IRSA

Inversiones y Representaciones
Sociedad Anónima

Annual Report and Financial Statements
for the fiscal years ended
June 30, 2017, 2016 and 2015

1. CORPORATE PROFILE

Founded in 1943, IRSA Inversiones y Representaciones Sociedad Anónima ("IRSA" or the "Company") is one of Argentina's leading real estate companies and the only Argentine real estate company whose shares are listed both on Bolsas y Mercados Argentinos ("BYMA") and on the New York Stock Exchange ("NYSE").

We are engaged, directly and indirectly through subsidiaries and joint ventures, in a range of diversified real estate-related activities in Argentina, including:

i. the acquisition, development and operation of shopping malls,

ii. the acquisition and development of office buildings and other non-shopping mall properties primarily for rental purposes,

iii. the development and sale of residential properties,

iv. the acquisition and operation of luxury hotels,

v. the acquisition of undeveloped land reserves for future development or sale, and

vi. selective investments outside Argentina.

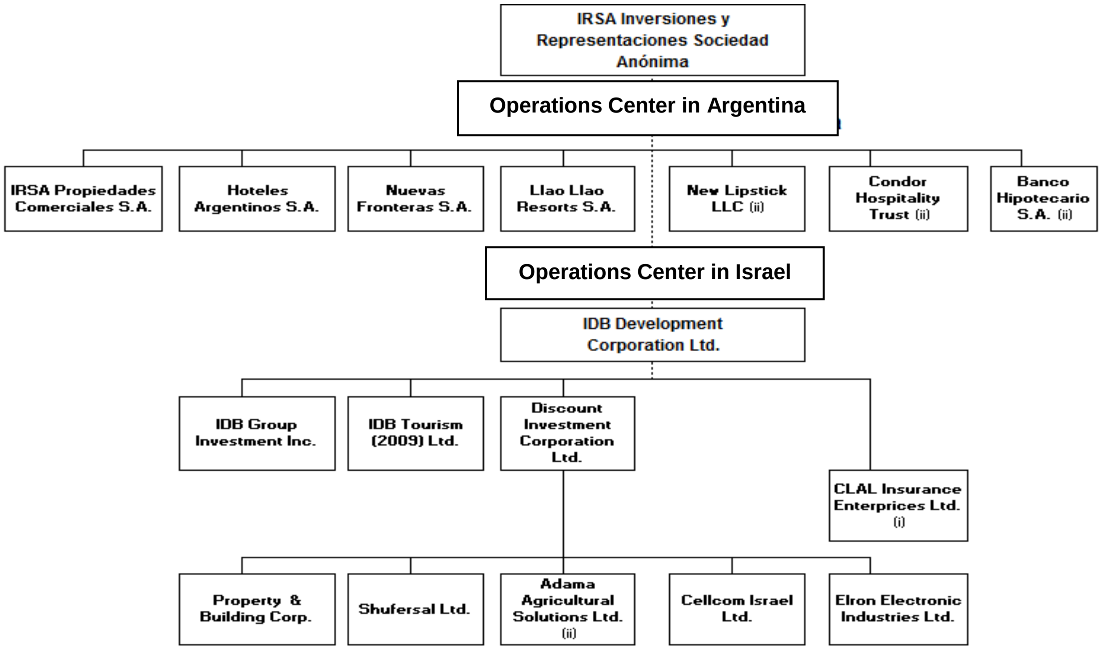
As of June 30, 2017 we owned 29.91%[1] of Banco Hipotecario S.A. (Banco Hipotecario), one of the leading financial institutions in Argentina, 28.7% of the voting power of the US Real Estate Investment Trust ("REIT") named Condor Hospitality Trust (formerly known as Supertel Hospitality Inc.) ("Condor") and indirectly 68.3% of the Israeli company IDB Development Corporation ("IDBD").

On October 11, 2015, the Group obtained control of the Israeli company IDB Development Corporation Ltd. ("IDBD") and it began to include it in its consolidated financial statements.

IDBD is one of the largest and most diversified holding companies in Israel. Through its subsidiaries, associates, joint ventures and other investments, IDBD is engaged in numerous markets and industry sectors in Israel and other countries, including real estate (Property & Building Corporation), supermarkets (Shufersal), agroindustry (Adama), insurance (Clal Holdings Insurance Enterprises, hereinafter Clal), and telecommunications (Cellcom), among others. IDBD is registered with the Tel Aviv Stock Exchange ("TASE") as a "Debentures Company" pursuant to Israeli law, as it has publicly listed bonds.

As a result of the consolidation of this investment in the company's financial statements, we decided to break down reporting into an Operations Center in Argentina and an Operations Center in Israel. From the Operations Center in Argentina, the Group, through IRSA and its subsidiaries, manages the businesses in Argentina and the international investments in the Lipstick Building in New York and the Condor Hospitality Trust Hotel REIT. From the Operations Center in Israel, the Group manages IDBD.

[1] This figure does not consider the effect of Banco Hipotecario's treasury stock.



Our principal executive offices are located at Bolívar 108, City of Buenos Aires (C1066AAD), Argentina. Our administrative headquarters are located in the Intercontinental Plaza tower, Moreno 877, Floor 22, City of Buenos Aires (C1091AAQ). Our telephone number is +54 (11) 4323-7400, our fax number is +54 (11) 4323-7480 and our website is www.irsa.com.ar.

2. LETTER TO SHAREHOLDERS

Dear shareholders,

Fiscal year 2017 was marked by significant events in our two operations centers: Argentina and Israel. In Argentina, we made progress in the development of the projects underway and obtained highly satisfactory results in our rental segments. In Israel, we sold assets for very attractive prices and refinanced 100% of IDBD's short-term debt, extending its maturity to 2019 at a very competitive interest rate, and IDBD's operating subsidiaries continued exhibiting solid performance and investing in new projects.

In the third quarter of this fiscal year, we decided to start the process of changing the valuation model of our investment properties from cost model to fair value model. During the third quarter, the change was applied to our subsidiary IRSA Propiedades Comerciales, and beginning in the fourth quarter of this fiscal year we applied it to the company. This change was motivated by the need to adjust the valuation of investment properties to their fair value, as their amortized cost was not reflective of their economic substance.

Adjusted EBITDA for fiscal year 2017, excluding the impact of the revaluation of our investment properties at fair value, reached Ps. 9.98 billion, 63.8% higher than in 2016, whereas profit for the year was Ps. 5.22 billion, out of which Ps. 2.70 billion derive from the operations center in Argentina and Ps. 2.52 billion from the operations center in Israel.

As concerns our *Operations Center in Argentina,* we are highly satisfied with the performance of our commercial real estate subsidiary, IRSA Propiedades Comerciales, which has over 400,000 square meters (sqm) of Gross Leaseable Area (GLA) in 16 shopping malls (including the ownership of the Patio Olmos historic building in Córdoba, operated by a third party) and 7 office buildings.

During this year we grew in terms of acquisitions and new commercial developments. We carried out expansion and improvement works in some of our shopping malls aimed at optimizing tenant distribution and achieving higher sales and rental prices per sqm. We added approximately 8,000 sqm of GLA in the year, including 3,500 sqm added in the second stage of the works in Distrito Arcos, and the ensuing entry of significant tenants, a 1,250-sqm Nike store in Soleil Premium Outlet, and a 1,752 sqm expansion in Alto Rosario, among other store openings.

In operating terms, tenant sales in shopping malls grew 19.4% in the year, and occupancy reached optimum levels of 98.5%.

Looking ahead to 2018, we will start expansion works in our Alto Palermo shopping mall, which is located in a unique setting in the heart of the city and is the shopping mall with highest sales per square meter in Latin America. The project will add approximately 4,000 sqm of gross leaseable area to the shopping mall, and it consists of moving the food court to a third level and using the area of the adjoining property, purchased last year, to make the project feasible. We expect that the opening will take place in fiscal year 2019. Moreover, in fiscal year 2018 we plan to carry out expansion works in some of our shopping malls for approximately 21,000 sqm of GLA. We will build 2,200 sqm to add 6 cinema screens in Alto Comahue, a large store of 3,000 sqm in Alto Rosario shopping mall, and a 12,765 sqm Sodimac store in Mendoza Plaza Shopping, and we will expand Alto Avellaneda, our shopping mall located in the southern region of Buenos Aires, by 3,500 sqm.

Regarding the office segment, during this year we acquired the “Philips” office building that adjoins our DOT commercial complex for USD 29 million, with the idea of recycling it and repositioning it as a top-quality building. The building has a constructed area of 10,142 sqm and an additional construction capacity of 18,000 square meters. As we executed a 7-month loan-for-use agreement with the seller, this footage will become available for rent in January 2018.

In operating terms, our Premium office portfolio reached an average rental price of approximately USD 25 per sqm, and an occupancy rate of 96.2%.

During the next fiscal year, we will keep on developing the projects currently underway. In the first place, we will make progress in the “Polo Dot” project, located in the commercial complex adjoining our Dot Baires shopping mall, which has grown extensively since we made our first investments in the area. The total project -for which we already have the land- will consist of 3 office buildings (possibly including a hotel in one of them) and the future expansion of the shopping mall by adding approximately 15,000 sqm of GLA. In the first stage, we are developing an 11-floor office building of approximately 32,000 sqm, on top of an existing building, in regard to which we have already executed lease agreements with renowned tenants for approximately 75% of the leasable footage even before starting the works. Construction progress was 7.4% as of the closing of this fiscal year, and we estimate that it will be inaugurated in fiscal year 2019. The second stage of the project consists of two office/hotel buildings that will add 38,400 sqm of GLA to the complex. We have had great demand for Premium office spaces in this new commercial hub, and we trust that we will succeed in accomplishing a top-quality project comparable to the ones built by the company in the past, characterized by attractive income levels and high occupancy.

Moreover, we will make progress in the development of the “Catalinas” building, located in one of the most sought-after spots for developing Premium offices in Argentina. The building will have 35,468 sqm of GLA (16,012 sqm correspond to IRSA Propiedades Comerciales and 14,820 sqm to the company) including 30 office floors and 316 parking spaces; and its opening is scheduled to take place during fiscal year 2020. The building will become an iconic landmark in the city and will have LEED Certification, validating the best environmental practices in terms of operating standards.

In addition to the projects underway, the company and its subsidiary IRSA Propiedades Comerciales have large land reserves for future commercial and mixed-use developments in Argentina. We are optimistic about the change of cycle our country is going through, as we see a favorable scenario, clear rules and great interest from international investors. Along these lines, in an attempt to accelerate our growth process through developments and acquisitions in Argentina and provide liquidity to IRSA Propiedades Comerciales, after year-end we launched a primary and secondary equity offering process for approximately USD 400 million, which unfortunately could not be completed and had to be put off by the company due to market conditions. We are confident that the company will find various funding channels to develop its full potential of land reserves and keep growing and investing in Argentina.

In our Sales and Developments segment, during this year we started marketing 52 lots given as consideration under a barter agreement in the “Greenvielle” gated residential complex, adjoining the “Abril” private residential community in the District of Hudson, in the southern area of Buenos Aires, for a fair value of approximately USD 4.7 million. Moreover, during this year our subsidiary IRSA Propiedades Comerciales received from TGLT the agreed apartment units and parking spaces of the Astor Beruti building, located in Palermo (Buenos Aires) for a fair value of approximately USD 19 million, as consideration under a barter agreement executed with TGLT. Sales of this project have been highly endorsed by the market, and as of June 30, 2017 more than half the units had already been sold.

After year-end, we sold our 50% interest in the “Baicom” land reserve of approximately 6,905 sqm, located in the neighborhood of Retiro, City of Buenos Aires, for USD 7 million.

Following our long-term vision of real estate as value reserve and the incipient resumption of mortgage lending activities in Argentina, we maintained our 29.91% equity interest in Banco Hipotecario S.A., which has made a favorable contribution to our results, as it added income for Ps. 83 million during this fiscal year.

As concerns our investments outside Argentina, during this year the iconic “Lipstick” office building in New York maintained its rental prices among the highest ones in the Third Avenue whilst retaining its high occupancy rate of 95.2% as of June 30. Moreover, we are holding discussions for refinancing its debt in an amount of USD 113.2 million. Our investment in the Condor Hospitality Trust Hotel REIT (NYSE: CDOR) has continued rolling out its strategy of making selective sales of Economy class hotels and acquiring higher class category hotels. Following this policy, in March of this year its two main investors, IRSA and Stepstone, converted their preferred shares into common shares, thus simplifying the REIT’s shareholding structure. The REIT then issued equity in the market for an amount of approximately USD 50 million. We trust in the company’s management and we expect to reap the results from this investment in the future.

Regarding our Operations Center in Israel, during this year we retained our 68.3% equity interest in IDBD, one of the largest and most diversified conglomerates in Israel, which keeps leveraging on the strength of its assets and the competitive market position of its main companies: PBC (real estate), Shufersal (supermarkets), Cellcom (telecommunications) and Clal (insurance).

One of the milestones of this year was the sale by Discount Corporation (DIC) of its 40% interest in the agrochemical company “Adama” to Chemchina, for USD 230 million in excess of the total repayment of its debt. This amount, much higher than the one prevailing in the market and reflected in the balance sheet, made it possible to appraise the holding’s entire structure and allowed DIC to resume dividend payments to its shareholders, which had been on hold since 2014. During this year, DIC declared dividends for approximately NIS 694 million: 497 million were distributed in April 2017 and the balance will be distributed in September. In the first payment of dividends, IDBD received NIS 353 million for its interest, and IRSA, who had acquired an 8.0% direct interest in DIC at the beginning of the fiscal year --diluted to 6% upon exercise of its warrants at the moment the dividend was paid-- received Ps. 165.9 million.

As regards financial matters, a great event of this year was the issuance of Series 13 Notes in the Israeli market for a principal amount of NIS 1,060 million (equivalent to USD 283.7 million) which made it possible to extend the company’s entire short-term debt to 2019, at a fixed interest rate of 5.40% per annum. Moreover, in July it issued Notes again for a principal amount of NIS 642 million at a fixed interest rate of 5% per annum, due 2022. The remaining companies of the group have refinanced their debts in the local market at very attractive interest rates.

Concerning our interest in CLAL, in April 2017, the District Court of Tel Aviv-Jaffa ordered Mr. Moshe Terry, in his capacity as trustee of 51% of Clal’s shares as resolved by Israel’s Capital Market, Insurance and Savings Commission, to sell 5% of the shares in Clal managed by him within a term of 30 days. IDBD agreed that the sale of 5% of Clal’s shares would be made through a swap transaction. Therefore, the shares were sold to a banking institution, free of any encumbrance, for a price determined by mutual agreement with such third party, and IDBD will cash or pay for the difference between the sale price of the aforementioned shares and the price such shares will have upon sale thereof to the third party buyer, at the end of a 24-month period. In July, IDBD publicly announced that it is considering a non-binding offer by an international group for the sale of its interest in Clal for an amount of approximately USD 1,300 million. This amount represents a 52% premium over the Company's fair value.

Another transaction that is being negotiated is the sale of the "ISRAIR" aircraft company owned by IDB Tourism, for a net amount of approximately USD 45 million plus 25% of the shares of Sun D'or International Airlines Ltd.

IDBD's greatest challenges for the next period are the sale and/or acquisition of control of CLAL Insurance, and the implementation of the mechanism adopted to comply with the requirements of the Concentration Law, whereby conglomerates are forbidden to hold 4 levels of public companies in its structure jointly with publicly listed shares and/or bonds (for example, IDBD – DIC – PBC and Gav-Yam). Concerning this aspect, the selected course of action includes the sale of all the shares of DIC, a subsidiary of IDBD, to a special purpose entity to be incorporated in Israel and to be wholly controlled by other companies controlled in turn by IRSA, for a price that would result from a valuation to be made by an independent appraiser. Payment would be implemented through a loan secured by DIC's shares being sold and an additional collateral on assets to be agreed with IRSA. IRSA has made an offer, which is subject to approval by the Audit Committee and the Board of Directors of IDBD and IRSA.

We plan to simplify the structure in Israel even further, by retaining those assets we believe are potentially valuable while making progress in our strategy aimed at improving operating margins in each business unit. We trust in the value of this investment, from which we expect to obtain very good results in the medium term.

The economic results obtained during this year have been accompanied by several sustainability and social responsibility practices. For 25 years to date, we have invested in the communities where we operate, building strong bonds with more than 160 NGOs. At corporate level, we have three volunteer programs with over 200 participants. Through the IRSA Foundation, we tripled the amount of donations made by our employees to NGOs. We have implemented waste separation in all our buildings and shopping malls and one of our rental buildings has recently obtained the LEED Gold level certification, the highest sustainability qualification for a building.

Looking ahead to fiscal year 2018, we expect to continue growing in each of our business lines, adding footage to our real estate asset portfolio in Argentina and Israel, selling assets we regard as non-strategic for our portfolio, and optimizing the capital structures in our two operations centers. With a future that presents challenges and opportunities alike, we believe that the commitment of our employees, the strength of our management and the trust of our shareholders will be key elements in our ability to continue growing and successfully implementing our business.

To all of you, my most sincere thanks.

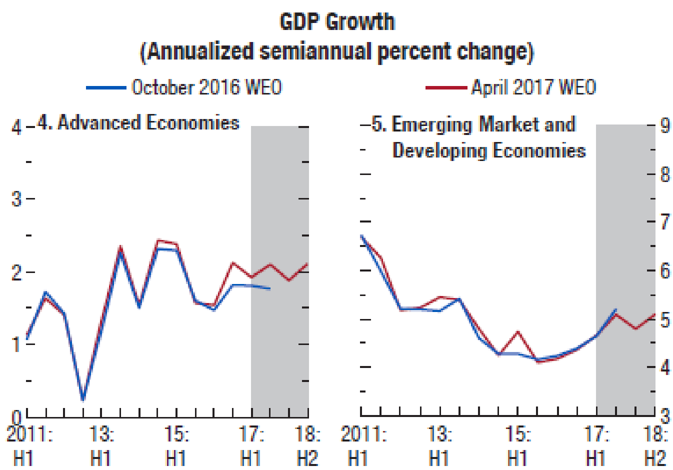
City of Buenos Aires, September 8, 2017.

Saúl Zang
First Vice-Chairman

3. MACROECONOMIC CONTEXT

International Macroeconomic Outlook

As reported by the International Monetary Fund ("IMF") in its "World Economic Outlook" ("WEO"), global growth is expected to reach 3.5% in 2017 and 3.6% in 2018. Growth in developed economies is expected to remain steady at about 2% in 2017, and to fall to 1.9% in 2018, mainly reflecting a less expansionary fiscal policy in the United States than expected, as growth projections were downgraded from 2.3% to 2.1% in 2017 and from 2.5% to 2.1% in 2018.



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; Markit Economics; and IMF staff estimates.

Emerging market and developing economies are expected to show a strong rebound in activity levels, with growth forecasts of 4.6% for 2017 and 4.8% for 2018, compared to 4.3% in 2016, mainly led by India and China.

IMF's World Economic Outlook Projections

(Percentage change in USD)

			Projections	
	2015	**2016**	**2017**	**2018**
World Output	**3.4**	**3.2**	**3.5**	**3.6**
Advanced Economies	**2.1**	**1.7**	**2.0**	**1.9**
United States	2.6	1.6	2.1	2.1
Euro area	2.0	1.8	1.9	1.7
Japan	1.1	1.0	1.3	1.6
Emerging Markets and Developing Economies	**4.3**	**4.3**	**4.6**	**4.8**
Russia	-2.8	-0.2	1.4	1.4
India	8.0	7.1	7.2	7.7
China	6.9	6.7	6.7	6.4
Brazil	-3.8	-3.6	-0.3	1.3
South Africa	1.3	0.3	1.0	2.0
Latin America and the Caribbean	0.1	-1.0	1.0	1.9

Source: WEO, July 2017

Financial market behavior

(Percentage change in USD)

	2015	2016	2017
MSCI World ACWI	-0.9	12.1	6.9
MSCI Emerging Markets	-17.4	16.2	11.2
S&P 500	2.5	15.4	2.5
DAX 30	-0.5	17.2	6.8
FTSE 100	-7.5	17.4	4.2
Nikkei 225	7.7	9.1	5.2
Bovespa	-7.6	49.1	-2.7
Merval	37.5	49.6	15.0

Source: Bloomberg, as of July 28, 2017

The MSCI World ACWI index rose 12.1% in 2016 but fell in 2017. The MSCI Emerging Markets index recovered 16.2% in 2016, and has continued its upward trend, increasing 11.2% so far in 2017.

Commodities market behavior

(Percentage change in USD)

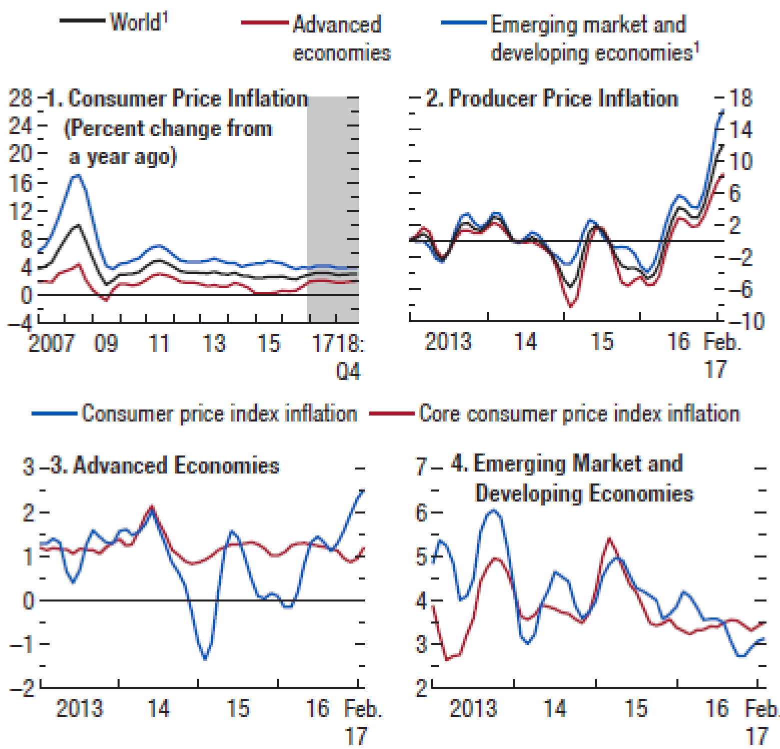
	2015	2016	2017
GSCI Industrial Metals	-18,6	20,8	0,3
GSCI Energy	-26,0	58,5	-10,9
GSCI Agriculture	-4,9	3,6	-1,1
Soybean	-9,3	12,9	-8,0
Gold	4,8	3,0	-17,3
Corn	-3,0	-5,4	3,0
Wheat	-6,5	-14,9	21,4
Oil	-23,2	59,8	-12,8

Source: Bloomberg, as of July 28, 2017

After the strong decline experienced in 2015, the commodities markets rose in 2016. Oil accounted for the largest increase in 2016, as reflected in the energy index. In 2017, most commodities declined, with the exception of wheat and corn, which rose by 21.4% and 3%, respectively, after having suffered two consecutive decreases in the past years.

