal control and fraud prevention.

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These Committees have been structured in such a way that both members of the administrative body and senior management can participate, thus achieving an adequate interaction on risk management.

The Audit Committee must supervise the functioning of the internal control system and the administrative accounting system, as well as the application of policies on the Company's risk management. The Finance, Investment and Strategy Committee is responsible for evaluating alternative sources of financing, investment plans and new businesses. The Human Resources Committee seeks to ensure the continuity of Arcor Group as a leading employing company with the ability to attract, develop and retain talents. The Purchase Committee aims to manage and mitigate the risks related to the Group's supply chain. Finally, within the functions of the Sustainability Committee, are: (i) Advising the Board on all aspects related to sustainability and supporting the identification and analysis of risks and opportunities of impact relevant to the group and (ii) evaluating the performance of the company regarding the sustainability of its business units, and controlling and minimizing the environmental and social impacts that emerge from its operations.

The topics submitted to the Board for consideration are previously analyzed by the areas with the corresponding technical expertise, and then introduced to the Board by members of senior management with competence on the topic discussed. In such presentation, if appropriate, risks related to the decisions to be made are detailed.

In addition, the Board of Directors requests specific reports to senior management and specialized consultants, periodically controls budget compliance, and monitors strategic objectives and the evolution of key variables. The specific risks of each area of responsibility are managed by its corresponding management. The Company's senior management supports its decisions on corporate risk management through interdisciplinary work and reports from specialized sources. On the other hand, the Internal Audit management, within its functions, prepares risk matrices for the audited processes.

Arcor Group manages its industrial operations according to documented guidelines. To manage these documents (policies, manuals, procedures, instructions, programs, registers, lists) there is a software system called Loyal ISO, which has wide access from staff, meets the requirements established for this issue in international standards, and has been evaluated on multiple occasions during external audits of standards such as ISO 9001, ISO 14001, OSHAS 18001, BRC. The defined methodology for document control ensures the preparation of documents by staff with deep knowledge of the process associated to each document and authorization by corresponding hierarchical staff in each case.

Arcor Group has developed the Comprehensive Management System (SGI, by its initials in Spanish). The SGI is a tool developed by and for Arcor Group's management of industrial and logistics operations, taking into account the culture and the concepts of the company, and world-class improvement requirements and tools. The SGI integrates the Vision, Mission, values and Ethical Principles, the Code of Ethics and Conduct and the Sustainability Policy of Arcor Group, international standards that include Safety Management and Occupational Health Systems (OHSAS 18001), Quality Management Systems (ISO 9001), Environmental Management Systems (ISO 14001), Good Manufacturing Practices (BPM, by its initials in Spanish), the Business Excellence Management Model, which contains the specific criteria in the Quality National Award (MGEE), British Retail Consortium (BRC) Global Food Safety Standard and Good Agricultural Practices (BPA, by its initials in Spanish), as well as improvement tools such as total productive maintenance, Japanese philosophy focused on self-management of people and loss reduction (TPM), the management philosophy centered on reducing losses and adding value throughout the chain, Lean Manufacturing, 6 Sigma methodology, based on continuous improvement of the capacity of processes working for zero defect, the Japanese methodology for order, cleanliness and standardization called 5S, the theory of constraints (TOC) and the

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methodology to achieve quick product changes in manufacturing processes (SMED). The SGI is supported by six components that are the main axis on which the system is structured: (I) Management Commitment and Leadership, (II) Orientation to Clients, Consumers and Community, (III) Management of Key Processes, (IV) Management of Support Processes, (V) People Management and (VI) Continuous Improvement. The SGI is applicable to activities, products and services developed within the scope of Operations and Supply Chain of Arcor Group; and it is aimed to satisfy our stakeholders' needs. The guidelines designed within the framework of the SGI include, among others, those related to customers and community relations management, products design, supply chain comprehensive management, manufacturing processes, good manufacturing practices, identification and evaluation of environmental impacts, identification and evaluation of safety and hygiene risks, evaluation and selection of suppliers, and verification of the implementation of SGI requisites in the Arcor Group's processes.

Customers are subject to the policies, procedures and controls established by the group, which are detailed in a Credit Manual. Also, a large extent of Arcor Group's administrative tasks is standardized in procedure manuals.

On the other hand, Agro Sustainable Program was developed. It has been encouraged since 2012, and aims to ensure the quantity, quality, healthiness and environmental and social responsibility of the main raw materials that the company produces and acquires. With this aim, each Business analyzes and characterizes the supply of its main inputs (cereals, sugar, fruit and vegetables, fats and oils, and cocoa and dairy by-products), to develop practices and implement standards of purchase and agricultural production that allow them ensure long-term sustainability. In the framework of this program, the Ingenio (Sugar Mill) La Providencia of Arcor Group achieved in 2017 the Bonsucro standard certification, a global platform that promotes the economic, social and environmental sustainability in the sugar cane sector, being the first sugar mill from Argentina and Latin America to achieve it (except for Brazil).

Moreover, REconocer program is a tool that allows obtaining an extended vision of suppliers through a rating system that considers not only technical aspects of quality, but also commercial and sustainability practices. This program, not only allows a better understanding of the Supply chain, but also promotes a sustainable management in the company's value chain, minimizing risks when evaluating the management of financial, legal, capability, service standard, social, safety and hygiene, and environmental aspects.

Regarding protection and access to company data, the Company bases its standards on the international Standard ISO/IEC 27001.

In matters of Sustainability, Arcor Group has identified the main risks for the business, derived from economic, social and environmental development, and has extended this methodology to each of its businesses, which have its own sustainability matrices. Likewise, in terms of community management, Arcor Group has a matrix of economic, environmental and social impacts, in order to facilitate the compilation and recording of homogeneous and comparable information that allows managing the potential impacts of Arcor on the local development of communities in which it operates. The matrix encompasses the influence area of the company's own operations and addresses those effects generated directly or indirectly by the presence of Arcor Group in each location through 100 quantitative-qualitative economic, social and environmental indicators. In turn, the Sustainability Scorecard platform has been launched, a control panel to measure and report, systematically and at a corporate level, the progress of Arcor Group in the compliance of its Sustainability Strategy.

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18. The Board of Directors monitors and supervises the effectiveness of the independent internal audit and guarantees the resources for the implementation of an annual risk-based audit plan and a line of direct reporting to the Audit Committee.

APPLICABLE.

The Company has an Audit Committee created by voluntary decision of The Board of Directors, since the Company does not make a public offer of its shares.

The Internal Audit area depends on a Director of Arcor S.A.I.C., reports functionally to the Audit Committee and aims to contribute minimizing the potential impact that the risks of the operation could cause in the achievement of Arcor Group's goals, supporting the different areas through the implementation and optimization of controls and procedures.

The Audit Committee carries out evaluations of the independence of internal auditors. Those evaluations are documented in the corresponding minutes of the Audit Committee, and its results are reported to the Company's Board of Directors.

The professionals in charge of the functioning of the Internal Audit are independent of the remaining operational areas of the company.

The Internal Audit Area carries out its tasks following the guidelines established in the international standards for the professional exercise of internal auditing issued by The Institute of Internal Auditors "IIA".

The Audit Committee approves the internal audit plan every year. The Internal Audit Management presents the main works to the Audit Committee, according to the plan approved annually.

19. The internal auditor or members of the internal audit department are independent and highly trained.

APPLICABLE.

The Audit Committee carries out an evaluation of achievement, training and independence of the internal auditors. Those evaluations are documented in the corresponding minutes of the Audit Committee, and its results are reported to the Company's Board of Directors. The professionals in charge of the functioning of the Internal Audit are independent of the remaining operational areas of the company.

A training plan for the members of the Internal Audit Management is reviewed and approved annually.

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20. The Board of Directors has an Audit Committee that works based on regulations. The committee is composed of mainly and headed by independent directors and does not include the general manager. Most of its members have professional experience in financial and accounting areas.

NOT APPLICABLE.

The Company has an Audit Committee constituted by the voluntary decision of the Board of Directors, since the company does not make a public offer of its shares.

The Audit Committee is composed of four members of the Board of Directors, one of whom is independent, according to the C.N.V. regulations. Moreover, one of the directors that make up the committee is the Executive Director “CEO” of Arcor SAIC. The Internal Audit Corporate Manager and the Administration, Taxes and Systems General Manager also participate in the Audit Committee.

All participants of the Committee are professionals of recognized integrity and career in accounting and financial areas.

21. The Board of Directors, with the Audit Committee’s opinion, approves a policy for selection and monitoring of external auditors, which determines the indicators that must be considered when making a recommendation to the Shareholders’ meeting about the retention or replacement of the external auditor.

APPLICABLE.

The functions of the Audit Committee are, among others, to examine the external auditors’ plans, to evaluate the different services provided, their performance and maintenance of their independence condition as stipulated by the current auditing standards.

In this sense, those annual evaluations are stated in the corresponding minutes of the Audit Committee, and its results are reported to the Company’s Board of Directors.

The relevant aspects of the procedures used by the Audit Committee to carry out the evaluation are mainly as follows: - corroborate that the audit plan is executed in accordance with the conditions duly contracted, - evaluate the external auditors performance, and - consider their independence having in mind the fees invoiced by the firm PRICE WATERHOUSE & CO. S.R.L. to Arcor Group, and the presence of the audit firm in the market.

In accordance with the current regulations, the Shareholders’ Meeting appoints to the Company’s external auditors to execute their tasks for annual periods.

F) ETHICS, INTEGRITY AND COMPLIANCE

PRINCIPLES

XVII. The Board of Directors must design and establish appropriate structures and practices to promote a culture of ethics, integrity and compliance with regulations to prevent, detect and addresses corporate or personal serious misconduct.

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XVIII. The Board of Directors will ensure the establishment of formal mechanisms to prevent and otherwise, deal with conflicts of interest that may appear in the administration and management of the company. It must have formal procedures that seek to ensure that the transactions between related parties are carried out in view of the best interest of the company and equal treatment of all its shareholders.

22. The Board of Directors approves a Code of Ethics and Conduct that states the values and ethical principles and integrity, as well as the culture of the company. The Code of Ethics and Conduct is communicated and applicable to all directors, managers and employees of the company.

APPLICABLE.

Based on the Corporate Philosophy and Values of the Group, the Board of Directors approved a Code of Ethics and Conduct, a Code of Ethics and Conduct Administration Procedure, and a Conflict of Interest Procedure, which are applied and communicated both to the members of the administration body and to all Arcor Group's employees, and to which the members of the Syndic's Committee have adhered. The Code of Ethics and Conduct of Arcor Group formally establishes the set of values, principles and standards that guide the responsible behavior of the Company.

Said Code of Ethics and Conduct is based on ethical principles, which include, among others, acting with transparency and respecting the established agreements with the different audiences with which the company is related, promoting long-lasting and reliable relationships; promoting a communication based on the reliability of the information and facts; and respecting national and international laws and conventions, integrating our value chain in this commitment and promoting a sustainable and competitive commercial context.

On the other hand, and within the framework of Law 27401 (Corporate Criminal Liability Law) the Company's Board of Directors have appointed a Chief Compliance Officer on March 2018, in charge of the development, coordination and supervision of Arcor Group Integrity Program.

23. The Board of Directors periodically establishes and examines an Ethics and Integrity Program, based on the risks, size and economic capacity of the company. The plan is undoubtedly supported by management, who appoints an internal responsible. This person periodically develops, coordinates, supervises and evaluates the program regarding in terms of its efficacy. The program establishes: (i) periodic training to directors, managers and employees about ethics, integrity and compliance; (ii) internal channels to complaint for irregularities, open to third parties and properly disseminated; (iii) a policy to protect complainants against retaliations; and an internal investigation system that respects the investigators' rights and imposes effective sanctions to infringements of the Code of Ethics and Conduct; (iv) integrity policies in leasing procedures; (v) mechanisms for periodic analysis of risks, monitoring and evaluation of the Program; and (vi) procedures that verify the integrity and experience of third parties or business partners (including due diligence for verification of irregularities, illegal acts or the existence of violations during the company transformation and acquisition processes), including suppliers, distributors, service providers, agents and intermediaries.

APPLICABLE.

The Board of Directors constituted the Committee of Ethics and Conduct to ensure compliance and resolve situations that appear in relation to the Code of Ethics and Conduct. Additionally, a Code of Ethics and Conduct

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Administration Procedure and a Conflict of Interests Procedure were developed, and an Ethics Line was established.

The Ethics Line is a tool to facilitate the presentation, in an anonymous and confidential way, of enquiries or facts that may expose a violation to the Code of Ethics and Conduct.

The service of receiving and analyzing complaints is internal, and is in charge of the Internal Audit Management, which is made up of independent professionals with respect to the remaining operational areas of the Company.

The Internal Audit Area reports to the Ethics and Conduct Committee and, in case of relevant denunciations related to internal control issues and fraud, to the Audit Committee.

Every year, several activities are carried out in order to make known the Ethics Line and to promote the compliance with the ethical standards established by the Company.

The Ethics Committee annually reports to the Board of Directors on the amount of queries and complaints analyzed. Such queries and complaints are classified according to the nature of each one: i) Environmental and Community Relations, ii) Social-occupational Relations, iii) Relations with Suppliers and Clients, iv) Theft, steal or inappropriate use of company properties, v) Financial fraud and vi) Violations to the Availability, Integrity and Confidentiality of Data.

In turn, Arcor Group's suppliers are required to sign a letter of adherence to basic principles of responsible management, at moment of starting a business relationship with the company.

During 2019, the Code of Ethics and Conduct was updated considering what is prescribed by the "Corporate Criminal Liability" law and taking into account the Integrity Guidelines to comply with what is established in the articles 22 and 23 of Law No. 27.401.

Arcor Group encourages the ethical and integrity practices not only through its customs, principles and policies, but also through the procedure manual, standards and regulations.

24. The Board of Directors ensures the existence of formal mechanisms to prevent and deal with conflicts of interest. In case of transactions between related parts, the Board of Directors approves a policy that establishes the role of each company, and defines how those transactions that are detrimental to the company or some investors are identified, managed and disclosed.

APPLICABLE.

The ARCOR S.A.I.C.'s Board of Directors approved a Code of Ethics and Conduct, a Code of Ethics and Conduct Administration Procedure and a Conflict of Interests Procedure, which are applied to the members of the administration body and to Arcor Group's employees, and to which the members of the Syndic's Committee have adhered.

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It is responsibility of the Ethics and Conduct Committee to solve situations that occur in relation to compliance with the Code of Ethics and Conduct; while the Internal Audit Department ensures the compliance with the Company's policies in general, and in particular, the compliance with those policies related to the Code of Ethics and Conduct.

The Code of Ethics and Conduct Administration Procedure and the Conflict of Interests Procedure, establish that in situations of potential conflicts of interests in business relationships, there should always be a resolution issued by the Ethics and Conduct Committee as the body with the highest faculty on this topic.

For Arcor Group, a conflict of interests occurs when the behavior, participation or interests of a member of the Board of Directors, the Syndic's Committee, or a collaborator interferes or appears to interfere in any way with the company's interests, either obtaining inappropriate personal benefits as a result of the position held in the company, or participating in whole or in part in businesses or relationships with suppliers, customers or partners of Arcor Group in a personal capacity and not as a representative of the Company, or developing external work activities, of confidential nature, that could cause conflicts in relation to Arcor Group's interests, being responsible all the collaborators of Arcor Group of ensuring compliance of the Code of Ethics and Conduct. It has been established that no employee could represent Arcor Group in business relationships if they could have any personal interest, since all decisions must be impartial, objective and based on professional judgment. Collaborators must disclose and communicate to their direct superior, or in case of impossibility, to the Ethics and Conduct Committee, every possible situation that may create a potential conflict of interests with the company, in order to find the resolution of said conflict. In those situations referred to possible conflicts of interests in business relationships, collaborators must always adopt the resolution of the Ethics and Conduct Committee as the highest faculty body on this issue.

Annually, employees of this Company, or of the companies belonging to Arcor Group, reaching to those who perform the general management and those who carry out sensitive tasks of the Company, must complete, with sworn declaration character, a personal statement about the potential conflicts of interests that may appear in their tasks.

Notwithstanding the compliance with the current standards about the use of privileged information, the Company, through the Code of Ethics and Conduct, has a mechanism that considers the prevention of inappropriate use of privileged information by the members of the Board of Directors, the Syndic's Committee of the Company and Arcor Group's employees. In this sense, the conduct standards establish that (i) Arcor Group ensures that data of its actions are communicated in an open, transparent, reliable and qualified manner to the press and society in general; and (ii) all those data that are considered confidential must be treated by the group and its collaborators with integrity, ensuring its use only to issues related to the business management. In addition, there are data security policies with regard to data protection.

The Company has certified the international Standard ISO/IEC 27001, the standard for data security regarding to protection and treatment of Arcor Group data. Additionally, it is highlighted that, several suppliers of the company must sign confidentiality commitments.

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FOR THE FISCAL YEAR ENDED ON DECEMBER 31, 2019

G) PARTICIPATION OF SHAREHOLDERS AND STAKEHOLDERS

PRINCIPLES

XIX. The company must treat all Shareholders equally. It must guarantee equal access to non-confidential and relevant information for the company decisions to be made in the Meetings.

XX. The company must promote the active participation with appropriate information of all the Shareholders, especially in the conformation of the Board of Directors.

XXI. The company must have a transparent Dividend Distribution Policy that is aligned with the strategy.

XXII. The company must take into account the interests of its stakeholders.

25. The company's website discloses financial and non-financial information, providing convenient and equal access to all Investors. The website has a specialized area for dealing with Investors inquiries.

NOT fully APPLICABLE.

The Company uses its website (www.arcor.com) and that of the C.N.V. as communication mechanisms with investors. In addition, in case of issuance of negotiable securities, presentations are made to investors and potential investors, and Shareholders' Meetings are held annually or on the occasion established by the Board of Directors.

In turn, the Company has several channels to answer to the concerns of users in general, such as:

- Institutional website (www.arcor.com): on this site, all users can access Arcor's institutional information, financial and non-financial information (mainly in the Financial Statements and Sustainability Reports), as well as the latest news and product launch news. Said domain has direct access to the C.N.V. website, where the Company makes available its By-laws, relevant information, composition of its Board of Directors, Board proposals, among other reports and documents. At www.arcor.com, the contact data of each of the Company's subsidiaries are available: email and telephone, among others.
- Websites: www.arcor.com, www.arcor.com.ar, www.arcor.com.br and www.arcor.com.cl
- Corporate Social Network (Facebook, Instagram, Twitter, LinkedIn).
- Consumer Service.
- ArcorBuy Portal, for contact with Suppliers.
- Portal ArcorNet, ArcorNet 2.0 and Tokin, for contact with Distributors.
- Ethical Line.
- Mail: arcor@arcor.com

As stated in point 9 of this document, within the organization there is a specific management (Associations Management) that works in the coordination of all corporate aspects of Arcor Group, such as planning matters for Board meetings and Assemblies, as well as making available the relevant reports and documents with due anticipation and dividend payments. Said management has a constant communication with the members of the Board of Directors, the Syndics' Committee, Managers and shareholders of Arcor S.A.I.C.

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In turn, the Finance, Public Affairs and Press, Institutional Communication and Marketing Services, Sustainability, Administration, Taxes and Systems, and Associations Management work in coordination, in order to provide information and answer questions to stakeholders, among which are investors, analysts and shareholders.

26. The Board of Directors must ensure that there is a procedure for identifying and classifying its stakeholders and a communication channel for them.

APPLICABLE.

From its beginnings, Arcor Group expressed the conviction of being a relevant and responsible member of the community. It has always been a distinctive feature of our company: promoting our businesses through responsible management that considers economic growth, social development and environmental protection, being guided by a long-term strategy that manages risks and maximizes the opportunities derived from the business and its environment.

To achieve this, the company promotes procedures to identify and classify its stakeholders, as well as different instances and channels of dialogue and communication with them.

Regarding the identification and classification of stakeholders, the company has a procedure for the construction of Risk and Sustainability Opportunity Matrices for each of its businesses. Such process is made up of five different steps. The first two consist of a comprehensive understanding of the organization and its context, and an understanding of the needs and expectations of stakeholders. The interest groups that are commonly listed as stakeholders are: Shareholders; Chambers / producers associations; Government; regulatory and audit organizations; opinion leaders; Unions; Civil society organizations; Community; Consumer associations; Press and opinion leaders; Collaborators; Suppliers; Outsourced Suppliers; External clients: distributors, supermarkets, wholesalers, specials; Consumers; Points of sale; and Waste Pickers and Recyclers.

Arcor promotes different instances and channels of dialogue to engage with stakeholders, among which we can mention: market research addressed to current and potential consumers; consumer satisfaction surveys; the Consumer Service Channel (SAC, by its initials in Spanish); the promotion of impact perception studies in local communities, in order to find out the perception that the communities and various Arcor stakeholders have of the company-community relationship; Local Committees and Community Relations Teams that participate in various spaces of dialogue with communities close to the company; the Work Environment Surveys; and supplier surveys through audits and programs, just to name a few.

On the other hand, it should be noted that the company has decided to form the Local Community Relations Committees, led by the Management of each of the Plants, and composed of those responsible for the main areas related to industrial operation. The Committees are responsible for implementing, at the local level, the community relations strategy that includes 3 axes of work:

- Recognize the impacts of the company-community relationship carrying out a diagnosis. It contemplates the survey of quantitative and qualitative information: information about and characterization of the local and regional territory where the company is located; information about and characterization of the company through a Community Impact Matrix for the collection of economic, environmental and social indicators; and information to know how the community and the different interest groups perceive the company-community relationship, the perceived impacts, the assessment of those impacts and opportunities for improvement through perception studies.

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Strategically manage risks and opportunities. In order to proactively manage risks and opportunities, the company develops and implements a series of Programs and Projects oriented to the comprehensive development of the communities, in which different areas participate according to the theme addressed.

- Promote and manage comprehensive community development actions.

Finally, when preparing the Company's Sustainability Report, the topics considered material are those considered most relevant and significant according to the company's business strategy and the needs of our different stakeholders. In this framework, we define the contents of the Sustainability Report considering the GRI principles of inclusion of stakeholders, context of sustainability, materiality and exhaustiveness.

27. Prior to holding the Meeting, the Board of Directors sends to the Shareholders a “provisional information package” that allows Shareholders - through a formal communication channel, to make non-binding comments and share dissenting opinions with the recommendations made by the Board of Directors. When sending the final package of information, the Board of Directors has to expressly refer to the comments received that it considers necessary.

NOT APPLICABLE.

The Company complies with the legal regulations in force regarding the provision of information and documentation necessary for shareholders' decision-making. That is why, prior to holding the Shareholders' Meetings required by legal regulations in force, the information and documentation necessary for decision-making, such as, Financial Statements, Annual Report, Sustainability Report, Proposals for the implementation of results and remuneration to the Board of Directors are made available to shareholders.

The Board of Directors must ensure compliance with the rules applicable to the Company; and, in this sense, shareholders have the possibility of making comments and sharing dissenting opinions from the recommendations made by the Board, as well as proposing matters to the Board of Directors to be discussed at the Meetings.

28. The company By-laws considers that the Shareholders can receive the information packages for the Shareholders' Meeting through virtual means and participate in the Meetings through electronic means of communication that allow the simultaneous transmission of sound, images and words, ensuring the principle of equal treatment of the participants.

NOT APPLICABLE.

The Company makes the Shareholders' Meetings information available to shareholders, with the anticipation required by legal regulations, at the headquarters (in physical or digital format) and on the C.N.V. website. The Company By-laws foresee the anticipation with which the information must be provided to shareholders, not specifying the form of delivery of said information

The By-laws does not establish the use of electronic means of communication that allow the simultaneous transmission of sound, images and words to hold meetings. It should be noted that in the last 10 years, shareholders have attended to the meetings, representing more than 99% of the capital stock and votes.

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FOR THE FISCAL YEAR ENDED ON DECEMBER 31, 2019

29. The Dividend Distribution Policy is aligned with the strategy and clearly establishes the criteria, frequency and conditions under which the distribution of dividends will be carried out.

NOT APPLICABLE.

Although the Board of Directors has not approved an explicit Dividend Policy, the general strategy of Arcor Group establishes the focus on the main businesses (Mass Consumption, Packaging and Agribusiness) and the development of strategic partnership projects, prioritizing liquidity and a healthy financing structure in order to ensure compliance with its obligations and commitments, as well as obtaining the funds required to carry out its operations and investment projects.

Annually, the Board of Directors submits the destination of the results of the fiscal year and of the Company's reserves for consideration of the Shareholders' Meeting. The board also states in the Annual Report and other relevant documents its proposal for the distribution of dividends and the limitations that the Meeting must consider regarding the destination of the aforementioned funds.

The proposed destination of dividends is based on the approved strategies, budget, investment plans, operating plans, and reports prepared by senior management on some issues like distributable results, the Company's financial situation and economic prospects.

THE BOARD OF DIRECTORS

ARCOR S.A.I.C.



Luis Alejandro Pagani
Chairman



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CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018.