The IMF's projections show that inflation in emerging market and developing economies will decrease from 4.7% in 2017 to 4.4% in 2018.

Average inflation in advanced economies is expected to increase in the next years, reflecting the rebound in the prices of raw materials. The IMF forecasts that in 2017, inflation will be 2%, compared to 0.8% in 2016.



Argentine Economy

The IMF projects that the GDP will grow 2.2% in 2017 thanks to the increase in consumption and public spending, and 2.3% in 2018 as private investments and exports continue to recover.

The INDEC reports that according to the Industrial Monthly Estimator (EMI), industrial activity rose 2.7% in May 2017, compared to the same month in 2016. Industrial activity for the first five months of 2017 dropped 1.4% compared to the same period of 2016.

Shopping mall sales at current prices for the month of May 2017 included in the survey reached Ps. 4,572 million, an increase of 12.3% compared to the same month of the previous year. For the cumulative first five months of 2017, sales amounted to Ps. 21,102 million, an increase of 13.2% compared to the same period of the previous year.

In connection with the fiscal sector, revenues recorded a year-on-year increase of 32% in the first half of 2017, whereas primary expenditure grew by 31% during the same period.

The non-financial public sector and Argentine Central Bank debt was estimated at USD 141,899 million, having increased by USD 14,422 million during the first quarter of 2017. The Argentine Central Bank's government security and bond outstanding balance increased by USD 236 million during the first quarter of 2017.

The non-financial private debt grew USD 1,377 million during the first quarter of 2017. At March 2017, such debt stood at USD 56,611 million.

The financial sector debt excluding the Argentine Central Bank decreased by USD 493 million during the first quarter of 2017, reaching a total of USD 4,453 million.

Regarding the balance of payments, in the first quarter of 2017 the current account deficit reached USD 6,871 million, with USD 3,715 million allocated to the goods and services trade balance, and USD 3,156 million to the income account. The current account deficit was 39% higher than in the same quarter of the previous year, as it increased by US$ 1,944 million, mainly explained by the deterioration of the goods and services balance and net primary income.

Total gross external debt increased by USD 16,293 million during the first quarter of 2017 and stood at USD 204,509 million at March 2017.

The stock of international Reserves rose by USD 11,535 million in the first quarter of 2017. At July, reserves stood at USD 47,995 million.

In local financial markets, the Private Badlar rate in Pesos ranged from 18% to 26% in the period from July 2016 to July 2017, averaging 20% in July 2017 against 26% in July 2016. The Argentine Central Bank continued its free floating exchange rate policy implemented in December 2015; consequently, the Peso sustained a 17% nominal depreciation in the period from July 2016 to July 2017. At July 2017, the exchange rate stood at 17.64 pesos for each dollar.

At June 2017, Argentina's country risk decreased by 88 basis points in year-on-year terms, maintaining a high spread vis-à-vis the rest of the countries in the region. The debt premium paid by Argentina was at 430 basis points in June 2017, compared to the 289 paid by Brazil and the 185 paid by Mexico.

4. BUSINESS STRATEGY

As a leading company in Argentina engaged in acquiring, developing and managing real estate, we seek to (i) generate stable cash flows through the operation of our real estate rental assets (shopping malls, office buildings, hotels), (ii) achieve long-term appreciation of our asset portfolio by taking advantage of development opportunities, (iii) increase the productivity of our land reserves and enhance the margins of our development and sale of properties segment through partnerships with other developers, and (iv) look for opportunities abroad offering capital gain potential.

Operations Center in Argentina

Shopping Malls

Our main purpose is to maximize our shareholders' profitability. By using our know-how in the shopping mall industry in Argentina as well as our leading position, we seek to generate a sustainable growth of cash flow and to increase the long-term value of our real estate assets.

We attempt to take advantage of the unsatisfied demand for purchase in different urban areas of the region, as well as of our customers' purchase experience. Therefore, we seek to develop new shopping malls in urban areas with attractive prospects for growth, including Buenos Aires' Metropolitan area, some cities in the provinces of Argentina and possibly, other places abroad. To achieve this strategy, the close business relationship we have had for years with more than 1000 retail companies and trademarks composing our selected group of tenants is of utmost importance, as it allows us to offer an adequate mix of tenants for each particular case.

Offices

Since the Argentine economic crisis in 2001 and 2002, there has been limited investment in high-quality office buildings in Buenos Aires and, as a result, we believe there is currently substantial demand for those desirable office spaces. We seek to purchase and develop premium office buildings in strategically-located business districts in the City of Buenos Aires and other strategic locations that we believe offer return and potential for long-term capital gain. We expect to continue our focus on attracting premium corporate tenants to our office buildings. Furthermore, we intend to consider new opportunities on a selective basis to acquire or construct new rental office buildings.

Hotels

We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and travel in Argentina. We seek to continue with our strategy to invest in high-quality properties which are operated by leading international hotel companies to capitalize on their operating experience and international reputation.

Sales and Developments

We seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering green spaces for recreational activities. We also seek to develop residential communities by acquiring undeveloped properties with convenient access to the City of Buenos Aires, developing roads and other basic infrastructure such as electric power and water, and then selling lots for the construction of residential units. After the economic crisis in 2001 and 2002, the scarcity of mortgage financing restricted the growth in middle class home purchases, and as a result, we mainly focused on the development of residential communities for middle and high-income individuals, who do not need to finance their home purchases. Furthermore, we seek to continue to acquire undeveloped land at attractive locations inside and outside Buenos Aires for the purpose of their appreciation for subsequent sale. We believe that holding a portfolio of desirable undeveloped plots of land enhances our ability to make strategic long-term investments and affords us a valuable “pipeline” of new development projects for upcoming years.

International

In this segment, we seek investments that represent an opportunity of capital appreciation potential in the long term. After the international financial crisis in 2008, we took advantage of the price opportunity in the real estate sector in the United States and invested in two office buildings in Manhattan, New York. In 2015, we sold the Madison building and we hold a 49.9% interest in a US company, whose main asset is the so-called “Lipstick” office building located in the City of New York. In addition, jointly with subsidiaries, we hold 28.7% of Condor Hospitality Trust REIT’s voting rights (NASDAQ: CDOR). We intend to continue evaluating -on a selective basis- investment opportunities outside Argentina as long as they offer attractive investment and development options.

Financial Operations and Others

We keep our investment in Banco Hipotecario, the main mortgage-lending bank in Argentina, as we believe that we are able to reach good synergies in the long term with a developed mortgage market.

Operations Center in Israel

IDBD is one of the largest and most diversified holding companies in Israel. Through its subsidiaries, associates, joint ventures and other investments, IDBD is engaged in numerous markets and industry sectors in Israel and other countries, including real estate (Property & Building Corporation), supermarkets (Shufersal), insurance (Clal Holdings Insurance Enterprises, hereinafter Clal), and telecommunications (Cellcom). The Company is listed on the Tel Aviv Stock Exchange (“TASE”) as a “Debentures Company” pursuant to Israeli law, as it has publicly listed bonds.

Real Estate (PBC): Property & Building is engaged in the operation of rental properties, which is its main line of business, and the construction of residential properties in trendy areas in Israel and other places in the world. In the rental properties segment, Property & Building is the exclusive owner of the HSBC building located on Fifth Avenue in Manhattan. The building has a surface area of approximately 80,000 square meters, and at present it is fully occupied.

Supermarkets (Shufersal): Shufersal is the owner of the largest supermarket chain in Israel in terms of sales. In the past years, Shufersal introduced and keeps developing strategic procedures and structural changes for optimizing results, strengthening its leading position in the market and addressing the challenges posed by its business and the regulatory environment. Since April 1, 2013, Shufersal split its real estate operations from its retail business, and Shufersal Real Estate Ltd. was organized as a wholly-owned subsidiary whose assets included branches leased to Shufersal and real estate assets leased to third parties. Shufersal is also member of an association that provides consumer financing, offers credit cards to the general public, extends non-banking loans and grants other benefits to customers. Over the past years, Shufersal continued rolling out its business plan geared towards creating a commercial and operating infrastructure capable of growing during the coming years, increasing competitiveness, offering more value to its customers and improving services. Under its business plan, Shufersal keeps on expanding and strengthening its brand and speeding up the development of its digital platforms, led by the “Shufersal Online” system, promoting new and supplementary operations in the industries it operates, and making progress in the rationalization of its real properties, including the closing and reduction of existing branches and the opening of new branches.

Telecommunications (Cellcom): Cellcom operates and sells diverse communication services to its customers. Cellcom’s main activities include the supply of mobile communication services. Besides, Cellcom provides ancillary services, such as content and data services, sells handsets and renders telephone repair services. Moreover, Cellcom offers (including through its subsidiary Netvision) fixed-line phone services, data communication services to commercial clients and communications operators, Internet connectivity services, international telephone services and additional services such as conference call, cloud and information security services. In addition, Cellcom offers Internet TV services to its private customers through Netvision’s systems.
Cellcom operates in a highly competitive environment. The pillars of Cellcom’s business strategy include: offering comprehensive solutions for the supply of fixed-line and mobile communication services, increasing the fixed-line phone services offered and streamlining its expenditure structure, if necessary, even by adopting rationalization measures.

Insurance (Clal Insurance): This company, which is one of the largest insurance groups in Israel, is mainly engaged in pension and social security insurance. It has assets under management for approximately USD 43 billion.

Others: Includes the assets and income from other miscellaneous businesses, such as technological developments, tourism, oil and gas assets, electronics, and other sundry activities.

5. OPERATIONAL DESCRIPTION

Operations Center in Argentina

Shopping Malls Segment

At June 2017, the Consumer Confidence Index (CCI) showed a 1.2% decline as compared to June 2016, and a 23.4% fall as compared to June 2015. Sales in shopping malls in May 2017 reached a total amount of Ps. 4,572 million, which represented a 12.3% increase compared to the same month in 2016. Accumulated sales for the first five months of the year totaled Ps. 21,101 million and reached a 13.2% percentage variation compared to the same period the previous year.

As of June 30, 2017, we operated and/or owned a portfolio of 16 shopping malls in Argentina, seven of which are located in the City of Buenos Aires (Abasto, Alcorta Shopping, Alto Palermo Shopping, Patio Bullrich, Buenos Aires Design, Dot Baires Shopping and Distrito Arcos), two are located in the greater Buenos Aires area (Alto Avellaneda and Soleil Premium Outlet), and the rest are located in different provinces of Argentina (Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza, Córdoba Shopping Villa Cabrera and Patio Olmos (operated by a third party) in the City of Córdoba, La Ribera Shopping in Santa Fe (through a joint venture) and Alto Comahue in the City of Neuquén.

The shopping malls operated by us comprise a total of 341,289 sqm of GLA (excluding certain spaces occupied by hypermarkets which are not our tenants). Total tenant sales in our shopping malls, as reported by retailers, were Ps. 34,425.6 million for fiscal year 2017 and Ps. 28,904.9 million for fiscal year 2016, which implies an increase of 19.1%. Tenant sales at our shopping malls are relevant to our revenues and profitability because they are one of the factors that determine the amount of rent that we charge our tenants. They also affect the tenants' overall occupancy costs as a percentage of tenant sales.

The following table shows certain information concerning our shopping malls as of June 30, 2017:

	Date of Acquisition	Location	Gross leaseable area sqm (1)	Stores	Occupancy (2)	IRSA CP's Interest (3)
Alto Palermo	Dec-97	City of Buenos Aires	18,945	143	99.3%	100%
Abasto Shopping(4)	Nov-99	City of Buenos Aires	36,795	171	96.8%	100%
Alto Avellaneda	Dec-97	Province of Buenos Aires	36,063	136	99.3%	100%
Alcorta Shopping	Jun-97	City of Buenos Aires	15,613	113	98.1%	100%
Patio Bullrich	Oct-98	City of Buenos Aires	11,760	91	97.6%	100%
Buenos Aires Design	Nov-97	City of Buenos Aires	13,697	62	97.2%	53.68%
Dot Baires Shopping	May-09	City of Buenos Aires	49,499	158	99.9%	80%
Soleil	Jul-10	Province of Buenos Aires	15,227	79	100.0%	100%
Distrito Arcos (5)	Dec-14	City of Buenos Aires	14,692	67	100.0%	90.00%
Alto Noa Shopping	Mar-95	Salta	19,059	90	99.4%	100%
Alto Rosario Shopping(5)	Nov-04	Santa Fe	31,808	150	99.6%	100%
Mendoza Plaza Shopping	Dec-94	Mendoza	42,867	142	97.1%	100%
Córdoba Shopping	Dec-06	Córdoba	15,445	108	98.1%	100%
La Ribera Shopping	Aug-11	Santa Fe	10,054	68	97.6%	50%
Alto Comahue (6)	Mar-15	Neuquén	9,766	104	96.4%	99.92%
Patio Olmos(7)	Sep-15	Córdoba				
Total			**341,289**	**1,681**	**98.5%**	

Notes:

(1) Corresponds to the total leaseable surface area of each property. Excludes common areas and parking spaces.

(2) Calculated by dividing square meters under leases in effect by gross leaseable area as of fiscal year end.

(3) The Company's effective interest in each of its business units.

(4) Excludes Museo de los Niños (3,732 sqm in Abasto and 1,261 sqm in Alto Rosario).

(5) Opening December 18, 2014.

(6) Opening March 17, 2015.

(7) IRSA CP owns the historic building of the Patio Olmos shopping mall in the province of Cordoba, operated by a third party.

Accumulated Rental Income as of June 30, 2017, 2016 and 2015

(*In thousands of Ps.*)

	2017	2016	2015
Abasto	541,873	412,560	319,863
Alto Palermo	506,555	427,785	323,164
Alto Avellaneda	343,616	284,712	212,310
Alcorta Shopping	238,058	199,300	152,573
Patio Bullrich	145,714	125,428	104,764
Alto Noa	88,419	76,847	52,815
Buenos Aires Design	57,841	49,368	37,890
Mendoza Plaza	148,202	126,739	96,722
Alto Rosario	247,031	192,481	148,141
Córdoba Shopping –Villa Cabrera	87,751	72,747	58,010
Dot Baires Shopping	341,748	286,202	210,926
Soleil Premium Outlet	115,393	86,194	59,366
La Ribera Shopping	28,293	22,797	15,195
Distrito Arcos (1)	167,590	114,663	24,191
Alto Comahue (2)	91,754	80,312	16,470
Patio Olmos (4)			
Total (3)	**3,149,838**	**2,558,133**	**1,834,726**

(1) Opening December 18, 2014.
(2) Opening March 17, 2015.
(3) It does not include revenues from Fibesa or Patio Olmos.
(4) IRSA CP owns the historic building of the Patio Olmos shopping mall in the province of Cordoba, operated by a third party.

Tenant Retail Sales (1)

The following table sets forth the total approximate tenant retail sales in millions of Pesos at the shopping malls in which we had an interest for the fiscal years stated below:

	2017	2016	2015
Alto Palermo	4,169	3,499	2,662.1
Abasto Shopping	4,604	4,043	3,150.2
Alto Avellaneda	4,344	3,781	2,913.3
Alcorta Shopping	2,207	1,900	1,474.7
Patio Bullrich	1,236	1,061	888.5
Buenos Aires Design	537	414	326.0
Dot Baires Shopping	3,748	3,254	2,570.6
Soleil	1,726	1,282	938.4
Distrito Arcos (2)	1,455	962	339.9
Alto Noa Shopping	1,587	1,369	1,068.6
Alto Rosario Shopping	3,175	2,628	1,951.8
Mendoza Plaza Shopping	2,734	2,369	1,906.7
Córdoba Shopping	1,178	991	756.0
La Ribera Shopping	771	634	398.1
Alto Comahue (3)	954	717	182.1
Patio Olmos (4)			
Total sales	**34,426**	**28,905**	**21,527.0**

(1) Retail sales based upon information provided to us by retailers and prior owners. The amounts shown reflect 100% of the retail sales of each shopping mall, although in certain cases we own less than 100% of such shopping malls. Excludes sales from stands and spaces used for special exhibitions.
(2) Opening December 18, 2014.
(3) Opening March 17, 2015.
(4) IRSA CP owns the historic building of the Patio Olmos shopping mall in the province of Córdoba, operated by a third party.

Accumulated Sales per type of Business

(*In millions of Ps.*)

	2017	2016	2015
Anchor Store	1,875	1,590	1,299
Clothes and footwear	18,463	15,201	11,125
Entertainment	1,178	1,025	741
Home and decoration	957	784	617
Home Appliances	4,064	3,861	2,994
Restaurants	3,671	2,722	1,938
Miscellaneous	3,963	3,368	2,589
Services	255	351	223
Total	**34,426**	**28,905**	**21,527**

The following table sets forth the occupancy rate expressed as a percentage of the gross leaseable area as of the dates stated at the end of the following fiscal years:

	2017	2016	2015
Abasto	96.8%	99.8%	100.0%
Alto Palermo	99.3%	99.5%	99.7%
Alto Avellaneda	99.3%	100.0%	99.9%
Alcorta Shopping	98.1%	89.1%	100.0%
Patio Bullrich	97.6%	99.1%	100.0%
Alto Noa	99.4%	100.0%	100.0%
Buenos Aires Design	97.2%	95.7%	94.6%
Mendoza Plaza	97.1%	95.2%	96.1%
Alto Rosario	99.6%	100.0%	97.9%
Córdoba Shopping Villa Cabrera	98.1%	99.2%	99.8%
Dot Baires Shopping	99.9%	100.0%	99.7%
Soleil Premium Outlet	100.0%	100.0%	99.4%
La Ribera Shopping	97.6%	99.3%	99.3%
Distrito Arcos	100.0%	97.0%	97.3%
Alto Comahue	96.4%	96.6%	94.2%
Patio Olmos (1)			
Total Percentage	**98.5%**	**98.4%**	**98.7%**

(1) IRSA CP owns the historic building of the Patio Olmos shopping mall in the province of Cordoba, operated by a third party.

Rental Price

The following table shows the annual accumulated average rental price per square meter for the fiscal years ended June 30, 2017, 2016 and 2015:[1]

	2017	2016	2015
Alto Palermo	26,739	20,664	15,108
Abasto	14,727	10,456	8,227
Alto Avellaneda	9,528	7,390	5,443
Alcorta Shopping	15,248	11,759	9,106
Patio Bullrich	12,391	10,057	8,453
Buenos Aires Design	4,223	3,264	2,543
Dot Baires Shopping	6,904	5,265	4,002
Soleil Premium Outlet	7,578	5,726	4,243
Distrito Arcos [2]	11,407	6,994	1,891
Alto Noa	4,639	3,815	2,657
Alto Rosario	7,766	6,303	4,847
Mendoza Plaza	3,457	2,831	2,181
Córdoba Shopping Villa Cabrera	5,682	4,367	3,552
La Ribera Shopping	2,814	2,109	1,340
Alto Comahue [3]	9,395	4,832	1,236
Patio Olmos (4)			

(1) Corresponds to consolidated annual accumulated rental prices according to the IFRS divided by gross leaseable square meters. Does not include revenues from Fibesa or Patio Olmos.
(2) Opening December 18, 2014.
(3) Opening March 17, 2015.
(4) IRSA CP owns the historic building of the Patio Olmos shopping mall in the province of Córdoba, operated by a third party.

Lease Expirations [1] [2]

The following table sets forth the schedule of estimated lease expirations for our shopping malls for leases in effect as of June 30, 2017, assuming that none of the tenants will exercise renewal options or terminate their leases earlier:

Expiration	Number of Agreements (1)	Square meters to expire	Percentage to expire	Amount (Ps.) (3)	Percentage of Agreements
Vacant Stores	59	13,142	3.9%		
2017	360	66,577	19.5%	308,613,566	22.2%
2018	460	89,732	26.3%	423,644,277	30.5%
2019	516	114,262	33.5%	410,043,421	29.5%
2020 and subsequent years	286	57,579	16.9%	248,712,291	17.9%
Total	**1,622**	**328,149**	**100.0%**	**1,391,013,556**	**100.0%**

(1) Includes vacant stores as of June 30, 2017. A lease may be associated to one or more stores.

(2) Does not reflect our ownership interest in each property.

(3) The amount expresses the annual base rent as of June 30, 2017 of agreements to expire.

Five largest tenants in the portfolio

The five largest tenants in our portfolio (in terms of sales) account for approximately 14.6% of our gross leaseable area as of June 30, 2017 and approximately 9.2% of the annual base rent for the fiscal year then ended.

Detailed Information about each of our shopping malls

Below is certain detailed information regarding our shopping mall portfolio, including identification of the five largest tenants of each shopping mall and certain lease provisions agreed with such tenants.

Competition

We are the largest owner and operator of shopping malls, offices and other commercial properties in Argentina in terms of gross leaseable area and number of rental properties. Given that most of our shopping malls are located in highly populated areas, there are competing shopping malls within, or in close proximity to, our targeted areas. The number of shopping malls in a particular area could have a material effect on our ability to lease space in our shopping malls and on the amount of rent that we are able to charge. We believe that due to the limited availability of large plots of land and zoning restrictions in the City of Buenos Aires, it is difficult for other companies to compete with us in areas through the development of new shopping malls. Our principal competitor is Cencosud S.A. which owns and operates Unicenter Shopping and the Jumbo hypermarket chain, among others.

The following chart shows certain information relating to the most important owners and operators of shopping malls in Argentina:

Company	Shopping Mall	Location	Gross Leaseable Area	Stores	National GLA Percentage (1)	Market Share Percentage (1)
IRSA Propiedades Comerciales S.A.						
	Abasto (3)	City of Buenos Aires	36,795	171	2.98	2.35
	Alto Comahue	Neuquén	9,766	104	0.79	1.43
	Alto Palermo Shopping	City of Buenos Aires	18,945	143	1.54	1.96
	Buenos Aires Design (5)	City of Buenos Aires	13,697	62	1.09	0.81
	Dot Baires Shopping(4)	City of Buenos Aires	49,499	158	4.01	2.17
	Paseo Alcorta (2)	City of Buenos Aires	15,613	113	1.26	1.55
	Patio Bullrich	City of Buenos Aires	11,760	91	0.95	1.25
	Córdoba Shopping (2)	Córdoba	15,445	108	1.25	1.48
	Alto Avellaneda (2)	Greater Buenos Aires, Province of Buenos Aires	36,063	136	2.92	1.87
	Mendoza Plaza Shopping (2)	Mendoza	42,867	142	3.46	1.95
	Alto Rosario (2)	Rosario	31,808	150	2.57	2.06
	Alto Noa (2)	Salta	19,059	90	1.54	1.23
	La Ribera Shopping (5)	Santa Fe	10,054	68	0.80	0.91
	Distrito Arcos	City of Buenos Aires	14,692	67	1.18	0.92
	Soleil Premium Outlet (2)	Greater Buenos Aires, Province of Buenos Aires	15,227	79	1.23	1.08
	Subtotal		341,289	1,681	27.56	21.34
Cencosud S.A.			277,203	1,237	22.44	18.19
Other Operators			617,594	4,378	50.00	60.47
	Total		1,236,086	7,296	100.00	100.00

Source: Argentine Chamber of Shopping Malls (CASC).
(1) Percentage corresponding to gross leasable area in respect of total gross leasable area. Market share is calculated dividing number of stores by total stores. Totals may not sum due to rounding.
(2) Includes supermarkets.
(3) Includes Museo de los Niños.
(4) Our interest in PAMSA is 80%.
(5) Our effective interest in ERSA is 53.684%, a company that operates the concession of the property.