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

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CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31 2019 AND 2018

GLOSSARY TERMS

TERM	DEFINITION
AFIP	Federal Administration of Public Revenues.
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.
BCRA	Central Bank of Argentina.
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. 19550 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	Technical Pronouncements issued by the 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 STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

	Notes	For the year ended	
		12.31.2019	12.31.2018
Sales of goods and services	28	134,710,183	131,725,052
Cost of sales of goods and services provided	29	(99,396,779)	(93,912,309)
SUBTOTAL		35,313,404	37,812,743
Results generated by biological assets	32	(3,236)	(166,338)
GROSS PROFIT		35,310,168	37,646,405
Selling expenses	30	(23,114,851)	(23,804,556)
Administrative expenses	30	(6,046,704)	(6,244,360)
Other (losses) – net	33	401,088	(552,992)
OPERATING INCOME		6,549,701	7,044,497
Financial income	34	405,118	(1,335,377)
Financial expenses	34	(5,742,513)	(8,894,229)
Net monetary position result	34	997,285	582,145
NET FINANCIAL RESULTS		(4,340,110)	(9,647,461)
Net results on investments in associates	9	742,588	(283,232)
INCOME BEFORE INCOME TAX		2,952,179	(2,886,196)
Income tax	35	(3,096,269)	1,331,124
NET (LOSS) FOR THE YEAR		(144,090)	(1,555,072)
(Loss) / Income attributable to:			
Company's shareholders		(1,469,079)	(2,799,825)
Non-controlling interest	21	1,324,989	1,244,753
TOTAL		(144,090)	(1,555,072)
(Loss) per share attributable to the Company's shareholders			
Basic and diluted (loss) per share	36	(0,02099)	(0,04000)

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

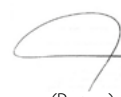


Víctor Jorge Aramburu
Chairman Syndics
Committee



Luis Alejandro Pagani
Chairman

See our report date March 9, 2020
PRICE WATERHOUSE & CO. S.R.L.



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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

	Notes	For the year ended	
		12.31.2019	12.31.2018
NET (LOSS) FOR THE YEAR		(144,090)	(1,555,072)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR			
Items that may be subsequently be reclassified to income/loss			
Cash flow hedges ⁽¹⁾	20	(1,015)	37,066
Tax effect	20 and 35	(329)	(13,522)
SUBTOTAL		(1,344)	23,544
Currency translation differences in companies	20	(153,990)	3,271,571
Tax effect	20 and 35	3,431	(8,539)
SUBTOTAL		(150,559)	3,263,032
Total items that can later be reclassified to income/loss		(151,903)	3,286,576
Items that will not be reclassified to income/loss			
Participation in other comprehensive income for actuarial gain/(losses) of defined benefit plans of companies	9	1,739	10,096
Actuarial (loss) of defined benefit plans	24	(325,267)	(158,024)
Tax effect	35	79,072	24,991
Total Items that will not be reclassified to income/loss		(244,456)	(122,937)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(396,359)	3,163,639
NET COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(540,449)	1,608,567
Other comprehensive income for the year attributable to:			
Company's shareholders		(375,235)	2,644,190
Non-controlling interest		(21,124)	519,449
TOTAL		(396,359)	3,163,639
Total comprehensive (loss)/income for the year attributable to:			
Company's shareholders		(1,844,314)	(155,635)
Non-controlling interest		1,303,865	1,764,202
TOTAL		(540,449)	1,608,567

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 9, 2020
PRICE WATERHOUSE & CO. S.R.L.



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

CONSOLIDATED BALANCE SHEET

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

ASSETS	Notes	12.31.2019	12.31.2018
NON-CURRENT ASSETS			
Property, plant and equipment	5	36,153,579	37,340,922
Right-of-use assets	6	1,235,230	-
Investment properties	7	229,296	266,374
Intangible assets	8	6,012,614	5,907,499
Investment in associates	9	7,375,474	5,759,650
Biological assets	10	694,342	752,104
Deferred tax assets	11	1,791,422	2,916,528
Other investments	14	8,268	1,730
Derivative financial instruments	15	-	441,944
Other receivables	12	2,021,473	1,967,165
Trade accounts receivable	12	-	481
TOTAL NON-CURRENT ASSETS		55,521,698	55,354,397
CURRENT ASSETS			
Biological assets	10	436,778	399,919
Inventories	13	21,740,320	26,651,026
Derivative financial instruments	15	12,819	8,843
Other receivables	12	4,951,417	3,967,912
Trade accounts receivable	12	18,444,014	20,703,867
Other investments	14	12	23
Cash and cash equivalents	16	9,967,093	7,445,998
TOTAL CURRENT ASSETS		55,552,453	59,177,588
TOTAL ASSETS		111,074,151	114,531,985

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 9, 2020
PRICE WATERHOUSE & CO. S.R.L.



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

CONSOLIDATED BALANCE SHEET

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

LIABILITIES AND EQUITY	Notes	12.31.2019	12.31.2018
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Common stock - Outstanding shares	18	700,000	700,000
Capital adjustment		4,753,329	4,753,329
Treasury stock		(1,200)	(1,200)
Legal reserve	17	1,090,666	396,822
Optional reserve for future investments		10,167,379	2,266,741
Special reserve for future dividends		2,620,045	263,330
Special reserve adoption of IFRS	17	576,119	576,119
Retained earnings	19	(1,695,095)	11,792,380
Other equity components	20	909,397	1,058,616
SUBTOTAL ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		19,120,640	21,806,137
Non-controlling interest	21	10,789,816	9,638,600
TOTAL EQUITY		29,910,456	31,444,737
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	22	37,070,986	34,805,413
Lease liabilities	23	742,658	-
Derivative financial instruments	15	163,715	40,324
Deferred tax liabilities	11	1,762,676	2,215,413
Employee retirement benefits obligations	24	1,616,502	1,303,193
Provisions	25	550,700	743,854
Trade accounts payable and other liabilities	26	268,317	151,074
TOTAL NON-CURRENT LIABILITIES		42,175,554	39,259,271
CURRENT LIABILITIES			
Loans	22	15,893,401	16,954,357
Pasivos por arrendamientos	23	570,604	-
Derivative financial instruments	15	2,968	299,488
Income tax payable		733,082	683,249
Employee retirement benefits obligations	24	248,904	182,978
Provisions	25	154,055	206,060
Advances from customers		370,654	226,843
Trade accounts payable and other liabilities	26	21,014,473	25,275,002
TOTAL CURRENT LIABILITIES		38,988,141	43,827,977
TOTAL LIABILITIES		81,163,695	83,087,248
TOTAL EQUITY AND LIABILITIES		111,074,151	114,531,985

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 9, 2020
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

CAPTIONS	OWNERS' CONTRIBUTIONS			RETAINED EARNINGS		
	CAPITAL COMMON STOCK OUTSTANDING SHARES	CAPITAL ADJUSTMENTS ¹	TREASURY STOCK	LEGAL RESERVE (note 17)	OPTIONAL RESERVE FOR FUTURE INVESTMENTS	SPECIAL RESERVE FOR FUTURE DIVIDENDS
Balances at January 1, 2019	700,000	4,753,329	(1,200)	396,822	2,266,741	263,330
Net (loss)/income for the year	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive (loss) / income for the year	-	-	-	-	-	-
Setting-up of reserves ⁽²⁾	-	-	-	693,844	7,900,638	2,826,318
Cash dividend ⁽²⁾	-	-	-	-	-	(469,603)
Transactions with non-controlling interest	-	-	-	-	-	-
Total at december 31, 2019	700,000	4,753,329	(1,200)	1,090,666	10,167,379	2,620,045

¹ Corresponds to the difference between the adjusted capital value and the historical value, according to the requirements of the LGS.

² The Company's cash dividends were approved by the General Ordinary and Extraordinary Shareholders' Meeting on April 27, 2019 and the General Ordinary and Extraordinary Shareholders' Meeting on September 19, 2019. The non-controlling interest includes mainly dividend distributions to such shareholders by the subsidiaries Arcorpar S.A., Arcor Alimentos Bolivia S.A., Mundo Dulce S.A. de C.V. and Papel Misionero S.A.I.F.C.

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



Victor Jorge Aramburu
Chairman Syndics
Committee



Luis Alejandro Pagani
Chairman

RETAINED EARNINGS		OTHER EQUITY COMPONENTS		SUBTOTAL ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS	NON-CONTROLLING INTEREST (note 21)	TOTAL EQUITY
SPECIAL RESERVE, ADOPTION OF IFRS (note 17)	RETAINED EARNINGS (note 19)	TRANSLATION RESERVE (note 20)	RESERVE FOR CASH FLOW HEDGES (note 20)			
576,119	11,792,380	1,056,221	2,395	21,806,137	9,638,600	31,444,737
-	(1,469,079)	-	-	(1,469,079)	1,324,989	(144,090)
-	(226,016)	(147,875)	(1,344)	(375,235)	(21,124)	(396,359)
-	(1,695,095)	(147,875)	(1,344)	(1,844,314)	1,303,865	(540,449)
-	(11,420,800)	-	-	-	-	-
-	(371,580)	-	-	(841,183)	(152,651)	(993,834)
-	-	-	-	-	2	2
576,119	(1,695,095)	908,346	1,051	19,120,640	10,789,816	29,910,456



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

CAPTIONS	OWNERS' CONTRIBUTIONS			RETAINED EARNINGS		
	CAPITAL COMMON STOCK OUTSTANDING SHARES	CAPITAL ADJUSTMENTS ¹	TREASURY STOCK	LEGAL RESERVE (note 17)	OPTIONAL RESERVE FOR FUTURE INVESTMENTS	SPECIAL RESERVE FOR FUTURE DIVIDENDS
Balances at January 1, 2018	700,000	4,753,329	(1,200)	396,822	2,266,741	1,052,790
Net (loss)/income for the year	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-
Setting-up of reserves ⁽²⁾	-	-	-	-	-	(789,460)
Cash dividend ⁽²⁾	-	-	-	-	-	-
Total at december 31, 2018	700,000	4,753,329	(1,200)	396,822	2,266,741	263,330

¹Corresponds to the difference between the adjusted capital value and the historical value, according to the requirements of the LGS.

²The Company's cash dividends were approved by the General Ordinary and Extraordinary Shareholders' Meeting on April 27, 2018 and the General Ordinary and Extraordinary Shareholders' Meeting on July 25, 2018. The non-controlling interest includes mainly dividend distributions to such shareholders by the subsidiaries Bagley Latinoamérica S.A., Arcorpar S.A., Mundo Dulce S.A. de C.V and Bagley Argentina S.A.

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



Victor Jorge Aramburu
Chairman Syndics
Committee



Luis Alejandro Pagni
Chairman

RETAINED EARNINGS		OTHER EQUITY COMPONENTS		SUBTOTAL ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS	NON-CONTROLLING INTEREST (note 21)	TOTAL EQUITY
SPECIAL RESERVE, ADOPTION OF IFRS (note 17)	RETAINED EARNINGS (note 19)	TRANSLATION RESERVE (note 20)	RESERVE FOR CASH FLOW HEDGES (note 20)			
576.119	15.412.165	(1.698.516)	(21.149)	23.437.101	8.989.972	32.427.073
-	(2.799.825)	-	-	(2.799.825)	1.244.753	(1.555.072)
-	(134.091)	2.754.737	23.544	2.644.190	519.449	3.163.639
-	(2.933.916)	2.754.737	23.544	(155.635)	1.764.202	1.608.567
-	789.460	-	-	-	-	-
-	(1.475.329)	-	-	(1.475.329)	(1.115.574)	(2.590.903)
576.119	11.792.380	1.056.221	2.395	21.806.137	9.638.600	31.444.737

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CONSOLIDATED STATEMENT OF CASH FLOWS


FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

	Notes	12.31.2019	12.31.2018
CASH FLOWS FOR OPERATING ACTIVITIES			
Net (loss) for the year		(144,090)	(1,555,072)
Income tax and minimum notional income tax	35	3,096,269	(1,331,124)
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	30	3,942,371	4,295,381
Depreciation of right-of-use assets	30	433,770	-
Amortization of intangible assets	30	122,667	107,293
Setting up of allowances deducted from assets and provisions included in liabilities, net		350,610	854,071
Net financial results	34	4,340,110	9,647,461
Net results on investments in associates	9	(742,588)	283,232
Results from initial recognition and changes in the fair value of biological assets	10	(9,216)	141,619
Results from sale of property, plant and equipment and investment properties	33	(48,551)	(215,136)
Results from derecognition of finance leases	23	-	(49,339)
Subtotal of adjustments:		8,389,173	15,064,582
Net collections from derivative financial instruments related to operating activities		47,166	120,640
Payments for acquisitions net of collections for sales of biological assets		(598,473)	(630,280)
Payment of income tax and minimum notional income tax		(2,179,370)	(2,472,976)
Subtotal - Cash flow from operations before net variation in operating assets and liabilities		8,610,675	9,195,770
Net variation in operating assets and liabilities		4,495,383	(5,459,840)
Net cash flows provided by operating activities		13,106,058	3,735,930
CASH FLOWS FOR INVESTMENT ACTIVITIES			
Payments for advances and acquisition of property, plant and equipment, intangible assets and others		(2,813,003)	(4,642,172)
Incomes provided by sale of property, plant and equipment and investment properties		114,394	578,745
Payments for the purchase of shares of Mastellone Hermanos S.A.	42	(878,320)	(565,374)
Payments of contributions in associated companies	9	(92)	(71)
Other funds arising from investments in companies		-	159,803
Net cash flows (used in) investment activities		(3,577,021)	(4,469,069)
CASH FLOWS FOR FINANCING ACTIVITIES			
Collections from bank loans taken	22	8,303,953	6,825,291
Payment of bank loans	22	(8,073,864)	(4,740,373)
Net variation in short-term loans	22	3,510,235	6,077,906
Collections on corporate bonds issues	22	1,653,586	-
Payment of debt for corporate bonds	22	(368,121)	-
Payments of financial leases ⁽¹⁾	23 / 22	(546,736)	(29,863)
Payments of interest and other financial expenses	22	(9,739,848)	(6,215,286)
Net collections from derivative financial instruments related to financial activities		515,793	901,939
Payment of dividends		(1,878,373)	(1,562,434)
Net cash flows (used in) provided by financing activities		(6,623,375)	1,257,180
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,905,662	524,041
Cash and cash equivalents at the beginning of the year	16	7,445,998	6,050,340
Foreign exchange differences and currency translation effects from cash and cash equivalents		328,249	1,058,934
Loss from monetary position of cash and cash equivalents		(712,816)	(187,317)
Net increase in cash and cash equivalents		2,905,662	524,041
Cash and cash equivalents at the end of the year	16	9,967,093	7,445,998


¹ At December 31, 2019, includes finance lease payments recorded in accordance with IFRS 16 (notes 23 and 43). At December 31, 2018, includes payments for finance leases recorded in accordance with IAS 17 (note 22).

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

See our report date March 9, 2020
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

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 19550 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 foods for mass consumption (candies, chocolates, cookies, food, etc.) and industrial products (virgin and recycled 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 Extraordinary Shareholder's Meeting held on December 11, 2019, which was registered in the Public Registry - Protocol of Contracts and Dissolutions - under Registration 76 - A40, in Córdoba, on January 9, 2020. 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 23576 law modified by the 23962 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, have been approved by the Board of Directors' Minute N° 2336 dated on March 9, 2020.

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 19550 and amendments) with legal address at Maipú N° 1210, 6th floor, Office "A", Autonomous City of Buenos Aires.

1.3 Economic Context in Argentina

The Group operates in a complex economic context, the main variables of which have recently been highly volatile, both domestically and internationally.

At the local level, among other aspects, it is worth noting that the Argentine economy in 2019 suffered a contraction of approximately 3%, according to the ECLAC (United Nations Economic Commission for Latin America and the Caribbean) statistics, and the cumulative inflation rate between January 1, 2019 and December 31, 2019 reached 53.83%, according to the CPI published by INDEC.

In addition, the significant Argentine peso devaluation since August has led to an unexpected withdrawal of deposits in dollars from the financial system, thereby eroding the Central Bank reserves, and to an increase in the reference interest rate, which during the year stood above 80%. At year end, the reference interest rate was close to 60%.

Through Decree No. 609 dated September 1, 2019, the National Executive Branch empowered the Argentine Central Bank to implement measures for the regulation of foreign trade and exchange until December 31, 2019. In this regard, the Central Bank issued communications mainly regulating access to the foreign exchange market by individuals and legal entities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

NOTE 1. GENERAL INFORMATION

1.3 Economic Context in Argentina

On December 10, 2019, a new national government took office. In view of these circumstances, the government decided to implement certain measures, which are summarized below:

- A system was implemented for the regularization of tax, social security and customs debts for micro, small and medium-sized enterprises.
- Suspension of the employer contributions rate unification schedule.
- Suspension, until the fiscal years ending on or after December 31, 2020 inclusive, of the corporate income tax rate reduction stated by Law No. 27430 (Note 35), keeping the 30% rate and the 7% rate for dividends accrued in those years.
- Regarding the tax inflation adjustment, it was decided that the amount determined for the first and second year beginning on or after January 1, 2019 shall be allocated as follows: one sixth (1/6) during those periods and the remaining five sixths (5/6) in equal parts in the immediately following 5 fiscal periods.
- A decree was issued establishing an increase in export taxes and in the Personal Property Tax withholdings.
- Value Added Tax on basic food basket products was re-established and the variability of pension benefits was suspended.
- The obligation to enter and trade foreign currency in the local exchange market permanently until otherwise is established has been maintained.

Furthermore, the national government introduced a bill in Congress proposing the renegotiation of the external debt with international creditors. The bill was under discussion at the date of issue of these consolidated financial statements.

The Group permanently monitors the evolution of the variables that affect its business, in order to define its course of action and identify the potential impacts on the equity and financial situation. The consolidated financial statements should be read in the light of these circumstances.

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 amounts included in the consolidated financial statements are stated in thousands of pesos as in the notes, except for net earnings per share, changes in capital stock and dividends per share.

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

The Group 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, allowances for bad debts and provisions for discounts and rebates to customers and lease liabilities. Actual future results may differ from those estimates and assessments made at the date these consolidated financial statements were prepared.

December 31, 2018 figures disclosed in these consolidated 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. In addition, for the purposes of interpreting the figures at December 31, 2019 set out in these consolidated financial statements for comparison with those for the previous year, the information disclosed in Note 43 should be considered.

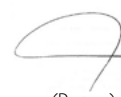


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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.1 Basis for preparation

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, 2019:

Amendment to IFRS 9 “Financial Instruments”, prepayment features with negative compensation: this amendment allows companies to measure at amortized cost, under certain conditions, certain financial assets in which the terms of the contract allow the issuer of the instrument to pre-cancel it prior to its maturity for an amount less than principal and unpaid interest. The application of this standard did not generate significant impact on these consolidated financial statements.

IFRS 16, “Leases”: it eliminates, in the case of leases, the distinction between “financial lease” agreements disclosed in the balance sheet and the “operating leases” for which no recognition of future lease installments is required. Instead, a single model is developed that is similar to the leasing model in IAS 17. Application of this standard led to the initial recognition in the consolidated financial statements of right-of-use assets and of lease liabilities, as described in Note 43.

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

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

(b) New published standards, amendments and interpretations which have not yet come into force for fiscal years beginning on January 1, 2019 and have not been adopted early:

Amendments to IFRS 3 “Business Combination”: 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 to IAS 8 on the definitions of materiality: 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 clarifies the use of a coherent materiality through the IFRS and the Conceptual Framework for Financial Reports; clarifies the definition of what is considered material; and incorporates some guidance from IAS 1 on non-relevant information. This amendment was published in October 2018, and will become effective for fiscal years beginning on January 1, 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform: these amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the Interest rate benchmark reform such as LIBOR and other inter-bank offered rates. These amendments should be applied for annual periods beginning on or after 1 January 2020. Earlier application is permitted.

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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

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 ^(*)			
					12.31.2019		12.31.2018	
					DIRECT	DIRECT PLUS INDIRECT	DIRECT	DIRECT PLUS INDIRECT
Arcor A.G. (S.A. Ltda.) ¹	Switzerland	EUR	EUR	12.31.2019	100.00000	100.00000	100.00000	100.00000
Arcor Alimentos Bolivia S.A.	Bolivia	BOB	BOB	12.31.2019	-	99.00000	-	99.00000
Arcor de Perú S.A.	Peru	PEN	PEN	12.31.2019	-	99.96184	-	99.96184
Arcor do Brasil Ltda. ¹⁰	Brazil	BRL	BRL	12.31.2019	89.89600	99.99040	89.87436	99.99038
Arcor Trading (Shanghai) Co. Ltd.	China	RMB	RMB	12.31.2019	-	100.00000	-	100.00000
Arcor U.S.A. Inc.	EEUU	USD	USD	12.31.2019	99.90000	99.90500	99.90000	99.90500
Arcorpar S.A.	Paraguay	PYG	PYG	12.31.2019	50.00000	50.00000	50.00000	50.00000
Asama S.A. ¹¹	Argentina	ARS	ARS	06.30.2019	99.98343	99.98426	99.98343	99.98426
Bagley Argentina S.A.	Argentina	ARS	ARS	12.31.2019	0.00401	50.64327	0.00401	50.64327
Bagley Chile S.A.	Chile	CLP	CLP	12.31.2019	-	50.84330	-	50.84330
Bagley do Brasil Alimentos Ltda.	Brazil	BRL	BRL	12.31.2019	-	51.00000	-	51.00000
Bagley Latinoamérica S.A. ²	Spain	EUR	EUR	12.31.2019	51.00000	51.00000	51.00000	51.00000
BI S.A.	Argentina	ARS	ARS	12.31.2019	-	99.99570	-	99.99570
Cartocor Chile S.A.	Chile	CLP	CLP	12.31.2019	28.07196	99.99773	28.07196	99.99773
Cartocor de Perú S.A.	Perú	PEN	PEN	12.31.2019	-	99.99730	0.22653	99.99697
Cartocor do Brasil Ind. Com. e Serv. Ltda. ¹⁰	Brazil	BRL	BRL	12.31.2019	-	-	100.00000	100.00000
Cartocor S.A. ³	Argentina	ARS	ARS	12.31.2019	99.99680	99.99696	99.99680	99.99696
Constructora Mediterránea S.A.C.I.F.I.	Argentina	ARS	ARS	12.31.2019	99.98389	99.98389	99.97433	99.97433
Dos en Uno do Brasil Imp. e Com. de Al. Ltda. ¹⁰	Brazil	BRL	BRL	12.31.2019	-	-	26.38242	99.99292
GAP International Holding S.A. ⁴	Chile	CLP	USD	12.31.2019	99.90000	99.90500	99.90000	99.90500
GAP Regional Services S.A.	Uruguay	UYU	USD	12.31.2019	-	99.90500	-	99.90500
Indalar S.A. ⁹	Argentina	ARS	ARS	12.31.2019	-	-	99.99738	99.99751
Industria de Alimentos Dos en Uno S.A. ⁵	Chile	CLP	CLP	12.31.2019	100.00000	100.00000	100.00000	100.00000
Industria Dos en Uno de Colombia Ltda.	Colombia	COP	COP	12.31.2019	6.10001	100.00000	7.61529	100.00000
La Campagnola S.A.C.I. ¹²	Argentina	ARS	ARS	12.31.2019	99.98367	99.98448	99.98367	99.98448
Mundo Dulce S.A. de C.V. ⁶	Mexico	MXN	MXN	12.31.2019	-	49.99993	-	49.99993
Papel Misionero S.A.I.F.C.	Argentina	ARS	ARS	12.31.2019	-	96.06746	-	96.06746
Unidal Ecuador S.A.	Ecuador	USD	USD	12.31.2019	-	99.98223	-	99.98223
Unidal México S.A. de C.V. ⁷	Mexico	MXN	MXN	12.31.2019	99.99985	99.99985	99.99985	99.99985
Van Dam S.A.	Uruguay	UYU	UYU	12.31.2019	100.00000	100.00000	100.00000	100.00000

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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 ^(*)			
					12.31.2019		12.31.2018	
					DIRECT	DIRECT PLUS INDIRECT	DIRECT	DIRECT PLUS INDIRECT
Zucamor Cuyo S.A.	Argentina	ARS	ARS	12.31.2019	–	99.99549	–	99.99549
Zucamor S.A. ⁸	Argentina	ARS	ARS	12.31.2019	72.74298	99.99571	72.74298	99.99571

* Percentage of shares/capital stock and voting rights.

¹ It consolidates Arcor Alimentos Bolivia S.A. y Arcor Trading (Shanghai) Co., Ltda. and includes the branches in Spain and South Africa.

² It consolidates Bagley Chile S.A., Bagley do Brasil Alimentos Ltda. and Bagley Argentina S.A.

³ It consolidates Cartocor Chile S.A. and Bagley Argentina S.A.

⁴ It consolidates GAP Regional Services S.A..

⁵ It consolidates Arcor de Perú S.A. y Unidal Ecuador S.A. and Industrias Dos en Uno de Colombia Ltda.

⁶ 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.

⁷ It consolidates Mundo Dulce S.A. de C.V.

⁸ It consolidates Papel Misionero S.A.I.F.C., Zucamor Cuyo S.A. and BI S.A.

⁹ Company merged with Arcor S.A.I.C. as from January 1, 2019.

¹⁰ 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. As of December 31, 2018, Arcor do Brasil Ltda. consolidates Dos en Uno do Brasil Importação e Comercio de Alimentos Ltda.

¹¹ On November 8, 2019, the companies Arcor S.A.I.C. (absorbing company) and Asama S.A. (absorbed company), signed a prior Merger Agreement, effective as from January 1, 2020. For the purposes of consolidation, special financial information prepared as at the closing date of these consolidated financial statements was used.