Seasonality

Our business is directly related with seasonality, affecting the level of our tenants' sales. During summer holidays (January and February) our tenants' sales reach their minimum level, whereas during winter holidays (July) and in December (Christmas) they reach their maximum level. Clothing stores generally change their collections in spring and autumn, positively affecting our shopping malls' sales. Sales at discount prices at the end of each season are also one of the main sources of impact on our business.

Offices and Others Segment

According to Colliers International, as of March 2017, the A+ and A office inventory increased since 2016, at 1,757,659 sqm. In terms of rental availability, there was a 0.3% increase in the vacancy rate to 4.5% during the second quarter of 2017 compared to the same period the previous year. These values indicate that the market is healthy in terms of its operations, allowing an optimum level of supply with balanced values. According to the market segments, class A properties show a vacancy rate of 8.6% for the entire stock, while A+ properties buildings show a vacancy rate of 4.5%.

Compared to the previous quarter, a 3.3% increase was recorded (from USD 24.3 per square meter to USD 25.1 per square meter). This slight increase shows a 0.3% decrease in rental prices for A+ properties (USD 28.8 per square meter in the first quarter of 2017 against USD 28.7 per square meter in the fourth quarter of 2016) and a 1.2% decrease in rental prices for A properties (USD 23.6 per square meter in the first quarter of 2017 against USD 23.3 per square meter in the fourth quarter).

We are engaged in the acquisition and management of office buildings and other rental properties in Argentina. As of June 30, 2017, we directly and indirectly owned interests in office buildings and other rental properties, which comprised 331,570 square meters of gross leaseable area. Out of these properties, 9 were office properties, which comprised 87,919 square meters of gross leaseable area. For fiscal year 2017, we had revenues from offices and other non-shopping mall rental properties of Ps. 431 million.

All our office rental properties in Argentina are located in the City of Buenos Aires. For the year ended June 30, 2017, the average occupancy rate for all our properties in the Offices and Others segment was approximately 91.5%, without considering the Philips building, acquired on June 5, 2017 as there is a loan-for-use agreement executed with the seller until January 2018.

Management

We generally act as manager of the office buildings in which we hold an interest. In most cases, we are owners of the entire building or a significant number of units. Management is usually conducted pursuant to the terms and conditions of a co-owners' agreement, and decisions are adopted by simple majority of owners (based on the area owned by each of them). As managers, we are in charge of the security, maintenance and cleaning services, which are generally outsourced. The cost of these services is paid by the tenants, except in the case of units that have not been leased. We market our leaseable area through authorized brokers or by means of our direct efforts.

Leases

We usually lease our office and other properties under lease agreements for average terms of three years, except for a few agreements which are entered into for five-year terms. Agreements are renewable for two or three years, at the tenant's option. They are generally denominated in U.S. dollars, and pursuant to the Argentine laws, they are not subject to adjustment for inflation. Rental price for renewal periods are negotiated at market value.

Properties

The following table sets forth certain information regarding our direct and indirect ownership interest in offices and other non-shopping mall rental properties:

	Date of Acquisition	Gross Leaseable Area (sqm) (1)	Occupancy (2)	IRSA's Effective Interest	Monthly Rental Income (in thousands of Ps.) (3)	Annual accumulated rental income (in millions of Ps.) (4)		
						2017	2016	2015
Offices								
Edificio República (5)	04/28/08	19,885	95.0%	100.0%	9,114	112	72	62
Torre Bankboston (5)	08/27/07	14,873	100.0%	100.0%	6,408	81	56	42
Bouchard 551	03/15/07	-	-	100.0%	235	3	3	10
Intercontinental Plaza (5)	11/18/97	3,876	100.0%	100.0%	1,415	19	28	56
Bouchard 710 (5)	06/01/05	15,014	100.0%	100.0%	7,594	86	68	48
Dique IV	12/02/97	-	-	-	-	0	15	32
Maipú 1300	09/28/95	803	51%	100.0%	143	6	6	16
Libertador 498	12/20/95	620	100.0%	100.0%	600	7	6	2
Suipacha 652/64 (5)	11/22/91	11,465	86%	100.0%	2,470	30	22	16
Dot Building (5)	11/28/06	11,242	100.0%	80.0%	4,345	50	31	27
Philips Building (5)	06/05/17	10,142	-	100.0%	-	-	-	-
Subtotal Offices		**87,919**	**96.2%**	**N/A**	**32,325**	**393**	**307**	**311**
Other Properties								
Santa María del Plata S.A	10/17/97	116,100	91%	100.0%	988	12	12	-
Nobleza Piccardo (6)	05/31/11	109,610	94%	50.0%	1,775	13	2	8
Other Properties (7)	N/A	17,941	N/A	N/A	1,317	13	11	7
Subtotal Other Properties		**243,651**	**90.0%**	**N/A**	**4,079**	**38**	**25**	**15**
Total Offices and Others		**331,570**	**91.5%**	**N/A**	**36,404**	**431**	**332**	**326**

Notes:

(1) Corresponds to the total leaseable surface area of each property as of June 30, 2017. Excludes common areas and parking spaces.
(2) Calculated by dividing occupied square meters by leaseable area as of June 30, 2017.
(3) The lease agreements in effect as of June 30, 2017 were computed for each property.
(4) Corresponds to total consolidated lease agreements.
(5) Through IRSA CP.
(6) Through Quality Invest S.A.
(7) Includes the following properties: Ferro, Dot Adjoining Plot, Anchorena 665, Anchorena 545 (Chanta IV) and Intercontinental plot.

The following table shows a schedule of the lease expirations of our offices outstanding as of June 30, 2017, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

Year of Expiration	Number of Leases	Surface area subject to expiration (sqm)	Percentage subject to expiration	Amount (Ps.)	Percentage of Leases
2017	25	19,535	27%	27,472,824	8%
2018	29	18,640	26%	139,172,130	39%
2019	24	19,558	27%	124,990,936	35%
2020+	18	15,090	21%	66,259,368	19%
Total	**96**	**72,823**	**100%**	**357,895,258**	**100%**

Notes:

Includes Offices whose the lease agreement has not yet been renewed as of June 30, 2017.
Does not include vacant leased square meters.
Does not include square meters or revenues from parking spaces.

The following table shows our offices occupancy percentage (1) as of the end of fiscal years ended June 30, 2017 and 2016:

	Occupancy Percentage[1]	
	2017	2016
Offices		
Edificio República	95.2%	100.0%
Torre Bankboston	100.0%	100.0%
Intercontinental Plaza	100.0%	100.0%
Bouchard 710	100.0%	100.0%
Suipacha 652/64	86.3%	90.7%
DOT Building	100.0%	100.0%
Maipú 1300	50.6%	100.0%
Libertador 498	100.0%	100.0%
Philips Building	-	-
Subtotal Offices	96.2%	98.7%

(1) Leased surface area in accordance with agreements in effect as of June 30, 2017 and 2016 considering the total leaseable office area for the same periods.

The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2017, 2016 and 2015.

Annual average income per surface area as of June 30[1]
(*Ps./sqm*)

	Annual average income per square meter[1]		
	2017[1]	2016[1]	2015[1]
Offices			
Edificio República	5,671	3,615	3,115
Torre Bankboston	5,345	3,778	2,819
Bouchard 551	0	0	-
Intercontinental Plaza	5,409	4,291	2,484
Bouchard 710	5,692	4,539	3,219
Juana Manso 295 (Dique IV)	0	0	2,847
Maipú 1300	6,425	4,790	3,330
Libertador 498	9,739	10,464	3,149
Suipacha 652/64	2,617	1,961	1,399
DOT Building	4,463	2,778	2,439
Philips Building	-	-	-

(1) Calculated by dividing annual rental income by the gross leaseable area of offices based on our interest in each building as of June 30 for each fiscal year.

New agreements and renewals:

The following table sets forth certain Information on lease agreements as of June 30, 2017:

Property	Number of Agreements (1)(5)	Annual Rental Income(2)	Rental income per sqm New and Renewed(3)	Previous rental income per sqm(3)	No. of non-renewed agreements	Non-renewed agreements Annual rental income(4)
Maipú 1300	1	912,402	659	528	1	133,701
Av. Del Libertador 498	1	3,831,017	515	468	-	-
Intercontinental Plaza	1	8,681,505	403	388	3	3,359,603
Bouchard 710	4	19,197,834	475	473	1	3,629,096
Torre BankBoston	5	49,861,824	423	452	1	876,401
Edificio República	5	37,819,319	439	435	1	1,136,789
Dot Building	5	36,963,345	356	316	-	-
Suipacha 664	6	22,087,186	234	246	-	-
Total Offices	**28**	**179,354,432**	**379**	**376**	**7**	**9,135,589**

(1) Includes new and renewed agreements executed in fiscal year 2017.
(2) Agreements stated in US dollars converted into Pesos at the exchange rate prevailing in the initial month of the agreement multiplied by 12 months.
(3) Monthly value.
(4) Agreements stated in US dollars converted into Pesos at the exchange rate prevailing in the last month of the agreement, multiplied by 12 months.
(5) Does not include agreements of parking spaces, antennas or terrace space.

Below is a description of our rental office buildings:

Edificio República, City of Buenos Aires

Edificio República was designed by the renowned architect César Pelli (the designer of the World Trade Center in New York and the Petronas Towers in Kuala Lumpur). It is a unique premium office building in downtown Buenos Aires with approximately 19,885 gross leaseable square meters and 178 parking spaces. The main tenants include Estudio Beccar Varela, BASF Argentina S.A., ENAP Sipetrol Argentina S.A., Facebook Argentina S.R.L., BACS Banco de Crédito y Securitización S.A., among others.

Torre BankBoston, City of Buenos Aires

The Bank Boston Tower is a modern office building located at Carlos Maria Della Paolera 265 in the City of Buenos Aires. It was designed by the renowned architect Cesar Pelli and has 27 floors and 60 parking spaces and 31,670 square meters of gross leaseable area. We have a 47% ownership interest in the building. At present, its main tenants include Exxon Mobile and Kimberley Clark de Argentina, among other.

Intercontinental Plaza, City of Buenos Aires.

Intercontinental Plaza is a modern 24-story building located next to the Intercontinental Hotel in the historic neighborhood of Montserrat in downtown City of Buenos Aires. We own 17.2% of the building, which has a surface averaging 22,535 square meters of gross leaseable area, accounting for 3,876 square meters of gross leaseable area in this building. The principal tenants currently include CRESUD and IRSA Propiedades Comerciales, among others.

Bouchard 710, City of Buenos Aires.

Bouchard 710 is an office building located in the Retiro area. The building is a 12-story tower, with an average surface area of 1,251 square meters per floor, with 165 units for car parking. In March 2017, the building obtained the LEED Gold-level certification awarded by the U.S. Green Building Council. Tenants include Sibille S.C. (KPMG), and Microsoft de Argentina S.A., Samsung Electronics Argentina S.A., Energy Consulting Services S.A., and Booking.com S.A., among other. It has 15,014 square meters of gross leaseable area.

Suipacha 652/64, City of Buenos Aires.

Suipacha 652/64 is a 7-story office building located in the office district of the city. We own the entire building and 62 parking spaces. The building has unusually large floors, most measuring 1,580 square meters. The building's principal tenants currently include Monitor de Medios Publicitarios S.A., Organización de Servicios Directos Empresarios (OSDE) and Tarshop S.A., among others. It has 11,465 square meters of gross leaseable area.

Dot Building, City of Buenos Aires

Panamerican Mall S.A., our subsidiary, developed an office building with a gross leaseable area of 11,242 sqm adjacent to Dot Baires Shopping. This building was opened in July 2010, which meant our landing in the booming rental office corridor in the northern area of the City of Buenos Aires. The principal tenants include General Electric International Inc., Carrier, Boston Scientific Argentina S.A., Astrazeneca S.A., and Covidien S.A., etc.

Philips Building

The historic Philips Building, adjoins the Dot Baires shopping mall, facing Avenida General Paz, in the City of Buenos Aires. It is a class B building with 4 office floors and a total GLA of approximately 10,000 sqm and a remaining construction capacity over FOT of 18,000 sqm. Irsa CP is owner of 100% of the building, and has had possession of it since June 2017. Effective January 20, 2018 it will have tenancy rights over the building.

Maipú 1300, City of Buenos Aires.

Maipú 1300 is a 23-story office tower opposite Plaza San Martín, a prime office zone facing Avenida del Libertador, an important north-to-south avenue. The building is also located within walking distance of the Retiro commuter train station, the city's most important public transportation hub, connecting rail, subway and bus transportation. We own 803 sqm.

Libertador 498, City of Buenos Aires

Libertador 498 is a 27-story office tower at the intersection of three of the most important means of access to the city. This location allows for easy access to the building from northern, western and southern Buenos Aires. We are owners of 1 floor with an average area per floor of 620 sqm and approximately 100 parking spaces. This building features a unique design in the form of a cylinder and a circular view of the entire city.

Other Office Properties.

We also have interests in other office properties, all of which are located in the City of Buenos Aires, where we only own parking spaces, such as Bouchard 557 or Madero 1020.

Retail and Other Properties.

Our portfolio of rental properties as of June 30, 2017 includes 4 non-leaseable properties that may be leased as shops on streets, a lot in industrial premises, land reserves or other properties for various uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Santa María del Plata, ex Nobleza Piccardo, Dot adjoining plot, Chanta IV, Anchorena 665, Puerto Retiro, Ferro and Intercontinental plot.

Hotels Segment

According to the Hotel Vacancy Survey (EOH) prepared by INDEC, at May 2017, overnight stays at hotel and parahotel establishments were estimated at 2.8 million, 10.5% higher than the same month the previous year. Overnight stays of resident and nonresident travelers increased by 10.3% and 11.3%, respectively. Total travelers who stayed at hotels during May were 1.3 million, accounting for a 9.9% increase compared to the same month the previous year. The number of resident and nonresident travelers increased by 10.0% and 9.6%, respectively. The 1.1 million resident travelers represented 81.0% of the total number of travelers who stayed at hotels. The Room Occupancy Rate in April was 35.3%, showing a slight decline compared to the same month the previous year. Moreover, the Bed Occupancy Rate for the same period was 25.2%, which represents a slight decrease compared to May 2016.

During fiscal year 2017, we kept our 76.34% interest in Intercontinental hotel, 80.00% interest in Sheraton Libertador hotel and 50.00% interest in Llao Llao.

The following chart shows certain information regarding our luxury hotels:

Hotels	Date of Acquisition	IRSA's Interest	Number of rooms	Occupancy[1]	Average Price per Room Ps. [2]	Fiscal Year Sales as of June 30 (in millions)		
						2017	2016	2015
Intercontinental [3]	11/01/1997	76.34%	309	73.9%	2,216	272	195	143
Sheraton Libertador [4]	03/01/1998	80.00%	200	73.2%	1,954	151	119	94
Llao Llao [5]	06/01/1997	50.00%	205	51.6%	5,245	302	220	159
Total	**-**	**-**	**714**	**67.3%**	**2,803**	**725**	**534**	**396**

Notes:
(1) Accumulated average in the twelve-month period.
(2) Accumulated average in the twelve-month period.
(3) Through Nuevas Fronteras S.A. (Subsidiary of IRSA).
(4) Through Hoteles Argentinos S.A.
(5) Through Llao Llao Resorts S.A.

Hotel Llao Llao, San Carlos de Bariloche, Province of Rio Negro

In June 1997 we acquired the Hotel Llao Llao from Llao Llao Holding S.A. Fifty percent is currently owned by the Sutton Group. The Hotel Llao Llao is located on the Llao Llao peninsula, 25 kilometers from the City of San Carlos de Bariloche, and it is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1938. The hotel was renovated between 1990 and 1993 and has a total constructed surface area of 15,000 sqm and 158 original rooms. The hotel-resort also includes an 18-hole golf course, tennis courts, fitness facility, spa, game room and swimming pool. The hotel is a member of The Leading Hotels of the World, Ltd., a prestigious luxury hospitality organization representing 430 of the world's finest hotels, resorts and spas. The Hotel Llao Llao is currently being managed by Compañía de Servicios Hoteleros S.A., operator, among others, of the Alvear Palace Hotel, a luxury hotel located in the Recoleta neighborhood of Buenos Aires. During 2007, the hotel was subject to an expansion and the number of suites in the hotel rose to 201 rooms.

Hotel Intercontinental, City of Buenos Aires

In November 1997, we acquired 76.34% of the Hotel Intercontinental. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Montserrat, near the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 24% of the Hotel Intercontinental. The hotel's meeting facilities include eight meeting rooms, a convention center and a divisible 588 sqm ballroom. Other amenities include a restaurant, a business center, a sauna and a fitness facility with swimming pool. The hotel was completed in December 1994 and has 309 rooms.

Hotel Sheraton Libertador, City of Buenos Aires
In March 1998 we acquired 100% of the Sheraton Libertador Hotel from Citicorp Equity Investment for an aggregate purchase price of USD 23 million. This hotel is located in downtown Buenos Aires. The hotel contains 193 rooms and 7 suites, eight meeting rooms, a restaurant, a business center, a spa and fitness facilities with a swimming pool. In March 1999, we sold 20% of our interest in the Sheraton Libertador Hotel for USD 4.7 million to Hoteles Sheraton de Argentina. The hotel is currently managed by Sheraton Overseas Management Corporation, a United States corporation.

Bariloche Plot, "El Rancho," San Carlos de Bariloche, Province of Río Negro
On December 14, 2006, through our hotel operator subsidiary, Llao Llao Resorts S.A., we acquired a land covering 129,533 sqm of surface area in the City of San Carlos de Bariloche in the Province of Río Negro. The total price of the transaction was USD 7 million, of which USD 4.2 million were paid in cash and the balance of USD 2.8 million was financed by means of a mortgage to be paid in 36 monthly, equal and consecutive installments of USD 0.086 million each. The land is in the border of the Lago Gutiérrez, close to the Llao Llao Hotel in an outstanding natural environment and it has a large cottage covering 1,000 sqm of surface area designed by the architect Ezequiel Bustillo.

Sale and Development of Properties and Land Reserves Segment

Residential Development Properties

The acquisition and development of residential apartment complexes and residential communities for sale is one of our core activities. Our development of residential apartment complexes consists of the new construction of high-rise towers or the conversion and renovation of existing structures such as factories or warehouses. In connection with our development of residential communities, we frequently acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. We may also develop or sell portions of land for others to develop complementary facilities such as shopping areas within residential developments.

In fiscal year ended June 30, 2017, revenues from the development and sale of properties segment amounted to Ps. 99 million, compared to Ps. 8 million posted in the fiscal year ended June 30, 2016.

Construction and renovation works on our residential development properties are currently performed, under our supervision, by independent Argentine construction companies that are selected through a bidding process. We enter into turnkey contracts with the selected company for the construction of residential development properties pursuant to which the selected company agrees to build and deliver the development for a fixed price and at a fixed date. We are generally not responsible for any additional costs based upon the turnkey contract. All other aspects of the construction, including architectural design, are performed by third parties.

Another modality for the development of residential undertakings is the exchange of land for constructed square meters. In this way, we deliver undeveloped pieces of land and another firm is in charge of building the project. In this case, we receive finished square meters for commercialization, without taking part in the construction works.

Development	Company	Interest	Date of Acquisition	Surface area sqm	Area intended for sale sqm (1)	Area intended for construction	Sold (2)	Location
Residential properties								
Available for sale								
Condominios del Alto I	IRSA CP	100%	04/30/1999	-	2,082	-	100%	Santa Fe
Condominios del Alto II	IRSA CP	100%	04/30/1999	-	4,082	-	100%	Santa Fe
Caballito Nuevo	IRSA	100%	11/03/1997	-	7,323	-	100%	CABA
Barrio Chico	IRSA	100%	03/01/2003	-	2,872	-	100%	CABA
El Encuentro	IRSA	100%	11/18/1997	-	127,748	-	100%	Buenos Aires
Abril Club de Campo – Plots	IRSA	100%	01/03/1995	-	5,135	-	100%	Buenos Aires
Abril Club de Campo – Manor House (3)	IRSA	100%	01/03/1995	31,224	34,605	-	100%	Buenos Aires
Torres Jardín	IRSA	100%	07/18/1996	-	-		-	CABA
Entre Ríos 465/9 apartment	IRSA CP	100%	-	-	-		100%	Buenos Aires
Horizons	IRSA	50%	01/16/2007	-	60,232	-	100%	Buenos Aires
Intangible – Receivable units					-			
Beruti (Astor Palermo) (4)	IRSA CP	100%	06/24/2008	-	2,170	-	-	CABA
Caballito Manzana 35	IRSA	100%	10/22/1998	-	6,952	-	-	CABA
CONIL - Güemes 836 – Mz. 99 and Güemes 902 – Mz. 95 and Retail Stores	IRSA CP	100%	07/19/1996	1,389	-	5,994	-	Buenos Aires
Canteras Natal Crespo (2 commercial parcels)	IRSA	-	-	40,333	-	-	-	Buenos Aires
Isla Sirgadero	IRSA	100%	02/16/2007	826,276	-	no data	-	Santa Fe
Pereiraola (Greenville)	IRSA	100%	04/21/2010	-	39,634	-	-	Buenos Aires
Subtotal Residential properties				899,222	292,835	5,994		
Land Reserves								
Pilar R8 Km 53	IRSA	100%	05/29/1997	74,828	-	-	-	Buenos Aires
Pontevedra	IRSA	100%	02/28/1998	730,994	-	-	-	Buenos Aires
Mariano Acosta	IRSA	100%	02/28/1998	967,290	-	-	-	Buenos Aires
Merlo	IRSA	100%	02/28/1998	1,004,987	-	-	-	Buenos Aires

San Luis Plot	IRSA	50%	03/31/2008	3,250,523	-	-	-	San Luis
Subtotal Land reserves				6,028,622	-	-		
Future Developments								
Mixed Uses								
UOM Luján (5)	IRSA CP	100%	05/31/2008	1,160,000	-	no data	N/A	Buenos Aires
La Adela	IRSA	100%	08/01/2014	10,580,000	-	-	N/A	Buenos Aires
Predio San Martin (Ex Nobleza Piccardo) (6)	IRSA CP	50%	05/31/2011	159,995	-	500,000	N/A	Buenos Aires
Puerto Retiro	IRSA	50%	05/18/1997	82,051	-	no data	N/A	CABA
Solares Santa María (7)	IRSA	100%	07/10/1997	716,058	-	no data	N/A	CABA
Residential							-	
Coto Abasto Air Space	IRSA CP	100%	09/24/1997	-	-	21,536	N/A	CABA
Neuquén – Residential parcel	IRSA CP	100%	07/06/1999	13,000	-	18,000	N/A	Neuquén
Uruguay Zetol	IRSA	90%	06/01/2009	152,977	62,756	-	N/A	Uruguay
Uruguay Vista al Muelle	IRSA	90%	06/01/2009	102,216	62,737	-	N/A	Uruguay
Retail								
Caballito Shopping plot (8)	IRSA CP	100%	-	23,791	-	no data	N/A	CABA
Dot potential expansion	IRSA CP	80%	-	15,881	-	47,643	N/A	CABA
Offices								
Philips Adjoining plots - Offices 1 and 2	IRSA CP	80%	11/28/2006	12,800	-	38,400	N/A	CABA
Baicom	IRSA	50%	12/23/2009	6,905	-	34,500	N/A	CABA
Intercontinental Plaza II (9)	IRSA CP	100%	02/28/1998	6,135	-	19,598	N/A	CABA
Catalinas Norte Plot	IRSA	100%	12/17/2009	3,649	-	35,468	13%	CABA
Total Land Reserves				19,963,302	418,328	348,967		

Notes:

(1) Saleable Area means the housing square meters proper, excluding parking and storage spaces. It is recorded at 100%, before making any sales.

(2) % Sold includes those sale transactions for which there is a Preliminary Sales Agreement, Possession or a Title Deed executed. Includes housing square meters only, excludes parking and storage spaces.

(3) Saleable Area includes 31,224 sqm of the plot and 4,712.81 total sqm of the Manor House (discounting 1,331.76 sqm of Ground Floor).

(4) Saleable Area excludes 171 commercial parking spaces to be received and the units as compensation.
(5) Mixed Used Feasibility requested, pending provincial approval.
(6) Since January 2016, the plot has been subject to a regulation called "CP" (*Comercial Principal*), this regulation allows the development of at least 500,000 sqm for mixed uses (Commercial, Residential Properties, etc.)
(7) Feasibility requested for 716,058 buildable square meters, pending approval from the Legislative body of the City of Buenos Aires.
(8) Draft project of 71,374 buildable square meters, pending approval of zoning parameters.
(9) 6,135 sqm of surface area correspond to the parcel, which includes Intercontinental I and II.

In the residential market, we acquire undeveloped properties strategically located in densely populated areas of the City of Buenos Aires, particularly properties located near shopping malls and hypermarkets or those to be constructed. We then develop multi-building high-rise complexes targeting the middle- and high- income market. These are equipped with modern comforts and services, such as open “green areas,” swimming pools, sports and recreation facilities and 24-hour security. In the loft buildings market, our strategy is to acquire old buildings no longer in use located in densely populated middle and upper-middle income areas. The properties are then renovated into unfinished lofts allowing buyers the opportunity to design and decorate them according to their preferences.

Residential Properties (available for Sale)

Condominios del Alto I – City of Rosario, Province of Santa Fe (IRSA CP)
As of June 30, 2017, the project has been completed, and there is no land available for sale.

Condominios del Alto II – City of Rosario, Province of Santa Fe (IRSA CP)
As of June 30, 2017, works in parcel H have been completed; all units under the barter agreement have been received and 11 parking spaces are available for sale.

Barrio Chico – City of Buenos Aires
This is a unique Project located in Barrio Parque, an exclusive residential area in the City of Buenos Aires. During May 2006, the commercialization of the project was launched with successful results. The image of the product was originally developed under the name “Barrio Chico” through advertisements in the most important media. As of June 30, 2017, the project is completed and 2 parking spaces are yet to be sold.

El Encuentro - Benavidez, Tigre – Province of Buenos Aires
In the district of Benavidez, Municipality of Tigre, 35 kilometers north of downtown Buenos Aires, there is a 110-hectare gated residential complex known as “El Encuentro”, consisting of a total of 527 lots and a total saleable area of 610,785.15 sqm with two privileged front accesses: the main one to Vía Bancalari and the service one to Highway No. 9, allowing an easy way to and from the city. As of June 30, 2017, marketing of the project has been completed.

Abril – Hudson – Province of Buenos Aires
Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. We have developed this property into a private residential community for the construction of single-family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment and recreational facilities. A bilingual school, horse stables and sports centers and the construction of the shopping mall were concluded in 1999. The project is highly consolidated, and as of June 30, 2017 there are no lots pending execution of the relevant title deed.

Manor House Abril is located in the heart of the project. It is the antique manor of “Estancia Pereyra Iraola,” which was built in the decade of the thirties by architect José Mille. This little French-style palace of the XIX century has 4,700 sqm distributed over four floors and a garden of around 30,000 sqm.

Horizons, Vicente López, Olivos, Province of Buenos Aires.
The IRSA-CYRELA Project, developed over two adjacent blocks, was launched in March 2008 under the name Horizons. Horizons is one of the most significant developments in Greater

Buenos Aires, featuring a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings: one complex faces the river and consists of three 14-floor buildings, the “Río” complex, and the other one, facing Libertador Avenue, consists of three 17-floor buildings, it is known as the “Parque” complex, thus totaling 59,000 square meters built of saleable area distributed in 467 units (excluding the units to be delivered as consideration for the purchase of the lands). Horizons is a unique and style-innovating residential complex offering 32 amenities, including a meeting room, work zone, heated swimming pools, mansion with spa, sauna, gym, children room, teen room, thematically landscaped areas, and aerobic trail. The showroom was opened to the public in March 2008 with great success. As of June 30, 2017, the project was fully built and 2 apartments and 2 parking spaces are pending execution of the title deed. The stock available for sale consists of 1 parking space and 30 storage spaces.

Intangibles - Units to be received under barter agreements

Beruti Plot – City of Buenos Aires (IRSA CP)

On October 13, 2010, the Group, through its subsidiary IRSA CP, and TGLT S.A. (“TGLT”) entered into a barter agreement in connection with a plot of land located at Beruti 3351/59 in the City of Buenos Aires for cash and 2,170 square meters in future residential apartments to be constructed by TGLT in the plot. On December 30, 2016, IRSA CP took possession of 36 apartments, 32 residential parking spaces and 171 commercial parking spaces, and started to market them. As of June 30, 2017, there are 15 apartments and 22 residential parking spaces available for sale.

Caballito Plot – City of Buenos Aires

On June 29, 2011, the Group and TGLT, a residential developer, entered into an agreement to barter a plot of land located in Méndez de Andes street in the neighborhood of Caballito in the City of Buenos Aires for cash and future residential apartments to be constructed by TGLT on the mentioned land. The transaction was agreed upon at USD 12.8 million. TGLT plans to construct an apartment building with parking spaces. As consideration, TGLT paid USD 0.2 million (USD 159,375) in cash and will transfer to IRSA: (i) a number of apartments to be determined representing 23.10% of total square meters of residential space; (ii) a number of parking spaces to be determined representing 21.10% of total square meters of parking space; and (iii) in case TGLT builds complementary storage rooms, a number to be determined, representing 21.10% of square meters of storage space. TGLT is committed to build, finish and obtain authorization for the three buildings making up the project within 36 to 48 months. TGLT mortgaged the land in favor of IRSA as guarantee.

A neighborhood association named *Asociación Civil y Vecinal SOS Caballito* secured a preliminary injunction which suspended the works to be carried out by TGLT in the abovementioned property. Once said preliminary injunction was deemed final, the Government of the City of Buenos Aires and TGLT were served notice of the complaint.

CONIL – Avellaneda, Province of Buenos Aires (IRSA CP)

These plots of the Company face Alto Avellaneda shopping mall, totaling 2,398 sqm distributed in two opposite corners and according to urban planning standards, around 6,000 sqm may be built. Its intended use, either through an own development or sale to a third party, is residential with the possibility of a retail space as well. In November 2014, a barter deed was executed for the purpose of developing a residential project and as consideration for it, the Company will receive 1,389 sqm of retail stores located on the ground floors of blocks 99 and 95, at Güemes 836 and Güemes 902, respectively. Delivery of the consideration for block 95 is expected to take place in January 2018, and that corresponding to block 99 is scheduled for September 2018. The barter price was USD 0.7 million.

Pereiraola (Greenville), Hudson – Province of Buenos Aires
In April de 2010 we sold Pereiraola S.A., a company owner of certain lands adjacent to Abril Club de Campo that comprised 130 hectares, for USD 11.7 million. The purchaser would develop a project that includes the fractioning into lots, a condo-hotel, two polo fields, and apartment buildings. The delivery to the Company of 39,634 square meters of lots amounting to approximately USD 3 million was included in the sale price. At present the company is marketing its 52 lots.

Canteras Natal Crespo, La Calera – Province of Córdoba
On June 26, 2013, we sold 100% of our interest in Canteras Natal Crespo S.A. representing 50% of its capital stock, to Euromayor S.A. de Inversiones for USD 4,215,000 according to the following payment schedule: USD 3,815,000 in cash and USD 400,000 through the transfer of almost 40,000 sqm for business purposes within the project to be developed in the site known as Laguna Azul. Delivery of the non-monetary consideration is pending.

Land Reserves and development properties

Other Land Reserves – Pilar, Pontevedra, Mariano Acosta, Merlo and San Luis Plot
We grouped here those plots of land with a significant surface area the development of which is not feasible in the short term either due to their current urban and zoning parameters, their legal status or the lack of consolidation of their immediate environment. This group totals around 14 million sqm.

Isla Sirgadero
On September 3, 2015, the entire property was sold to several companies for USD 3.9 million, payable in 16 quarterly installments, plus an installment in kind, land resulting from the final blueprint, equivalent to 10% of the surface area. Delivery of the non-monetary consideration is pending.

CAPEX 2017

	Developments		
	Greenfields		*Expansions*
	Polo Dot (First Stage)	Catalinas(*)	Alto Palermo
Beginning of Works	FY2017	FY2017	FY2017
Estimated opening date	FY2019	FY2020	FY2019
Total GLA (sqm)	32,000	35,468	4,000
% held by IRSA Propiedades Comerciales	80%	45%	100%
Investment amount at 100% (in millions)	Ps. 1,000	Ps. 1,600	USD 28.5
Work progress (%)	7.4%	3.0%	0%

(*) 45% of the development corresponds to our subsidiary IRSA Propiedades Comerciales S.A.

Alto Palermo Expansion
The expansion project of Alto Palermo shopping mall adds a gross leaseable area of approximately 4,000 square meters to the shopping mall with the highest sales per square meter and consists in moving the food court to a third level using the area of an adjacent building acquired in 2015. We ended demolition works and we expect to start construction during fiscal year 2018. Its opening is scheduled to take place in fiscal year 2019.

First stage of Polo Dot

The project called "Polo Dot", located in the commercial complex adjacent to our shopping mall Dot Baires, has experienced significant growth since our first investments in the area. The total project will consist of 3 office buildings (one of them could include a hotel) in land reserves owned by the Company and the expansion of the shopping mall by approximately 15,000 square meters of GLA. At a first stage, we will develop an 11-floor office building with an area of approximately 32,000 square meters on an existing building, in respect of which we have already executed lease agreements for approximately 75% of the footage, even before starting the works. The construction stage started in the second quarter of FY2017, and we expect that the building will become operational within 18 to 24 months. The second stage of the project will include two office/hotel buildings that will add 38,400 square meters of GLA to the complex. We have seen a significant demand for Premium office spaces in our new commercial complex and we are confident that we will be able to open these buildings with attractive rent levels and high occupancy.

Catalinas Building

The "Catalinas" project is located in one of the most sought-after spots for office development in Argentina. The building to be constructed will have 35,468 square meters of GLA in 30 office floors and 316 parking spaces. Construction works started during the second quarter of FY2017, and are expected to be completed in about 3 years.

Future Developments

Mixed Uses:

Ex UOM – Luján, Province of Buenos Aires (IRSA CP)

This 116-hectare plot of land is located in the 62 Km of the West Highway, in the intersection with Route 5 and was originally purchased by Cresud on May 31, 2008 from Birafriends S.A. for USD 3 million. In May 2012, the Company acquired the property through a purchase and sale agreement entered into between related parties, thus becoming the current owner. Our intention is to carry out a mixed-use project, taking advantage of the environment consolidation and the strategic location of the plot. At present, dealings are being carried out so as to change the zoning parameters, thus enabling the consummation of the project.

Ex Nobleza Piccardo Plant – San Martín, Province of Buenos Aires (IRSA CP)

On May 31, 2011, Quality Invest S.A. and Nobleza Piccardo S.A.I.C. y F. (Nobleza) executed the title deed for the purchase of a plot of land extending over 160,000 square meters located in the District of San Martín, Province of Buenos Aires, currently used for industrial purposes and suitable in terms of characteristics and scales for mixed-use developments. The price for the property was USD 33 million, 30% of which was paid at such time. A first-priority mortgage was created for the balance of the price on the property, in favor of Nobleza. The balance plus interest at a nominal annual rate of 7.5% on the outstanding balance were paid in full –principal plus interest- in March 2013, by advancing payments.

Simultaneously with execution of the title deed the parties entered into a lease agreement whereby Nobleza leased the whole property for a term of up to 36 months as from May 2011. This lease agreement contained a clause providing for partial return of the property from month 8 (eight) to month 14 (fourteen) after the date of execution thereof. Prior to expiration, an extension was executed for 2 (two) to 6 (six) months which expired in December 2012, and Quality Invest S.A. obtained usufructuary rights to over half the plot of land. The return of the remaining area set forth in the Agreement and due to occur in May 2014 was once again extended until December 31, 2014. On March 2, 2015 a Certificate was executed by Nobleza and Quality Invest S.A. for full return of the Property, and the contract relationship between the parties came to an end.

On May 16, 2012 the Municipality of San Martín granted a pre-feasibility permit for commercial use, entertainment, events, offices, etc., which would enable performance of a mixed-use development thereon.

Pursuant to an Ordinance enacted on December 30, 2014, a process was initiated to obtain a rezoning permit for the plot of land to be used mainly for Commercial Purpose, which considerably expands the uses and potential buildable square meters through new urban indicators. On January 5, 2016, the Provincial Decree issued by the Government of the Province of Buenos Aires was published in the Official Gazette, through which zoning parameters and the rezoning permit obtained became effective.

As approved in the Ordinance, on January 20, 2015 Quality Invest S.A. entered into a Zoning Agreement with the Municipality of San Martín which governs various issues related to applicable regulations and provides for a mandatory assignment of square meters in exchange for monetary contributions subject to fulfillment of certain administrative milestones of the rezoning process. The first monetary contribution (which amounted to Ps. 20,000,000) was paid to the Municipality ten days after the execution of the Agreement.

In addition, on June 27, 2016, the subdivision of the property was submitted to the Municipality, thus complying with another relevant aspect of the Zoning Agreement.

At present we are working in a draft project for the development of a thematic Shopping Mall named "*Hipercentro para el Hogar*" to be constructed in the existing main warehouse. The project will involve 50,000 sqm, divided into 30,000 sqm for the Shopping Mall and 20,000 sqm for parking.

At the same time, we are working jointly with an urban development firm in a comprehensive master plan to design the remaining areas of the facility. At present, the facility has a construction capacity of over 500,000 sqm that may be used for different commercial purposes as well as to build residential properties.

Concerning the legal framework for the development and operation of the Shopping Mall and the remaining segments, an addendum to the Agreement already executed is being negotiated with the Municipality of San Martín aimed at ensuring certain rights in favor of Quality Invest that will be essential for the consummation of the development.

Solares de Santa María – City of Buenos Aires

Solares de Santa María is a 70-hectare property facing the Río de la Plata in the south of Puerto Madero, 10 minutes from downtown Buenos Aires. We are owners of this property in which we intend to develop an entrepreneurship for mixed purposes, i.e. our development project involves residential complexes as well as offices, stores, hotels, sports and sailing clubs, services areas with schools, supermarkets and parking lots.

In the year 2000, we filed a master plan for the Santa María del Plata site, which was assessed by the Environmental Urban Plan Council (*Consejo del Plan Urbano Ambiental, "COPUA"*) and submitted to the Town Treasurer's Office for its consideration. In 2002, the Government of the City of Buenos Aires issued a notice of public hearing and in July 2006, the COPUA made some recommendations about the project, and in response to the recommendations made by COPUA to the project on December 13, 2006, we filed an amendment to the project to adjust it to the recommendations made by COPUA, making material amendments to our development plan for the area, which amendments included the donation of 50% of the site to the City of Buenos Aires for public use and convenience and a perimetrical pedestrian lane along the entire site on the river bank.

In March 2007, a committee of the Government of the City of Buenos Aires, composed of representatives from the Legislative and Executive Branches issued a report stating that such Committee had no objections to our development plan and requested that the Town Treasurer's Office render a decision concerning the scope of the development plan submitted for the project. In November 2007, 15 years after the Legislative Branch of the City of Buenos Aires granted the general zoning standards for the site, the Government Chief of the City of Buenos Aires executed Decree No. 1584/07, which passed the specific ruling, set forth certain rules for the urban development of the project, including types of permitted constructions and the obligation to assign certain spaces for public use and convenience.

Notwithstanding the approval of Decree No. 1584/07 in 2007, several municipal approvals are still pending and in December 2007, a municipal court rendered a decision restricting the implementation of our proposed development plan, due to objections made by a legislator of the City of Buenos Aires, alleging the suspension of Decree No. 1584/07, and each construction project and/or the municipal permits granted for business purposes. Notwithstanding the legality and validity of Decree No. 1584/07, we entered into an agreement 5/10 that was executed with the Government of the City of Buenos Aires, which has been sent with a legislative bill to the Legislature of the City of Buenos Aires under number 976-J-2010, for approval.

On October 30, 2012 a new agreement was executed with the Government of the City of Buenos Aires, replacing all those already executed, whereby new obligations were agreed upon between the parties for the consummation of the project. To that end, such Agreement – as well as the previous ones – shall be countersigned and approved by the Legislative Branch of the City of Buenos Aires by enacting a bill that is attached to the project. The docket containing the Bill of Law was reserved and is pending such legislative treatment. The Agreement provided that if by February 28, 2014 the Bill of Law was not enacted, it would become invalidated - current status to date.

During 2016, a new Agreement was executed with the Executive Branch of the City of Buenos Aires, including a new Bill of Law. The new Bill of Law was submitted to the Legislative Branch of the City of Buenos Aires for consideration and was approved by the relevant commissions; yet, it was reserved as it had happened in 2012, and its legislative treatment is still pending. The new Bill of Law may remain in such status during legislative year 2017.

In order to ensure the enactment of the desired law, treatment of the previous bill must be resumed or a new Agreement including a Bill of Law must be executed with the executive branch of the Government of the City of Buenos Aires, and subsequently ratified through the enactment of a Law by the Legislature of the Government of the City of Buenos Aires.

Puerto Retiro – City of Buenos Aires

During fiscal year 1998, the Company initiated negotiations with the authorities of the Government of the City of Buenos Aires in order to obtain a rezoning permit for the property, allowing a change in the use of the property and setting forth new regulations for its development.

At present, this 8.3 hectare plot of land, which is located in one of the most privileged areas of the city, near Catalinas, Puerto Madero and Retiro and is the only privately owned waterfront property facing directly Río de la Plata, is affected by a zoning regulation defined as *U.P.* which prevents the property from being used for any purposes other than strictly port activities.

Under the records of the proceedings for the extension of bankruptcy, Puerto Retiro S.A. requested authorization to execute both leases with the companies Los Cipreses S.A. and Flight Express S.A. for certain areas of the property acquired for a term of five years each. While authorization was granted by the lower court, the Court of Appeals in Commercial Matters reversed such decision upon request of the National Government and the receiver of INDARSA. Puerto Retiro S.A. filed an extraordinary appeal that was denied.

As mentioned in Note 19, the Company was involved in a judicial action brought by the National Government, to which this Board of Directors is totally alien. The Management and the legal counsel to the Company believe that there are sufficient legal and technical arguments to consider that the petition for extension of the bankruptcy case will be dismissed by the court. However, in view of the current status of the action, its result cannot be predicted.

In turn, Tandanor filed a civil action against Puerto Retiro S.A. and the other defendants in the criminal case for violation of Section 174 (5) based on Section 173 (7) of the Criminal Code. Such action seeks -on the basis of the nullity of the decree that approved the bidding process involving the Dársena Norte property- the restitution of the property and a reimbursement in favor of Tandanor for all such amounts it has allegedly lost as a result of a suspected fraudulent transaction involving the sale of the property. In the criminal action, the claimant reported the violation by Puerto Retiro of the injunction ordered by the criminal court consisting in an order to stay (*prohibición de innovar*) and not to contract with respect to the property disputed in the civil action. As a result of such report, the Federal Court (*Tribunal Oral Federal*) No. 5 started interlocutory proceedings, and on June 8, 2017, it ordered and carried out the closing of the property that was subject to the above mentioned lease agreements with Los Cipreses S.A. and Flight Express S.A. with the aim of enforcing the referred order. As a result, the proceedings were forwarded to the Criminal Court for it to appoint the court that will investigate the alleged commission of the crime of contempt.

Our legal counsel considers that there is a chance of success of the defense of Puerto Retiro, always taking into account that this is a complex issue subject to more than one interpretation by legal scholars and case law.

Residential

Coto Residential Project (IRSA CP)

The Company owns approximately 23,000 sqm in air space over the top of the Coto hypermarket that is close to the Abasto Shopping Mall in the heart of the City of Buenos Aires. The Company and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997 whereby the Company acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood.

In June 2016, a preliminary barter agreement was signed, subject to certain conditions, for a term of one year, at the end of which the deed will be signed. The project will be a residential development and, as consideration, the Company will receive 3,621 square meters in apartments plus a monetary payment of USD 1 million. The consideration for Torre I will be delivered by June 2021, while the consideration for Torre II will be delivered by September 2022. The value of the barter was set at USD 7.5 million.

Córdoba Shopping Mall Project (IRSA CP)

The Company owns a few plots adjacent to Córdoba Shopping Mall with a construction capacity of approximately 17,300 square meters in the center of the City of Córdoba.

In May 2016, a preliminary Barter Agreement was signed for 13,500 square meters out of the total construction capacity, subject to certain conditions, for a term of one year, at the end of which the deed will be signed. It will be a mixed residential and office project and, as part of the consideration, the Company will receive 2,160 square meters in apartments, parking spaces, plus the management of permits, unifications and subdivisions in 3 plots. The consideration will be delivered by May 2021 for Torre I and by July 2023 for Torre II. The value of the barter was USD 4 million.

Neuquén Residential parcels– Neuquén, Province of Neuquén (IRSA CP)

Through Shopping Neuquén S.A., we own a plot of 13,000 sqm and a construction capacity per FOT of 18,000 sqm of residential properties in an area with significant potential. This area is located close to the recently inaugurated shopping mall, the hypermarket recently opened and a hotel to be constructed in months to come.

Zetol S.A. and Vista al Muelle S.A. – District of Canelones – Uruguay

In the course of fiscal year 2009 we acquired a 100% ownership interest in Liveck S.A., a company organized under the laws of Uruguay. In June 2009, Liveck had acquired a 90% stake in the capital stock of Vista al Muelle S.A. and Zetol S.A., two companies incorporated under the laws of Uruguay, for USD 7.8 million. The remaining 10% ownership interest in both companies is in the hands of Banzey S.A. These companies have undeveloped lands in Canelones, Uruguay, close to the capital city of Uruguay, Montevideo.