¹² On November 8, 2019, the companies Arcor S.A.I.C. (absorbing company) and La Campagnola S.A.C.I. (absorbed company) signed a prior Merger Agreement, effective as from January 1, 2020.

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


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

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

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2.3 Shares in subsidiaries and associates

(b) Transactions with non-controlling interest

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

(c) Associates

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

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

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

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.



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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.5 Financial information in high-inflation economies

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. 27468 (Official Gazette December 4, 2018) amended Section 10 of Law No. 23928 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. Therefore, these consolidated financial statements as of December 31, 2019 have been restated.

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 53.83% for the fiscal year ended December 31, 2019 and 47.65% for the year ended December 31, 2018.

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:

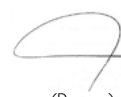
- The capital was restated from the date it was contributed or the date of the last accounting adjustment for inflation, whatever happened later. The resulting amount was incorporated to the Capital adjustment account.
- The translation reserve and the reserve for cash flows hedge were disclosed in real terms.
- 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.



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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

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:

COUNTRY	LOCAL CURRENCY	LOCAL CURRENCY PER ARS	
		12.31.2019	12.31.2018
Bolivia	BOB	0.1166	0.1856
Brazil	BRL	0.0675	0.1033
Chile	CLP	12.5438	18.5272
China	RMB	0.1169	0.1830
Colombia	COP	54.9027	86.6600
Ecuador	USD	0.0168	0.0267
Spain	EUR	0.0150	0.0233
U.S.A.	USD	0.0168	0.0267
México	MXN	0.3162	0.5242
Paraguay	PYG	108.2920	158.9584
Peru	PEN	0.0556	0.0899
Switzerland	EUR	0.0150	0.0233
Uruguay	UYU	0.6250	0.8642

(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:

- Assets and liabilities are translated at the exchange rate prevailing at year end;
- 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);
- Resulting exchange translation are recorded in other comprehensive income, and
- 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.

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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.6 Foreign currency translation

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

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 which are directly attributable to the acquisition or construction of these items.

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

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

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.

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 68,764 and ARS 96,209 for the year ended December 31, 2019 and 2018, 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.



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2.7 Property, plant and equipment

Useful life for each item that belong to property, plant and equipment caption, which the Group uses as a reference at the time of incorporation, 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 Leases

2.8.1 Lease activities of the Group

The Group leases offices, warehouses, vehicles and land. Lease contracts are generally made for fixed terms from 6 months to 5 years, but with an extension option, as described in this Note 2.8.4. Contracts may contain or not lease components. The Company assigns in each contract the lease and non-lease components based on their independent relative prices. However, for leases of real property where the Company is a lessee, the Company has opted to not segregate the lease and non-lease components; instead, it recognizes them as only one lease component. Lease contracts are negotiated individually and contain a wide range of different terms and conditions.

2.8.2 Right-of-use assets

Right-of-use assets are measured at cost, which comprises the amount of the initial measurement of the lease liability, any lease payment made on or before the commencement date less any incentive lease asset and restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term. Carrying value does not exceed recoverable value.

For variable lease payments linked to index or rate, remeasurements of lease liabilities are made based on changes in those indexes or rates, which are recognized in real terms, with adjustments to the respective right-of-use assets.



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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.8 Leases

2.8.2 Right-of-use assets

Payments associated with short-term leases (for less than 12 months) of equipment and vehicles and all low value asset leases are recognized on a straight-line basis as an expense under Leases / operating leases, in profit or loss for the year when incurred.

2.8.3 Lease liabilities

Lease liabilities are initially measured at present value. Lease liabilities mainly include the net present value of fixed lease payments (including the fixed payments in substance) less any incentive asset receivable; variable lease payments linked to an index or rate. Lease payments that will be made under reasonably certain extension options are also included in the measured liability.

Lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be easily determined, the lessee's incremental borrowing rate is used. This rate is the one that the lessee would have to pay to obtain the necessary funds to acquire an asset with a value similar to the right-of-use asset, within an economic environment with similar terms and conditions

To determine the incremental interest rate, the Group uses as a starting point, where possible, a recent external financing rate. In the cases where there is no recent third party financing, a rate determination approach is used, starting with a risk-free interest rate adjusted for credit risk for the Group's existing leases, and specific adjustments are made to the lease, such as term, currency and guarantee.

The Group is exposed to possible future increases in variable lease payments that depend on an index or a rate, which are included when they become effective. At that moment, the lease liability is reassessed and adjusted against the right-of-use asset.

Financial charges generated by lease liabilities (interest and exchange differences) are disclosed in real terms, in accordance with Note 2.5.

2.8.4 Options to extend or terminate the lease

The options to extend or terminate the lease are included in various lease contracts for property and equipment. These options are used to maximize operating flexibility in terms of management of assets used in the transactions. Most options to extend or terminate leases maintained are exercisable by the Group only, but not by the respective lessor.

2.9 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.



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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.9 Investment properties

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.

2.10 Intangible assets

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

(a) Goodwill

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

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

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

On the other hand, Goodwill resulting from investments in associates are disclosed in the caption "Investment in associates" in the consolidated balance sheet.

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

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

(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.



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2.10 Intangible assets

(b) Brands

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

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

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

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

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

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

(d) Software and related licenses

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

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

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

2.11 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.



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2.11 Impairment of non-financial assets

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.

2.12 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, for the production of milk (biological product), which is mainly destined to elaborate milk powder, 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.

(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.



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2.12 Biological assets

(b) Sugar cane sown land

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.

(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 2.15) 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.



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2.12 Biological assets

(c) Fruit crops

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.



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2.12 Biological assets

(f) Forest plantation

It 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.

Forest plantation is accounted for as “Biological assets” until harvest. The harvested wood, biological product resulting from the crops, is transferred to “Stocks” (Note 2.15) 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 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 of 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.

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets into the following categories:

- (i) Financial assets at amortized cost.
- (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.



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2.13 Financial assets

2.13.1 Classification

(i) Financial assets at amortized cost

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

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

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

(ii) Financial assets at fair value

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

2.13.2 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.



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2.13 Financial assets

2.13.2 Recognition and measurement

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

Impairment tests on accounts receivable are described in Note 2.16.

2.14 Derivative financial instruments and hedging transactions

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

The Group applies hedging accounting to cocoa derivatives, designated as "Cash flow hedge", the objective of which is to obtain a hedge on the purchase price of raw materials derived from cocoa.

The effective-part of changes in fair value of derivatives that are designated and qualify as Cash flow hedge is recognized in the consolidated statement of comprehensive income. In respect to the non-effective part gain or losses is immediately recognized in the consolidated statement of income in the caption "Cost of sales and services provided" for the hedge on prices derived from cocoa.

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

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

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

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

Changes in the reserve for cash flow hedges are shown in Note 20.



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2.14 Derivative financial instruments and hedging transactions

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 34).

Further, the options to purchase Mastellone Hermanos S.A. shares resulting from the transaction described in Note 42 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 34).

2.15 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 restated cost (if applicable), 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.

2.16 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.

2.17 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.



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2.18 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.

2.19 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.

2.20 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.

2.21 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.



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2.21 Income tax and minimum notional income tax

(a) Income tax

- Deferred income tax

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

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

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

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

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

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

(b) Minimum notional income tax

During the financial year ended at December 31, 2018, The Company and its subsidiaries in Argentina computed the minimum notional income tax by applying the current 1% rate on computable assets at the end of the period. This tax complemented income tax. If in a fiscal year, however, the minimum notional income tax obligation exceeded income tax liability, the surplus could 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 to be generated in the next ten fiscal years.

With the enactment of Law No. 27260 in 2016, application of this tax was repealed in Argentina for the fiscal years beginning on or after January 1, 2019; for this reason, no estimates of this tax were recorded for the fiscal year 2019 in these consolidated financial statements.



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Luis Alejandro Pagani
Chairman

See our report date March 9, 2020
PRICE WATERHOUSE & CO. S.R.L.



(Partner)
C.P.C.E.Cba. N°21.00004.3
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Mat. Prof. 10.11421.4 – C.P.C.E.Cba.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.22 Employee benefits

(a) Pension plan

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

(b) Retirement bonuses

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

(c) Early retirement benefits

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

(d) Bonuses for personnel

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



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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.22 Employee benefits

(e) Social security contributions in Argentina

The social security laws in force in Argentina grant pension benefits payable to retired employees with the State's pension funds. As stipulated by the respective laws, the Company and its subsidiaries in Argentina make monthly contributions calculated based on each employee salary to finance those plans. Those amounts are considered expenses as incurred and are disclosed under Salaries, wages, social security contributions and other benefits, in Note 30.

2.23 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.

2.24 Leases / Operating leases

Lease payments on which no right-of-use assets or lease liabilities were recognized (Note 2.8), net of any incentive received from the lessor, are charged to the consolidated income statement on a straight-line basis over the lease period.

2.25 Distribution of dividends

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



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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.26 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.

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.



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NOTE 2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

2.26 Revenue recognition on sales

(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.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND POLICIES

These consolidated financial statements depend on accounting criteria, premises 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.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

The value-in-use calculation requires the use of estimates (Note 2.11) 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) Recoverability of intangible assets

Intangible assets with an indefinite useful life (including goodwill) are not subject to amortization. The Group annually assesses the recoverable amount of those assets. 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 the 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.

At December 31, 2019, the allowance for doubtful accounts totals ARS 1,065,045, while at 31 December 2018, this amounts to ARS 1,094,852.

(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.



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NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND POLICIES

(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 established, 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 42) 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 specialists 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 42) and his subsequent measurement are capable of similar considerations than those exposed before.



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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.



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NOTE 4. SEGMENT INFORMATION

a) Segment information at December 31, 2019:

	Argentina						Brazil	
	Confection- ery	Cookies	Foodstuffs	Packaging	Agro- industries	Other industrial products	Confection- ery	Cookies
Sales to third parties ⁽¹⁾	24,524,193	24,086,392	11,171,275	23,717,498	6,810,451	103,713	7,874,329	6,451,270
Inter-segment sales	7,849,473	1,359,846	472,306	4,214,884	4,347,396	1,679,007	571,736	286,851
TOTAL SALES	32,373,666	25,446,238	11,643,581	27,932,382	11,157,847	1,782,720	8,446,065	6,738,121
Operative result ^{(2) (3)}	2,000,385	3,234,526	(885,982)	2,684,482	114,332	70,640	284,151	(275,602)
Depreciation and amortization	(854,101)	(518,534)	(239,797)	(1,184,173)	(409,291)	(75,277)	(280,023)	(167,145)
Income tax	(2,072,599)	(1,137,751)	65,382	(284,968)	523,044	(41,962)	(51,605)	(1,463)
Net result on investments in associates	-	-	-	-	-	-	-	-

¹ Includes sales of goods and services to associated companies.

² Includes implicit commercial interest.

³ At December 31, 2019, includes in the Food segment - Argentina, ARS 485,171 (loss) for business restructuring, recognized in the subsidiary La Campagnola S.A.C.I.



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Andean Region			Northern, Center and Overseas	Southern Branches	Rest of countries and abroad business	Adjustments and eliminations	Total at 12.31.19
Confectionery	Cookies	Packaging					
7,690,675	2,994,538	5,213,948	6,959,003	7,102,221	10,677	-	134,710,183
1,288,332	274,259	108,525	94,548	15,837	121,926	(22,684,926)	-
8,979,007	3,268,797	5,322,473	7,053,551	7,118,058	132,603	(22,684,926)	134,710,183
(239,235)	5,010	391,443	325,575	506,720	(119,673)	-	8,096,772
(298,620)	(79,161)	(73,488)	(240,512)	(59,939)	(18,747)	-	(4,498,808)
179,621	17,433	(98,132)	(92,252)	(38,698)	(62,319)	-	(3,096,269)
-	-	-	-	-	742,588	-	742,588

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NOTE 4. SEGMENT INFORMATION

b) Segment information at December 31, 2018:

	Argentina						Brazil	
	Confection- ery	Cookies	Foodstuffs	Packaging	Agro- industries	Other industrial products	Confection- ery	Cookies
Sales to third parties ⁽¹⁾	26,345,228	24,772,911	11,673,344	22,093,964	5,731,894	101,881	7,156,957	5,552,509
Inter-segment sales	8,020,884	1,296,442	708,410	4,195,363	4,260,952	1,960,227	595,148	318,528
TOTAL SALES	34,366,112	26,069,353	12,381,754	26,289,327	9,992,846	2,062,108	7,752,105	5,871,037
Operative result ⁽²⁾	2,835,384	2,987,830	(1,006,059)	2,137,304	(730,793)	36,335	(220,408)	(376,444)
Depreciation and amortization	(749,864)	(669,173)	(255,940)	(1,199,283)	(513,275)	(72,579)	(247,598)	(102,561)
Income tax	1,841,917	(1,419,552)	563,676	(75,121)	469,892	(24,559)	(2,250)	34,809
Net result on investments in associates	-	-	-	-	-	-	-	-

¹ Includes sales of goods and services to associated companies.

² Includes implicit commercial interest.



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Andean Region			Northern, Center and Overseas	Southern Branches	Rest of countries and abroad business	Adjustments and eliminations	Total at 12. 31.18
Confectionery	Cookies	Packaging					
8,234,956	2,918,734	4,733,809	5,947,362	6,450,770	10,733	–	131,725,052
954,706	322,142	132,562	103,223	13,295	120,303	(23,002,185)	–
9,189,662	3,240,876	4,866,371	6,050,585	6,464,065	131,036	(23,002,185)	131,725,052
629,266	270,945	366,156	323,233	568,882	(88,059)	21,401	7,754,973
(223,049)	(68,150)	(55,776)	(189,584)	(45,834)	(10,008)	–	(4,402,674)
(65,610)	(57,551)	(106,769)	350,812	(67,786)	(110,784)	–	1,331,124
–	–	–	–	–	(283,232)	–	(283,232)

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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 2.26).

Reconciliation of operative result to the profit before taxes is shown below:

	12.31.2019	12.31.2018
Operative result by reportable segments	8,096,772	7,754,973
Implicit commercial entities	(1,547,071)	(710,476)
Operative result	6,549,701	7,044,497
Financial income	405,118	(1,335,377)
Financial expenses	(5,742,513)	(8,894,229)
Results from net monetary position	997,285	582,145
Results of investments in associates	742,588	(283,232)
INCOME BEFORE INCOME TAX	2,952,179	(2,886,196)

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:

	12.31.2019					
	Argentina	Brazil	Chile	Mexico	Abroad	Total
Property, plant and equipment ⁽¹⁾	26,540,172	2,551,440	4,985,283	1,534,042	542,642	36,153,579
Right-of-use assets	783,044	276,285	77,493	22,552	75,856	1,235,230
Investment properties	111,234	49,038	53,551	-	15,473	229,296
Intangible assets	5,640,242	346,481	21,431	2,845	1,615	6,012,614
Biological assets	694,342	-	-	-	-	694,342


	12.31.2018					
	Argentina	Brazil	Chile	Mexico	Abroad	Total
Property, plant and equipment ⁽¹⁾	27,510,202	2,613,254	5,226,247	1,447,916	543,303	37,340,922
Investment properties	150,296	49,299	55,774	-	11,005	266,374
Intangible assets	5,542,893	341,273	21,571	-	1,762	5,907,499
Biological assets	752,104	-	-	-	-	752,104

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


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

	12.31.2019			12.31.2018		
	Argentina	Abroad	Total	Argentina	Abroad	Total
Sales	85,603,290	49,106,893	134,710,183	86,731,305	44,993,747	131,725,052

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PRICE WATERHOUSE & CO. S.R.L.


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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 year	2,786,869	27,174,334	313,865	58,125,162	6,320,523	4,101,841	98,822,594
Additions	–	36,002	–	114,822	307,957	2,467,931	2,926,712
Deletions	(1,330)	(113,290)	–	(496,091)	(242,161)	(2,137)	(855,009)
Derecognition on initial application of IFRS 16 (Note 6)	–	–	–	(22,313)	–	–	(22,313)
Transfers ⁽²⁾	143	608,715	79,268	2,491,237	168,016	(3,345,881)	1,498
Effect of currency translation	(10,281)	(113,803)	–	(84,274)	(16,640)	16	(224,982)
Original value at the end of year	2,775,401	27,591,958	393,133	60,128,543	6,537,695	3,221,770	100,648,500
Depreciation							
Accumulated depreciation at beginning of year	–	(14,112,074)	(144,787)	(42,336,208)	(4,888,603)	–	(61,481,672)
Deletions	–	112,488	–	486,891	198,690	–	798,069
Derecognition on initial application of IFRS 16 (Note 6)	–	–	–	6,693	–	–	6,693
Transfers ⁽²⁾	–	(1,355)	–	(101)	101	–	(1,355)
Effect of currency translation	–	13,352	–	96,470	14,097	–	123,919
Depreciation for the year ⁽¹⁾	–	(987,340)	(73,573)	(2,422,437)	(457,225)	–	(3,940,575)
Accumulated depreciation at end of year	–	(14,974,929)	(218,360)	(44,168,692)	(5,132,940)	–	(64,494,921)
TOTAL AT 12.31.2019	2,775,401	12,617,029	174,773	15,959,851	1,404,755	3,221,770	36,153,579

¹ The accounting allocation of the charge to income/loss for the year is shown in Note 30.

² Transfer to investment properties (Note 7).

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule A.

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	2,696,212	24,366,927	269,521	52,294,811	6,378,862	3,610,181	89,616,514
Additions	–	86,300	–	194,999	428,444	4,019,388	4,729,131
Deletions	(1,593)	(80,692)	³ (31,079)	(881,953)	(1,131,881)	–	(2,127,198)
Transfers ⁽²⁾	(57,172)	1,087,596	75,423	2,282,470	166,589	(3,778,868)	(223,962)
Effect of currency translation	149,422	1,714,203	–	4,234,835	478,509	251,140	6,828,109
Original value at the end of year	2,786,869	27,174,334	313,865	58,125,162	6,320,523	4,101,841	98,822,594
Depreciation							
Accumulated depreciation at beginning of year	–	(12,339,381)	(102,222)	(36,679,379)	(4,994,023)	–	(54,115,005)
Deletions	–	60,702	³ 15,749	778,657	1,002,937	–	1,858,045
Transfers ⁽²⁾	–	151,314	–	–	(359)	–	150,955
Effect of currency translation	–	(1,056,896)	–	(3,625,960)	(393,357)	–	(5,076,213)
Depreciation for the year ⁽¹⁾	–	(927,813)	(58,314)	(2,809,526)	(503,801)	–	(4,299,454)
Accumulated depreciation at end of year	–	(14,112,074)	(144,787)	(42,336,208)	(4,888,603)	–	(61,481,672)
TOTAL AT 12.31.2018	2,786,869	13,062,260	169,078	15,788,954	1,431,920	4,101,841	37,340,922

¹ The accounting allocation of the charge to income/loss for the year is shown in Note 30.

² Transfer to investment properties (Note 7).

³ The accounting allocation of deletions for the year is shown in Note 32.


Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule A.

The useful life of components of the item is detailed in Note 2.7.


At 31 December 2018, prior to the adoption of IFRS 16 (Note 43), machinery and facilities included the following amounts for which the Group was a lessee under financial leases:

	12.31.2018
Cost – Capitalized finance lease	22,313
Accumulated depreciation	(6,693)
TOTAL	15,620

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NOTE 6. RIGHT-OF-USE ASSETS

The following table details the composition and evolution of the item right-of-use assets:

	Land	Properties and Facilities	Machines and Vehicles	12.31.2019
Cost				
Original value at beginning of year	-	-	-	-
Additions by initial application IFRS 16	172,627	1,189,827	15,043	1,377,497
Transfer by initial application of IFRS 16 (Note 5)	-	-	15,620	15,620
Maintenance of variable leases	33,541	(115,012)	-	(81,471)
Additions	-	407,183	3,440	410,623
Effect of currency translation	-	13,832	(10,948)	2,884
Original value at the end of year	206,168	1,495,830	23,155	1,725,153
Depreciation				
Accumulated depreciation at beginning of year	-	-	-	-
Depreciation for the year ⁽¹⁾	(57,452)	(422,931)	(8,464)	(488,847)
Effect of currency translation	-	(994)	(82)	(1,076)
Accumulated depreciation at end of year	(57,452)	(423,925)	(8,546)	(489,923)
TOTAL AT 12.31.2019	148,716	1,071,905	14,609	1,235,230

¹The accounting allocation of the depreciation for the financial year is shown in Note 30.



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NOTE 7. INVESTMENT PROPERTIES

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

	12.31.2019	12.31.2018
	Land and constructions	
Cost		
Original value at beginning of year	421,063	849,784
Additions	5,168	8,125
Deletions	(34,812)	(689,681)
Transfers ⁽¹⁾	(1,498)	223,962
Effect of currency translation	(2,404)	28,873
Original value at the end of year	387,517	421,063
Depreciation		
Accumulated depreciation at beginning of year	(154,689)	(407,563)
Deletions	6,710	413,107
Transfers ⁽¹⁾	1,355	(150,955)
Effect of currency translation	692	(8,139)
Depreciation for the year ⁽²⁾	(12,289)	(1,139)
Accumulated depreciation at the end of year	(158,221)	(154,689)
TOTAL	229,296	266,374

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

² The accounting allocation of the charge for the year is shown in Note 30.

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule D.

The useful life of components of the item is detailed in Note 2.9.

Investment properties are carried at amortized cost. Their fair value at December 31, 2019 y 2018 are ARS 5,232,636 and ARS 4,297,639, respectively Investment properties are carried at amortized cost. Their fair value at December 31. (Level 2 of the fair value hierarchy).

Gain and expenses generated by investment properties at December 31, 2019 and 2018, they are recognized in "Other income/ (losses) - net", in the consolidated statement of income (Note 33).



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NOTE 8. INTANGIBLE ASSETS

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

	Brands	Goodwill	Software and related licenses	Total
Cost				
Original value at beginning of year	1,467,387	4,241,244	792,859	6,501,490
Additions	–	–	235,520	235,520
Deletions	–	–	(298,602)	(298,602)
Effect of currency translation	(1,720)	(6,778)	(428)	(8,926)
Original value at end of year	1,465,667	4,234,466	729,349	6,429,482
Amortization				
Accumulated amortization at beginning of year	–	–	(593,991)	(593,991)
Deletions	–	–	298,602	298,602
Effect of currency translation	–	–	1,188	1,188
Amortization for the year ⁽¹⁾	–	–	(122,667)	(122,667)
Accumulated amortization at the end of year	–	–	(416,868)	(416,868)
TOTAL AT 12.31.2019	1,465,667	4,234,466	312,481	6,012,614

¹ The accounting allocation of amortization for the year is shown in Note 30.

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule B.
The useful life of components of the item is detailed in 2.10.


	Brands	Goodwill	Software and related licenses	Total
Cost				
Original value at beginning of year	1,439,661	4,229,983	714,525	6,384,169
Additions	–	–	55,034	55,034
Deletions	(18,511)	–	(208)	(18,719)
Effect of currency translation	46,237	11,261	23,508	81,006
Original value at end of year	1,467,387	4,241,244	792,859	6,501,490
Amortization				
Accumulated amortization at beginning of year	–	–	(467,710)	(467,710)
Deletions	–	–	208	208
Effect of currency translation	–	–	(19,196)	(19,196)
Amortization for the year ⁽¹⁾	–	–	(107,293)	(107,293)
Accumulated amortization at the end of year	–	–	(593,991)	(593,991)
TOTAL AT 12.31.2018	1,467,387	4,241,244	198,868	5,907,499

¹ The accounting allocation of amortization for the year is shown in Note 30.


Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule B.
The useful life of components of the item is detailed in 2.10.

The expenses in research and development that do not meet the criteria for capitalization are recorded in the consolidated statement of income. At December 31, 2019 and 2018 those expenses amounted to ARS 516,781 and ARS 545,140, respectively.

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NOTE 8. 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:

	12.31.2019	12.31.2018
Cookies Argentina	2,152,352	2,152,352
Confectionery Argentina	1,766,598	1,766,598
Packaging Argentina	258,837	258,837
Southern subsidiaries	42,247	47,007
Confectionery Chile	14,432	16,450
TOTAL	4,234,466	4,241,244

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 5% and 12% in 2019 and 2018 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.

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

	12.31.2019	12.31.2018
Cookies Argentina	594,997	594,997
Packaging Argentina	548,679	548,679
Confectionery Brazil	213,465	214,607
Cookies Brasil	108,526	109,104
TOTAL	1,465,667	1,467,387

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NOTE 9. INVESTMENTS IN ASSOCIATES

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

Company	Country	Main Activity	Equity Interest in %	Carrying value at 12.31.19	Carrying value at 12.31.18
GAP Inversora S.A.	Argentina	Financial and investment operations	5.0000	82	16
Mastellone Hermanos S.A.	Argentina	Industrialization and commercialization of products, by-products and derivatives of milk	¹ 47.3815	7,375,392	5,759,634
TOTAL				7,375,474	5,759,650

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


Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule C.