We intend to carry out an urban project consisting in the development and commercialization of 13 apartment buildings. Such project has the “urban feasibility” status for the construction of approximately 200,000 sqm for a term of 10 years, which was granted by the Mayor’s Office of the Canelones department and by its Local Legislature. Zetol S.A. and Vista al Muelle S.A. agreed to carry out the infrastructure works for USD 8 million as well as minimum amount of sqm of properties. The satisfaction of this commitment under the terms and conditions agreed upon will grant an additional 10-year effective term to the urban feasibility status.

The total purchase price for Zetol S.A. was USD 7 million; of which USD 2 million were paid. Sellers may opt to receive the balance in cash or through the delivery of units in the buildings to be constructed in the land owned by Zetol S.A. equivalent to 12% of the total marketable meters to be constructed.

Besides, Vista al Muelle S.A. owned since September 2008 a plot of land purchased for USD 0.83 million. Then, in February 2010, plots of land were acquired for USD 1 million, the balance of which as of to date amounts to USD 0.28 million plus interest and will be repaid in December 2014. In December 2010, Vista al Muelle S.A. executed the title deed of other plots for a total amount of USD 2.66 million, of which USD 0.3 million were paid. The balance will be repaid by delivering 2,334 sqm of units and/or retail stores to be constructed or in cash.

On June 30, 2009, the Company sold a 50% stake in Liveck S.A. to Cyrela Brazil Realty S.A. for USD 1.3 million. On December 17, 2010, together with Cyrela Brazil Realty S.A. we executed a stock purchase agreement pursuant to which we repurchased from Cyrela Brazil Realty S.A. a 50% shareholding in Liveck S.A. for USD 2.7 million. Accordingly, as of June 30, 2016, our stake, through Tyrus, in Liveck is 100%.

As a result of the plot barter agreements executed in due time between the IMC, Zetol S.A. and Vista al Muelle S.A. in March 2014, the parcel redistribution dealing was concluded. This milestone, as set forth in the amendment to the Master Agreement executed in 2013, initiates the 10-year term for the investment in infrastructure and construction of the buildings mentioned above. At present, the urban project and the design of the first tower are being developed.

Retail

Caballito Plot – City of Buenos Aires (IRSA CP)
This is a property of approximately 23,791 sqm in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which the Company purchased in November 1997. This plot would allow developing a shopping mall having 30,000 sqm, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. At present, the Legislature of the City of Buenos Aires has received a legislative bill to approve the zoning parameters corresponding to this property which already has the consent of the Executive Branch.

Dot Adjoining Plot – City of Buenos Aires (IRSA CP)
On May 3, 2012, the Government of the City of Buenos Aires, through the General Office of Zoning Interpretation (*Dirección General de Interpretación Urbanística*) approved, through a pre-feasibility study, the parcel subdivision of the ex-Philips plot contingent upon the observance of the applicable building regulations in each of the resulting parcels. In addition, all the uses and parameters established under the municipal ordinance previously issued by the above mentioned authority are being observed.

On June 3, 2013, we were given notice that the Government of the City of Buenos Aires had approved the requested parcel subdivision of the ex-Philips plot. As a result, the property was divided into three parcels: 2 parcels of approximately 6,400 sqm and a parcel adjoining DOT Shopping, where at present the first stage of the POLO DOT is being developed.

Offices

Philips Adjoining Plots 1 and 2 – City of Buenos Aires (IRSA CP)
These two parcels of 6,400 sqm with construction capacity of 19,200 sqm each, are at present a significant land reserve jointly with a plot where the extension of Dot Baires Shopping is planned. As a result of major developments, the intersection of Av. General Paz and the Panamerican Highway has experienced a significant growth in recent years. The project of these parcels will conclude the consolidation of this area.

Intercontinental Plaza II Plot - City of Buenos Aires (IRSA CP)
The *Intercontinental Plaza* complex is located in the heart of the Monserrat district, situated a few meters away from the most important avenue in the city and the financial district. It comprises an office tower and the exclusive Intercontinental Hotel. In the 6,135 square meter plot, it would be feasible to develop a second office tower, including 19,600 square meters and 25 floors, that would supplement the one already erected in the intersection of Moreno and Tacuarí streets.

Disposals of Investment Properties in Fiscal Year 2017

Sale of units in Intercontinental Building
IRSA Propiedades Comerciales sold 2,647 leasable square meters corresponding to three office floors and 24 parking units of Intercontinental Plaza building, with the remaining 3,876

sqm in such building being held by the company. The transaction amount was USD 9 million, and has been fully collected as of June 30, 2017.

Partial sales of "Maipú 1300" building

In May 2017, 550 sqm were sold corresponding to the ground-floor store and the 23rd floor in the Maipú 1300 building, with the remaining 1,235 sqm being held by the company. The transaction amount was agreed upon in USD 0.75 million for the ground-floor store and USD 1.4 million for the 23th Floor.

Sale of Rivadavia 2768 building

In May 2017, the remaining footage of Rivadavia 2768 building was sold. The transaction amount was USD 0.2 million.

International Segment

Lipstick Building, New York, United States

The Lipstick Building is a landmark building in the City of New York, located at Third Avenue and 53th Street in Midtown Manhattan, New York. It was designed by architects John Burgee and Philip Johnson (Glass House and Seagram Building, among other renowned works) and it is named after its elliptical shape and red façade. Its gross leaseable area is approximately 58,000 sqm and consists of 34 floors.

As of June 30, 2017, the building's occupancy rate was 95.15%, thus generating an average rent of USD 69.20 per sqm.

Lipstick	Jun-16	Jun-17	YoY Var
Gross Leaseable Area (sqm)	58,094	58,094	-
Occupancy	97.33%	95.15%	2.18 p.p.
Rental price (USD/sqm)	66.67	69.20	3.79%

Since June 2016, various leases have been renewed, equivalent to 4,995 sqm in aggregate (53,763 sf) with an average rent of USD 84 per sqm. In the same period, the entire floor 28 was occupied, with an average rent of USD 87 per sqm, for a term of 11 years. The difference in the occupancy rate is explained by the release of floor 27 and floor 31.

Moreover, we successfully completed the building's certification process and obtained the **LEED EB: O&M Gold** certification. The implementation of this project started in July 2015, and it has concluded with a certification that endorses the best environmental practices, transforming the building's operational standards.

Finally, in the southern wing of the lobby there is an exhibition since September 2014 showcasing part of the work and life of the celebrated Argentine architect César Pelli. The exhibition has been conceived, designed and executed in close cooperation with César Pelli's architectural firm.

Investment in Condor Hospitality Trust

We maintain our investment in the Condor Hospitality Trust Hotel REIT (NASDAQ: CDOR) mainly through our subsidiary Real Estate Strategies L.P. ("RES"), in which we hold a 66.3% interest. Condor is a REIT listed in Nasdaq focused on medium-class hotels located in various states of the United States of America, managed by various operators and franchises.

In January 2017, Condor issued 150,540 new warrants in favor of RES, which are entitled to one share each, at an exercise price of USD 0.001 per share and due in January 2019. The new warrants replaced the former 3,750,000 warrants which entitled their holders to one share each, at an exercise price of USD 1.92 and due on January 31, 2017. In addition, the Group exercised its conversion rights in respect of the 3,245,156 Series D preferred shares (with a par value of USD 10 each) held by RES, into 20,282,225 common shares of Condor (with a par value of USD 0.01 per share), at the agreed conversion price of USD 1.60 per share, accounting for USD 32.4 million in the aggregate. At the same time, the Group received 487,738 Series E preferred shares that are convertible into common shares at USD 2.13 each as from February 28, 2019, paying dividends on a quarterly basis at 6.25% per year.

Also in February, Condor's Board of Directors approved a one-for-6.5 reverse stock split, which was carried out after the close of trading on March 15, 2017. The par value of the shares involved in the reverse stock split remained at USD 0.01 each, with the conversion price of Series E preferred shares standing at USD 13.845 and the exercise price of the warrants, at USD 0.0065.

Subsequently, in March, Condor conducted an initial public offering pursuant to which it issued 4,772,500 new shares (including 622,500 additional shares for the exercise of a call option granted to subscribers) at a price of USD 10.50 per share. The Group did not participate in the offering.

As a consequence of the aforementioned events, as of June 30, 2017, the Group held 3,314,453 common shares of Condor's capital stock, accounting for approximately 28.5% of that company's capital stock and votes. The Group also held 487,738 Series E preferred shares, 23,160 warrants and a promissory note convertible into 97,269 common shares (at a price of USD 10.4 each).

Financial Operations and Others Segment

Our interest in Banco Hipotecario

As of June 30, 2017, we held a 29.91% interest in Banco Hipotecario. Established in 1886 by the argentine government and privatized in 1999, Banco Hipotecario has historically been Argentina's leading mortgage lender, provider of mortgage-related insurance and mortgage loan services. All of its operations are located in Argentina where it operates a nationwide network of 65 branches in the 23 Argentine provinces and the City of Buenos Aires, and 15 additional sales offices throughout Argentina. Additionally, its subsidiary Tarshop S.A. has 24 sales offices.

Banco Hipotecario is an inclusive commercial bank that provides universal banking services, offering a wide variety of banking products and activities, including a wide range of individual and corporate loans, deposits, credit and debit cards and related financial services to individuals, small-and medium-sized companies and large corporations. As of April 30, 2017, Banco Hipotecario ranked thirteenth in the Argentine financial system in terms of shareholders' equity and fifteenth in terms of total assets. As of June 30, 2017, Banco Hipotecario's shareholders' equity was Ps. 6,681.1 million, its consolidated assets were Ps. 55,261.9 million, and its net income for the twelve-month period ended June 30, 2016 was Ps. 865.0 million. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange in Argentina, and since 2006 it has had a Level I ADR program.

Banco Hipotecario continues its business strategy of diversifying its loan portfolio. As a result, non-mortgage loans increased from Ps. 14,845.9 million as of December 31, 2014 to Ps. 17,944.7 million as of December 31, 2015, from Ps. 24,305.4 million as of December 31, 2016 to Ps. 28,147.3 million as of June 30, 2017, increasing the interest in the aggregate loan portfolio to the non-financial private sector (without considering mortgage loans) from 84.1% as of December 31, 2014 to 88.1% as of June 30, 2017. Non-performing loans represented 2.9% of its total portfolio as of June 30, 2017.

Furthermore, Banco Hipotecario has diversified its funding sources, by developing its presence in the local and international capital markets and increasing its deposit base. Its financial debt represented 49.4% of the total financing as of June 30, 2017.

Its subsidiaries include BACS Banco de Crédito y Securitización S.A., a bank specialized in investment banking, securitization and asset management, BHN Vida S.A., a life insurance company, BHN Seguros Generales S.A., a fire insurance company for home owners and Tarshop S.A., a company specialized in the sale of consumer financing products and cash advances to non-banking customers.

Operations Center in Israel

Investment in IDB Development Corporation

Within this operations center, the Group operates the following segments:

- The "**Commercial Properties**" segment mainly includes the assets and profit from operations derived from the business related to the subsidiary PBC. Through PBC, the Group operates rental and residential properties in Israel, United States and other locations in the world, and executes commercial projects in Las Vegas, United States of America.
- The **"Supermarkets"** segment includes the assets and profit from operations derived from the business related to the subsidiary Shufersal. Through Shufersal, the Group mainly operates a supermarket chain in Israel.
- The **"Telecommunications"** segment includes the assets and profit from operations derived from the business related to the subsidiary Cellcom. Cellcom is supplier of telecommunication services and its main businesses include the provision of cellular and fixed telephone, data and Internet services, among others.
- The **"Insurance"** segment includes the investment in Clal. This company is one of the largest insurance groups in Israel, whose businesses mainly comprise pension and social security insurance and other insurance lines. As stated in Note 14, the Group does not hold a controlling interest in Clal; therefore, it is not consolidated on a line-by-line basis, but under a single line as a financial instrument at fair value, as required under IFRS under the current circumstances in which no control is exercised.
- The **"Others"** segment includes the assets and profit from other miscellaneous businesses, such as technological developments, tourism, oil and gas assets, electronics, and other sundry activities.

Segment Results

The following table sets forth the results of our Operations Center in Israel for the consolidated 12-month period (4/1/16 through 3/31/17) vs. 6 months in 2016 (10/1/15 through 3/31/16). As different periods are being compared, no detailed explanation of the changes in results is included.

We will start providing an explanation of results as from the next quarter, when we will have comparative quarters.

Operations Center in Israel (NIS Million)

March 31, 2017 (for the period 04/01/16 through 03/31/17)

	Commercial properties	Supermarkets	Telecommunications	Insurance	Others	Total
Revenues from sales, leases and services	1,239	11,909	4,021	-	66	**17,235**
Costs	-588	-8,925	-2,817	-	-41	**-12,371**
Gross profit	651	2,984	1,204	-	25	**4,864**
Gain from disposal of investment properties	94	-	-	-	-	**94**
General and administrative expenses	-73	-158	-401	-	-158	**-790**
Selling expenses	-23	-2,397	-858	-	-20	**-3,298**
Other operating results, net	12	-13	-9	-	-39	**-49**
Profit / (loss) from operations	661	416	-64	-	-192	**821**
Share of profit / (loss) of associates and joint ventures	12	19	-	-	-4	**27**
Segment profit / (loss)	673	434	-64	-	-196	**848**
Operating assets	16,655	8,077	6,639	1,795	4,363	**37,526**
Operating liabilities	13,441	6,131	5,249		7,730	**32,551**
Operating assets / (liabilities), net	**3,214**	**1,946**	**1,387**	**1,795**	**-3,367**	**4,975**

The revenues and profit from operations of the **Commercial Properties** segment through the subsidiary Property & Building ("PBC") reached NIS 1,239 million and NIS 636 million, respectively, (USD 355 million and USD 182 million, respectively) during the consolidated 12-month period (April 1, 2016 through March 31, 2017). The first half and the second quarter of 2017 were characterized by the stability of rental properties in Israel, in terms of demand, rental prices and occupancy rates. In the second quarter of 2017, demand for the office, commercial, industrial and logistics segments was good, as reflected by the stabilization of prices and sustained high occupancy rates of approximately 97%.

The **Supermarkets** segment, through Shufersal, recorded revenues of NIS 11,909 million (USD 3,410 million) for the 12-month period, Profit from operations of this segment reached NIS 416 million (USD 116 million). In 2017, Passover fell at the beginning of April, unlike 2016 when it had fallen in late April, affecting sales and the range of special offers. This impacted on revenues from the retail segment, which fell 2.5% in the second quarter of 2017 as compared to the same quarter of 2016, and 0.5% in the 6-month period under comparison. Revenues from the real estate segment fell 2.4% in the first 6 months of 2017, compared to the same period of 2016 mainly due to the higher vacancy rate of rental properties.

The **Telecommunications** segment, operated by Cellcom, recorded revenues of NIS 4,021 million (USD 1,151 million) in the 12-month period and an operating loss of NIS 64 million

(USD 18 million). In the first half of 2017, there was a decrease in revenues from mobile telephone services as compared to the same period of 2016, mainly due to the continued erosion of prices and revenues from services in the fixed line segment, mainly reflecting lower revenues from international calls, partially offset by higher revenues from the television segment.

The **Others** segment recorded revenues for NIS 66 million (USD 19 million), and an operating loss of NIS 192 million (USD 55 million).

As concerns “Clal”, the Group values its interest in this **insurance** company as a financial asset at fair value. The valuation of Clal’s shares was NIS 1,795 million (USD 514 million) as of June 30, 2017.

6. MATERIAL AND SUBSEQUENT EVENTS

Operations Center in Argentina

October 2016: General Ordinary and Extraordinary Shareholders’ Meeting

At the General Ordinary and Extraordinary Shareholders’ Meeting held on October 31, 2016, at 1:00 p.m., the following matters, *inter alia,* were dealt with:

- Updating of report on shared services agreement.
- Treatment of amounts paid as personal assets tax levied on the shareholders.
- Consideration of (I) approval of extension of Global Note Program for a maximum outstanding principal amount of up to USD 300,000,000 approved by the Shareholders’ Meeting dated October 31, 2011 for a term of five years or such longer term as permitted under the applicable laws; and (II) increase of program amount by an additional amount of up to USD 200,000,000.
- Grant of indemnities to the Directors, Statutory Auditors and Managers who perform or have performed duties for the Company accessorily to the D&O policies.

February 2017: Exercise of right to convert Convertible Subordinated Notes into Common Shares

On February 10, 2017 BACS Banco de Crédito y Securitización S.A. (“BACS” or the “Bank”) was served notice of Resolution No. 63 dated February 7, 2017 whereby the Superintendent of Financial and Exchange Institutions reporting to the Argentine Central Bank had resolved not to raise any objections to the change in BACS’s shareholding structure as a result of the conversion of subordinated notes into common shares to be issued in the name of IRSA.

On June 21, 2016, IRSA had notified the Bank that it would exercise its right of conversion of its convertible subordinated notes into common shares for a principal amount of Ps. 100,000,000 issued by BACS on June 22, 2015 and fully subscribed by IRSA, pursuant to the provisions of the subscription agreement executed between IRSA and BACS on such date.

Upon conversion, IRSA will become direct holder of 33.36% of the stock capital and voting power of BACS. Moreover, IRSA, directly and through a subsidiary, will become holder of 37.72% of the stock capital and voting power of BACS, whereas Banco Hipotecario S.A. will become holder of the remaining 62.28%.

BACS is a leading bank in the local capital markets; it is positioned among the most important dealers of corporate debt in the primary market, and is leader in the secondary market.

May 2017: Organization of Joint Venture

On May 2, 2017, a joint venture agreement was executed with Galerías Pacífico S.A. for the purpose of making improvements in the Llao Llao hotel in the City of San Carlos de Bariloche aimed at maximizing, enhancing and boosting the brand's positioning and quality in the hotel and restaurant market at domestic and international level. The agreement also provides for the commercial exploitation of the referred hotel with a view to maximizing profitability.

Interest percentages are 50% for the Company and 50% for Galerías Pacífico S.A. Common and extraordinary expenses and disbursements will be borne in the referred percentages.

The revenues of the joint venture will consist of income generated by the commercial exploitation of the Llao Llao hotel and the positive results of financial investments or any other financial or profits from operations derived from the joint venture.

July 2017: Sale of BAICOM land reserve

On July 19, the Company, acting through a subsidiary, sold to an unrelated third party a land reserve of approximately 6,905 sqm located at Av. P. Ramón Castillo, at the corner of Av. Antártida Argentina, in the neighborhood of Retiro, City of Buenos Aires.

This land reserve was owned by BAICOM Networks S.A., a company in which IRSA held an indirect controlling interest of 50%.

The transaction amount was USD 14,000,000 (fourteen million Dollars) (USD 7 million corresponding to IRSA), and it has been fully paid.

August 2017: Purchase of DIC's shares by Dolphin Netherlands B.V.

On August 22, 2017, under the scope of the Law to Promote Competition and Reduce Concentration (the "Concentration Law"), Dolphin Netherlands B.V. made a non-binding offer to purchase all the shares held by IDB Development Corporation Ltd. ("IDBD") in Discount Investment Corporation Ltd. ("DIC").

No assurance may be given that the parties will execute or perform any binding agreement. The offer is subject to review by IDBD's independent board committee and the terms and conditions will be negotiated after such review. This transaction could significantly extend over time or could fail to be consummated or be consummated under different terms over the course of the negotiations, as it must be approved by IDBD's corporate bodies and other entities, which could withhold their consent.

For purposes of the transaction, an independent board committee has been organized to assess the offer and negotiate its terms and conditions.

Operations Center in Israel

November 2016: Sale of Adama

On November 22, 2016, the sale to ChemChina of 40% of the shares in Adama held by Koor, indirectly controlled by IDBD through DIC, was consummated. The proceeds of the sale were

USD 230 million in excess of the full repayment of a non-recourse loan, plus interest, which had been granted to Koor by a Chinese bank.

December 2016: Partial sale of interest in Gav Yam (PBC's subsidiary)

On December 5, 2016, PBC sold in the market 280,873 shares of its subsidiary Gav-Yam Land Corporation Ltd. for NIS 391 million, thus reducing its stake in this company from 69.06% to 55.06% of its stock capital.

December 2016: Negotiations between Israir (subsidiary of IDB Tourism) and Sun D'or

As of December 31, 2016, IDB Tourism was at an advanced stage of negotiations with Sun D'or International Airlines Ltd. ("Sun D'or"), a subsidiary of El Al Israel Airlines Ltd. ("El Al"), regarding the following transaction:

- Israir would sell the aircraft owned by it to a third party under a sale and leaseback agreement for an estimated amount of USD 70 million;

- Upon sale of the aircraft, IDB Tourism would receive USD 45 million plus 25% of the shares of Sun D'or; therefore, El Al would become holder of 75% of the shares in such company.

- The parties would execute a shareholders' agreement whereby El Al would be granted a call option (and IDB Tourism would be granted a put option) to purchase Sun D'Or's shares for such price and under such terms as agreed in due course.

February 2017: Issue of IDBD's Notes

On February 16, 2017, IDBD placed Series 13 Notes in the Israeli market for a principal amount of NIS 1,060 million (equivalent to USD 283.7 million) due in November 2019 at a fixed interest rate of 5.40% per annum. The notes are secured by the potential cash flow from dividends or the sale of certain shares of Clal Insurance Enterprise Holdings Ltd.'s capital stock held by IDBD.

March 2017: Increase in DIC's interest

In March 2017, IDBD exercised all of DIC's Class 5 and 6 warrants it held for an aggregate amount of approximately NIS 210 million (equivalent to approximately $ 882 million as of such date), thus increasing its direct equity interest in DIC to approximately 70% of its capital stock.

March 2017: Declaration of Dividends by DIC

On March 22, 2017, DIC's Board of Directors passed a distribution of dividends for NIS 4.5 per share, in two tranches, as follows: (i) NIS 3.3 per share (equivalent to $ 13.86 per share) payable on April 20, 2017; and (ii) NIS 1.2 per share (equivalent to $ 5.04 per share) payable on September 19, 2017, subject to the fulfillment of the solvency test upon payment.

April 2017: Agreement for the acquisition of New Pharm

On April 6, 2017, Shufersal entered into an agreement (the "Agreement") with Hamashbir 365 Holdings Ltd. (the "Seller" or "Hamashbir") for the purchase of New Pharm Drugstores Ltd.'s ("New Pharm") shares of stock, representing 100% of its capital stock (the "Sold Shares"), for a consideration of NIS 130 million (equivalent to $ 546 million), payable upon the completion of the transaction, which is subject to the following conditions, among others.

- The approval of Israel's antitrust commission. Failure to obtain such approval within 3 months from the date of the application (which can be extended for an additional month under certain conditions) will result in the automatic termination of the agreement, unless the parties agree to an extension of the term;
- The release and cancellation of all existing guarantees from New Pharm in respect of the liabilities of Hamashbir Group's companies and the release and cancellation of all existing guarantees from Hamashbir Group's companies in respect of New Pharm's liabilities.

A non-competition clause will be signed after execution of the agreement.

None of these conditions has been met as of the date of these financial statements.