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


	Participation in associates
Balances at January 1, 2019	5,759,650
Addition for purchase of shares of Mastellone Hermanos S.A. (Note 42)	878,320
Capital contributions	92
Results on investments in associates	742,588
Variation in translation reserve	(6,914)
Participation in other comprehensive income for actuarial gains of defined benefit plans of associates	1,738
BALANCES AT 12.31.2019	7,375,474

	Participation in associates	Trade accounts payable and other liabilities	Total
Balances at January 1, 2018	5,423,554	(21)	5,423,532
Addition for purchase of shares of Mastellone Hermanos S.A. (Note 42)	565,374	-	565,374
Capital contributions	-	71	71
Results on investments in associates	(283,179)	(53)	(283,232)
Variation in translation reserve	43,789	19	43,809
Participation in other comprehensive income for actuarial gains of defined benefit plans of associates	10,096	-	10,096
Transfers between items	16	(16)	-
BALANCES AT 12.31.2018	5,759,650	-	5,759,650

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NOTE 9. INVESTMENTS IN ASSOCIATES

The following tables summarized the financial information related with associates as of December 31, 2019, as required by IFRS 12:

Company	Summarized financial situation					Summarized results				
	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 ²	Total comprehensive income for the period ²
GAP Inversora S.A. ³	1,580	154	2	80	1,652	–	–	(219)	(439)	(658)
Mastellone Hermanos S.A. ¹	22,505,418	14,780,610	15,731,686	7,928,872	13,625,267	57,919,382	16,567,578	(50,573)	1,913,055	1,862,482

¹ Financial information obtained from the consolidated financial statements at December 31, 2019. It consolidates to its subsidiaries Con-Ser S.A., Leitesol Indústria e Comércio S.A., Marca 4 S.A., Marca 5 S.A., 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 42).

² Equity and earnings attributable to the Shareholders of each associate.

³ Special financial information prepared as of the closing date of these consolidated financial statements was used.

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule C.

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

	12.31.2019	12.31.2018
Gain/(Loss) on investment in associate Gap Inversora S.A.	(37)	(53)
Gain/(Loss) on investment in associate Mastellone Hermanos S.A. (Note 42)	622,182	(876,509)
Variation of the major and minor values of identifiable assets and liabilities of Mastellone Hermanos S.A. (Note 42)	120,443	593,330
TOTAL	742,588	(283,232)

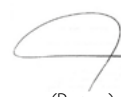


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NOTE 9. INVESTMENTS IN ASSOCIATES

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:

	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	13,625,269	(50,573)	1,913,055
Arcor Group's shareholding		47,3815%	
Figures for Mastellone Hermanos S.A. attributable to Arcor Grup	6,455,857	(23,962)	906,434
<u>Reconciliation items for the Arcor Group's participation</u>			
Difference in valuation of property, plant and equipment, other assets, investment property and intangible assets ⁽¹⁾	(3,003,276)	638,790	(1,232,443)
Tax effect of measurement differences	721,336	10,549	319,675
Derecognition of key values recognized by Mastellone Hermanos S.A.	(12,875)	–	–
Elimination of results recognized by Mastellone Hermanos S.A. prior to 2019 acquisitions.	–	(3,195)	(592)
Subtotal - Participation in Equity and Results of Mastellone Hermanos S.A. at carrying values with measurement criteria of the Arcor Group	4,161,042	622,182	(6,926)
Incorporation of major and minor values of identifiable assets and liabilities for assignment of the price paid ⁽²⁾⁽³⁾	2,003,800	120,443	1,739
Incorporation of goodwill ⁽²⁾	1,210,550	–	–
Figures corresponding to Arcor Group accordance to its financial statements	7,375,392	742,625	(5,187)

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.

² It includes all the interest acquired at December 31, 2019.

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 42.



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NOTE 10. BIOLOGICAL ASSETS

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

	Fruit Crops	Grain sown land ³	Sugar cane sown land ³	Beef or dairy cattle	Forest plantation ⁴	TOTAL
Total non-current at January 1, 2019	–	–	–	172,991	579,113	752,104
Total current at January 1, 2019	51,003	126,109	184,472	28,326	10,009	399,919
TOTAL AT JANUARY 1, 2019	51,003	126,109	184,472	201,317	589,122	1,152,023
Additions at historical cost	98,743	195,295	245,225	3,353	152,246	694,862
Initial recognition and changes in fair value ⁽⁵⁾	(37,877)	132,453	(99,346)	90,197	(76,211)	9,216
Decreases due to harvest of biological products ⁽¹⁾	(74,919)	(344,261)	(155,578)	–	(119,404)	(694,162)
Decreases due to sale of biological assets ⁽²⁾	–	–	–	(30,819)	–	(30,819)
TOTAL AT DECEMBER 31, 2019	36,950	109,596	174,773	264,048	545,753	1,131,120
Total non-current at December 31, 2019	–	–	–	220,551	473,791	694,342
Total current at December 31, 2019	36,950	109,596	174,773	43,497	71,962	436,778

¹ The offsetting entry is shown in the item "Harvest of biological products" in Note 32.

² The offsetting entry is shown in the item "Cost of sale of biological assets" in Note 32.

³ Depending on the phenological status at year end, they were valued at historical cost (Note 2.12).

⁴ Depending on the phenological status at year end, they were valued at historical cost or fair value less harvest costs, as appropriate (Note 2.12).

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 ³	Sugar cane sown land ³	Beef or dairy cattle	Forest plantation ⁴	TOTAL
Total non-current at January 1, 2018	–	–	–	203,182	678,953	882,135
Total current at January 1, 2018	61,052	55,270	137,026	22,037	33,145	308,530
TOTAL AT JANUARY 1, 2018	61,052	55,270	137,026	225,219	712,098	1,190,665
Additions at historical cost	93,184	207,960	255,796	2,090	112,186	671,216
Initial recognition and changes in fair value ⁽⁵⁾	(25,729)	46,917	(51,002)	9,732	(121,537)	(141,619)
Decreases due to harvest of biological products ⁽¹⁾	(77,504)	(184,038)	(157,348)	–	(113,625)	(532,515)
Decreases due to sale of biological assets ⁽²⁾	–	–	–	(35,724)	–	(35,724)
TOTAL AT DECEMBER 31, 2018	51,003	126,109	184,472	201,317	589,122	1,152,023
Total non-current at December 31, 2018	–	–	–	172,991	579,113	752,104
Total current at December 31, 2018	51,003	126,109	184,472	28,326	10,009	399,919

¹ The offsetting entry is shown in the item "Harvest of biological products" in Note 32.

² The offsetting entry is shown in the item "Cost of sale of biological assets" in Note 32.

³ Depending on the phenological status at year end, they were valued at historical cost (Note 2.12).

⁴ Depending on the phenological status at year end, they were valued at historical cost or fair value less harvest costs, as appropriate (Note 2.12).

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 10. BIOLOGICAL ASSETS

The information as of December 31, 2019 and 2018, relating to the harvest of biological products and physical quantities, related to the main classes of biological assets, is detailed below:

	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 12.31.2019 per biological asset.	4,873 Tn,	37,203 Tn,	¹ 15,953 Tn,	³ 238,285 Tn,	⁴ 154,984 Tn,
Area intended for biological assets at 12.31.2019	203 Has,	6,650 Has,	-	6,653 Has,	6,704 Has,
Physical quantities of biological assets at 12.31.2019 (heads)	-	-	² 6,071	-	-
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, 3,811 are dairy cattle and the remaining 2,260 are cattle for slaughter.

³ Corresponds to tons of sugar cane plantations.

⁴ Corresponds to tons of wood.

⁵ Corresponds to the average logging age.

	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,	⁴ 136,753 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 logging age.

The method for measuring the fair value of each of these biological assets is described in Note 2.12 to the consolidated financial statements.

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NOTE 10. BIOLOGICAL ASSETS

The biological assets of the Group are disclosed measured based on fair value hierarchy at December 31, 2019 and 2018, in accordance with the explanation mentioned in Note 39.2:

	Level 1	Level 2	Level 3	Total
Biological assets at fair value				
Dairy cattle or for slaughter	–	264,048	–	264,048
Fruit crops	–	–	36,950	36,950
Forest plantation ⁽¹⁾	–	–	503,235	503,235
Total Biological assets at fair value at 12.31.19	–	264,048	540,185	804,233

¹ From the total of forest plantation at December 31, 2019 (ARS 545,753), ARS 503,235 were valued at fair value less harvest costs, and ARS 42,518 were valued at historical cost (Note 2.12).


	Level 1	Level 2	Level 3	Total
Biological assets at fair value				
Dairy cattle or for slaughter	–	201,317	–	201,317
Fruit crops	–	–	51,003	51,003
Forest plantation ⁽¹⁾	–	–	527,709	527,709
Total Biological assets at fair value at 12.31.18	–	201,317	578,712	780,029

¹ From the total of forest plantation at December 31, 2018 (ARS 589,122), ARS 527,709 were valued at fair value less harvest costs, and ARS 61,413 were valued at historical cost (Note 2.12).


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 12.31.19	Measurement technique	Non-observable data	Connection of non-observable data with fair value
Fruit crops	36,950	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 12.31.19	Measurement technique	Non-observable data	Connection of non-observable data with fair value
Forest plantation	503,235	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.
				Greater the cost of plantation, maintenance and harvest, lower the fair value.

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NOTE 11. DEFERRED TAX ASSETS / LIABILITIES


Deferred income tax is made up of the following for the year ended at December 31, 2019:

	01.01.2019	Translation difference	Expense charged to income	Expense charged to other comprehensive income	12.31.2019
Assets					
Tax loss carryforward	4,023,993	42,673	1,070,962	–	5,137,628
Trade accounts receivable and other receivables	15,686	34,852	88,646	–	139,184
Inventories	146,582	1,037	(291,477)	–	(143,858)
Biological assets	(126,848)	–	24,570	–	(102,278)
Property, plant and equipment and investment property	(1,548,782)	13,334	(473,776)	–	(2,009,224)
Intangible assets	(37,768)	(92)	(4,956)	–	(42,816)
Right-of-use assets	–	(3,798)	(218,607)	–	(222,405)
Derivative financial instruments	(122)	–	–	(329)	(451)
Cash and cash equivalents and other investments	(4,962)	–	1,929	–	(3,033)
Investments in companies	(50,786)	–	27,527	3,431	(19,828)
Provisions	212,631	(18,701)	46,528	–	240,458
Trade accounts payable and other liabilities	245,315	(33,840)	114,124	76,266	401,865
Deferred (earnings) Law 27541	–	–	(2,251,674)	–	(2,251,674)
Deferred losses Law 27541	–	–	317,716	–	317,716
Lease liabilities	–	3,311	240,844	–	244,155
Loans	41,589	–	64,394	–	105,983
Subtotal – Deferred assets	2,916,528	38,776	(1,243,250)	79,368	1,791,422
Liabilities					
Tax loss carryforward	63,150	(1,213)	65,159	–	127,096
Trade accounts receivable and other receivables	139,942	(1,970)	(61,566)	–	76,406
Inventories	(85,527)	729	86,542	–	1,744
Biological assets	(64,003)	–	34,878	–	(29,125)
Property, plant and equipment and investment property	(2,109,533)	29,832	391,174	–	(1,688,527)
Cash and cash equivalents and other investments	(13,092)	–	13,051	–	(41)
Intangible assets	(249,982)	(1,629)	(841)	–	(252,452)
Right-of-use assets	–	89	(21,012)	–	(20,923)
Provisions	124,476	(1,266)	(59,739)	–	63,471
Trade accounts payable and other liabilities	(20,088)	(19,843)	(65,320)	2,806	(102,445)
Deferred losses Law 27541	–	–	40,853	–	40,853
Lease liabilities	–	(148)	21,574	–	21,426
Loans	(756)	–	597	–	(159)
Subtotal - Deferred liabilities	(2,215,413)	4,581	445,350	2,806	(1,762,676)
Total Net Deferred Tax assets / liabilities	701,115	43,357	(797,900)	82,174	28,746

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NOTE 11. DEFERRED TAX ASSETS / LIABILITIES

Deferred income tax is made up of the following for the year ended at December 31, 2018:

	01.01.2018	Translation difference	Expense charged to income	Expense charged to other comprehensive income	12.31.2018
Assets					
Tax loss carryforward	225,827	6,372	3,791,794	-	4,023,993
Trade accounts receivable and other receivables	16,200	2,341	(2,855)	-	15,686
Inventories	52,511	4,654	89,417	-	146,582
Biological assets	(19,272)	-	(107,576)	-	(126,848)
Property, plant and equipment and investment property	(40,386)	33,608	(1,542,004)	-	(1,548,782)
Intangible assets	(31)	-	(37,737)	-	(37,768)
Derivative financial instruments	-	-	13,400	(13,522)	(122)
Cash and cash equivalents and other investments	-	-	(4,962)	-	(4,962)
Investments in companies	-	-	(42,247)	(8,539)	(50,786)
Provisions	78,719	13,303	120,609	-	212,631
Trade accounts payable and other liabilities	(6,772)	18,975	206,693	26,419	245,315
Loans	31	-	41,558	-	41,589
Subtotal - Deferred assets	306,827	79,253	2,526,090	4,358	2,916,528
Liabilities					
Tax loss carryforward	429,884	776	(367,510)	-	63,150
Trade accounts receivable and other receivables	86,948	10,953	42,041	-	139,942
Inventories	36,648	(1,151)	(121,024)	-	(85,527)
Biological assets	(173,119)	-	109,116	-	(64,003)
Derivative financial instruments	11,488	-	(11,488)	-	-
Property, plant and equipment and investment property	(4,203,432)	(38,355)	2,132,254	-	(2,109,533)
Cash and cash equivalents and other investments	(63,627)	-	50,535	-	(13,092)
Investments in companies	-	-	-	-	-
Intangible assets	(345,325)	376	94,967	-	(249,982)
Provisions	262,820	2,480	(140,824)	-	124,476
Trade accounts payable and other liabilities	239,047	10,105	(267,812)	(1,428)	(20,088)
Loans	27,652	-	(28,408)	-	(756)
Subtotal - Deferred liabilities	(3,691,016)	(14,816)	1,491,847	(1,428)	(2,215,413)
Total Net Deferred Tax assets / liabilities	(3,384,189)	64,437	4,017,937	2,930	701,115

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NOTE 11. DEFERRED TAX ASSETS / LIABILITIES

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

COUNTRY	12.31.2019	12.31.2018
Argentina ⁽¹⁾	30.00%	30.00%
Bolivia	25.00%	25.00%
Brazil	34.00%	34.00%
Chile	27.00%	27.00%
China	25.00%	25.00%
Colombia	33.00%	25.00%
Ecuador	25.00%	25.00%
Spain	25.00%	25.00%
USA	21.00%	21.00%
Mexico	30.00%	30.00%
Paraguay	10.00%	10.00%
Peru	29.50%	29.50%
Switzerland	14.50%	14.50%
Uruguay	25.00%	25.00%

¹ In accordance with the legislation in force, the tax rate will be reduced to 25% as from 2021 (Note 35).

Companies	Maturity Year				Total	Tax rates	Total at the tax rate
	2020	2021	2022 on	Without maturity			
Arcor S.A.I.C. ¹	-	75,872	17,691,627	-	17,767,499	30% / 25%	4,441,875
Arcor de Perú S.A. ¹	24,144	-	-	-	24,144	29,5%	7,122
Arcor U.S.A. Inc. ¹	-	-	120,956	-	120,956	21%	25,401
Bagley Chile S.A. ¹	-	-	-	114,478	114,478	27%	30,909
Industria de Alimentos Dos en Uno S.A. ²	-	-	-	422,764	422,764	27%	114,146
La Campagnola S.A.C.I. ¹	-	15,884	811,718	-	827,602	25%	206,901
Unidal México S.A. de C.V. ¹	241,789	-	639,125	-	880,914	30%	264,274
Zucamor S.A. ¹	-	-	644,584	-	644,584	25%	161,146
Zucamor Cuyo S.A. ²	-	-	43,166	-	43,166	30%	12,950
TOTAL	265,933	91,756	19,951,176	537,242	20,846,107		5,264,724


¹ The following are part of deferred tax assets

² The following are part of deferred tax liabilities


In addition, at 31 December 2019, the main deferred assets not recognised by the Group were as follows:

Country	At tax base level	Tax rates	Unrecognised deferred asset
Argentina	2,301,973	30% / 25%	576,940
Brazil	14,244,235	34%	4,843,040
Total	16,546,208		5,419,980

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NOTE 12. TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

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

Trade accounts receivable

	12.31.2019	12.31.2018
Non-Current		
Trade accounts receivable with third parties	–	481
TOTAL NON-CURRENT	–	481
Current		
Trade accounts receivable with third parties	17,670,853	19,727,997
Documentary credits	1,505,845	1,277,357
Trade accounts receivables with related parties (Note 38)	22,872	28,674
Doubtful account balances and in litigation	309,489	764,691
Less: Allowances for doubtful accounts	(1,065,045)	(1,094,852)
TOTAL CURRENT	18,444,014	20,703,867
TOTAL	18,444,014	20,704,348


Other receivables

	12.31.2019	12.31.2018
Non-current		
Tax credits ⁽¹⁾	1,064,018	488,581
Minimum notional income tax credits ⁽²⁾	532,583	815,720
Guarantee deposits	241,596	353,808
Advances to suppliers for purchases of property, plant and equipment	108,609	245,977
Prepaid expenses	8,041	26,510
Trade accounts receivables with related parties (Note 38)	–	1,046
Miscellaneous	83,536	87,155
Less: Allowance for other doubtful accounts	(16,910)	(51,632)
TOTAL NON-CURRENT	2,021,473	1,967,165
Current		
Refunds receivables	128,687	141,379
Guarantee deposits	46,772	53,323
Tax credits ⁽¹⁾	3,232,772	1,863,858
Advances to suppliers for purchases of inventories and other products and services	962,171	1,282,866
Ordinary financial debtors	24,212	20,946
Financial debtors with related parties (Note 38)	1,203	1,059
Prepaid expenses	530,190	572,636
Miscellaneous	58,700	62,804
Less: Allowance for other doubtful accounts	(33,290)	(30,959)
TOTAL CURRENT	4,951,417	3,967,912
TOTAL	6,972,890	5,935,077


¹ Includes tax credits recognized by the subsidiaries Arcor do Brasil Ltda and Bagley do Brasil Alimentos Ltda., under favorable rulings issued in tax litigation initiated by the subsidiaries: (i) in May 2019, the subsidiary Arcor do Brasil Ltda. obtained a favorable ruling in relation to a tax claim it had filed for the exclusion of the ICMS (Imposto sobre circulação de mercadorias e serviços) from the basis for calculating the taxes PIS (Programas de Integração Social) and COFINS (Contribuição para Financiamento da Seguridade Social) for the 2005-2014 fiscal years; in view of this, the above-mentioned subsidiary has tax credits at December 31, 2019 for ARS 1,140,801 (ARS 611,438 of which were disclosed in non-current assets, and ARS 529,363 in current assets); (ii) in August 2019, the subsidiary Bagley do Brasil Alimentos Ltda., also obtained a favorable ruling in relation to the same claim, but for the 2009-2014 fiscal years; for this reason, this subsidiary has tax credits at December 31, 2019 for ARS 606,499 (ARS 37,839 of which were disclosed in non-current assets, and ARS 568,660 in current assets). At the date of issue of these consolidated financial statements, there are unsettled claims filed by the two subsidiaries for subsequent fiscal periods which, according to case law and judicial precedents for this matter could result in the recognition of tax credits, once the respective favorable court rulings have been obtained.

² Reference to repetition actions filed in Note 35.

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NOTE 12. 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, 2019 and 2018, the amounts of the allowances for impairment of trade accounts receivable were ARS 1,065,045 and ARS 1,094,852, respectively. The aging of these trade accounts receivable is as follows:

	12.31.2019	12.31.2018
To be beaten	44,281	42,746
SUBTOTAL DUE - IMPAIRED	44,281	42,746
Up to three months	85,808	89,830
From three to six months	28,087	41,995
From six to twelve months	34,892	59,955
Over a year	871,977	860,326
SUBTOTAL DUE - IMPAIRED	1,020,764	1,052,106
TOTAL DUE - IMPAIRED	1,065,045	1,094,852

At December 31, 2019 y 2018 there are ARS 848,663 and ARS 882,363 respectively, of trade accounts receivable which are past due but not impaired. The aging of these trade accounts receivable is as follows:

	12.31.2019	12.31.2018
From three to six months	312,264	303,290
From six to twelve months	130,765	196,016
Over a year	405,634	383,057
TOTAL DUE - NOT IMPAIRED	848,663	882,363


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

	12.31.2019	12.31.2018
ARS	10,048,836	12,585,638
BOB	191,377	167,103
BRL	5,369,426	3,467,851
CLP	3,677,804	3,945,738
COP	11,624	15,666
EUR	42,368	54,054
MXN	643,845	603,958
PEN	336,087	311,172
PYG	415,134	382,326
RMB	7,075	7,936
USD	4,319,409	4,646,084
UYU	353,919	451,899
TOTAL	25,416,904	26,639,425

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NOTE 12. 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, 2019	1,094,852	82,591	1,177,443
Increases	269,997	20,987	290,984
Decreases	(187,619)	(33,370)	(220,989)
Uses	(43,201)	(3,691)	(46,892)
Restatement and currency translation effects	(68,984)	(16,317)	(85,301)
TOTAL AT 12.31.2019	1,065,045	50,200	1,115,245

	Trade accounts receivable ⁽¹⁾	Other receivables ⁽²⁾	TOTAL
At January 1, 2018	929,356	117,594	1,046,950
Increases	263,063	26,058	289,121
Decreases	(175,275)	(7,276)	(182,551)
Uses	(23,586)	(23,467)	(47,053)
Restatement and currency translation effects	101,294	(30,318)	70,976
TOTAL AT 12.31.2018	1,094,852	82,591	1,177,443

¹ The accounting allocation of increases and decreases is shown in Note 30.

² The accounting allocation of the increases and decreases is shown in Note 29 (Refunds on exports), Note 30 and Note 35 (Minimum notional income tax).

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule E.

NOTE 13. INVENTORIES

The following table details the composition of caption inventories:

	12.31.2019	12.31.2018
Raw materials and materials	12,566,992	14,074,276
Raw materials and materials in transit	843,897	1,381,583
Work in process	893,976	811,892
Finished products	8,126,340	11,178,290
Less: Allowance for inventory losses	(690,885)	(795,015)
TOTAL	21,740,320	26,651,026


Changes in allowances for inventory losses for years ended December 31, 2019 and 2018 are as follows:

	12.31.2019	12.31.2018
Opening balances	795,015	598,819
Increases ⁽¹⁾	402,514	802,102
Decreases ⁽¹⁾	(392,947)	(425,135)
Uses	(111,527)	(203,079)
Effect of currency translation	(2,170)	22,308
CLOSING BALANCE	690,885	795,015


¹ The accounting allocation of increases/decreases is shown under "Other miscellaneous expenses" in Note 30.

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule E.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14. OTHER INVESTMENT

The following table details the composition of caption other investment:

	12.31.2019	12.31.2018
Non-Current		
Other	8,268	1,730
NON-CURRENT TOTAL	8,268	1,730
Current		
Government securities	12	23
CURRENT TOTAL	12	23
TOTAL	8,280	1,753

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule D.

NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS

The tables below show the balances of derivative financial instruments:


	Assets	Liabilities
Non-Current		
Mastellone Hermanos S.A. options (Note 42)	-	163,715
NON - CURRENT TOTAL	-	163,715
Current		
Foreign currency term contracts	8,610	-
Cocoa forward contracts and financial options	4,209	-
Mastellone Hermanos S.A. options (Note 42)	-	2,968
CURRENT TOTAL	12,819	2,968
TOTAL AT DECEMBER 31, 2019	12,819	166,683

	Assets	Liabilities
Non-Current		
Mastellone Hermanos S.A. options (Note 42)	441,944	40,324
NON - CURRENT TOTAL	441,944	40,324
Current		
Foreign currency term contracts	-	99,809
Cocoa forward contracts and financial options	8,843	-
Mastellone Hermanos S.A. options (Note 42)	-	199,679
CURRENT TOTAL	8,843	299,488
TOTAL AT DECEMBER 31, 2018	450,787	339,812

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NOTE 15. 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, 2019 y 2018:

- Arcor S.A.I.C.

At December 31, 2019, the Company recognized gains of ARS 389,708 on forward contracts for purchases of U.S. dollars that were settled during the year, which were charged to "Financial results, net" in the consolidated statement of income. At December 31, 2019, Arcor S.A.I.C. does not have any forward contracts for purchases of US dollars.

At December 31, 2018, Arcor S.A.I.C. had forward contracts for purchases of U.S. dollars with due date in May, 2019, of USD 40,000, at a weighted average price of ARS 45.15 per USD. As a result of, this transaction, the Company recognized a liability of ARS 94,982 which is disclosed under the item "Derivative financial instruments" in the consolidated financial sheet. The Company recognized for the above transactions, and other transactions that were settled during the year, gains in constant currency of ARS 607.279, which were charged to the item "Net Financial Results" in the consolidated statement of income.

- Unidal México S.A. de C.V.

At December 31, 2019, the subsidiary has forward contracts for the sale of US dollars maturing in January and February 2020, for USD 3,000, at a weighted average price of MXN 20.40 per USD. As a result of this transaction, the subsidiary has an asset of ARS 8,610, which is exposed in the caption "Derivative financial instruments" of the consolidated financial sheet. The Company recognized for the above transactions, and other transactions that were settled during the year, gains of ARS 55,493, which were charged to the item "Net Financial Results" in the consolidated statement of income.

At December 31, 2018 the subsidiary had forward contracts for the sale of US dollars with due date between January and May 2019, for USD 9,000, at a weighted average price of MXN 19.91 per USD. As a result of these transactions, the subsidiary had a liability of ARS 4,827, 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, had recognized gains of ARS 1,383, which were charged to the item "Net Financial results", in the consolidated statement of income.

Cocoa forward contracts and financial options

- Arcor S.A.I.C.

The Company entered into cocoa forward contracts and financial options in order to hedge the price risk of this raw material. These instruments do not provide the physical delivery of cocoa but are aimed at cash flow hedges to offset the effects of changes in the price of that raw material.

At December 31, 2019, the Company holds forward contracts for the purchase of cocoa with due date between March and May, 2020, for a total of 90 tons of cocoa grain at a weighted average price of USD 2.5 per ton.

As a result of these transactions, the Company has an asset of ARS 4.209 which is disclosed in the item "Derivative financial instruments" in the current 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 29, which was charged to the item "Cost of sales and services provided" (loss of ARS 1,125) in the consolidated statement of income and in the item "Cash flow hedge" (gains of ARS 1,096) of the statement of other comprehensive income as described in Note 2.14 to these consolidated financial statements.

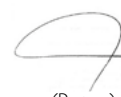
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NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS

Cocoa forward contracts and financial options

- Arcor S.A.I.C.

At December 31, 2018, the Company had 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 2.4 per ton.

As a result of these transactions, the Company had an asset of ARS 3,444 which is disclosed in the item "Derivative financial instruments" in the current 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 gain for ARS 38,884, which was charged to the item "Cost of sales and services provided" (gain of ARS 183) in the consolidated statement of income and in the item "Cash flow hedge" (gains of ARS 38,691) of the statement of other comprehensive income as described in Note 2.14 to these consolidated financial statements.

- Arcor do Brasil Ltda.

At December 31, 2019, The Company does not have term contracts for the purchase of cocoa.


At December 31, 2018, Arcor do Brasil Ltda. had an asset of ARS 5,399 which is disclosed in the item "Derivative financial instruments" in the current 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 of ARS 1,625, which was charged to the item "Cash flow hedge" of the statement of other comprehensive income as described in Note 2.14 to these consolidated financial statements.

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 39.2 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.

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NOTE 16. CASH FLOW STATEMENT – ADITIONAL INFORMATION

The balances of cash and cash equivalents are disclosed below:

	12.31.2019	12.31.2018
Cash and short-term bank deposits	6,782,412	4,925,999
Time deposits	1,505,668	1,851,591
Financial assets at fair value ⁽¹⁾	1,679,013	668,408
TOTAL	9,967,093	7,445,998

¹ Correspond to mutual funds and government securities with quotation.

The Group's registered cash and cash equivalents values are denominated, mainly in the following currencies:

	12.31.2019	12.31.2018
USD	6,573,333	5,733,861
ARS	1,922,088	647,053
MXN	545,473	215,118
CLP	274,421	294,858
PYG	192,501	147,044
Other currencies	459,277	408,064
TOTAL	9,967,093	7,445,998

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:

	Activity	12.31.2019	12.31.2018
Additions of property, plant and equipment, investment properties, intangible assets and other not paid at year end	Investment	(364,359)	(224,445)
Additions of assets for rights of use and restatement of variable leases (Note 6)	Investment	(1,788,120)	–
Additions of lease liabilities and restatement of variable leases (Note 23)	Financing	1,788,120	–
Cash dividends not paid at year-end	Financing	–	(942,600)

NOTE 17. 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. This percentage was reached as a result of the decisions of the Ordinary and Extraordinary General Shareholders' Meeting held on April 27, 2019.

As required by the CNV, retained earnings generated by adoption of IFRS, amounting to ARS 576,119 (ARS 203,257 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 18. CHANGES IN COMMON STOCK

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

	2019	2018	2017
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, 2019, the common stock, of ARS 700,000,000, is represented by 16,534,656 acciones nominativas no endosables clase A de 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 19. RETAINED EARNINGS

The following tables outline the changes in Retained Earnings for the year ended December 31, 2019 and 2018, respectively:

	TOTAL
Balances at January 1, 2019	11,792,380
Net (loss) for the year	(1,469,079)
Actuarial (losses) of defined benefit plans	(226,016)
Setting-up of reserves:	
- Legal reserve ⁽¹⁾	(693,844)
- Optional reserve for future investments ⁽¹⁾	(7,900,638)
- Special reserve for future dividends ⁽¹⁾	(2,826,318)
Distribución de dividendos ¹	(371,580)
TOTAL AT 12.31.2019	(1,695,095)

¹ As per the Ordinary and Extraordinary Shareholder's Meeting held on April 27, 2019 and September 19, 2019.

	TOTAL
Balances at January 1, 2018	15,412,165
Net (loss) for the year	(2,799,825)
Actuarial (losses) of defined benefit plans	(134,091)
Reassignment of reserves:	
- Special Reserve for Future Dividends ¹	789,460
Distribution of dividends ¹	(1,475,329)
TOTAL AT 12.31.2018	11,792,380

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

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NOTE 20. OTHER EQUITY COMPONENTS

Following is the evolution of Other equity components:

	Translation reserve	Reserve for cash flow hedges	TOTAL
Balances at January 1, 2019	1,056,221	2,395	1,058,616
Cash flow hedges:			
- Gains and losses for hedge instruments	-	(1,015)	(1,015)
- Income tax effect (Notes 11 and 35)	-	(329)	(329)
Currency translation difference:			
- Currency translation difference in the associates	(151,306)	-	(151,306)
- Income tax effect (Notes 11 and 35)	3,431	-	3,431
TOTAL AT 12.31.2019	908,346	1,051	909,397

	Translation reserve	Reserve for cash flow hedges	TOTAL
Balances at January 1, 2018	(1,698,516)	(21,149)	(1,719,665)
Cash flow hedges:			
- Gains and losses for hedge instruments	-	37,066	37,066
- Tax effect of hedge instruments (Notes 11 and 35)	-	(13,522)	(13,522)
Currency translation difference:			
- Currency translation difference in the associates	2,763,276	-	2,763,276
- Income tax effect (Notes 11 and 35)	(8,539)	-	(8,539)
TOTAL AT 12.31.2018	1,056,221	2,395	1,058,616



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NOTE 21. NON-CONTROLLING INTEREST

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

	TOTAL
Balances at January 1, 2019	9,638,600
Interest in net income for the year	1,324,989
Translation reserve	(2,684)
Actuarial (losses) of defined benefit plans	(18,440)
Transactions with non-controlling interest	2
Cash dividends ⁽¹⁾	(152,651)
TOTAL AT 12.31.2019	10,789,816

¹ Includes mainly dividend distributions made by subsidiaries Arcorpar S.A. for ARS 112,670, Arcor Alimentos Bolivia S.A. for ARS 328, Mundo Dulce S.A. de C.V. for ARS 30,223, Papel Misionero S.A.I.F.C. for ARS 9,641.

	TOTAL
Balances at January 1, 2018	8,989,972
Interest in net income for the year	1,244,753
Translation reserve	508,295
Actuarial (gains) from defined benefit plans	11,154
Cash dividends ⁽¹⁾	(1,115,574)
TOTAL AT 12.31.2018	9,638,600


¹ Includes mainly dividend distributions made by subsidiaries Bagley Latinoamérica S.A. for ARS 942,600, Arcorpar S.A. for ARS 93,977, Mundo Dulce S.A. de C.V. for ARS 60,037, Bagley Argentina S.A. for ARS 18,529.

NOTE 22. LOANS


The following table show the composition and evolution of loans:

	12.31.2019	12.31.2018
Non-Current		
Bank loans	5,727,433	3,750,136
Corporate Bonds	31,343,553	31,055,277
TOTAL NON-CURRENT	37,070,986	34,805,413
Current		
Bank loans	13,122,141	15,436,323
Corporate Bonds	2,622,260	1,489,377
Obligations for financial leases under IAS 17 (Note 23)	-	4,807
Discounts of documents	149,000	23,850
TOTAL CURRENT	15,893,401	16,954,357
TOTAL	52,964,387	51,759,770

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NOTE 22. LOANS

The following table show the composition and evolution of loans:

	12.31.2019	12.31.2018
	Creditor/(Debtor)	
Opening balance of the year	51,759,770	37,492,539
Net increase in loans	5,025,789	8,162,824
Payment of interests and other financial expenses	(9,739,848)	(6,215,286)
Payment of finance leases IAS 17	-	(29,863)
Derecognition of financial leases IAS 17	-	(126,537)
Derecognition on initial application of IFRS 16 (Note 23)	(4,807)	-
Lost Interest and foreign exchange differences	6,005,325	11,902,195
Effect of currency translation	(81,842)	573,898
CLOSING BALANCE	52,964,387	51,759,770

Obligations for finance leases under IAS 17

At December 31, 2018, the Group had recognized the obligations for financial leases entered into by the subsidiary La Campagnola S.A.C.I.

	12.31.2018
Finance lease obligations - minimum payments:	
Up to one year	4,864
Total minimum payments	4,864
Future finance charges on finance leases	(57)
PRESENT VALUE OF LEASE OBLIGATIONS	4,807

On June 5, 2018, the subsidiary entered into an equipment lease contract with Tetra Pak S.R.L. (Tetra Pak), whereby two previous lease contracts for such equipment were replaced and additional contracts were included. In consequence, at December 31, 2018 the Group proceeded to write off the residual value of the equipment under the original finance leases, net of the debt recognized for those contracts (which amounted to ARS 126,537), generating a net gain in constant currency of ARS 49,339, which was disclosed in Other income/(expenses), net, in the consolidated statement of income. On January 1, 2019, finance leases under IAS 17 were written off, by application of IFRS 16 (Note 43).

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

- Balances at December 31, 2019:


Non-Current	From one to two years	From two to three years	From three to five years	Over five years	Total
Bank loans	2,519,699	3,207,734	-	-	5,727,433
Corporate bonds	1,215,385	-	30,128,168	-	31,343,553
TOTAL AT 12.31.2019	3,735,084	3,207,734	30,128,168	-	37,070,986

Current	Within to three months	From three to six months	From six to nine months	From nine months to a year	Total
Bank loans	11,603,972	934,879	157,085	426,205	13,122,141
Corporate bonds	993,745	1,628,515	-	-	2,622,260
Discounts of documents	149,000	-	-	-	149,000
TOTAL AT 12.31.2019	12,746,717	2,563,394	157,085	426,205	15,893,401

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NOTE 22. LOANS

- 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	397,565	239,866	3,112,705	-	3,750,136
Corporate bonds	-	1,858,546	-	29,196,731	31,055,277
TOTAL AT 12.31.2018	397,565	2,098,412	3,112,705	29,196,731	34,805,413

Current	Within to three months	From three to six months	From six to nine months	From nine months to a year	Total
Bank loans	11,303,262	2,969,011	313,908	850,142	15,436,323
Corporate bonds	1,050,955	438,422	-	-	1,489,377
Obligations for financial leases	4,807	-	-	-	4,807
Discounts of documents	23,850	-	-	-	23,850
TOTAL AT 12.31.2018	12,382,874	3,407,433	313,908	850,142	16,954,357

The carrying value and fair value of loans at December 31, 2019 and 2018 are as follows:

	Carrying value	Fair value
Bank loans	18,849,574	18,674,040
Corporate bonds	33,965,813	32,945,720
Discounts of documents	149,000	149,000
TOTAL AT 12.31.2019	52,964,387	51,768,760

	Carrying value	Fair value
Bank loans	19,186,459	18,932,975
Corporate bonds	32,544,654	30,499,467
Obligations for financial leases	4,807	4,807
Discounts of documents	23,850	23,850
TOTAL AT 12.31.2018	51,759,770	49,461,099

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 Listed Corporate Bonds is estimated based on the market value at year end (Note 39).

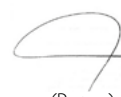


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NOTE 22. LOANS

In the following table are exposed the Company loans which are measured at fair value hierarchy at December 31, 2019 and 2018, according to the explanation of Note 39.2:

	Level 1	Level 2	Level 3	Total
Loans at Fair Value				
Bank loans	–	18,674,040	–	18,674,040
Corporate Bonds	29,915,055	3,030,665	–	32,945,720
Discounts of documents	–	149,000	–	149,000
TOTAL LOANS AT FAIR VALUE AT 12.31.19	29,915,055	21,853,705	–	51,768,760

	Level 1	Level 2	Level 3	Total
Loans at Fair Value				
Bank loans	–	18,932,975	–	18,932,975
Corporate Bonds	28,190,990	2,308,477	–	30,499,467
Obligations for financial leases	–	4,807	–	4,807
Discounts of documents	–	23,850	–	23,850
TOTAL LOANS AT FAIR VALUE AT 12.31.18	28,190,990	21,270,109	–	49,461,099

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

	31.12.2019	31.12.2018
ARS	13,246,410	12,689,593
BRL	2,586,898	1,946,602
CLP	835,382	1,146,674
USD	36,295,697	35,976,901
TOTAL	52,964,387	51,759,770



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 22. LOANS

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

a. Issuance of Corporate Bonds

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

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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 22. LOANS

a. Issuance of Corporate Bonds

a.2. Main terms of negotiable obligations in force and/or cancelled during the current financial year

	Corporate Bonds Class 9	Corporate Bonds Class 10 ⁽¹⁾
Aggregate Principal Amount	USD 350,000	ARS 285,000
Issuance date	July 6, 2016	May 3, 2017
Price of the issuance	100% of the nominal value	100% of the nominal value
Specified Currency	USD	ARS
Interest rate	Annual nominal fixed rate of 6%	Annual Nominal Variable rate equivalent to the aggregate of Badlar rate plus an applicable margin
Applicable Margin	Does not have	2.43% nominal anual
Amortization and Maturity date	July 6, 2023	Mayo 3, 2019 (24 months from the date of issuance)
Date of approval Under-management of Issuers of the CNV	(84 months from the date of issuance)	April 21, 2017
Interest Payment Dates	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.	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.

¹ Cancelled in full at maturity, which occurred during the current fiscal year, on May 3, 2019.

² The net funds obtained were entirely used to refinance bank debts.



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Corporate Bonds Class 11	Additional Corporate Bonds Class 9	Corporate Bonds Class 12 ²
ARS 1,215,000	USD 150,000	ARS 1,653,586
May 3, 2017	June 19, 2017	December 23, 2019
100% of the nominal value	106.625% of the nominal value	100% of the nominal value
ARS	USD	ARS
Annual Nominal Variable rate equivalent to the aggregate of Badlar rate plus an applicable margin	6% fixed annual nominal rate	Annual Nominal Variable rate equivalent to the aggregate of Badlar rate plus an applicable margin
2.99% nominal anual	Does not have	4.24% nominal anual.
Mayo 3, 2021 (48 months from the date of issuance)	July 6, 2023 (73 months from the date of issuance)	June 23, 2020 (6 months from the date of issuance)
April 21, 2017	June 9, 2017	December 16, 2019
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.	Quarterly, in arrears, on March 23, and June 23, until the due date. The first one falls due on March 23, 2020.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 22. LOANS

a. Issuance of Corporate Bonds

a.3. 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 1.00. 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, 2019.

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

In November 2019, the Company obtained a long-term loan from a local banking institution for ARS 1,500,000 at a variable interest rate equivalent to the pure Badlar rate for the period plus an applicable margin of 10% annual nominal with monthly interest. The due date of the final balance was scheduled for May 2021.

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

During July 31, 2017, the Company obtained a long-term loan from a local banking institution for USD 50,000, at an interest annual nominal rate of 4% with biannual interest. The due date of the final balance was scheduled for July 2022. At December 31, 2019, the capital due on this loan amounted to ARS 2,994,500.

The aforementioned loan establishes certain conditions and commitments to being fulfilled for the Company during their effective-term, among which is the compliance with specific financial ratios, for which there are no defaults as of December 31, 2019, or if any, they were waived by the respective creditor before the closing date.

c. Long-term loans of related companies


c.1. Arcor do Brasil Ltda.

During the year ended December 31, 2019, the subsidiary Arcor do Brasil Ltda, obtained loans with local banking institutions:


Amount	Rate	Date of acquisition	Amortization date	Capital amortization	Payment of interest
BRL 38,500		November 18, 2019	November 18, 2021	Quarterly	Quarterly
BRL 10,000	Variable ¹	April 23, 2019	April 12, 2021	At maturity	Annual
BRL 10,000		April 23, 2019	April 12, 2021	At maturity	Annual
BRL 14,994		April 23, 2019	April 7, 2021	Biannual	Biannual

¹ Calculated on the basis of a percentage of the interbank certificate of deposit rate (CDR).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 22. LOANS

c.2. Bagley do Brasil Alimentos Ltda.

During the year ended December 31, 2019, the subsidiary Bagley do Brasil Alimentos Ltda., obtained loans with local banking institutions::

Amount	Rate	Date of acquisition	Amortization date	Capital amortization	Payment of interest
BRL 6,000	Variable ¹	October 7, 2019	October 7, 2021	Biannual	Monthly
BRL 10,005		June 24, 2019	June 11, 2021	Biannual	Biannual
BRL 8,854		May 6, 2019	April 19, 2021	Biannual	Biannual

¹ Calculated on the basis of a percentage of the interbank certificate of deposit rate (CDR).

At December 31, 2019, the capital owed on such loans amounted to ARS 298,313. At December 31, 2018, the subsidiary did not have any long-term loans.

c.3. Industria de Alimentos Dos en Uno S.A.

On December 27, 2017, the subsidiary obtained long-term loans with local banking entities for USD 21,147. The conditions of the loans are resume as follow: (i) specified currency: Chilean pesos, (ii) fixed interest rate, (iii) With capital amortization and payments in June and December of each year, the first interest payment being in June 2018 and final maturity date scheduled for December 2022.

The loan 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. During the year ended December 31, 2019, the subsidiary obtained a waiver in compliance with the financial ratios agreed upon for the December 2019 and June 2020 year-end measurements.


At December 31, 2019 y 2018, the amount owed for the above-mentioned loan amounts to ARS 691,338 and ARS 960,041, respectively, the weighted average indebtedness nominal annual rate amounts to 5.56% for both years.

c.4. Grupo Zucamor


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 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 27). At 31 December, 2019 y 2018, the amount owed for these loans amounts to ARS 168,300 and ARS 323,366, respectively.

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, 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, 2019, said loan was totally canceled. At December 31, 2018, the amount owed for these loans amounted to ARS 31,596.

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NOTE 23. LEASE LIABILITIES

The following table details the composition of the caption:

	12.31.2019
Balance at beginning of year	–
Addition due to initial application of IFRS 16 (Note 43)	1,377,497
Transfer by initial application IFRS 16 (Note 22)	4,807
Application of advance lease payments (*)	(1,849)
Update of variable leases	(81,471)
Additions	410,623
Interest charge and exchange rate differences accrued	140,268
Payments made in the year	(546,736)
Effect of currency translation	10,123
TOTAL	1,313,262
Non-Current	742,658
Current	570,604
TOTAL	1,313,262

*At the date of initial application of IFRS 16, it was recognised as "Other receivables - Prepaid expenses" in the consolidated financial statement.

NOTE 24. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

The following table details the composition of the caption:

	12.31.2019	12.31.2018
Non-Current		
Early retirement benefits	260,497	170,035
Retirement bonuses (a)	463,734	384,439
Pension plans	892,271	748,719
TOTAL NON-CURRENT	1,616,502	1,303,193
Current		
Early retirement benefits	233,271	165,478
Retirement bonuses (a)	8,089	10,309
Pension plans	7,544	7,191
TOTAL CURRENT	248,904	182,978
TOTAL	1,865,406	1,486,171

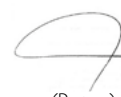


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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 24. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

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

	12.31.2019	12.31.2018
Charge to income for the year		
Pension plans	19,758	(21,101)
Early retirement benefits	359,421	235,137
Retirement bonuses	(55,928)	(70,123)
Subtotal	323,251	143,913
Charge to other comprehensive income		
Retirement bonuses	71,262	(33,726)
Pension plans	254,005	191,750
Subtotal Actuarial losses of defined benefit plans	325,267	158,024
Translation difference	95,842	100,968
Subtotal – Charges allocated to Other Comprehensive Income	421,109	258,992
TOTAL	744,360	402,905

(a) Retirement bonuses

The amount recorded at December 31, 2019 y 2018 amounts to ARS 471,823 and ARS 394,748, respectively. The detail of the evolution in the Group's obligations is as follows:

	12.31.2019	12.31.2018
Balance at beginning of year	394,748	445,968
Cost	34,651	28,831
Cost of past services	(13,400)	–
Interest	(77,179)	(98,954)
Actuarial losses / (gain)	71,262	(33,726)
Benefits paid to members	(5,718)	(6,053)
Translation difference	67,459	58,682
TOTAL	471,823	394,748

The portion expected to be settled within twelve months as from the issue of these financial statements amounts to ARS 8,089.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 24. EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

The charge allotted to the consolidated statement of income for the year ended December 31, 2019 and 2018 is as follows:

	Pension plans	Early retirement benefits	Retirement bonuses	Total at 12.31.2019
Cost ⁽¹⁾	³ 146,222	429,690	21,251	597,163
Interest ⁽²⁾	(126,464)	(70,269)	(77,179)	(273,912)
Subtotal - Charge to income for the year	19,758	359,421	(55,928)	323,251
Actuarial loss / (gain)	254,005	-	71,262	325,267
Translation difference	13,035	15,348	67,459	95,842
Subtotal - Charges allocated to other comprehensive income	267,040	15,348	138,721	421,109
TOTAL AT 12.31.2019	286,798	374,769	82,793	744,360

* Includes charge for past service cost.

¹ Of the total cost charge, ARS 372,739, ARS 50,140 and ARS 174,284 are included in "Cost of sales", "Selling expenses" and "Administrative expenses", respectively.

² Allocated on "Net Financial results".

³ The income charge of ARS 35,622 is disclosed under Management, directors and syndics' fees and ARS 110,600 is disclosed under Salaries, wages and other benefits (Note 31).

	Pension plans	Early retirement benefits	Retirement bonuses	Total at 12.31.2018
Cost ⁽¹⁾	³ 118,473	338,387	28,831	485,691
Interest ⁽²⁾	(139,574)	(103,250)	(98,954)	(341,778)
Subtotal - Charge to income for the year	(21,101)	235,137	(70,123)	143,913
Actuarial loss / (gain)	191,750	-	(33,726)	158,024
Translation difference	17,748	24,538	58,682	100,968
Subtotal - Charges allocated to other comprehensive income	209,498	24,538	24,956	258,992
TOTAL AT 12.31.2018	188,397	259,675	(45,167)	402,905

¹ Of the total cost charge, ARS 342,842, ARS 45,981 and ARS 96,868 are included in "Cost of sales", "Selling expenses" and "Administrative expenses", respectively.

² Allocated on "Net Financial results".

³ The income charge of ARS 24,127 is disclosed under Management, directors and syndics' fees and ARS 94,346 is disclosed under Salaries, wages and other benefits (Note 31).

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 2019 and 2018 were as follows:


For the year ended December 31, 2019	Argentina	Ecuador	Mexico
Mortality table	G.A.M. 83	IESS 2002	EMSSA 09
Disability table	P.D.T. 85	IESS 2002	IMSS 1997
Normal retirement age in men / women	65 / 60 years old	25 years seniority	65 years average
Actual discount rate p.a.	5.0%	4.58%	7.52%

For the year ended December 31, 2018	Argentina	Ecuador	Mexico
Mortality table	G.A.M. 83	IESS 2002	EMSSA 09
Disability table	P.D.T. 85	IESS 2002	IMSS 1997
Normal retirement age in men / women	65 / 60 years old	25 years seniority	65 years average
Actual discount rate p.a.	5.0%	5.04%	7.8%


At December 31, 2019 the impact of a 0.5% favorable/unfavorable change in the actuarial assumptions would result in a (gain)/loss before taxes of approximately ARS (25,363) and ARS 27,041 respectively.

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 (23,931) and ARS 25,818 respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 25. PROVISIONS

The following table details the composition of the caption Provisions:

	12.31.2019	12.31.2018
Non-current		
For labor, civil and commercial lawsuits	444,170	599,785
Other various provisions	106,530	144,069
TOTAL NON-CURRENT	550,700	743,854
Current		
For labor, civil and commercial lawsuits	128,662	172,069
Other various provisions	25,393	33,991
TOTAL CURRENT	154,055	206,060
TOTAL	704,755	949,914

The evolution of the caption is as follows:

	Labor, civil and commercial lawsuits ¹	Other various provisions ²	TOTAL
Balances at January 1 2019	771,854	178,060	949,914
Increases	419,447	35,197	454,644
Decreases	(250,018)	(29,981)	(279,999)
Payments	(317,198)	-	(317,198)
Effect of currency translation and restatement	(51,253)	(51,353)	(102,606)
TOTAL AT 12.31.2019	572,832	131,923	704,755

	Labor, civil and commercial lawsuits ¹	Other various provisions ²	TOTAL
Balances at January 1 2018	890,196	276,451	1,166,647
Increases	507,632	40,491	548,123
Decreases	(108,177)	(44,587)	(152,764)
Payments	(276,719)	(682)	(277,401)
Effect of currency translation and restatement	(241,078)	(93,613)	(334,691)
TOTAL AT 12.31.2018	771,854	178,060	949,914

¹ The accounting allocation of increases and decreases in labor, civil and commercial lawsuits are shown in Notes 30 and 34.