April 2017: Bond Issues

- In April 2017, PBC made a public offering of bonds (Series I) for approximately NIS 431 million, and received proceeds for approximately NIS 446 million (equivalent to approximately $ 1,873 million as of the issue date).

- In April 2017, Gav-Yam made a public offering of bonds (Series F) for approximately NIS 303 million (equivalent to approximately $ 1,272 million as of the issue date).

- In April 2017, DIC made a public offering for increasing the principal amount of its bonds (Series F) by approximately NIS 444 million, and received proceeds for approximately NIS 555 million (equivalent to approximately $ 231 million as of the issue date), reflecting an effective interest rate of 4.07% per annum.

April 2017: Equity Issues

- In April 2017, Shufersal issued approximately 12 million shares and received net proceeds for NIS 210 million (equivalent to approximately $ 882 million as of the issue date). As a result of such issue, DIC's equity interest in Shufersal decreased to approximately 56.11%.

May 2017: Sale of Interest in Clal Insurance

On May 1, 2017, IDBD agreed to the sale of 5% of Clal's shares jointly with a swap transaction. Accordingly, such shares were sold on May 4, free from any encumbrance, for a price of NIS 59.86 per share (i.e., for an aggregate amount of approximately NIS 166 million, equivalent to approximately $ 697 million at the exchange rate prevailing on such date). The request was approved by the Trustee and was also supported by a statement from Israel's Capital Market, Insurance and Savings Commission, indicating that such commission did not oppose to the swap transaction.

Concurrently with the sale, IDBD entered into a swap transaction with a bank pursuant to which IDBD will either cash or pay for the difference between the sale price of the aforementioned shares and the price such shares will have upon the sale thereof to the third party buyer at the end of a 24-month period. IDBD will not be entitled to repurchase such shares.

IDBD is assessing potential courses of action in respect of the pronouncement rendered by the District Court, including the possibility of filing a motion for appeal.

Under the terms of the swap agreement, IDBD retains the main risks and benefits of all of Clal's shares; for such reason, as of June 30, 2017 all of Clal's shares were recorded as a financial assets held for sale, and a liability of $ 783 was booked. The valuation of such shares as of June 30, 2017, is $ 8,564 and a gain of $ 1,951 has been recorded under net financial results for this fiscal year as a result of the increase in the fair value of these shares.

August 2017: Sale of Additional Percentage of Clal Insurance

Following instructions imparted by Israel's Capital Market, Insurance and Savings Commission to the Trustee regarding the guidelines for selling Clal's shares, on August 30, 2017, IDBD sold 5% of its equity interest in Clal by way of a swap transaction, pursuant to terms identical to those applied to the swap transaction made and reported to the market on May 3, 2017.

The consideration for the transaction was an amount of approximately NIS 152.5 million. Upon completion of the transaction, IDBD's equity interest in Clal will be reduced from 49.9% to 44.9% of its stock capital.

September 2017: Non-binding Offer for Clal Insurance

On September 4, 2017, IDBD received a non-binding offer from Huabang Financial Holdings Limited to acquire its entire equity interest in Clal Insurance Enterprise Holdings Ltd. ("Clal"), representing 44.9% of its stock capital.

The amount payable will be equivalent to Clal's shareholders' equity as reflected in its Financial Statements on the transaction's closing date. As of June 30, 2017, such amount was approximately NIS 4,880 million.

The transaction is subject to a due diligence process, to be conducted by the purchaser for a term of 60 days after the execution of the memorandum of understanding, and the execution of a binding agreement among the parties, among other requirements.

Moreover, the consummation of the transaction is subject to the approval of Israel's Capital Market, Insurance and Savings Commission reporting to the Israeli Ministry of Finance.

7. LEGAL FRAMEWORK

<u>Operations Center in Argentina</u>

Regulation and Governmental Supervision

The laws and regulations governing the acquisition and transfer of real estate, as well as municipal zoning ordinances are applicable to the development and operation of our properties.

Currently, Argentine law does not specifically regulate shopping mall lease agreements. Since our shopping mall leases generally differ from ordinary commercial leases, we have created provisions which govern the relationship with our shopping mall tenants.

Leases

Argentine law imposes certain restrictions on property owners, including:

- a prohibition to include in lease agreements price indexation clauses based on inflation increases; and

- a two-year minimum lease term is established for all purposes, except in particular cases such as embassy, consulate or international organization venues, room with furniture for touristic purposes for less than three months, custody and bailment of goods, exhibition or offering of goods in fairs or in cases where the subject matter of the lease agreement is the fulfillment of a purpose specified in the agreement and which requires a shorter term.

Rent Increase

In addition, there are at present contradictory court rulings with respect to whether the rent price can or cannot be increased during the term of the lease agreement. Most of our lease agreements have incremental rent increase clauses that are not based on any official index. As of the date of this document no tenant has filed any legal action against us challenging incremental rent increases, but we cannot assure that such actions will not be filed in the future and, if any such actions were successful, that they will not have an adverse effect on our company.

Limits on lease terms

Under the Argentine Civil and Commercial Code lease terms may not exceed fifty years, irrespective of the intended use of the property (save in case of residential use, where the maximum term is twenty years). Generally, terms in our lease agreements go from 3 to 10 years.

Early Termination Rights

The Argentine Civil and Commercial Code provides that tenants of properties may declare the early termination of lease agreements after the first six months of the effective date. Such termination is subject to penalties which range from one to one and a half months of rent. If the tenant terminates the agreement during the first year of the lease the penalty is one and a half month's rent and if the termination occurs after the first year of lease the penalty is one month's rent.

It should be noted that the Argentine Civil and Commercial Code became effective on August 1, 2015 and that, among other rules, it repealed the Urban Lease Law (Law No. 23,091), which provided for a rule similar to the one described above, but (i) established the obligation to give at least 60 days' prior notice of exercise of the early termination right by the tenant, and (ii) pursuant to section 29, all its provisions were of public order. There are no court rulings yet with respect to the new regulations related to: (i) unilateral right to termination by tenant; i.e. whether the parties may waive the tenant's right to terminate the agreement unilaterally; or in relation to (ii) the possibility of establishing a penalty different from the penalty described above in the event of unilateral termination by the tenant.

Other

Most of our leases provide that the tenants pay all costs and taxes related to the property in proportion to their respective leaseable areas. In the event of a significant increase in the amount of such costs and taxes, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby adversely affecting our rental income. The Argentine Civil and Commercial Procedural Code enables the lessor to pursue collection of outstanding rental payments through an "executory proceeding" upon lessee's payment default. In executory proceedings debtors have fewer defenses available to prevent foreclosure, making these proceedings substantially shorter than ordinary ones. In executory proceedings the origin of the debt is not under discussion; the trial focuses on the formalities of debt instrument itself. The aforementioned Code also permits special eviction proceedings, which are carried out in the same way as ordinary proceedings. The Argentine Civil and Commercial Code requires that a notice be given to the tenant demanding payment of the amounts due in the event of breach prior to eviction, of no less than ten days for leases for residential purposes, and establishes no limitation or minimum notice for leases for other purposes. However, historically, large court dockets and numerous procedural hurdles have resulted in significant delays to eviction proceedings, which generally last from six months to two years from the date of filing of the suit to the time of actual eviction.

Development and Use of the Land

Buenos Aires Urban Planning Code. Our real estate activities are subject to several municipal zoning, building, occupation and environmental regulations. In the City of Buenos Aires, where the vast majority of our real estate properties are located, the Buenos Aires Urban Planning Code (*Código de Planeamiento Urbano de la Ciudad de Buenos Aires*) generally restricts the density and use of property and controls physical features of improvements on property, such as height, design, set-back and overhang, consistent with the city's urban landscape policy. The administrative agency in charge of the Urban Planning Code is the Secretary of Urban Planning of the City of Buenos Aires.

Buenos Aires Building Code. The Buenos Aires Building Code (*Código de Edificación de la Ciudad de Buenos Aires*) complements the Buenos Aires Urban Planning Code and regulates the structural use and development of property in the City of Buenos Aires. The Buenos Aires Building Code requires builders and developers to file applications for building permits, including the submission to the Secretary of Work and Public Services (*Secretaría de Obras y Servicios Públicos*) of architectural plans for review, to assure compliance therewith.

We believe that all of our real estate properties are in material compliance with all relevant laws, ordinances and regulations.

Sales and Ownership

Buildings Law. Buildings Law No. 19,724 (*Ley de Pre horizontalidad*) was repealed by the new Argentine Civil and Commercial Code which became effective on August 1, 2015. The new regulations provide that for purposes of execution of agreements with respect to built units or units to be built under the buildings regime, the owner is required to purchase insurance in favor of prospective purchasers against the risk of frustration of the operation pursuant to the agreement for any reason. A breach of this obligation prevents the owner from exercising any right against the purchaser–such as demanding payment of any outstanding installments due – unless he/she fully complies with their obligations, but does not prevent the purchaser from exercising its rights against seller.

Protection for the Disabled Law. The Protection for the Disabled Law No. 22,431, enacted on March 20, 1981, as amended, provides that in connection with the construction and renovation of buildings, obstructions to access must be eliminated in order to enable access by handicapped individuals. In the construction of public buildings, entrances, transit pathways and adequate facilities for mobility impaired individuals must be provided for.

Buildings constructed before the enforcement of the Protection for the Disabled Law must be adapted to provide accesses, transit pathways and adequate facilities for mobility-impaired individuals.

Those pre-existing buildings, which due to their architectural design may not be adapted to the use by mobility-impaired individuals, are exempted from the fulfillment of these requirements.

The Protection for the Disabled Law provides that residential buildings must ensure access by mobility impaired individuals to elevators and aisles. Architectural requirements refer to pathways, stairs, ramps and parking.

Real Estate Installment Sales Law. The Real Estate Installment Sales Law No. 14,005, as amended by Law No. 23,266 and Decree No. 2015/85, imposes a series of requirements on contracts for the sale of subdivided real estate property regarding, for example, the sale price which is paid in installments and the deed, which is not conveyed until final payment of such price. The provisions of this law require, among other things:

The registration of the intention to sell the property in subdivided plots with the Real Estate Registry (*Registro de la Propiedad Inmueble*) corresponding to the jurisdiction of the property. Registration will only be possible with regard to unencumbered property. Mortgaged property may only be registered where creditors agree to divide the debt in accordance with the subdivided plots. However, creditors may be judicially compelled to agree to the division.

The preliminary registration with the Real Estate Registry of the purchase instrument within 30 days of execution of the agreements.

Once the property is registered, the installment sale may not occur in a manner inconsistent with the Real Estate Installment Sales Act, unless seller registers its decision to desist from the sale in installments with the Real Estate Registry. In the event of a dispute over the title between the purchaser and third-party creditors of the seller, the installment purchaser who has duly registered the purchase instrument with the Real Estate Registry will obtain the deed to the plot. Further, the purchaser can demand conveyance of title after at least 25% of the purchase price has been paid, although the seller may demand a mortgage to secure payment of the balance of the purchase price.

After payment of 25% of the purchase price or the construction of improvements on the property equal to at least 50% of the property value, the Real Estate Installment Sales Act prohibits the rescission of the sales contract for failure by the purchaser to pay the balance of the purchase price. However, in such event the seller may take action under any mortgage on the property.

Other Regulations

Consumer Relationship. Consumer or End User Protection. The Argentine Constitution expressly establishes in Article 42 that consumers and users of goods and services have a right to protection of health, safety and economic interests in a consumer relationship. Consumer Protection Law No. 24,240, as amended, regulates several issues concerning the protection of consumers and end users in a consumer relationship, in the arrangement and execution of contracts.

The Consumer Protection Law, and the applicable sections of the Argentine Civil and Commercial Code are intended to regulate the constitutional right conferred under the Constitution on the weakest party of the consumer relationship and prevent potential abuses deriving from the stronger bargaining position of vendors of goods and services in a mass-market economy where standard form contracts are widespread.

As a result, the Consumer Protection Law and the Argentine Civil and Commercial Code deem void and unenforceable certain contractual provisions included in consumer contracts entered into with consumers or end users, including those which:

- deprive obligations of their nature or limit liability for damages;
- imply a waiver or restriction of consumer rights and an extension of seller rights; and
- impose the shifting of the burden of proof against consumers.

In addition, the Consumer Protection Law imposes penalties ranging from warnings to fines from Ps. 100 to Ps. 5,000,000, the seizure of merchandise, closing down of establishments for a term of up to thirty (30) days, suspension of up to 5 years in the State suppliers register, the forfeiture of concession rights, privileges, tax regimes or special credits to which the sanctioned party was entitled. These penalties may be imposed separately or jointly.

The Consumer Protection Law and the Argentine Civil and Commercial Code define consumers or end users as the individuals or legal entities that acquire or use goods or services free of charge or for a price for their own final use or benefit or that of their family or social group. In addition, both laws provide that those who though not being parties to a consumer relationship as a result thereof acquire or use goods or services, for consideration or for non-consideration, for their own final use or that of their family or social group are entitled to such protection rights in a manner comparable to those engaged in a consumer relationship.

In addition, the Consumer Protection Law defines the suppliers of goods and services as the individuals or legal entities, either public or private, that in a professional way, even occasionally, produce, import, distribute or commercialize goods or supply services to consumers or users.

The Argentine Civil and Commercial Code defines a consumer agreement as such agreement that is entered into between a consumer or end user and an individual or legal entity that acts professionally or occasionally or a private or public company that manufactures goods or provides services, for the purpose of acquisition, use or enjoyment of goods or services by consumers or users for private, family or social use.

It is important to point out that the protection under the laws afforded to consumers and end users encompasses the entire consumer relationship process (from the offering of the product or service) and it is not only based on a contract, including the consequences thereof.

In addition, the Consumer Protection Law establishes a joint and several liability system under which for any damages caused to consumers, if resulting from a defect or risk inherent in the thing or the provision of a service, the producer, manufacturer, importer, distributor, supplier, seller and anyone who has placed its trademark on the thing or service shall be liable.

The Consumer Protection Law excludes the services supplied by professionals that require a college degree and registration in officially recognized professional organizations or by a governmental authority. However, this law regulates the advertisements that promote the services of such professionals.

The Consumer Protection Law determines that the information contained in the offer addressed to undetermined prospective consumers, binds the offeror during the period in which the offer takes place and until its public revocation. Further, it determines that specifications included in advertisements, announcements, prospectuses, circulars or other media bind the offeror and are considered part of the contract entered into by the consumer.

Pursuant to Resolution No. 104/05 issued by the Secretariat of Technical Coordination reporting to the Argentine Ministry of Economy, the Consumer Protection Law adopted Resolution No. 21/2004 issued by the Mercosur's Common Market Group which requires that those who engage in commerce over the Internet (E-Business) shall disclose in a precise and clear manner the characteristics of the products and/or services offered and the sale terms. Failure to comply with the terms of the offer is deemed an unjustified denial to sell and gives rise to sanctions.

On September 17, 2014, a new Consumer Protection Law was enacted by the Argentine Congress –Law No. 26,993. This law, known as “System for Conflict Resolution in Consumer Relationships,” provided for the creation of new administrative and judicial procedures for this field of Law. It created a two-instance administrative system: the Preliminary Conciliation Service for Consumer Relationships (*Servicio de Conciliación Previa en las Relaciones de Consumo,* COPREC) and the Consumer Relationship Audit, and a number of courts assigned to resolution of conflicts between consumers and producers of goods and services (*Fuero Judicial Nacional de Consumo*). In order to file a claim, the amount so claimed should not exceed a fixed amount equivalent to 55 adjustable minimum living wages, which are determined by the Ministry of Labor, Employment and Social Security. The claim is required to be filed with the administrative agency. If an agreement is not reached between the parties, the claimant may file the claim in court. The administrative system known as Preliminary Conciliation Service for Consumer Relationships (COPREC) is currently in full force and effect. However, the court system (*fuero judicial nacional de consumo*) is not in force yet, therefore, any court claims should be currently filed with the existing applicable courts. A considerable volume of claims filed against us are expected to be settled pursuant to the system referred to above, without disregarding the full force and effect of different instances for administrative claims existing in the provincial sphere and the City of Buenos Aires, which remain in full force and effect, where potential claims related to this matter could also be filed.

Antitrust Law. Law No. 25,156, as amended, prevents monopolistic practices and requires administrative authorization for transactions that according to the Antitrust Law constitute an economic concentration. According to this law, mergers, transfers of goodwill, acquisitions of property or rights over shares, capital or other convertible securities, or similar operations by which the acquirer controls or substantially influences a company, are considered as an economic concentration. Whenever an economic concentration involves a company or companies and the aggregate volume of business of the companies concerned exceeds in Argentina the amount of Ps. 200 million, in such case the respective concentration should be submitted for approval to the Argentine Antitrust Authority (*Comisión Nacional de Defensa de la Competencia*, "CNDC”). The request for approval may be filed, either prior to the transaction or within a week after its completion.

When a request for approval is filed, the CNDC may (i) authorize the transaction, (ii) subordinate the transaction to the accomplishment of certain conditions, or (iii) reject the authorization.

The Antitrust Law provides that economic concentrations in which the transaction amount and the value of the assets absorbed, acquired, transferred or controlled in Argentina, do not exceed Ps. 20 million each are exempted from the administrative authorization. Notwithstanding the foregoing, when the transactions effected by the companies concerned during the prior 12-month period exceed in the aggregate Ps. 20 million or Ps. 60 million in the last 36 months, these transactions must be notified to the CNDC.

As our consolidated annual sales volume and our parent’s consolidated annual sales volume exceed Ps. 200 million, we should give notice to the CNDC of any concentration provided for by the Antitrust Law.

Credit Card Law. Law No. 25,065, as amended by Law No. 26,010 and Law No. 26,361, governs certain aspects of the business activity known as "credit card system." Regulations impose minimum contract contents and approval thereof by the Argentine Ministry of Industry, as well as limitations on chargeable interest by users and commissions charged by the retail stores that adhere to the system. The Credit Card Law applies both to banking and non-banking cards, such as "*Tarjeta Shopping*," issued by Tarshop S.A. Pursuant to Communication "A" 5477 issued by the Argentine Central Bank, loans granted under credit cards by non-financial entities cannot exceed 25% of the monthly interest rate published by the Argentine Central Bank for loans to individuals without security interests.

Environment. Our activities are subject to a number of national, provincial and municipal environmental provisions.

Article 41 of the Argentine Constitution, as amended in 1994, provides that all Argentine inhabitants have the right to a healthy and balanced environment fit for human development and have the duty to preserve it. Environmental damage shall bring about primarily the obligation to restore it as provided by applicable law. The authorities shall control the protection of this right, the rational use of natural resources, the preservation of the natural and cultural heritage and of biodiversity, and shall also provide for environmental information and education. The National Government shall establish minimum standards for environmental protection whereas Provincial and Municipal Governments shall fix specific standards and regulatory provisions.

On November 6, 2009, the Argentine Congress passed Law No. 25,675. Such law regulates the minimum standards for the achievement of a sustainable environment and the preservation and protection of biodiversity and fixes environmental policy goals.

Law No. 25,675 establishes the activities that will be subject to an environmental impact assessment procedure and certain requirements applicable thereto. In addition, such Law sets forth the duties and obligations that will be triggered by any damage to the environment and mainly provides for restoration of the environment to its former condition or, if that is not technically feasible, for payment of compensation in lieu thereof. Such Law also fosters environmental education and provides for certain minimum reporting obligations to be fulfilled by natural and legal entities.

In addition, the CNV Rules require the obligation to report to the Commission any events of any nature and fortuitous acts that seriously hinder or could potentially hinder performance of our activities, including any events that generate or may generate significant impacts on the environment, providing details on the consequences thereof.

The new Argentine Civil and Commercial Code has introduced as a novel feature the acknowledgement of collective rights, including the right to a healthy and balanced environment. Accordingly, the Code expressly sets forth that the law does not protect an abusive exercise of individual rights if such exercise could have an adverse impact on the environment and the rights with a collective impact in general.

Insurance

We carry all-risk insurance for our shopping malls and other buildings covering damages to the property caused by fire, acts of terrorism, explosion, gas leak, hail, storm and winds, earthquakes, vandalism, theft and business interruption. We also have civil liability insurance covering all potential damages to third parties or goods arising from the development of our businesses throughout the whole Argentine territory. We are in compliance with all the legal requirements relating to mandatory insurance, including statutory coverage under the

Occupational Risk Law, life insurance required under collective bargaining agreements and other insurance required by the laws and decrees. Our history of damages is limited to only one claim made as a result of a fire in Alto Avellaneda Shopping in March 2006, in which the loss was substantially recovered from our insurers. These insurance policies have all the specifications, limits and deductibles that are customary in the market and which we believe are adequate for the risks to which we are exposed in our daily operations. We also purchased civil liability insurance to cover our directors' and officers' liability.

Operations Center in Israel

IDBD is a holding company that invests, either directly or through its subsidiaries, in companies that operate in various sectors of the economy in Israel. IDBD is directly affected by the political, economic, military and regulatory conditions of Israel. The main regulations applicable to IDBD's business are described below. For more information, see "Risk Factors–Risks related to Israel's Business."

Centralization Law

In December 2013, the Israel concentration law was published. This law provides for certain regulations that have an impact on the structure of IDBD and its subsidiaries. The first chapter imposes restrictions on control of "layer companies," i.e. companies that report information under a "pyramid" structure. From the date of publication of the law, a second-tier company may not control a company in a lower tier. In other words, pursuant to the Centralization Law, structures in the form of a pyramid are limited to two layers only. Notwithstanding the foregoing, the transitional provisions of the Centralization Law provide that a company that, as of the date of publication thereof, was and to the extent that it is continues to be a second-tier company may continue controlling a lower-tier company for six years from the date of publication of such law –December 11, 2019 – "the end of the transitional period"), provided that it was already its parent company before the date of publication, and a lower-tier company may continue to control a company at an even lower layer, i.e. a fourth-tier company or lower- for four years from the date of publication –i.e. until December 11, 2017-, provided that it was already its parent company before the date of publication. On the other hand, the law imposes restrictions and conditions in order to establish a separation between large financial institutions and large real corporations.

Enforcement of the provisions of the Centralization Law (during the transitional periods specified therein) and, in particular, those related to companies organized in the form of a pyramid and those that fall within the category separated between large real corporations and large financial institutions, affects and may have a material adverse impact on IDBD (and its subsidiaries with reporting companies that are publicly held), among other reasons, due to the restrictions to which its ownership structure is subject, on control of reporting companies, the capacity to acquire or realize holdings in listed companies and reporting companies and on the value its holdings in such companies, on the branches in the markets in which it does business, etc.

In this context, it should be noted that in August 2014 the Board of Directors of IDBD resolved to appoint an advisory committee to discuss various alternatives for IDBD to deal with the effects of this law and to comply with the restrictions imposed by it in respect of control of a pyramid, so as to find the way to maintain continued control by IDBD and/or by other subsidiaries on "other layer companies" even after December 2019.

In November 2014, the Board of Directors of IDBD approved the implementation of a combination of functions in IDBD and DIC, in order to reduce costs, subject to the approvals of both companies. As part of such process, on March 29, 2016, the Board of Directors of IDBD approved the appointment of Mr. Sholem Lapidus as CEO of IDBD and DIC.