² The accounting allocation of increases and decreases of other provisions is shown in Note 30.

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule E.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 26. TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES

The following table details the breakdown of the caption:

	12.31.2019	12.31.2018
Non-Current		
Trade accounts payable		
- Third parties	143,148	70,234
Tax payables	47,050	80,840
Salaries and social security contributions	78,119	-
TOTAL NON-CURRENT	268,317	151,074
Current		
Trade accounts payable		
- Third Parties	15,153,967	17,659,016
- Related parts (Note 38)	37,816	33,057
- Promissory Note	161,751	468,741
Tax payables	1,187,989	1,246,496
Salaries and social security contributions	4,446,578	4,878,220
Other Debts:		
- Third parties	3,312	3,191
- Related parts (Note 38)	23,060	43,681
- Dividends payable with non-controlling interest	-	942,600
TOTAL CURRENT	21,014,473	25,275,002
TOTAL	21,282,790	25,426,076

NOTE 27. 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:

	12.31.2019	12.31.2018
IT services	511,506	145,226
Logistic services	98,825	764,417
Production services	180,301	209,613
TOTAL	790,632	1,119,256

(b) Operating lease commitments

The Group leases certain buildings under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating lease agreements are as follows:

	12.31.2019	12.31.2018
Within one year	-	86,565
Between 1 and 5 years	-	161,897
Over 5 years	-	1,888
TOTAL	-	250,350

As from 1 January 2019, as described in Note 43, the Group recognised the rights-of-use assets and liabilities for leases relating to these contracts. Consequently, at 31 December 2019, these are not reported.



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NOTE 27. COMMITMENTS AND GUARANTEES GRANTED

(c) Other guarantees granted and restricted assets

Company	Creditor/ Beneficiary	Original currency	Type of guarantee	Guarantee	Maximum amount guaranteed	Carrying value of the loan granted 12.31.19 ARS	Carrying value of the guarantee granted at 12.31.19 ARS	Carrying value of the loan granted 12.31.18 ARS	Carrying value of the guarantee granted at 12.31.18 ARS
Arcor do Brasil Ltda.	Pottencial Seguradora S.A.	BRL	Surety Bond	Insurance of caution	15,000,000	-	-	-	-
	Swiss Re Corporate Solutions Brasil Seguros S.A.	BRL	Surety Bond			-	-	-	-
	Itaú Unibanco S.A.	BRL	Surety Bond	Discount Documents	N/A	9,010	9,010	-	-
	Banco Safra S.A.	BRL	Surety Bond			56,808	56,808	-	-
Bagley do Brasil Alim. Ltda.	Swiss Re Corporate Solutions Brasil Seguros S.A.	BRL	Surety Bond	Insurance of caution	45,000,000	-	-	-	-
	Itaú Unibanco S.A.	BRL	Surety Bond	Discount Documents	N/A	48,314	48,314	-	-
	Banco Safra S.A.	BRL	Surety Bond			16,664	16,664	-	-
Cartocor S.A.	Banco de la Nación Argentina	ARS	Surety Bond	Discount Documents	N/A	18,204	18,204	23,850	23,850
Papel Misionero S.A.I.F.C.	Banco de la Nación Argentina	USD	Surety Bond	Mortgage	-	168,300	3,070,801	323,366	3,366,356

(d) 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, 2019, have a residual value of ARS 16,551. The Company is obliged to the guard and safekeeping of these assets and to keep the corresponding insurance policies. At December 31, 2018 amounted to ARS 19,317.

Due to tolling agreements between the Company and third parties, at December 31, 2019 the Company has in its deposits a stock of sugar belonging to third parties measured at weighted average price for an amount of ARS 411,148. At December 31, 2018 the third-party sugar stock amounted to ARS 279,583.

Also, as on December 2019, the Company has in its deposits a stock of finished products for sale that belong to third parties, for a value of ARS 21,036 (it does not include stock of other related companies). For the same concept, the stock of these items at December 31, 2018 amounted ARS 13,085.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 28. SALES OF GOODS AND SERVICES

The following table details the breakdown of sales of goods and services:

	12.31.2019	12.31.2018
Sales of goods net of discounts and bonuses		
- Third parties	134,325,934	131,386,878
- Related parties (Note 38)	251,324	183,615
Sales of services		
- Third parties	132,101	154,141
- Related parties (Note 38)	824	418
TOTAL	134,710,183	131,725,052

NOTE 29. COST OF SALES OF GOODS AND SERVICES PROVIDED

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

	12.31.2019	12.31.2018
Inventories at beginning of year	26,651,026	20,210,888
Purchases for the year	52,834,470	54,681,460
Transfers of biological products from the agricultural activity (Note 32)	763,551	637,435
Refunds on exports ⁽¹⁾	(269,176)	(409,326)
Sale of by products	(296,222)	(324,607)
Expenses on production and services provided (Note 30)	41,507,599	43,294,543
Effect of currency translation	(54,149)	2,472,942
Inventories at year end (Note 13)	(21,740,320)	(26,651,026)
TOTAL	99,396,779	93,912,309

¹ Net of the effect of (losses) / recovery of allowances for export refunds.

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule F.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 30. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

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

	12.31.2019	12.31.2018
Managers, directors and syndics' fees	337,237	280,974
Fees and compensation for services	1,070,702	899,808
Salaries, wages, social security charges and other benefits (Note 31)	32,105,139	33,479,048
Taxes, rates and contributions	518,048	525,828
Direct taxes	2,028,913	2,174,355
Maintenance of property, plant and equipment	4,306,961	3,983,121
Maintenance of investment properties	2,118	1,534
Depreciation of property, plant and equipment (Note 5)	3,930,082	4,294,242
Depreciation of right-of-use assets (Note 6)	433,770	–
Depreciation of investment properties (Note 7)	12,289	1,139
Amortization of intangible assets (Note 8)	122,667	107,293
Freight and haulage	6,566,506	6,792,128
Fuels and lubricants	716,006	670,778
Export and import expenses	855,242	757,755
Third-party services	4,427,452	4,716,083
Electricity, gas and communications	4,554,131	4,938,939
Travelling expenses and per diem	711,028	843,913
Bank services	209,628	228,126
Quality and environment	280,335	298,042
Publicity and advertising	2,774,371	3,014,239
Loss for doubtful accounts	82,378	87,788
Export duties	589,979	259,331
Loss for labor lawsuits and others	271,527	372,953
Operating leases/ rental	728,432	1,191,521
Insurance	557,290	451,107
Systems and application software	716,110	722,184
Loss (reversal) for other provisions	5,216	(4,096)
(Reversal) loss for other receivables	(18,078)	20,459
Other miscellaneous expenses	2,779,574	3,088,462
TOTAL	71,675,053	74,197,054

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 30. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

(a) Product expenses (note 29)

	12.31.2019	12.31.2018
Managers, directors and syndics' fees	213,343	182,243
Salaries, wages, social security charges and other benefits (Note 31)	22,693,677	23,721,693
Taxes, rates and contributions	240,590	271,400
Maintenance of property, plant and equipment	4,039,532	3,682,098
Depreciation of property, plant and equipment (Note 5)	3,543,488	3,883,346
Depreciation of right-of-use assets (Note 6)	46,978	–
Amortization of intangible assets (Note 8)	21,750	24,191
Freight and haulage	1,242,780	1,264,844
Fuels and lubricants	634,560	597,632
Third-party services	1,963,473	2,227,673
Electricity, gas and communications	4,173,245	4,513,820
Travelling expenses and per diem	223,422	285,511
Quality and environment	279,972	297,400
Loss for labor lawsuits and others	256,350	333,570
Operating leases/ rental	165,752	187,625
Insurance	369,986	325,435
Systems and application software	214,300	203,450
(Reversal) for other provisions	(6,877)	(34,755)
(Reversal) loss for other receivables	(918)	1,082
Other miscellaneous expenses	1,192,196	1,326,285
TOTAL	41,507,599	43,294,543

Information included in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV, and identified as Schedule H.


(b) Biological assets production expenses (note 32)

	12.31.2019	12.31.2018
Fees and compensation for services	3,382	5,756
Salaries, wages, social security charges and other benefits (Note 31)	148,501	188,424
Taxes, rates and contributions	12,366	12,713
Maintenance of property, plant and equipment	50,567	37,626
Depreciation of property, plant and equipment (Note 5) (*)	77,476	66,500
Depreciation of right-of-use assets (Note 6) (*)	2,320	–
Freight and haulage	29,019	18,880
Fuels and lubricants	27,070	12,717
Third-party services	221,204	172,121
Electricity, gas and communications	16,716	15,822
Travelling expenses and per diem	1,904	2,062
Loss for labor lawsuits and others	92	114
Quality and environment	363	642
Operating leases/ rental	53,940	46,407
Insurance	1,249	590
Systems and application software	852	923
Other miscellaneous expenses	300,974	216,695
TOTAL	947,995	797,992


* The difference between the notes belongs to the process of activation and deactivation of the depreciations included in the cost of the biological assets.

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NOTE 30. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

(c) Selling expenses

	12.31.2019	12.31.2018
Fees and compensation for services	125,793	142,612
Salaries, wages, social security charges and other benefits (Note 31)	5,841,376	5,951,596
Taxes, rates and contributions	180,406	160,261
Direct taxes	2,028,913	2,174,355
Maintenance of property, plant and equipment	179,684	212,959
Depreciation of property, plant and equipment (Note 5)	232,986	231,936
Depreciation of right-of-use assets (Note 6)	298,240	–
Amortization of intangible assets (Note 8)	44,590	38,509
Freight and haulage	5,294,707	5,508,404
Fuels and lubricants	47,244	53,566
Export and import expenses	855,242	757,755
Third-party services	1,970,566	2,024,760
Electricity, gas and communications	219,523	236,031
Travelling expenses and per diem	354,500	388,198
Publicity and advertising	2,774,371	3,014,239
Loss for doubtful accounts	82,378	87,788
Loss for labor lawsuits and others	11,362	9,569
Export duties	589,979	259,331
Operating leases/ rental	476,878	835,602
Insurance	133,737	76,843
Systems and application software	235,805	258,745
(Reversal) loss for other provisions	(827)	11,736
Loss for other receivables	8,816	559
Other miscellaneous expenses	1,128,582	1,369,202
TOTAL	23,114,851	23,804,556

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NOTE 30. INFORMATION ABOUT EXPENSES BY FUNCTION AND NATURE

(d) Administrative expenses

	12.31.2019	12.31.2018
Managers, directors and syndics' fees	337,237	280,974
Fees and compensation for services	728,103	567,308
Salaries, wages, social security charges and other benefits (Note 31)	3,421,585	3,617,335
Taxes, rates and contributions	81,174	77,680
Maintenance of property, plant and equipment	37,178	50,438
Depreciation of property, plant and equipment (Note 5)	76,132	112,460
Depreciation of right-of-use assets (Note 6)	86,232	–
Amortization of intangible assets (Note 8)	56,327	44,593
Fuels and lubricants	7,132	6,863
Third-party services	233,767	247,403
Electricity, gas and communications	144,266	172,861
Travelling expenses and per diem	131,202	168,142
Bank services	209,628	228,126
Loss for labor lawsuits and others	3,723	29,700
Operating leases/ rental	31,862	121,790
Insurance	52,318	48,239
Systems and application software	265,153	259,066
Loss for other provisions	12,920	18,923
(Reversal) loss for other receivables	(25,976)	18,818
Other miscellaneous expenses	156,741	173,641
TOTAL	6,046,704	6,244,360

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(e) Investment property maintenance expenses (note 33)

	12.31.2019	12.31.2018
Fees and compensation for services	81	1,889
Taxes, rates and contributions	3,512	3,774
Maintenance of investment properties	2,118	1,534
Depreciation of investment properties (Note 7)	12,289	1,139
Third-party services	38,442	44,126
Electricity, gas and communications	381	405
Operating leases/ rental	–	97
Other miscellaneous expenses	1,081	2,639
TOTAL	57,904	55,603

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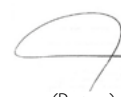


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NOTE 31. SALARIES, WAGES, SOCIAL SECURITY CHARGES AND OTHER BENEFITS

The following table shows the breakdown of the item salaries, wages, social security charges and other benefits:

	12.31.2019	12.31.2018
Salaries, wages, social security contributions	31,543,598	33,017,484
Early retirement benefits (Note 24)	429,690	338,387
Pension plans (Note 24)	110,600	94,346
Retirement bonuses (Note 24)	21,251	28,831
TOTAL	32,105,139	33,479,048

NOTE 32. RESULTS GENERATED BY BIOLOGICAL ASSETS

The following is disclosed the results generated by the main biological assets as on December 31, 2019:

	Fruit crops	Grain sown land	Sugar cane sown land	Dairy cattle or for slaughter	Forest plantation	Total at 12.31.2019
Sales of biological assets and products	-	205,264	-	30,819	49,054	285,137
Cost of sale of biological assets	-	-	-	(30,819)	-	(30,819)
Cost of sale of biological products	-	(150,167)	-	-	(38,815)	(188,982)
Subtotal income from sale of biological products	-	55,097	-	-	10,239	65,336
Harvest of biological products ⁽¹⁾	74,919	344,261	155,578	287,429	119,404	981,591
Initial recognition and changes in the fair value of biological assets ⁽²⁾	(20,399)	-	-	90,197	(117,112)	(47,314)
Production expenses of biological assets from agricultural and forestry activities (note 30)	(92,397)	(211,808)	(254,924)	-	(78,503)	(637,632)
Production expenses of biological assets of the livestock activity (note 30)	-	-	-	(310,363)	-	(310,363)
Subtotal production costs of biological assets	(92,397)	(211,808)	(254,924)	(310,363)	(78,503)	(947,995)
Consumption of harvested biological products	-	-	-	(12,439)	-	(12,439)
Consumption of other biological products	-	-	-	(42,415)	-	(42,415)
TOTAL RESULT GENERATED BY BIOLOGICAL ASSETS	(37,877)	187,550	(99,346)	12,409	(65,972)	(3,236)

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.

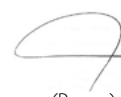


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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 32. 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
Sales of biological assets and products	-	104,299	-	35,724	50,583	190,606
Cost of sale of biological assets	-	-	-	(35,724)	-	(35,724)
Cost of sale of biological products	-	(78,975)	-	-	(37,792)	(116,767)
Subtotal income from sale of biological products	-	25,324	-	-	12,791	38,115
Harvest of biological products ⁽¹⁾	77,504	184,038	157,348	249,673	113,625	782,188
Initial recognition and changes in the fair value of biological assets ⁽²⁾	6,289	-	-	9,732	(170,133)	(154,112)
Production expenses of biological assets from agricultural and forestry activities (Note 30)	(109,522)	(137,121)	(208,350)	-	(65,029)	(520,022)
Production expenses of biological assets of the livestock activity (Note 30)	-	-	-	(277,970)	-	(277,970)
Subtotal production costs of biological assets	(109,522)	(137,121)	(208,350)	(277,970)	(65,029)	(797,992)
Consumption of harvested biological products	-	-	-	(19,597)	-	(19,597)
Consumption of other biological products	-	-	-	(14,940)	-	(14,940)
TOTAL RESULT GENERATED BY BIOLOGICAL ASSETS	(25,729)	72,241	(51,002)	(53,102)	(108,746)	(166,338)

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 12.31.2019	Total at 12.31.2018
Stock at the beginning of biological products	-	-	-	-	-	-	13,078
Collection of biological products	74,919	344,261	155,578	287,429	119,404	981,591	782,188
Cost of sale of biological products	-	(150,167)	-	-	(38,815)	(188,982)	(116,767)
Internal transfers	-	(12,439)	-	12,439	-	-	-
Consumption of biological products harvested (forage)	-	-	-	(12,439)	-	(12,439)	(19,597)
Subtotal	74,919	181,655	155,578	287,429	80,589	780,170	658,902
Stock at year end of biological products collected not transferred to the industrial activity ⁽¹⁾	-	(16,619)	-	-	-	(16,619)	(21,467)
TOTAL TRANSFERS OF BIOLOGICAL PRODUCTS AT 12.31.2019 (Note 29)	74,919	165,036	155,578	287,429	80,589	763,551	-
TOTAL TRANSFERS OF BIOLOGICAL PRODUCTS AT 12.31.2018 (Note 29)	77,505	63,999	157,347	249,673	88,911	-	637,435

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 13).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 33. OTHER INCOME / (LOSSES) - NET

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

	12.31.2019	12.31.2018
Tax on financial transactions	(995,698)	(1,047,603)
Expenses net from income accrued, generated by investment properties ⁽¹⁾	(49,666)	(50,298)
Income from the sale of property, plant and equipment and investment properties	48,551	215,136
Others ⁽²⁾	1,397,901	329,773
TOTAL	401,088	(552,992)

¹ Includes maintenance expenses of investments properties for the year ended December 2019 and 2018 for ARS 57,904 and ARS 55,603 respectively (note 30).

² As of December 31, 2019, includes income of ARS 1,246,413, due to the recognition of favorable resolution in tax litigation carried out by the subsidiaries Arcor do Brasil Ltda. and Bagley do Brasil Alimentos Ltda. described in note 12.


NOTE 34. FINANCIAL RESULTS - NET

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


	12.31.2019	12.31.2018
Financial income		
Interest:		
- Cash equivalents	38,632	39,575
- Explicit and implicit ¹	356,143	(1,525,443)
- Explicit and implicit with related parties (Note 36)	84	(227)
Changes to the fair value of financial assets::		
- Mastellone Hermanos S.A. Options (Note 39)	-	209,617
- Other financial assets	10,259	(58,899)
Subtotal financial income	405,118	(1,335,377)
Financial expenses		
Interest:		
- Banks and corporate bonds net of amounts capitalized in property, plant and equipment	(4,879,175)	(2,796,533)
- Financial leases	(120,802)	(603)
- Explicit and implicit	704,286	1,406,829
Changes in the fair value of financial instruments		
- Options Mastellone Hermanos S.A. (Note 42)	(368,624)	-
Foreign exchange differences	(1,078,198)	(7,503,922)
Subtotal of financial expenses	(5,742,513)	(8,894,229)
Result from net monetary position	997,285	582,145
TOTAL FINANCIAL RESULTS - NET	(4,340,110)	(9,647,461)

¹ As of December 31, 2019, includes income of ARS 938,140, corresponding to the update of the recognition of favorable resolution in tax litigation made by the subsidiaries Arcor do Brasil Ltda. and Bagley do Brasil Alimentos Ltda. described in Note 12.

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NOTE 35. INCOME TAX

The composition of the charge to results is disclosed below:

	12.31.2019	12.31.2018
Current income tax	(2.293.130)	(2.686.636)
Income tax - deferred tax method	(797.900)	4.017.937
Minimum notional income tax	(5.239)	(177)
Subtotal - Income tax allocated to the statement of income	(3.096.269)	1.331.124
Income tax - deferred tax method	82.174	2.930
Subtotal - Income tax allocated to other comprehensive income	82.174	2.930
TOTAL INCOME TAX CHARGE	(3.014.095)	1.334.054

Below is a reconciliation between income tax charged to earnings and tax resulting from applying the income tax rate applicable in Argentina on the accounting profit before taxes:

	12.31.2019	12.31.2018
Income for the year before tax	2,952,179	(2,886,196)
Tax rate of the Company	30%	30%
Tax calculated at the Company's tax rate	(885,654)	865,859

Permanent differences and other reconciling items:


Non-taxable income and (non-deductible expenses)	25,628	2,962
Change in unrecognized deferred assets	(325,233)	35,739
Effect of adjustment of tax rates ⁽¹⁾	9,272	(529,265)
Effect of restatement on accounting bases that do not affect the deferred position	(538,436)	(353,551)
Effect of applying the tax inflation adjustment	(2,742,256)	-
Special tax for tax revaluation option - Law 27430 ⁽²⁾	-	(217,544)
Effect of restatement Law 27430 on tax bases ⁽³⁾	1,196,462	1,670,206
Net generation of credits for similar taxes abroad ⁽²⁾	10,754	12,156
Tax effect of credits for similar taxes abroad	(3,226)	(3,647)
Minimum notional income tax	(5,239)	(177)
Result from investments in Companies	222,776	(84,970)
Other effects arising from investments in Group companies	(6,237)	(106,998)
Others nets	(54,880)	40,354
Subtotal permanent differences at tax rate	(2,210,615)	465,265
TOTAL INCOME TAX CHARGE TO EARNINGS	(3,096,269)	1,331,124
Current income tax	(2,293,130)	(2,686,636)
Income tax - deferred tax method	(797,900)	4,017,937
Minimum notional income tax	(5,239)	(177)
TOTAL INCOME TAX CHARGE TO EARNINGS	(3,096,269)	1,331,124

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 in Argentina, at the time of reversal of the identified differences between accounting and tax bases.


² It is included in the "current income tax" charge.

³ Includes the effect on the deferred position of: (i) the tax revaluation option described in this note; and (ii) the restatement of the tax bases of fixed asset additions incorporated as from January 1, 2018, permitted by Law 27430.

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NOTE 35. INCOME TAX

- Tax reform in Argentina

On December 29, 2017, the National Executive Branch enacted Law 27430 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 was to be implemented gradually within 4 years up to 25% in 2020. and was complemented by the application of an additional tax on dividends or profits distributed to physical persons, undivided successions or foreign beneficiaries. This additional tax is to 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.

Subsequently, Section 48 of Law No. 27541 on Social Solidarity and Productivity Reactivation published in the Official Gazette on December 23, 2019, suspended the reduction in the tax rate to 25% until the fiscal years beginning on or after January 1, 2021.

The following table shows the corporate rates and the additional tax applicable as indicated above:

Fiscal year:	Corporate rate	Additional tax
2018	30%	7%
2019	30%	7%
2020	30%	7%
2021 onwards	25%	13%

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


The aforementioned Law 27430 established the option for taxpayers to carry out a "tax revaluation" of their Argentine-based assets that generate taxable income, subject to the payment of an "special tax" on the amount of the revaluation which depended on the nature of the revalued good, being 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. Furthermore, as laid down by the above-mentioned law, the exercise of the option allows taxpayers to deduct from income tax for the periods subsequent thereto the depreciation charges restated from the revaluation date to the closing date of each period concerned, according to the variations in the CPI published by INDEC.

In this context, during December 2018, the boards of directors of the subsidiaries Papel Misionero S.A.I.F.C., Cartocor S.A. and Bagley Argentina S.A. decided to exercise the tax revaluation option as of December 31, 2017 for certain items of property, plant and equipment and, consequently, within the term established by the regulation, paid the tax authorities the amount of ARS 141,380 (at restated values ARS 217,544). The accounting effects of the aforementioned option were recognized in these consolidated financial statements under the heading "Income tax" in the Consolidated Statement of Income, as follows:


- At December 31, 2018, the Group recognized: (i) the negative "special tax" charge described above; and (ii) the positive effects on the deferred position of the increase in the tax bases at that date of the assets revalued at December 31, 2017 and restated from that date to the prior year end, as stated above.
- At December 31, 2019, the Group recognized the positive effects on the deferred position of the increase in the tax bases for the restatement of the revalued assets between December 31, 2018 and December 31, 2019.

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., for having exercised such a revaluation option they desisted from the refund actions initiated in relation to the income tax returns for 2016.

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NOTE 35. INCOME TAX

- Minimum Notional Income Tax in Argentina

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 AFIP 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. (from January 1st, 2019 merged with Arcor S.A.I.C.) and Constructora Mediterránea S.A.C.I.F.I. had not computed minimum notional income tax for tax period 2018. It is valid to point out that, the Law No. 27260 repealed application of this tax for the fiscal years beginning on or after January 1, 2019. Therefore, the Group did not estimate tax obligations for the fiscal year 2019.

- Minimum Notional Income Tax refund actions initiated in Argentina

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 366,338. The aforementioned balance is included under "Other Non-Current Receivables" in the consolidated financial statement.

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 22,301. On January 17, 2019 the AFIP, through a resolution, notified the subsidiary that the mentioned claim for refund met a favorable decision in the administrative proceedings.

- Tax inflation adjustment in Argentina

As laid down by Law No. 27430, the tax inflation adjustment established in Sections 95 through 98 of the Income Tax Law is applicable for the years commencing on or after January 1, 2018 as long as the parameter of a cumulative inflation of 100% over a period of three years counted as from that date is fulfilled. However, Law No. 27468 changed the transition system established by Law No. 27430 indicating that for the first, second and third year following its entry into force, the adjustment procedure applicable in case the CPI variation -calculated from opening to closing of each of those fiscal years- exceeded fifty five percent (55%), thirty percent (30%) and fifteen percent (15%), respectively. Subsequently, as provided for by Law 27541, the amount determined for the first and second year beginning on or after January 1, 2019 shall be allocated as follows: one sixth (1/6) during those fiscal periods and the remaining five sixths (5/6) in equal parts in the immediately following five fiscal periods. In subsequent fiscal years, the effects of the application of the inflation tax adjustment will be fully allocated to the respective period.

- Favorable rulings issued in tax litigation initiated by the subsidiaries Arcor do Brasil Ltda. and Bagley do Brasil Alimentos Ltda.

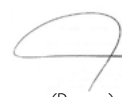
In relation to the favorable rulings obtained by the subsidiaries Arcor do Brasil Ltda. and Bagley do Brasil Alimentos Ltda., as described in Note 12, those subsidiaries had submitted consultations to the tax authorities in Brazil about certain positions adopted regarding calculation of income tax and social contribution on net profit (IRPJ / CSLL), whose forecast analysis, as prescribed by IFRIC 23, and based on the internal and external assessment by the legal counsel, those claims will probably be upheld.



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NOTE 36. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year. For the years 2019 and 2018 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	
	12.31.2019	12.31.2018
Net (loss) for the year	(1,469,079)	(2,799,825)
Outstanding ordinary shares	70,000,000,000	70,000,000,000
BASIC AND DILUTED (LOSS) PER SHARE	(0,02099)	(0,04000)

NOTE 37. DIVIDENDS PER SHARE

Dividends paid to the Company's shareholders during 2019 amounted to ARS 690,000 (expressed in constant currency, ARS 841,183), as per the Ordinary and Extraordinary General Shareholders' Meetings held on April 27, 2019 and September 19, 2019, which determined payment of dividends in the amount of ARS 270,000 (expressed in constant currency, ARS 371,580) and ARS 420,000 (expressed in constant currency, ARS 469,603), respectively. Based on the number of shares outstanding at the balance sheet date, inflation-adjusted shares represent an ARS 0.01202 dividend per share.

Dividends paid to the Company's shareholders during 2018 amounted to ARS 740,853 (expressed in constant currency, ARS 1,475,329), 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 (expressed in constant currency, ARS 818,716) and ARS 345,853 (expressed in constant currency, ARS 656,612) respectively. Based on the number of shares outstanding at the balance sheet date, inflation-adjusted shares represent an ARS 0.02108 dividend per share.

NOTE 38. 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	12.31.2019	12.31.2018
Logística La Serenísima S.A.	Indirect Associate	367	330
Mastellone Hermanos S.A.	Associate	241,451	172,410
Mastellone San Luis S.A.	Indirect Associate	9,506	10,875
TOTAL		251,324	183,615

Sales of services


	Type of relation	12.31.2019	12.31.2018
Grupo Arcor S.A.	Parent Company	824	418
TOTAL		824	418

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

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NOTE 38. TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

(b) Purchase of goods

	Type of relation	12.31.2019	12.31.2018
Mastellone de Paraguay S.A.	Indirect Associate	193,319	118,866
Mastellone Hermanos S.A.	Associate	145,330	206,609
TOTAL		338,649	325,475

(c) Other expenses with related parties

	Type of relation	12.31.2019	12.31.18
Contribution to Fundación Arcor	Others	13,554	21,856
Contribution to Fundación Arcor Chile	Others	10,571	9,007
Contribution to Instituto Arcor Brasil	Others	15,348	17,479
TOTAL		39,473	48,342

(d) Recovery of expenses

	Type of relation	12.31.2019	12.31.2018
Mastellone de Paraguay S.A.	Indirect Associate	10,444	7,582
TOTAL		10,444	7,582

(e) Financial interest earned (Note 34)

	Type of relation	12.31.2019	12.31.2018
GAP Inversora S.A.	Associate	3	(134)
Other related parties	Others	81	(93)
TOTAL		84	(227)

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


Trade accounts receivables (Note 12)

	Tipo de relación	31.12.2019	31.12.2018
Grupo Arcor S.A.	Parent Company	743	–
Logística La Serenísima S.A.	Indirect Associate	208	–
Mastellone de Paraguay S.A.	Indirect Associate	2,019	648
Mastellone Hermanos S.A.	Associate	19,282	25,927
Mastellone San Luis S.A.	Indirect Associate	620	2,099
TOTAL		22,872	28,674


Trade accounts payables and other liabilities (Note 26)

	Type of relation	12.31.2019	12.31.2018
Mastellone de Paraguay S.A.	Indirect Associate	27,742	17,820
Mastellone Hermanos S.A.	Associate	10,074	15,237
Remuneration of directors to pay	Others	10,373	23,066
Other related parties	Others	12,687	20,615
TOTAL		60,876	76,738

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NOTE 38. TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

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

Trade accounts payables and other liabilities (Note 26)

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) *Loans granted (Note 12)*

	Type of relation	12.31.2019	12.31.2018
GAP Inversora S.A.	Associate	–	1,046
Other related parties	Others	1,203	1,059
TOTAL		1,203	2,105

(h) *Employee benefits*

Compensation and other employee benefits accrued to the Board of Directors and the Key personnel from Management as of December 31, 2019 and 2018 amounted to ARS 689,964 and ARS 777,975, respectively.

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

NOTE 39. FINANCIAL RISK MANAGEMENT

39.1 Financial instruments by category


The following chart shows the information required under IFRS 7 for financial assets and financial liabilities, in accordance with the categories laid down in IFRS 9.

- At December 31, 2019:


	Amortized cost	Fair value		Total at 12.31.2019
		with changes in the statement of income	with changes in other comprehensive income	
Assets as per balance sheet				
Derivative financial instruments	–	8,610	4,209	12,819
Other receivables ⁽¹⁾	750,405	–	–	750,405
Trade accounts receivable	18,444,014	–	–	18,444,014
Other investments at amortized cost	12	–	–	12
Cash and cash equivalents	–	9,967,093	–	9,967,093
TOTAL AT DECEMBER 31, 2019	19,194,431	9,975,703	4,209	29,174,343
Liabilities as per balance sheet				
Loans	52,964,387	–	–	52,964,387
Finance lease liabilities	1,313,262	–	–	1,313,262
Derivative financial instruments	–	166,683	–	166,683
Trade accounts payables and other liabilities ⁽¹⁾	19,897,216	150,535	–	20,047,751
TOTAL AT DECEMBER 31, 2019	74,174,865	317,218	–	74,492,083

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

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NOTE 39. FINANCIAL RISK MANAGEMENT

39.1 Financial instruments by category

- 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	-	441,944	8,843	450,787
Other receivables ⁽¹⁾	1,005,103	-	-	1,005,103
Trade accounts receivable	20,704,348	-	-	20,704,348
Other investments at amortized cost ⁽¹⁾	23	-	-	23
Cash and cash equivalents	-	7,445,998	-	7,445,998
TOTAL AT DECEMBER 31, 2018	21,709,474	7,887,942	8,843	29,606,259
Liabilities as per balance sheet				
Loans	51,759,770	-	-	51,759,770
Derivative financial instruments	-	339,812	-	339,812
Trade accounts payables and other liabilities ⁽¹⁾	23,832,785	265,955	-	24,098,740
TOTAL AT DECEMBER 31, 2018	75,592,555	605,767	-	76,198,322

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

39.2 Fair value hierarchies

The charts below show the financial instruments measured at fair value, classified by hierarchy according to the measurement method used. Different levels were defined in the following manner:


- Level 1: (Unadjusted) quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or the liabilities, either directly (prices) or indirectly (derived from prices).
- Level 3: Inputs for the assets or liability that are not based on observable market data (non-observable data), which requires that the Group prepares its own hypothesis and assumptions.

Below are the Group's assets and liabilities measured at fair value:


- At December 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
Derivative financial instruments	4,209	8,610	-	12,819
Cash and cash equivalents	9,967,093	-	-	9,967,093
TOTAL ASSETS	9,971,302	8,610	-	9,979,912

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NOTE 39. FINANCIAL RISK MANAGEMENT

39.2 Fair value hierarchies

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities at fair value				
Derivative financial instruments	-	-	166,683	166,683
Trade accounts payable and other liabilities ⁽¹⁾	-	150,535	-	150,535
TOTAL LIABILITIES	-	150,535	166,683	317,218

¹ It only includes financial liabilities under IFRS 7

- At December 31, 2018::

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
Derivative financial instruments	8,843	-	441,944	450,787
Cash and cash equivalents	7,445,998	-	-	7,445,998
TOTAL ASSETS	7,454,841	-	441,944	7,896,785

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities at fair value				
Derivative financial instruments	-	99,808	240,004	339,812
Trade accounts payable and other liabilities ⁽¹⁾	-	265,955	-	265,955
TOTAL LIABILITIES	-	365,763	240,004	605,767


¹ It only includes financial liabilities under IFRS 7

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 financial options and cocoa forward contracts (derivative financial instruments) and cash and cash equivalents.


The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. These valuation techniques maximize the use of observable market data available and, to the lesser extent possible, are based on specific estimates made by the Group. If all material data required to calculate the fair value of an instrument is observable, the instrument is included in Level 2. The instruments included in Level 2 are mainly currency forward contracts (derivative financial instruments) and cereal purchase contracts with prices to be fixed (Trade accounts payable and other liabilities).

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. The instruments included in Level 3 encompass the financial options associated with the transaction with Mastellone Hermanos S.A.

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NOTE 39. FINANCIAL RISK MANAGEMENT

39.3 Fair value estimation

Fair value of assets and liabilities carried at fair value

Financial assets and liabilities carried at fair value at December 31, 2019 and 2018, 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) Financial Options and Caco Forward Contracts

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) Currency forward contracts

The fair value of these financial instruments is determined using quotations observable at the end of the year, for each contract in particular, and therefore their valuation qualifies as Level 2.

(iii) Financial 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 – Cereal purchase contracts with prices to be fixed

At December 31, 2019 and 2018 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.

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.

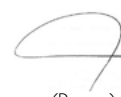


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NOTE 39. FINANCIAL RISK MANAGEMENT

39.3 Fair value estimation

Fair value of assets and liabilities carried at amortized cost

(d) Loans

Loans mainly include:

(i) Corporate Bonds at quoted fixed rate

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 22).

(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 subsidiaries Arcor do Brasil Ltda. and Bagley do Brasil Alimentos Ltda, with local entities, have also been included in this category, which accrued a variable interest rate based on the DCI (Certificate of interbank deposits).

Fair value was calculated applying observable rates of similar instruments to discount cash flows (Note 22).

(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. Fair value was calculated applying observable rates of similar instruments to discount cash flows (Note 22).

39.4 Financial risk factors

Financial risk management is encompassed within the global policies of the Group, which are focused on the uncertainty of the financial markets and are aimed at minimizing the potential adverse effects on their financial yield. The Group uses derivative instruments to hedge certain risk exposures, if it is necessary. The main financial risks, such as foreign exchange, interest rate, liquidity and capital risks, are managed by the Finance and Treasury area, which identifies, assesses and hedges financial risks in close co-operation with the different Group's operating units.

39.5 Market risk

39.5.1 Foreign exchange risk

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, 2019 and 2018 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 558,325 and ARS 305,880, respectively.



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Committee



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NOTE 39. FINANCIAL RISK MANAGEMENT

39.5 Market risk

39.5.1 Foreign exchange risk

• 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, 2019 and 2018, 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 3,710,434 and ARS 3,365,511, respectively.

39.5.2 Raw materials price risk

The Group is exposed to the volatility in the prices of certain basic raw materials purchased from third parties, such as corn, wheat, sugar, cacao (and its derivatives) and paper.

To ensure supply in cases of corn and wheat, the Group, in some cases, entered into purchase agreements and gave the right to the producer to fix the price at any moment between the date of delivery and a future date (grain purchase agreements to be fixed). The Group does not cover potential risks on its financial position and the results of a possible variation in the price of grains.

At December 31, 2019 and 2018, 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 15,053 and ARS 26,595 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.

39.5.3 Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its financial debts. The main exposure is related to loans at variable Badlar rate.

As of December 31, 2019 and 2018, ratio between fixed rate loans and floating rate loans -excluding finance leases- is disclosed in the chart below:

Type of loan	12.31.2019		12.31.2018	
	ARS	%	ARS	%
Fixed rate	46,508,695	88	47,857,754	92
Variable rate	6,455,692	12	3,902,016	8
TOTAL	52,964,387	100	51,759,770	100

Considering that only 12% 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 48.166.

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NOTE 39. FINANCIAL RISK MANAGEMENT

39.6 Credit risk

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

39.6.1 Financial instruments with banks/financial institutions

The Group is exposed to credit risk with banks and financial institutions for maintaining financial instruments, such as current account deposits, time deposits, mutual funds and derivative financial instruments.

As part of the general treasury policy, only top-class entities are accepted for the execution of such instruments. Consequently, the credit risk is not considered relevant for this type of financial instruments.

39.6.2 Trade accounts receivable with domestic mass-consumption customers

The portfolio of domestic customers in Argentina and in the main countries is broken down into supermarket chains, distributors and wholesalers.

Customers are subject to policies, procedures and controls detailed by the Group in the "Credit Manual". The credit limits are set based on an internal rating, which takes into account the economic and financial situation of the customer, its background and the general opinion about him. In addition, it is also considered the channel to which the customer belongs.

The use of credit limits is monitored on a regular basis. The Group has system controls that warn about payment failures and excesses in credit limits, allowing the management to make decisions. In the event of lack of agreement or failure by the customer to make payment when due, upon submission of the relevant claims, the Group's legal counsel will be charged with the collection of the debt.

39.6.3 Trade accounts receivable with industrial customers

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

39.6.4 Trade accounts receivable generated by exports

The Group has a large customer base, which is subject to the policies, procedures and controls established by the Group. In general, the first transactions with new customers are formalized through letters of credit and, once the business relation is solid, transactions are carried out in current account. Outstanding trade accounts receivable are monitored on a regular basis.

39.7 Liquidity risk

The Corporate Treasury area centralizes liquidity needs based on the Group's liquidity reserve projections and its cash and cash equivalents on the basis of a budget that takes into consideration the expected cash flows. The objective is to ensure that there is enough cash to fulfill the obligations and commitments and to conduct operations and develop investment projects.

To mitigate the liquidity risk, the Group may seek credit lines from financial institutions, if necessary.

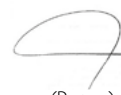


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NOTE 39. FINANCIAL RISK MANAGEMENT

39.7 Liquidity risk

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 2019 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 2019 and 2018 respectively.

	Carrying value	Maturity dates				Total at 12.31.2019
		Less than a year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
		ARS				
Loans	52,964,387	19,038,653	6,014,929	36,997,345	–	62,050,927
Leases liabilities	1,313,262	584,766	460,674	368,364	18,715	1,432,519
Trade accounts payable and other liabilities	20,047,751	20,123,026	263,232	–	–	20,386,258
TOTAL AT DECEMBER 31, 2019	74,325,400	39,746,445	6,738,835	37,365,709	18,715	83,869,704

	Carrying value	Maturity dates				Total at 12.31.2019
		Less than a year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
ARS						
Loans	51,759,770	19,105,613	3,295,466	9,421,303	30,936,575	62,758,957
Derivative financial instruments	99,809	99,809	–	–	–	99,809
Trade accounts payable and other liabilities	24,098,740	24,339,267	70,243	–	–	24,409,510
TOTAL AT DECEMBER 31, 2018	75,958,319	43,544,689	3,365,709	9,421,303	30,936,575	87,268,276

The derivative financial instruments disclosed above do not include the call and put options of shares of Mastellone Hermanos S.A. (Notes 15 and 42). The cash flow that might stem from the exercise of the mentioned options are shown in Note 42 of these consolidated financial statements.

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NOTE 39. FINANCIAL RISK MANAGEMENT

39.8 Capital risk management

The Group's objectives in relation to management of the capital risk are: (i) guarantee maintenance of a solid credit rating; (ii) ensure a healthy capitalization level to safeguard the business continuation as a going concern, generating returns for the shareholders of the Company; (iii) maintain an optimum financing structure to reduce the capital cost and (iv) fulfill the commitments undertaken in some loan agreements.

To maintain or adjust the capital structure, the Group may choose to adjust the amount of dividends payable to the shareholders, return capital to the shareholders, issue new equity or sell assets to reduce its indebtedness level.

In line with industry practices, the Group monitors its capital on the basis of the indebtedness ratio. This ratio is calculated dividing net financial debts by the equity. The net financial debt corresponds to total loans (including current and non-current loans, as shown in the Consolidated Balance Sheet) less cash and cash equivalents.

The indebtedness ratio as on December 31, 2019 and 2018 arises from the following chart:

	12.31.2019	12.31.2018
Loans (Note 22)	52,964,387	51,759,770
Lease liabilities (Note 23)	1,313,262	-
(Less) Cash and cash equivalents (Note 16)	(9,967,093)	(7,445,998)
Net debt	44,310,556	44,313,772
Total equity	29,910,456	31,444,737
Total capitalization	74,221,012	75,758,509
INDEBTEDNESS RATIO	1,4814	1,4093

NOTE 40. CORPORATE REORGANIZATIONS WITHIN THE GROUP

Merger through absorption of Arcor S.A.I.C. with La Campagnola S.A.C.I. and with Asama S.A.

On November 8, 2019, the Company (subsisting company) signed a Prior Agreement with the subsidiary La Campagnola S.A.C.I. (merged company) and, on the other hand, a Prior Agreement with the subsidiary Asama S.A. (merged company).

These agreements establish the guidelines to initiate the corporate reorganization process by which the Company absorbs all the assets and liabilities of La Campagnola S.A.C.I. and Asama S.A. with effect from January 1, 2020.

These mergers through absorption are carried out within the provisions established by Articles 80 and 81 of the Income Tax Law, Text Ordered by Decree 824/2019 (formerly Articles 77 and 78 of the Income Tax Law, Text Ordered by Decree 649/1997) and concordant provisions.

On December 11, 2019, the respective Extraordinary General Shareholders' Meetings of the Company (absorber) and of the subsidiary La Campagnola (absorbed), approved the Prior Agreement. The subsidiary Asama S.A. (absorbed), approved the Prior Agreement, by a Extraordinary General Shareholders' Meeting held on December 10, 2019.


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

On December 18, 2018, the company Arcor S.A.I.C. (subsisting company) and Indalar S.A. (merged company), 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 January 1, 2019.

This merger through absorption was made pursuant to the provisions laid down by sections 77 and 78 of Law No. 20628.

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NOTE 40. CORPORATE REORGANIZATIONS WITHIN THE GROUP

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

On March 22, 2019, the subsisting company and the merged companies, subscribed a prior merger commitment, in which the guidelines of the corporate reorganization process were established by which Arcor S.A.I.C. would incorporate the assets and liabilities of Indalar S.A. with retroactive effect to January 1, 2019.

On April 27, 2019, the respective General Shareholders' Meetings of the companies involved (subsisting and merged) approved the prior merger commitment. On July 4, 2019, the Final Merger Agreement was signed and on August 14, 2019 the merger was registered with the Superintendency of Commercial Companies of the Province of Córdoba under registration No. 76-A39.

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.

The incorporation of Cartocor do Brasil Indústria Comércio e Serviços Ltda. and Dos en Uno do Brasil Importação e Comércio de Alimentos Ltda. in Arcor do Brasil Ltda. with its corresponding capital increase and reform of the social contract, was registered on March 27, 2019 in the Commercial Board of the State of São Paulo, under number 173,641/19-2.

NOTE 41. JOINT VENTURE AGREEMENT WITH WEBCOR GROUP

During the month of 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. 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, (equivalent to ARS 1,619,916 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. 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.

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NOTE 42. INVESTMENT IN MASTELLONE HERMANOS S.A.

Agreements with Mastellone Hermanos S.A. and its shareholders

- (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 320,095, 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.
- (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.

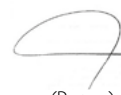


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NOTE 42. INVESTMENT IN MASTELLONE HERMANOS S.A.

Acuerdos suscritos con Mastellone Hermanos S.A. y sus accionistas

(v) "Offer of Shareholders' Agreement" issued by Mastellone and its shareholders and accepted by the Investors:

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.

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 Group:

- (i) Recorded its investment in Mastellone by the equity method as from that date due to the existence of significant influence on that associate, which is based on its shareholding percentage (24.1452% as from the stock subscription) and on the rights it held to participate in the management of Mastellone as from the validity of that "Shareholders' Agreement".
- (ii) Posted the initial recognition at fair value, at that date, in accordance with IFRS 9, of derivative financial instruments (assets and liabilities) resulting from the additional subscription options, first and second sale options and purchase option Previously described Those fair values have been estimated through models based on observable market data and on own hypotheses and assumptions. In this sense, the Company understand that the fair value estimated is level 3 hierarchy, in accordance with IFRS 7. The fair value of this instrument depends, mainly, of the fair value of the shares of Mastellone.

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, equivalent to ARS 1,445,747 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 80,880, 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. 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.



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NOTE 42. INVESTMENT IN MASTELLONE HERMANOS S.A.

Exercise of options during 2017

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 13,769.1 (equal to ARS 558,731 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%.

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 5,240.9 (equivalent to ARS 227,289, 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 (equivalent to ARS 338,085, 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%.

Exercise of options during 2019

Purchase of shares of Mastellone Hermanos S.A.

On May 31, 2019, certain shareholders of Mastellone, exercising their right as per the first sale option, informed of their intention to sell a total of 2,310,000 shares for a total price of USD 999.6 (equivalent to ARS 60,685 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 42.9999% with the additional investment totaling 0.3532%.

On October 24, 2019, certain shareholders of Mastellone, exercising their right as per the first sale option, informed of their intention to sell a total of 28,654,477 shares for a total price of USD 12,400 (equivalent to ARS 817,634 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 47.3815% with the additional investment totaling 4.3816%.

Accounting recognition in Arcor Group at December 31, 2019

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 (May 31, 2019 and October 24, 2019).


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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
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NOTE 42. INVESTMENT IN MASTELLONE HERMANOS S.A.

Exercise of options during 2019

Accounting recognition in Arcor Group at December 31, 2019

- 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 March 31, 2019, December 31, 2019, and the accounting and off-balance sheet information of the associate available.
- To determine the result of the investment between the date of initial application of the method and December 31, 2019, the financial statements of Mastellone at December 31, 2019 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 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 May 31, 2019, we considered the price of the transaction (ARS 60,685, expressed in constant currency). Likewise, for the acquisition of October 24, 2019, the transaction price was considered (ARS 817,634, 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 31, 2019 and are disclosed in the "Derivative financial instruments" under non-current liabilities for ARS 163,715 and "Derivative financial instruments" under current liabilities for ARS 2,968, 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.

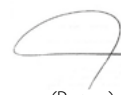


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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
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NOTE 42. INVESTMENT IN MASTELLONE HERMANOS S.A.

Exercise of options during 2019

Accounting recognition in Arcor Group at December 31, 2019

The following table disclose a summary of the evolution of the investment in the Company during the year ended 31 December 2019:


	Gain / (Loss) - ARS				
	Opening balances	Additions for the period ¹	Result of the period	Other comprehen- sive income for the period	Balances as of December 31, 2019
Investments realized during the year 2016					
Equity Interest in Mastellone equity at carrying value	1,738,046	-	289,008	(3,228)	2,023,826
Recognition of higher and lower values of identifiable assets and liabilities and Goodwill	1,344,898	-	(82,714)	977	1,263,161
	70,789	-	-	-	70,789
Subtotal - Equity Interest of 24.1452% in Mastellone Hnos. S.A.	3,153,733	-	206,294	(2,251)	3,357,776
Investments realized during the year 2017					
Equity Interest in Mastellone equity at carrying value	890,075	-	268,270	(1,905)	1,156,440
Recognition of higher and lower values of identifiable assets and liabilities	266,504	-	145,621	576	412,701
Goodwill	896,243	-	-	-	896,243
Subtotal - Equity Interest of 14.2466% in Mastellone Hnos. S.A.	2,052,822	-	413,891	(1,329)	2,465,384
Investments realized during the year 2018					
Equity Interest in Mastellone equity at carrying value	336,742	-	9,729	(569)	345,902
Recognition of higher and lower values of identifiable assets and liabilities	89,065	-	48,751	172	137,988
Goodwill	127,272	-	-	-	127,272
Subtotal - Equity Interest of 4.2547% in Mastellone Hnos. S.A.	553,079	-	58,480	(397)	611,162
Investments realized during the year 2019					
Equity Interest in Mastellone equity at carrying value	-	580,923	55,175	(1,224)	634,874
Recognition of higher and lower values of identifiable assets and liabilities	-	181,151	8,785	14	189,950
Goodwill	-	116,246	-	-	116,246
Subtotal - Equity Interest of 4.7349% in Mastellone Hnos. S.A.	-	878,320	63,960	(1,210)	941,070
TOTAL - INVESTMENT IN ASSOCIATE	5,759,634	878,320	742,625	(5,187)	7,375,392

Cost of shares acquired 878,320


Total - Cost of the investments in associated for the period 878,320

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(VALUES EXPRESSED IN THOUSANDS OF ARGENTINE PESOS)

NOTE 42. 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 March 19, 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. On November 14, 2019, the Federal Court with jurisdiction in San Luis resolved that the provisional enforcement of judgment be initiated and ordered the AFIP to credit the amounts to the Computerized Current Account. 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. On November 21, 2019, the Supreme Court of Justice of the Nation rejected the extraordinary appeal presented by the AFIP and left the decision of the Federal Court in favor of Mastellone San Luis firm.

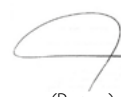
The industrial promotion benefits recognized by Mastellone San Luis in their financial statements during the fiscal years ended December 31, 2019 and 2018 amounted, in constant currency, to ARS 623.3 million and ARS 729.9 million respectively. These uses are part of the results of Mastellone for the respective years.