Antitrust Law

IDBD is a holding company mainly engaged in investing in other companies. As such, it is subject to the provisions of the Israel Antitrust Law. Such rules and regulations may have an impact on IDBD's business to the extent that the transactions carried out are subject to regulatory approvals or specific conditions to consummation.

Banking System Directives

IDBD and some of its subsidiaries may be subject to the banking directives issued by the Israel financial authority. Such directives, among other provisions, regulate the number of loans that a banking institution in Israel may grant to an "individual borrower," to a "group of borrowers," and to "groups of borrowers." IDBD, its controlling shareholders and some of its subsidiaries are deemed to be a "group of borrowers" for purposes of these directives.

Accordingly, its ability to have access to loans is limited by such regulations as is its ability to make investments that require borrowings from banks, to buy companies that have a great deal of borrowings, and to engage in transactions with groups that have engaged in such borrowings. It should be noted, however, that from 2013 to date, the level of bank loans borrowed by the group comprised by IDBD has declined.

Regulatory Framework applicable to the Activities performed by IDBD's subsidiaries

The activities performed by IDBD's subsidiaries are subject to compliance with multiple government regulations. For example, there are rules governing access to the labor market, consumer protection and deceptive advertising regulations, and rules applicable to food product manufacturing, among others. In particular, Clal Insurance is subject to specific regulations governing insurance and Cellcom is, in turn, subject to those related to telecommunications and urban planning in terms of equipment tracking.

8. SUMMARY OF CONSOLIDATED FINANCIAL AND OPERATIONAL INFORMATION

<u>Change of valuation model of our Investment Properties from cost model to fair value model</u>

IRSA's Investment Properties

Investment properties are those properties owned by the Group that are held either to earn long-term rental income or for capital appreciation and that are not occupied by the Group for its own operations. Investment property also includes properties that are being constructed or developed for future use as investment property. The Group also classifies land whose future use has not been determined yet as investment property. The Group's investment properties primarily comprise the Group's portfolio of shopping malls and office buildings, certain property under development and other undeveloped land.

When a property is partially owner-occupied, with the rest being held for rental income or capital appreciation, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for as property, plant and equipment under IAS 16 "Property, Plant and Equipment" and the portion that is held for rental income or capital appreciation, or both, is treated as investment property under IAS 40 "Investment Property".

Investment property is measured initially at cost. Cost comprises the purchase price and directly attributable expenditures, such as legal fees, certain direct taxes, commissions and in the case of properties under construction, the capitalization of financial costs.

For properties under development, capitalization of costs includes not only financial costs, but also all costs directly attributable to works in process, from commencement of construction until it is completed and property is in conditions to start operating.

Direct expenses related to lease contract negotiation (as well as payment to third parties for services rendered and certain specific taxes related to execution of such contracts) are capitalized as part of the book value of the relevant investment properties and amortized over the term of the lease.

Borrowing costs associated with properties under development or undergoing major refurbishment are capitalized. The finance cost capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized on the purchase cost of land or property acquired specifically for development in the short term but only when activities necessary to prepare the asset for development are in progress.

After initial recognition, investment property is carried at fair value. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Fair values are determined differently depending on the type of property being measured.

Generally, for the operations center in Argentina, fair value of office buildings and land reserves is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections.

The fair value of the Group's portfolio of shopping malls is based on discounted cash flow projections. This method of valuation is commonly used in the shopping mall industry in the region where the Group conducts its operations.

The fair value of the Group's office buildings in the operations center in Israel is based on discounted cash flow projections.

As required by Resolution 576/10 of the CNV, valuations are performed as of the financial position date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalized to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Changes in fair values are recognized in the income statement under the line item “Net gain from fair value adjustment on investment properties”.

Asset transfers, whether assets classified under investments properties are reclassified under other items or vice-versa, may only be carried out when there is a change of use evidenced by: a) if an investment property starts to be occupied by the Group, it is reclassified as property, plant and equipment upon commencement of such occupation; b) when an investment property changes its use, as evidenced by a development process for preparing it for sale, the property is transferred to properties held for sale; c) if the Group ceases to occupy a property, such property is reclassified from property, plant and equipment to properties held for sale; or d) the start of operations of an operating lease with a third party, in which case properties held for sale are transferred to investment properties. The value of the transfer is the one that the property had at the time of the transfer and subsequently is valued in accordance with the accounting policy related to the item.

The Group may sell its investment properties when it considers they are not core to its ongoing rental business activities. The carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the other comprehensive income statement in the line “Net gain from fair value adjustment of investment properties”.

Investment properties are derecognized when they are disposed of or when they are permanently withdrawn from use and no future economic benefits are expected to arise from their disposals. The disposal of investment property is recognized when the significant risks and rewards have been transferred to the buyer. As for unconditional agreements, proceeds are recognized when legal title to property passes to the buyer and the buyer intends to make the respective payment therefor. In the case of conditional agreements, the disposal is accounted for where such conditions have been met. Where consideration receivable for the sale of the properties is deferred, it is discounted to present value. The difference between the discounted amount and the amount receivable is treated as interest income and recognized over the period using the effective interest method. Direct expenses related to the sale are recognized in the line "other operating income and expenses, net" in the comprehensive income statement at the time they are incurred.

Valuation processes

The Group’s investment properties were valued at year end by independent professionally qualified valuers who hold a recognized relevant professional qualification and have experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

Each operations center includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes (the “review teams”). The review teams: i) verify all major and important assumptions relevant to the valuation included in the independent valuation report; ii) assess property valuation movements when compared to the prior year valuation report; and iii) hold discussions with the independent valuers.

Changes in Level 2 and 3 fair values, if any, are analyzed at each reporting date during the valuation discussions between the review teams and the independent appraiser. In the case of the operations center in Argentina, the Board of Directors ultimately approves the fair value calculations for recording into the financial statements. In the case of the operations center in Israel, valuations are examined by the Israeli Management and reported to the Balance Sheet Committee.

Valuation techniques used for the estimation of fair value of the investment property:

A. <u>Operations Center in Argentina</u>

For Shopping Malls, whose aggregate value was Ps. 28,563, Ps. 26,426 and Ps. 10,277 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, the valuation was determined using discounted cash flow (“DCF”) projections based on significant unobservable assumptions.

Within these assumptions the main are:

- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, and considering the estimations of the Gross Domestic Product (GDP) and the estimated inflation rate given by external advisors.
- It was considered that all Shopping Malls will grow with the same elasticity in relation to the evolution of the GDP and projected Inflation.
- Cash flows from future investments, expansions, or improvements in shopping malls were not considered.
- Estimated vacancy rates taking into account current and future market conditions once the current leases expire
- The projected cash flows were discounted using the Company's weighted average cost of capital (WACC) as the discount rate for each valuation date.
- Terminal value: a perpetuity calculated from the cash flow of the last year of useful life was considered.
- The cash flow for the concessions was projected until the due date of the concession expiration as indicated in the current agreements.

For <u>office properties, other rental properties and undeveloped land</u>, whose aggregate value was Ps. 11,192, Ps. 8,984 and Ps. 8,938 as of June 30, 2017, 2016 and 2015, respectively, the valuation was determined using market comparable. These values are adjusted for differences in key attributes such as location, size of the property and quality of the interior design. The most significant contribution to this comparable market approach is the price per square meter.

It can sometimes be difficult to reliably determine the fair value of the property under development. In order to assess whether the fair value of the property under development can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.

- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

Properties under construction were valued at Ps. 534 and Ps. 295 as of June 30, 2017 and 2016, respectively. As of June 30, 2015, there were no properties under construction. The valuation was based on costs for all the above mentioned periods. These properties under development comprise works in office buildings to be constructed.

There were no changes in the valuation policies during this fiscal year.

The following tables show information on the measurements of the fair value of investment properties using significant unobservable assumptions (Level 3):

June 30, 2017

Type of property	Valuation technique	Discount rate	Growth rate
Shopping malls	Discounted cash flow	9.35%	3%

For the next 5 years, a rising average AR$/USD exchange rate was considered, starting at Ps. 15.45 and ending at Ps. 27.66. In the long term, a nominal devaluation rate of 5.5% was presumed, calculated based on the quotient of the Argentine and the U.S. inflation rates. The assumed inflation rate shows a downward trend, starting at 31.0% and stabilizing at 8% over a 10-year term.

June 30, 2016

Type of property	Valuation technique	Discount rate	Growth rate
Shopping malls	Discounted cash flow	9.51%	3%

For the next 5 years, a rising average AR$/USD exchange rate was considered, starting at Ps. 12.03 and ending at Ps. 25.72. In the long term, a nominal devaluation rate of 3.1% was presumed, calculated based on the quotient of the Argentine and the U.S. inflation rates. The assumed inflation rate shows a downward trend, starting at 31.8% and stabilizing at 5.5% over a 10-year term.

June 30, 2015

Type of property	Valuation technique	Discount rate	Growth rate
Shopping malls	Discounted cash flow	13.15%	3%

For the next 5 years, a rising average AR$/USD exchange rate was considered, starting at Ps. 8.62 and ending at Ps. 19.66. In the long term, a nominal devaluation rate of 5.1% was presumed, calculated based on the quotient of the Argentine and the U.S. inflation rates. The assumed inflation rate shows a downward trend, starting at 32.7% and stabilizing at 6% over a 10-year term.

Sensitivity of unobservable assumptions (Shopping Malls):

	Discount rate + 1%	Discount rate -1%	Growth rate + 1 %	Growth rate - 1 %	Inflation + 10% (1)	Inflation - 10% (2)	Devaluation rate + 10% (3)	Devaluation rate - 10% (4)
2017	(3,948)	5,445	2,464	(1,794)	2,684	(2,425)	(2,565)	3,135
2016	(3,638)	4,989	2,094	(1,536)	2,537	(2,310)	(2,373)	2,900
2015	(1,021)	976	143	(338)	841	(993)	(1,039)	1,001

(1) A 10% higher inflation rate than projected rates is assumed for each period.
(2) A 10% lower inflation rate than projected rates is assumed for each period.
(3) A 10% higher exchange rate than projected levels is assumed for each period.
(4) A 10% lower exchange rate than projected levels is assumed for each period.

B. *Operations center in Israel*

For rental properties, whose aggregate value was Ps. 54,334 and Ps. 40,871 for the fiscal years ended June 30, 2017 and 2016, respectively, the valuation was determined using discounted cash flow ("DCF") projections based on unobservable valuation assumptions.

These assumptions mainly include:

- a discount rate reflecting the specific risks included in the flows and comparable assets.
- actual lease agreements in respect of which payments differ from the appropriate rental price, if any, are subject to adjustment to reflect actual lease payments over the lease term.
- kind of tenants that occupy the property, future tenants who could occupy the property upon leasing a vacant property, including a general creditworthiness assessment;
- shared responsibility among the Group and the tenant regarding the property's maintenance and insurance;
- the property's physical condition and remaining economic life;
- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

For the operations center in Israel, these assumptions mainly include:

Discount rate (weighted average):

		2017	2016
Rental properties in Israel	Offices	8.2%	8.1%
	Commercial use	7.8%	7.8%
	Industrial use	9.0%	8.4%
Rental properties in the USA	HSBC Building (Offices)	5.8%	5.8%
	Las Vegas Project (Offices and commercial use)	5.7%	8.75%

Monthly rental prices per square meter in NIS (weighted average):

		2017	2016
Rental properties in Israel	Offices	NIS/sqm 63	NIS/sqm 62
	Commercial use	NIS/sqm 88	NIS/sqm 92
	Industrial use	NIS/sqm 33	NIS/sqm 32
Rental properties in the USA	HSBC Building (Offices)	NIS/sqm 337	NIS/sqm 425
	Las Vegas Project (Offices and commercial use)	NIS/sqm 114	NIS/sqm 109

For properties under development in the operations center in Israel, whose aggregate value was Ps. 2,938 and Ps. 2,204 as of June 30, 2017 and 2016, respectively, the valuation was determined using market comparable. These values are adjusted for differences in key attributes such as location, size of the property and quality of the interior design. The most significant contribution to this comparable market approach is the price per square meter.

For the operations center in Israel, these assumptions mainly include:

Construction cost (weighted average):

	2017	2016
Properties under development in Israel	NIS/sqm 5,400	NIS/sqm 5,230
Properties under development in the USA	NIS/sqm 6,537	NIS/sqm 8,232

Annual discount rate (weighted average):

	2017	2016
Properties under development in Israel	8.1%	8.50%
Properties under development in the USA	8.75%	8.75%

There were no changes in the valuation techniques during this fiscal year.

Sensitivity of unobservable assumptions:

	Discount rate + 1%	Discount rate -1%
2017	(6,607)	8,794
2016	(4,964)	6,565

Share of profit/(loss) of joint ventures of Operations Center in Argentina:

As stated in Note 2.3(e) to the consolidated financial statements as of June 30, 2017 and for the fiscal years ended June 30, 2016, 2015 and 2014, share of profit/(loss) of joint ventures Cyrsa S.A., Puerto Retiro S.A., Baicom Networks S.A., Nuevo Puerto Santa Fe S.A., Quality Invest S.A., Entertainment Holding S.A. and La Rural S.A., are presented by application of the equity method in the line “Shares of profit/(loss) of associates and joint ventures” in the consolidated statement of income.

However, as indicated in Note 6 to the consolidated financial statements as of June 30, 2017 and for the years ended June 30, 2016, 2015 and 2014, in the business segment reporting, the operating results of these joint ventures are presented by application of proportionate consolidation. This method presents the results of joint ventures in the income statement line by line. The operating results of joint ventures are allocated to each business segment based on the nature of the operations that give rise to them. In addition, reporting contemplates certain transactions between related parties that have been eliminated at the level of the income statement but are, nonetheless, representative of genuine revenues and/or costs of each segment. These transactions include, mainly, leases of spaces and management fees.

Comparability of information:

During the fiscal year ended June 30, 2014, the Group made an investment in the Israeli market, through Dolphin, in IDBD (an Israeli Company), with an initial interest of 26.65%. IDBD is one of the Israeli largest and most diversified conglomerates, which is involved, through its subsidiaries and other investments, in several markets and industries, including real estate, retail, agribusiness, insurance, telecommunications, etc.; controlling or participating in leading companies such as: Clal Holding Insurance Enterprises (Insurance Company), Cellcom (Mobile Telephony Service Provider), Adama (Agrochemicals), Shufersal (Supermarkets), PBC (Real Estate), among others. IDBD traded its shares in TASE between May 2014 and March 2016. To date, it is only listed as a “Debentures Company” pursuant to Israeli law, as it has publicly listed bonds.

On October 11, 2015, the Group gained effective control over IDBD. As required by IFRS 3, the information of IDBD is included in the financial statements of the Company as from the acquisition date, and the prior periods are not modified by this situation. Therefore, the financial information consolidated for periods after the acquisition is not comparative with prior periods.

In addition, following the acquisition of IDBD, the Company established two levels in charge of allocating resources and assessing performance at the two operations centers, through executive committees based in Argentina and Israel. Consequently, the Company reports on its financial performance on the basis of the new segment structure. Comparative information was amended to reflect the new organization, as applicable. The information by segment is now disclosed from two perspectives: geographic location and products and services. Geographically, the Company has established two operations centers to handle its global interests, one in Argentina and the other in Israel. The Company considers the activities developed by each operations center separately, and such activities are reportable operating segments on the basis of the nature of their products, services, operations and risks. In Management’s opinion, the operating segments are grouped within each operations center so as to reflect the similar economic features of each region, as well as the similar products and services being offered, types of clients and regulatory environments.

During fiscal year ended June 30, 2016, the Argentine Peso depreciated against the US dollar and other currencies by around 65%, with the ensuing impact on the comparability of the figures disclosed in the financial statements, mainly as a result of the foreign exchange exposure of our revenues and costs from the "Offices and Others" segment and our assets and liabilities denominated in foreign currency.

In addition, the Israeli Shekel appreciated by 24% during the fiscal year ended in June 2017, compared to Argentine Peso, with the ensuing impact on the comparability of results.

Operations Center in Argentina

Shopping Malls:

For the fiscal years ended June 30, 2017 and 2016

During fiscal year 2017 we maintained the same portfolio of operating shopping malls. For this reason, there were no material effects on the comparison of information.

For the fiscal years ended June 30, 2016 and 2015

During fiscal year 2016 we maintained the same portfolio of operating shopping malls.

As it concerns the new shopping malls inaugurated in fiscal year 2015, "Distrito Arcos" and "Alto Comahue", the periods during which profit from operations was recorded were different in both years. Fiscal year 2016 includes 12 months of operations of Distrito Arcos and Alto Comahue, while fiscal year 2015 includes six months and a half, and three months and a half of operations, respectively. However, the income from these new developments, both in the income statement and in the information by segment, was not significant against the total figures of this segment, for the indicated years. For this reason, there were no material effects on the comparison of information.

Offices and Others:

For the fiscal years ended June 30, 2017 and 2016

During fiscal year 2017, the comparability of revenues and costs from the Offices and Others segment was affected by the partial sales of rental property allocated to this segment. In this regard, during fiscal year 2017 the Company sold 2,693 sqm in the Intercontinental Plaza building and several floors at the Maipú 1300 building.

For the fiscal years ended June 30, 2016 and 2015

During fiscal years ended June 30, 2016 and 2015, the comparability of revenues and costs from the Offices and Others segment was affected by the partial sale of rental property allocated to this segment. In this regard, during fiscal years ended June 30, 2016 and 2015 the Company sold several floors at the Maipú 1300, Intercontinental Plaza, Bouchard 551 and the entire Dique IV buildings (a leasable area of 30,658 sqm, accounting for approximately 27% of the total leasable area at the beginning of the year) and Isla Sirgadero.

Additionally, in December 2014, there was a transfer within the Company of 83,789 sqm of rental buildings from IRSA Inversiones y Representaciones S.A. to IRSA Propiedades Comerciales S.A. This transaction, though at the consolidated level it did not have effects because it was a related party transaction, was considered a Business Combination, and therefore, costs related to this transaction for Ps. 110.5 million were recognized as income during fiscal year 2015 in "Other operating results, net".

Sales and Developments:

Revenues and costs from this segment often vary significantly from one fiscal year to another due to the non-recurrence of different sales transactions performed by the Group throughout the time.

Hotels:

For the fiscal years ended June 30, 2017, 2016 and 2015

During these fiscal years, there were no factors affecting comparability.

International:

For the fiscal years ended June 30, 2016 and 2015

The most affected line in terms of comparability was "Share of profit / (loss) of associates and joint ventures" for, until October 11, 2015, the profit (loss) from the investment in IDBD at fair value was reported within the International segment.

On the other hand, profit from operations from this segment was also affected, but to a lesser extent, by the profits (losses) derived from the Madison building, which was disposed of during fiscal year 2015. No operation involving this building was accounted for during fiscal year 2016 while operations with this building were included during fiscal year 2015 until September 2014.

Financial Operations, Corporate and Others:

For the fiscal years ended June 30, 2016 and 2015

During fiscal year 2016 there were no factors affecting comparability, except for the effect of the change in the valuation of our investment in Avenida accounted for during the previous year. No profit from operations was accounted for during 2016 in relation to this investment, as compared to fiscal year 2015 when profit from operations was recorded for the first 3 months of the year.

Results of Operations for the fiscal years ended June 30, 2017 and 2016

Revenues

	Year ended on 06.30.2017 in millions of Ps.				
Revenues	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	4,392	26	(1,375)	-	3,043
Offices and Others	536	15	(115)	7	443
Sales and Developments	98	1	-	-	99
Hotels	723	-	-	2	725
International	-	-	-	-	-
Financial Operations, Corporate and Others	1	-	-	-	1
Total Operations Center in Argentina	**5,750**	**42**	**(1,490)**	**9**	**4,311**
Operations Center in Israel					
Real Estate	4,918	-	-	-	4,918
Supermarkets	47,277	-	-	-	47,277
Telecommunications	15,964	-	-	-	15,964
Insurance	-	-	-	-	-
Others	263	-	-	-	263
Total Operations Center in Israel	**68,422**	**-**	**-**	**-**	**68,422**
Total revenues	**74,172**	**42**	**(1,490)**	**9**	**72,733**

	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Revenues	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	3,487	20	(1,101)	-	2,406
Offices and Others	422	4	(93)	7	340
Sales and Developments	3	5	-	-	8
Hotels	533	-	-	1	534
International	-	-	-	-	-
Financial Operations, Corporate and Others	1	-	-	-	1
Total Operations Center in Argentina	**4,446**	**29**	**(1,194)**	**8**	**3,289**
Operations Center in Israel					
Real Estate	1,538	-	-	-	1,538
Supermarkets	18,610	-	-	-	18,610
Telecommunications	6,655	-	-	-	6,655
Insurance	-	-	-	-	-
Others	274	-	-	-	274
Total Operations Center in Israel	**27,077**	**-**	**-**	**-**	**27,077**
Total tevenues	**31,523**	**29**	**(1,194)**	**8**	**30,366**

Revenues from sales, leases and services, pursuant to the income statement, rose by Ps. 42,649 million, up from Ps. 31,523 million during fiscal year 2016 to Ps. 74,172 million during fiscal year 2017 (Ps. 68,422 million of which derive from the Operations Center in Israel and Ps. 5,750 million from the Operations Center in Argentina). Without considering the revenues from the Operations Center in Israel, revenues from sales, leases and services increased by 29.3%.

In turn, revenues from expenses and collective promotion fund increased by 24.8%, from Ps. 1,194 million (of which Ps. 1,101 million are allocated to the Shopping Malls segment and Ps. 93 million are allocated to the Offices and Others segment within the Operations Center in Argentina) during fiscal year 2016 to Ps. 1,490 million (of which Ps. 1,375 million are allocated to the Shopping Malls segment and Ps. 115 million are allocated to the Offices and Others segment) during fiscal year 2017.

Furthermore, revenues from interests in our joint ventures showed a 41.4% increase, up from Ps. 29 million during fiscal year 2016 (of which Ps. 20 million are allocated to the Shopping Malls segment, Ps. 4 million to the Offices and Others segment, and Ps. 5 million to the Sales and Developments segment within the Operations Center in Argentina) to Ps. 41 million during fiscal year 2017 (of which Ps. 26 million are allocated to the Shopping Malls segment, Ps. 14 million to the Offices and Others segment, and Ps. 1 million to the Sales and Developments segment within the Operations Center in Argentina) during fiscal year 2017.

Finally, inter-segment revenues increased by 25%, from Ps. 8 million during fiscal year 2016 (of which Ps. 8 million are allocated to the Offices and Others segment and Ps. 1 million to the Hotels segment within the Operations Center in Argentina) to Ps. 10 million during fiscal year 2017 (of which Ps. 7 million are allocated to the Offices and Others segment and Ps. 2 million to the Hotels segment within the Operations Center in Argentina).

Thus, according to business segment reporting (taking into consideration the revenues from our joint ventures and without considering the revenues from expenses and collective promotion fund or inter-segment revenues), revenues grew by Ps. 42,380 million from Ps. 30,395 million during fiscal year 2016 to Ps. 72,775 million during fiscal year 2017 (of which Ps. 68,422 million are derived from the Operations Center in Israel and Ps. 4,353 million are derived from the Operations Center in Argentina). Without considering the revenues from the Operations Center in Israel, revenues, pursuant to business segment reporting, grew by 31.1%.