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NOTE 43. CHANGES IN ACCOUNTING POLICIES - ADOPTION OF IFRS 16

As mentioned in Note 2.2 to these consolidated financial statements, the Group has adopted IFRS 16 "Leases" for which the following options provided for in that standard were applied:

- The option of Appendix C, 5 (b) of IFRS 16 was exercised which implies the recognition of accumulated effects at the initial application date of the standard, which was defined as January 1, 2019, without changing the comparative information to these consolidated financial statements.
- Based on the option referred to above, for Group leases which had been classified as "financial" due to application of IAS 17 and IFRIC 4, the book values of the right-of-use assets and lease liability prior to the initial application of IFRS 16 were measured as described in Appendix C, 11. Therefore, those book values were transferred to the above headings from "Property, plant and equipment" (Note 5) and from "Loans" (Note 22), respectively.
- For the Group's leases, which were classified as "operating" in accordance with IAS 17, the Group: (i) recognized "lease liabilities" at the initial effective date that were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate; and (ii) opted to recognize right-of-use assets at the date of initial application mentioned which were measured considering the valuation of lease liability previously described. Advanced payments of leases which had been recognized before the initial application date of IFRS 16 have been duly considered. As mentioned, the Group Equity at the date of initial application of this standard was not restated.
- The Group exercised the options provided for by Appendix C, paragraph 10 of IFRS 16 which allows: (i) application of a single discount rate for a portfolio of leases with similar characteristics; (ii) continue with the pre-application assessment of whether the leases were onerous (the Group did not have any onerous contracts at January 1st, 2019); (iii) a lessee does not to apply this standard to leases whose term ends within 12 months subsequent to the initial application date; (iv) initial direct costs derived from lease agreements to be excluded from the initial measurement; (v) use all available information at the evaluation date to determine the term of the lease when the lease contains extension or termination options.

The table below shows a reconciliation between the note of commitments at 31 December 2018 and the lease liability determined at the date of adoption January 1, 2019:

	01.01.2019
Commitments at December 31, 2018	1,119,256
Operating lease commitments at December 31, 2018	250,350
Total commitments at December 31, 2018	1,369,606
Plus: Cancelable operating lease liabilities recognized at January 1, 2019 ^(*)	680,080
Plus: Discounting using the incremental debt rate	(142,169)
Less: Short-term contracts not recognized under IFRS 16	(49,442)
Less: Non-leasing commitments under IFRS 16	(442,901)
Restatement effect	(32,870)
Total adjustments	12,698
Lease liabilities recognised at January 1, 2019	1,382,304
	01.01.2019
Non – current	882,718
Current	499,586
TOTAL	1,382,304

* Includes finance lease liability recognised at December 31, 2018 under IAS 17 for ARS 4,807 (Notes 22 and 23).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
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NOTE 44. SUBSEQUENT EVENTS

Acquisition of Zucamor S.A. – Favorable resolution of the Domestic Trade Department

On January 20, 2020, the Domestic Trade Department authorized, under the framework of the Antitrust Law, the transaction for the acquisition of Zucamor S.A. (as described in Note 40 to the consolidated financial statements at December 31, 2018), without conditions, under the terms of Section 13 sub-section a) of Law No. 25156.

Issuance of Corporate Bonds

As part of the Global Program described in Note 22, on March 3, 2020, the Company issued the "Class 13 Corporate Bonds" and the "Class 14 Corporate Bonds", at a variable rate, simple non-convertible into shares, for a nominal value of approximately ARS 2,600.3 million. The net proceeds will be used mainly to repay short-term bank loans in Argentina.

Main terms of the Class 13 and Class 14 Negotiable Obligations

	Corporate Bonds Class 13	Corporate Bonds Class 14
Aggregate Principal Amount	ARS 1,065,220	ARS 1,535,111
Price of the issuance	100% of the nominal value	100% of the nominal value
Specified Currency	ARS	ARS
Interest rate	Annual Nominal Variable rate equivalent to the average Badlar rate for the period plus an applicable margin of 4.25 %	Annual Nominal Variable rate equivalent to the average Badlar rate for the period plus an applicable margin of 5.75 %
Amortization and Maturity date	September 6, 2020 (6 months from the date of issuance)	September 6, 2021 (18 months from the date of issuance)
Interest Payment Dates	Quarterly, in arrears, on June 6 and September 6, until the due date, the first of which matures on June 6, 2020.	Quarterly, in arrears, on June 6, September 6, December 6 and March 6, until the due date, the first of which matures on June 6, 2020.



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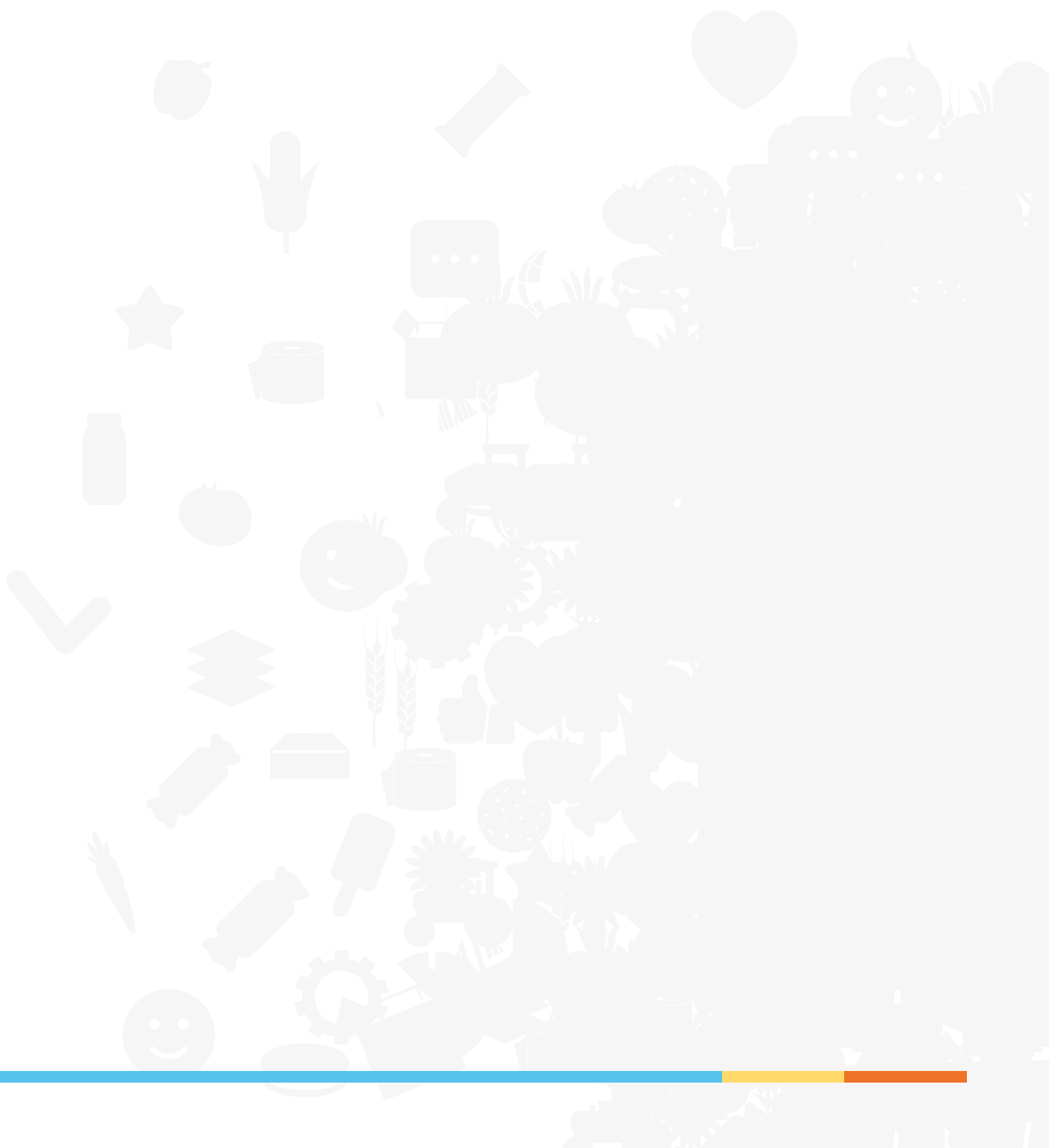


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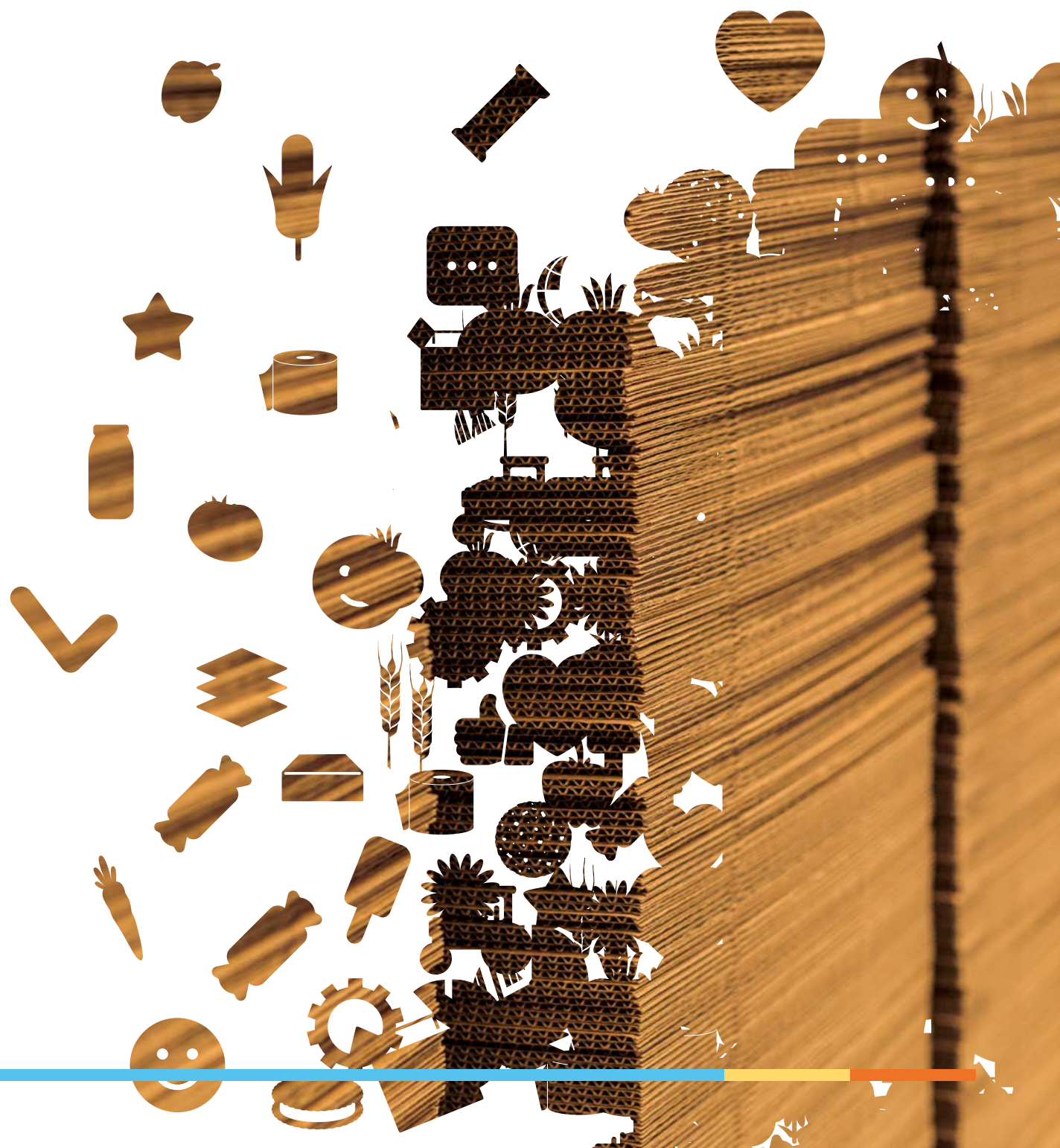
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At December 31, 2019

At December 31, 2019





CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2019, PRESENTED IN COMPARATIVE FORM

I. COMMENT ON ARCOR GROUP'S ACTIVITIES

PREVIOUS CONSIDERATIONS

At the end of the 59th year, covering the period from January 1st to December 31, 2019, Group's sales revenue increased respect prior year. Foreign subsidiaries sales represented 32.9% of the Group's consolidated sales, and the sales in Argentina, including export sales to third parties represented 67.1% of the consolidated sales of the year 2019.

As regards business abroad, there has been a slow recovery in sales volumes and turnover in Brazil; it is important to note the performance of the Southern Subsidiaries Business, especially the increase in sales in Paraguay. Performance of the mass consumption segment (Confectionery and Chocolates Business) in the Andean Region has been affected in the last quarter of 2019 by the halt in sales in Chile and Ecuador, as a result of the social conflict occurred in the two countries.

Mass consumption business in Argentina (Confectionery and Chocolates, Cookies and Foodstuff) again showed lower sales volumes during the year, in line with the widespread decline in the domestic market due to a complex scenario of economic recession, high inflation rates and the impact of the devaluation of the currency. Within this context, the decrease in purchasing power affected general consumption. Nevertheless, the loss in volume was somewhat 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, showing different behaviors in the sectors where the Company operates. Cardboard boxes and paper bags segments recorded higher volumes than in the previous year, compared to the flexible packaging segment which recorded lower volumes.

In this context of high volatility in Argentina and in the Region, the Group has applied severe policies to curb costs; an adequate working capital management and a reduction in production investments to meet its liquidity needs for the fulfillment of its commitments. In this regard, the Group's liquidity levels amounted to ARS 9,967.1 million, with a net increase in cash of ARS 2,905.7 million, compared to the position at the beginning of the year (without computing the quotation difference and the effect of conversion and restatement of cash and cash equivalents).

INVESTMENTS AND DEVELOPMENTS

The amounts of the main investments in property, plant and equipment made during the year were as follows:

Machinery and facilities	114,822
Furniture, tools, vehicles and other equipment	307,957
Constructions	36,002
Works in progress and goods in transit	2,467,931
TOTAL INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT	2,926,712



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CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2019, PRESENTED IN COMPARATIVE FORM

II. COMPARATIVE CONSOLIDATED ASSET AND LIABILITY STRUCTURE

	12.31.2019	12.31.2018	12. 31.2017
Non-current assets	55,521,698	55,354,397	51,246,334
Current assets	55,552,453	59,177,588	47,285,385
Total assets	111,074,151	114,531,985	98,531,719
Non-current liabilities	42,175,554	39,259,271	33,931,255
Current liabilities	38,988,141	43,827,977	32,173,388
Total liabilities	81,163,695	83,087,248	66,104,643
Equity attributable to shareholders of the company	19,120,640	21,806,137	23,437,104
Non-controlling interest	10,789,816	9,638,600	8,989,972
Total equity	29,910,456	31,444,737	32,427,076
Total liabilities and equity	111,074,151	114,531,985	98,531,719

III. COMPARATIVE CONSOLIDATED INCOME STRUCTURE

	Profit / (Loss)		
	12.31.2019	12.31.2018	12. 31.2017
Operating profit	6,549,701	7,044,497	5,279,578
Net financial results	(4,340,110)	(9,647,461)	(250,664)
Net income / (loss) on investment in associates	742,588	(283,232)	978,128
Net Income before income tax	2,952,179	(2,886,196)	6,007,042
Income tax	(3,096,269)	1,331,124	(1,253,765)
Net (loss) income for the year	(144,090)	(1,555,072)	4,753,277
Other comprehensive income for the year	(396,359)	3,163,639	(245,600)
Net comprehensive (loss) income for the year	(540,449)	1,608,567	4,507,677
Net comprehensive (loss) / income attributable to:			
Company's shareholders	(1,844,314)	(155,635)	3,366,704
Non-controlling interest	1,303,865	1,764,202	1,140,973
Total	(540,449)	1,608,567	4,507,677

IV. COMPARATIVE CASH FLOW STRUCTURE

	Generated by / (Used in)		
	12.31.2019	12.31.2018	12. 31.2017
Operating activities	13,106,058	3,735,930	9,234,627
Investing activities	(3,577,021)	(4,469,069)	(12,341,842)
Financing activities	(6,623,375)	1,257,180	3,305,490
NET INCREASE IN CASH	2,905,662	524,041	198,275

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CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2019, PRESENTED IN COMPARATIVE FORM

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

a) RETAIL SEGMENT

	Fourth quarter 2019 Tn.	Fourth quarter 2018 Tn.	Fourth quarter 2017 Tn.	Fourth quarter 2016 Tn.	Fourth quarter 2015 Tn.
Production volume	154,894	181,203	177,731	187,197	176,236
Sales volume – domestic market	151,540	169,718	177,116	178,939	183,232
Sales volume – export market	8,494	9,671	8,993	10,630	8,972

	Accumulated at 12.31.2019 Tn.	Accumulated at 12.31.2018 Tn.	Accumulated at 12.31.2017 Tn.	Accumulated at 12.31.2016 Tn.	Accumulated at 12.31.2015 Tn.
Production volume	726,453	781,819	781,092	797,408	789,649
Sales volume – domestic market	713,638	750,293	754,814	759,796	772,794
Sales volume – export market	28,918	29,270	28,753	31,768	32,570

b) DIVISIONES INDUSTRIALES

	Fourth quarter 2019 Tn.	Fourth quarter 2018 Tn.	Fourth quarter 2017 Tn.	Fourth quarter 2016 Tn.	Fourth quarter 2015 Tn.
Production volume	362,266	315,594	335,948	281,082	259,002
Sales volume – domestic market	226,369	208,888	227,906	168,920	151,253
Sales volume – export market	23,344	20,441	30,178	19,377	14,903

	Accumulated at 12.31.2019 Tn.	Accumulated at 12.31.2018 Tn.	Accumulated at 12.31.2017 Tn.	Accumulated at 12.31.2016 Tn.	Accumulated at 12.31.2015 Tn.
Production volume	1,446,940	1,462,923	1,272,313	1,092,740	1,048,127
Sales volume – domestic market	869,249	864,654	807,537	656,089	615,577
Sales volume – export market	93,767	73,770	83,749	71,953	57,638

VI. MAIN CONSOLIDATED FINANCIAL RATIOS

	12.31.2019	12.31.2018	12.31.2017
Liquidity	1.4	1.4	1.5
Solvency	0.4	0.4	0.5
Capital Immobilization	0.5	0.5	0.5
Indebtedness	2.7	2.6	2.0
Interest Rate Hedging	2.2	3.9	4.0
Profitability	(0.5)%	(4.9)%	–

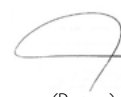


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Mat. Prof. 10.11421.4 – C.P.C.E.Cba.

RESEÑA INFORMATIVA CONSOLIDADA

POR EL EJERCICIO ANUAL FINALIZADO EL 31 DE DICIEMBRE DE 2019. PRESENTADO EN FORMA COMPARATIVA

VI. MAIN CONSOLIDATED FINANCIAL RATIOS

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.

VII. OUTLOOK

According to IMF projections, a slow recovery is expected during the year 2020, with an expected 3.3% annual growth of the world economy. Phase 1 of the trade agreement between the United States and China, which seeks to put an end to the tariff war that shook the world economy throughout 2019, was signed in January 2020. This is a positive event in terms of the world growth outlook. However, the risks of a downturn remain high, including, for example, heightened geopolitical tensions - particularly between the United States and Iran, a new worsening of foreign relations between the United States and its trade partners, and the uncertainty surrounding the potential economic consequences in China and -given its influence- the rest of the world of the Covid-19 outbreak (commonly known as "coronavirus"). In this regard, on March 2, 2020, the Organization for Economic Cooperation and Development (OECD) published a report that indicates a revised world growth expectation of 2.4% due to coronavirus, compared to the world growth expectation of 2.9% published at the end of 2019 by the same organization.

The growth expected for the US is about 2.0% in 2020 and then of 1.7% in 2021. This downward revision is based on a trend toward a neutral fiscal policy and the slackening impetus as a result of relaxed financial conditions. China is expected to grow 6% annually. In both cases, these growth rates are lower than those seen in 2019.

In terms of foreign trade, the year 2020 will pose a big challenge for countries in Latin America due to the slower growth expected for the region's main trade partners (China and the United States). In this context, the preliminary balance published by the ECLAC indicates an expected 1.3% growth in GDP for the region. These projections include higher growth in Brazil, which is expected to reach an annual 1.7%, and a (-1.3%) contraction in the Argentine economy in 2020.

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 2020, the market can expect an overall inflation of 41.7% for the next twelve-month period. Likewise, in relation to other macroeconomic variables, EMN participants project a contraction of the Gross Domestic Product for the year 2020 of (-1.5%), and that the wholesale nominal exchange rate for December 2020 will reach 78.7 pesos per dollar.

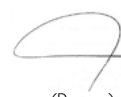


Víctor Jorge Aramburu
Chairman Syndics
Committee



Luis Alejandro Pagani
Chairman

See our report date March 9, 2020
PRICE WATERHOUSE & CO. S.R.L.



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

CONSOLIDATED BUSINESS HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2019, PRESENTED IN COMPARATIVE FORM

VII. OUTLOOK

Additionally, within this context, it will be essential for Argentina to reach a successful foreign debt renegotiation agreement in order to generate greater dynamism in domestic demand, with improved consumption, lower inflation and a recovery of real wages, among other macroeconomic variables.

In view of the perspectives of the international, national and regional economy, our actions drive us to continue growing, always keeping in mind our vision for the coming years: to be a leading food and candy company in Latin America and recognized in the international market, standing out for our sustainable practices and for our capacity to generate new business.

In this sense, we will continue with the strategy of focusing on our core businesses: Mass Consumption Foods (Candy, Chocolates, Ice Cream, Cookies and Food), Packaging and Agribusiness, together with the development of strategic association projects in the markets where we participate, prioritizing liquidity and a healthy financing structure in order to ensure compliance with obligations and commitments, as well as the management of working capital and the containment of fixed expenses, for the purpose of obtaining the funds required to carry out transactions and investment projects.



Victor Jorge Aramburu
Chairman Syndics
Committee



Luis Alejandro Pagani
Chairman

See our report date March 9, 2020
PRICE WATERHOUSE & CO. S.R.L.



(Partner)
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Cr. Andrés Suarez,
Public Accountant (UBA)
Mat. Prof. 10.11421.4 – C.P.C.E.Cba.



AUDITORS' REPORT

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

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, 2019, 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 2018 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.

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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, 2019, as well as the consolidated comprehensive income and consolidated cash flows for the fiscal year then ended, in accordance with International Financing Reporting Standards.

Report on the compliance with current regulations

In accordance with current regulations, we report that, in connection with ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL:

- a) the consolidated financial statements of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL are transcribed into the "Inventory and Balance Sheet" book and as regards those matters that are within our competence, they are in compliance with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;
- b) the separate financial statements of ARCOR SOCIEDAD ANÓNIMA, INDUSTRIAL Y COMERCIAL arise from accounting records carried, in all formal respects, in accordance with current regulations, and which maintain in conditions based on which they were authorized by Superintendency of Commercial Companies of the Province of Córdoba;
- c) the total amounts corresponding to the consolidated balance sheet and the consolidated statement of income and consolidated statement of other comprehensive income are as follows:

c.1) Consolidated balance sheet at December 31, 2019 and December 31, 2018:

	In thousands of ARS	
	12.31.19	12.31.18
Assets	111,074,151	114,531,985
Liabilities	81,163,695	83,087,248
Equity	29,910,456	31,444,737

- c.2) Consolidated statement of income and statement of other comprehensive income for the years ended December 31, 2019 and 2018, which show a total comprehensive loss of ARS 540,449 and a total comprehensive income of ARS 1,608,567 (both figures expressed in thousands of ARS), 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, 2019 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 263,285,646.02, 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, 2019 account for:
- f.1) 90,44% of the total fees for services billed to the Company for all items during that fiscal year;
 - f.2) 45,09% 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) 41,74% 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 9, 2020

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. 19550 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, 2019.
- Consolidated statement of income and of other comprehensive income for the year ended December 31, 2019.
- Consolidated statement of changes in equity for the year ended December 31, 2019.
- Consolidated statement of cash flows for the year ended December 31, 2019.
- Selected explanatory notes for the consolidated financial statements for the year ended December 31, 2019.

b) Separate Financial Statements:

- Separate balance sheet at December 31, 2019.
- Separate statement of income and of other comprehensive income for the year ended December 31, 2019.
- Separate statement of changes in equity for the year ended December 31, 2019.
- Separate statement of cash flows for the year ended December 31, 2019.
- Selected explanatory notes for the separate financial statements for the year ended December 31, 2019.

c) Inventory and Annual Report of the Board of Directors for the year ended December 31, 2019.

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, 2019, 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, 2019, as required by Section 12, Chapter III Title IV of the National Securities Commission regulations.

Balances and other information corresponding to the year ended December 31, 2018 (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 financial statements in exercise of their exclusive functions, these financial statements under International Financial 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 consolidated financial statements mentioned in the first paragraph; and the internal control that the Board of Director consider necessary to allow the preparation of the 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 9, 2020 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. Given that it is not responsibility of the syndics' committee to perform a management control, the review is not extended to criterias and business decisions of the different areas of the Company, as such, matters are the exclusive responsibility of the Board of Directors and Shareholders' Meeting. 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, 2019, 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.

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, 2019, 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, 2019, 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, 2019, 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 to the separate financial statements, mentioned on items e and f 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 9, 2020.



Victor Jorge Aramburu
Accountant
Chairman of the Syndics' Committee



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