Operations Center in Argentina

Shopping Malls. Revenues from the Shopping Malls segment rose by 26.5%, up from Ps. 2,406 million during fiscal year 2016 to Ps. 3,043 million during fiscal year 2017. This increase was mainly attributable to: (i) a Ps. 408 million increase in the revenues from base and percentage rents stemming from a 19.4% increase in our tenants' total sales, up from Ps. 28.8 million during fiscal year 2016 to Ps. 34.4 million during fiscal year 2017, (ii) a Ps. 55 million increase in revenues from admission fees, (iii) a Ps. 39.5 million increase in revenues from parking, and (iv) a Ps. 134.5 million increase in revenues from commissions, among other items.

Offices and Others. Revenues from the Offices and Others segment rose by 30.3%, up from Ps. 340 million during fiscal year 2016 to Ps. 443 million during fiscal year 2017. They were affected by the partial sales of investment properties that took place during fiscal year 2017, which caused a reduction in the segment's total leasable surface area. Rental revenues rose by 29.3%, up from Ps. 331 million during fiscal year ended June 30, 2016 to Ps. 428 million during fiscal year ended June 30, 2017, mainly due to the devaluation.

Sales and Developments. Revenues from the Sales and Developments segment increased from Ps. 8 million during fiscal year 2016 to Ps. 99 million during fiscal year 2017. This segment often exhibits significant changes from period to period because of the non-recurrence of the sales of properties performed by the Group throughout the time. Such increase is mainly due to the sales of the floors in the Beruti building and parking spaces in Rosario.

Hotels. Revenues from our Hotels segment rose by 35.8%, up from Ps. 534 million during fiscal year 2016 to Ps. 725 million during fiscal year 2017, primarily due to an increase in the average rate per room (measured in Ps.) of our hotel portfolio.

International. Revenues from our International segment showed no significant changes for the reported periods.

Financial Operations, Corporate and Others. Revenues from the Financial Operations, Corporate and Others segment did not experience significant changes during the reported periods.

Operations Center in Israel

Real Estate. During fiscal year 2017, revenues from the Real Estate segment totaled Ps. 4,918 million.

Supermarkets. During fiscal year 2017, revenues from the Supermarkets segment totaled Ps. 47,277 million.

Telecommunications. During fiscal year 2017, revenues from the Telecommunications segment totaled Ps. 15,964 million.

Others. During fiscal year 2017, revenues from the Others segment totaled Ps. 263 million.

Costs

	Year ended on 06.30.2017 In millions of Ps.				
Costs	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	(1,745)	(4)	1,399	-	(350)
Offices and Others	(141)	(10)	118	-	(33)
Sales and Developments	(39)	(4)	-	-	(43)
Hotels	(486)	-	-	-	(486)
International	-	-	-	-	-
Financial Operations, Corporate and Others	-	-	-	-	-
Total Operations Center in Argentina	**(2,411)**	**(18)**	**1,517**	**-**	**(912)**
Operations Center in Israel					
Real Estate	(2,333)	-	-	-	(2,333)
Supermarkets	(35,432)	-	-	-	(35,432)
Telecommunications	(11,183)	-	-	-	(11,183)
Insurance	-	-	-	-	-
Others	(162)	-	-	-	(162)
Total Operations Center in Israel	**(49,110)**	**-**	**-**	**-**	**(49,110)**
Total costs	**(51,521)**	**(18)**	**1,517**	**-**	**(50,022)**

Costs	Year ended on 06.30.2016 (adjusted) In millions of Ps. Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(1,361)	(2)	1,113	(6)	(256)
Offices and Others	(110)	(5)	94	-	(21)
Sales and Developments	(15)	(5)	-	-	(20)
Hotels	(361)	-	-	-	(361)
International	-	-	-	-	-
Financial Operations, Corporate and Others	-	-	-	-	-
Total Operations Center in Argentina	**(1,847)**	**(12)**	**1,207**	**(6)**	**(658)**
Operations Center in Israel					
Real Estate	(467)	-	-	-	(467)
Supermarkets	(14,076)	-	-	-	(14,076)
Telecommunications	(4,525)	-	-	-	(4,525)
Insurance	-	-	-	-	-
Others	(184)	-	-	-	(184)
Total Operations Center in Israel	**(19,252)**	**-**	**-**	**-**	**(19,252)**
Total costs	**(21,099)**	**(12)**	**1,207**	**(6)**	**(19,910)**

Total consolidated costs, pursuant to the income statement, increased by Ps. 30,422 million, up from Ps. 21,099 million during fiscal year 2016 to Ps. 51,521 million during fiscal year 2017 (of which Ps. 49,110 million are derived from the Operations Center in Israel and Ps. 2,411 million from the Operations Center in Argentina). Without considering the costs from the Operations Center in Israel, costs rose by 30.5%. Total consolidated costs as a percentage of total consolidated revenues also increased by 66.9% during fiscal year 2016 to 69.5% during fiscal year 2017, and such increase is mainly attributable to the Operations Center in Israel. Without considering the costs from the Operations Center in Israel, total consolidated costs as a percentage of total revenues experienced a slight increase from 41.5% during fiscal year 2016 to 42.9% during fiscal year 2017.

In turn, costs from expenses and collective promotion fund increased by 25.7%, from Ps. 1,207 million during fiscal year 2016 (of which Ps. 1,113 million are allocated to the Shopping Malls segment and Ps. 94 million to the Offices and Others segment within the Operations Center in Argentina) to Ps. 1,517 million during fiscal year 2017 (of which Ps. 1,399 million are allocated to the Shopping Malls segment and Ps. 118 million to the Offices and Others segment within the Operations Center in Argentina), mainly due to increased costs originated by our Shopping Malls, which rose by 25.7% from Ps. 1,113 million in fiscal year 2016 to Ps. 1,399 million in fiscal year 2017, mainly as a result of: (i) an increase in maintenance, security, cleaning, repair and other expenses of Ps. 142 million (caused mainly by price raises in security and cleaning services and in public utilities rates); (ii) an increase in salaries, social security charges and other personnel expenses of Ps. 109 million; (iii) an increase in taxes, rates and contributions, and other expenses of Ps. 36 million, among others. Such change was also attributable to an increase in expenses resulting from the Offices and Others segment by Ps. 30.7 million, from Ps. 82.4 million during fiscal year 2016 to Ps. 113.1 million during fiscal year 2017, mainly due to: (i) maintenance, cleaning expenses, and rentals and expenses and others in the amount of Ps. 21.5 million; (ii) salaries and social security charges by Ps. 6.1 million; (iii) taxes, rates and contributions by Ps. 3.5 million.

Furthermore, costs from our joint ventures showed a net increase of 50.0%, up from Ps. 12 million during fiscal year 2016 (of which Ps. 2 million are allocated to the Shopping Malls segment, Ps. 5 million to the Offices and Others segment, and Ps. 5 million to the Sales and Developments segment within the Operations Center in Argentina) to Ps. 18 million during fiscal year 2017 (of which Ps. 4 million are allocated to the Shopping Malls segment, Ps. 10 million to the Offices and Others segment, and Ps. 4 million to the Sales and Developments segment within the Operations Center in Argentina).

Finally, costs from inter-segment transactions decreased by 100%, from Ps. 6 million during fiscal year 2016 to Ps. 0.01 million during fiscal year 2017 (which are fully allocated to the Shopping Malls segment within the Operations Center in Argentina).

Therefore, according to business segment reporting (taking into consideration the costs from our joint ventures and without considering the costs from expenses and collective promotion fund or costs from inter-segment operations), costs rose by Ps. 30,112 million from Ps. 19,910 million during fiscal year 2016 to Ps. 50,022 million during fiscal year 2017 (of which Ps. 49,110 million are attributable to the Operations Center in Israel and Ps. 912 million to the Operations Center in Argentina). Without considering the costs from the Operations Center in Israel, costs rose by 38.6%. Furthermore, total costs as a percentage of total revenues, pursuant to business segment reporting, increased from 65.6% during fiscal year 2016 to 68.8% during fiscal year 2017, and such increase is mainly attributable to the Operations Center in Israel. Without considering the effect of the Operations Center in Israel, total costs as a percentage of total revenues increased from 20.0% during fiscal year 2016 to 21.2% during fiscal year 2017.

Operations Center in Argentina

Shopping Malls. Costs from the Shopping Malls segment increased by 36.7%, from Ps. 256 million during fiscal year 2016 to Ps. 350 million during fiscal year 2017. This increase is mainly due to: (i) (i) increased lease and expenses by Ps. 41 million; (ii) a Ps. 30 million increase in maintenance, security, cleaning, repair and other expenses; and (iii) a Ps. 23 million increase in salaries, social security charges and other personnel expenses, among other items. Costs from the Shopping Malls segment, as a percentage of revenues derived from this segment, increased from 10.6% during fiscal year 2016 to 11.5% during fiscal year 2017.

Offices and Others. Costs in the Offices and Others segment rose by 57.1%, from Ps. 21 million during fiscal year 2016 to Ps. 33 million during fiscal year 2017, mainly as a consequence of: (i) a Ps. 3 million increase in taxes, rates and contributions; (ii) a Ps. 2 million increase in fees and payment for services and (iii) a Ps. 2 million increase in maintenance, repair expenses and services. Costs in the Offices and Others segment, as a percentage of this segment's revenues, rose from 6.2% during fiscal year 2016 to 7.4% during fiscal year 2017.

Sales and Developments. This segment's costs often exhibit significant changes from period to period because of the non-recurrence of the sales of properties performed by the Company throughout the time. The costs associated to our Sales and Developments segment increased by 115.0 %, from Ps. 20 million during fiscal year 2016 to Ps. 43 million during fiscal year 2017. Costs in the Sales and Developments segment, as a percentage of this segment's revenues, decreased from 250.0% during fiscal year 2016 to 43.4% during fiscal year 2017.

Hotels. Costs in the Hotels segment rose by 34.6%, from Ps. 361 million during fiscal year 2016 to Ps. 486 million during fiscal year 2017, mainly due to: (i) a Ps. 68 million increase in salaries, social security charges and other personnel expenses; (ii) increased charges, amounting to Ps. 26 million, as maintenance and repairs; and (iii) an increase of Ps. 30 million in the cost of food, beverages and other hotel-related expenses, respectively. Costs in the Hotels segment, as a percentage of this segment's revenues, fell from 67.6% during fiscal year 2016 to 67.0% during fiscal year 2017.

International. Costs in the International segment did not exhibit significant changes compared to fiscal year 2016.

Operations Center in Israel

Real Estate. During fiscal year 2017, costs from the Real Estate segment totaled Ps. 2,333 million. In addition, costs, as a percentage of the revenues derived from this segment, accounted for 47.4%.

Supermarkets. During fiscal year 2017, costs from the Supermarkets segment totaled Ps. 35,432 million. In addition, costs, as a percentage of the revenues derived from this segment, accounted for 74.9%.

Telecommunications. During fiscal year 2016, costs from the Telecommunications segment totaled Ps. 11,183 million. In addition, costs, as a percentage of the revenues derived from this segment, accounted for 70.1%.

Others. During fiscal year 2016, costs from the Others segment totaled Ps. 162 million. In addition, costs, as a percentage of the revenues derived from this segment, accounted for 61.6%.

Gross profit

	Year ended on 06.30.2017 In millions of Ps.				
Gross profit	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	2,647	22	24	-	2,693
Offices and Others	395	4	3	8	410
Sales and Developments	59	(3)	-	-	56
Hotels	237	-	-	2	239
International	-	-	-	-	-
Financial Operations, Corporate and Others	1	-	-	-	1
Total Operations Center in Argentina	**3,339**	**23**	**27**	**10**	**3,399**
Operations Center in Israel					
Real Estate	2,585	-	-	-	2,585
Supermarkets	11,845	-	-	-	11,845
Telecommunications	4,781	-	-	-	4,781
Insurance	-	-	-	-	-
Others	101	-	-	-	101
Total Operations Center in Israel	**19,312**	**-**	**-**	**-**	**19,312**
Total gross profit	**22,651**	**23**	**27**	**10**	**22,711**

Gross profit	Year ended on 06.30.2016 (adjusted) In millions of Ps. Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	2,126	18	12	(6)	2,150
Offices and Others	312	(1)	1	7	319
Sales and Developments	(12)	-	-	-	(12)
Hotels	172	-	-	1	173
International	-	-	-	-	-
Financial Operations, Corporate and Others	1	-	-	-	1
Total Operations Center in Argentina	**2,599**	**17**	**13**	**2**	**2,631**
Operations Center in Israel					
Real Estate	1,071	-	-	-	1,071
Supermarkets	4,534	-	-	-	4,534
Telecommunications	2,130	-	-	-	2,130
Insurance	-	-	-	-	-
Others	90	-	-	-	90
Total Operations Center in Israel	**7,825**	**-**	**-**	**-**	**7,825**
Total gross profit	**10,424**	**17**	**13**	**2**	**10,456**

Total consolidated gross profit, pursuant to the income statement, increased by Ps. 12,227 million, up from Ps. 10,424 million during fiscal year 2016 (of which Ps. 7,825 million are derived from the Operations Center in Israel and Ps. 2,599 million from the Operations Center in Argentina) to Ps. 22,651 million during fiscal year 2017 (of which Ps. 19,312 million are derived from the Operations Center in Israel and Ps. 3,339 million from the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, gross profit rose by 28.5%. Total consolidated gross profit, as a percentage of revenues from sales, leases and services, fell from 33.1% during fiscal year 2016 to 30.5% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total consolidated gross profit, pursuant to the income statement, experienced a slight decline from 33.1% during fiscal year 2016 to 30.5% during fiscal year 2017.

In turn, total gross profit from expenses and collective promotion fund increased by Ps. 14 million, from Ps. 13 million during fiscal year 2016 (of which Ps. 12 million are derived from the Shopping Malls segment and Ps. 1 million from the Offices and Others segment) to Ps. 27 million during fiscal year 2017 (of which Ps. 24 million are derived from the Shopping Malls segment and Ps. 3 million from the Offices and Others segment).

Furthermore, gross profit from our joint ventures increased by 35.3% from Ps. 17 million in fiscal year 2016 to Ps. 23 million in fiscal year 2017.

Therefore, according to business segment reporting (taking into consideration the gross profit from our joint ventures and without considering the gross profit from expenses and collective promotion fund or inter-segment gross profits), gross profit rose by Ps. 12,255 million from Ps. 10,456 million during fiscal year 2016 (of which Ps. 7,825 million are derived from the Operations Center in Israel and Ps. 2,631 million from the Operations Center in Argentina) to Ps. 22,711 million during fiscal year 2017 (of which Ps. 19,312 million are attributable to the Operations Center in Israel and Ps. 3,399 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, gross profit rose by 29.2%. Furthermore, gross profit as a percentage of revenues, pursuant to business segment reporting, fell from 34.4% during fiscal year 2016 to 31.2% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, gross profit as a percentage of total revenues experienced a slight decline from 80.0% during fiscal year 2016 to 78.8% during fiscal year 2017.

Operations Center in Argentina

Shopping Malls. Gross profit at the Shopping Malls segment increased by 25.3%, up from Ps. 2,150 million during fiscal year 2016 to Ps. 2,693 million during fiscal year 2017, mainly due to an increase in our tenants' total sales, resulting in higher percentage rents under our lease agreements. Gross profit from the Shopping Malls segment as a percentage of this segment's revenues experienced a slight decline from 89.4% during fiscal year 2016 to 88.5% during fiscal year 2017.

Offices and Others. Gross profit from the Offices and Others segment increased by 28.5%, from Ps. 319 million during fiscal year 2016 to Ps. 410 million during fiscal year 2017. Gross profit from the Offices and Others segment as a percentage of this segment's revenues decreased from 93.8% during fiscal year 2016 to 92.6% during fiscal year 2017.

Sales and Developments. Gross profit (loss) from the Sales and Developments segment increased by Ps. 68 million, from a loss of Ps. 12 million during fiscal year 2016 to a profit of Ps. 56 million during fiscal year 2017, mainly due to higher sales accounted for during fiscal year 2017 and a decrease in maintenance and preservation costs in connection with these properties.

Hotels. Gross profit from the Hotels segment rose by 38.2%, up from Ps. 173 million during fiscal year 2016 to Ps. 239 million during fiscal year 2017. Gross profit for the Hotels segment, as a percentage of this segment's revenues, rose slightly from 32.4% during fiscal year 2016 to 33.0% during fiscal year 2017.

International. Gross profit at the International segment did not experience significant changes during the reported periods.

Financial Operations, Corporate and Others. Gross profit at the Financial Operations, Corporate and Others segment did not experience significant changes during the reported periods.

Operations Center in Israel

Real Estate. During fiscal year 2017, gross profit from the Real Estate segment totaled Ps. 2,585 million, which, as a percentage of the revenues derived from this segment, accounted for 52.6%.

Supermarkets. During fiscal year 2017, gross profit from the Supermarkets segment totaled Ps. 11,845 million, which, as a percentage of the revenues derived from this segment, accounted for 25.1%.

Telecommunications. During fiscal year 2017, gross profit from the Telecommunications segment totaled Ps. 4,781 million, which, as a percentage of the revenues derived from this segment, accounted for 29.9%.

Others. During fiscal year 2017, gross profit from the Others segment totaled Ps. 101 million, which, as a percentage of the revenues derived from this segment, accounted 38.4%.

Net gain from fair value adjustment of investment properties

	Year ended on 06.30.2017 In millions of Ps.				
Net gain from fair value adjustment of investment properties	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	2,058	10	-	-	2,068
Offices and Others	1,172	182	-	-	1,354
Sales and Developments	849	-	-	-	849
Hotels	-	-	-	-	-
International	-	-	-	-	-
Financial Operations, Corporate and Others	-	-	-	-	-
Total Operations Center in Argentina	**4,079**	**192**	-	-	**4,271**
Operations Center in Israel					
Real Estate	374	-	-	-	374
Supermarkets	-	-	-	-	-
Telecommunications	-	-	-	-	-
Insurance	-	-	-	-	-
Others	-	-	-	-	-
Total Operations Center in Israel	**374**	**-**	**-**	**-**	**374**
Total net gain from fair value adjustment of investment properties	**4,453**	**192**	**-**	**-**	**4,645**

	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Net gain from fair value adjustment of investment properties	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment - reporting**
Operations Center in Argentina					
Shopping Malls	16,049	83	-	-	16,132
Offices and Others	1,055	249	-	-	1,304
Sales and Developments	726	47	-	-	773
Hotels	-	-	-	-	-
International	-	-	-	-	-
Financial Operations, Corporate and Others	-	-	-	-	-
Total Operations Center in Argentina	**17,830**	**379**	**-**	**-**	**18,209**
Operations Center in Israel					
Real Estate	(271)	-	-	-	(271)
Supermarkets	-	-	-	-	-
Telecommunications	-	-	-	-	-
Insurance	-	-	-	-	-
Others	-	-	-	-	-
Total Operations Center in Israel	**(271)**	**-**	**-**	**-**	**(271)**
Total net gain from fair value adjustment of investment properties	**17,559**	**379**	**-**	**-**	**17,938**

Total consolidated net gain from fair value adjustment of investment properties, pursuant to the income statement, decreased by Ps. 13,106 million, from Ps. 17,559 million during fiscal year 2016 (of which a Ps. 271 million loss derives from the Operations Center in Israel and a Ps. 17,830 million income from the Operations Center in Argentina) to Ps. 4,453 million during fiscal year 2017 (of which Ps. 374 million derive from the Operations Center in Israel and Ps. 4,079 million from the Operations Center in Argentina).

Operations Center in Argentina:

Net gain from fair value adjustment of our investment properties for the fiscal year ended June 30, 2017 amounted to Ps. 4,271 million (Ps. 2,068 million from our Shopping Malls segment; Ps. 1,354 million from the Offices and Others segment; and Ps. 849 million from the Sales and Developments segment). The significant increase in the peso values of our properties was primarily a consequence of: (i) a slight decrease of 16 basis points decrease in the discount rate applied under the discounted cash flows appraisal method that resulted in increases in value of investment properties, which was driven mainly by macroeconomic improvements leading to a decrease in the cost of capital; and (ii) from June 2016 to June 2017 the Argentine peso depreciated nearly 11% against the U.S. dollar (from Ps.14.99 per USD1.00 to Ps.16.58 per USD1.00) and because the value of our investment properties is denominated in U.S. dollars given that real estate market transactions in Argentina are largely carried out in such currency.

We maintained the same portfolio of shopping malls during the fiscal years ended June 30, 2017 and 2016. The values of our shopping mall properties increased by 8.2% during the fiscal year ended June 30, 2017, largely due to a decrease in our cost of capital and the impact of the peso depreciation.

The value of our office buildings increased by 33.6% during the fiscal year ended June 30, 2017 largely as a result of the impact of the depreciation of the peso and higher rental rates for our properties. In addition, we recorded a gain on disposal of office properties of Ps. 100 million during the fiscal year ended June 30, 2017 compared to Ps. 908 million in the comparable period in 2016, due to the sale of leasable offices and parking spaces at several buildings.

Operations Center in Israel

Real Estate. In fiscal year 2017, the net gain from fair value adjustment of investment properties from the Real Estate segment was Ps. 374 million, which, as a percentage of revenues from this segment, accounted for 7.6%.

General and administrative expenses

General and administrative expenses	Year ended on 06.30.2017 In millions of Ps. Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(256)	(2)	-	(3)	(261)
Offices and Others	(32)	(1)	-	-	(33)
Sales and Developments	(30)	(2)	-	-	(32)
Hotels	(133)	-	-	(2)	(135)
International	(78)		-	-	(78)
Financial Operations, Corporate and Others	(179)	-	-	(3)	(182)
Total Operations Center in Argentina	**(708)**	**(5)**	**-**	**(8)**	**(721)**
Operations Center in Israel					
Real Estate	(290)	-	-	-	(290)
Supermarkets	(627)	-	-	-	(627)
Telecommunications	(1,592)	-	-	-	(1,592)
Insurance	-	-	-	-	-
Others	(626)	-	-	-	(626)
Total Operations Center in Israel	**(3,135)**	**-**	**-**	**-**	**(3,135)**
Total general and administrative expenses	**(3,843)**	**(5)**	**-**	**(8)**	**(3,856)**

General and administrative expenses	Year ended on 06.30.2016 (adjusted) In millions of Ps. Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(178)	-	-	(1)	(179)
Offices and Others	(24)	-	-	-	(24)
Sales and Developments	(22)	(1)	-	-	(23)
Hotels	(101)	-	-	(2)	(103)
International	(91)	-	-	-	(91)
Financial Operations, Corporate and Others	(130)	-	-	(4)	(134)
Total Operations Center in Argentina	**(546)**	**(1)**	**-**	**(7)**	**(554)**
Operations Center in Israel					
Real Estate	(100)	-	-	-	(100)
Supermarkets	(203)	-	-	-	(203)
Telecommunications	(708)	-	-	-	(708)
Insurance	-	-	-	-	-
Others	(282)	-	-	-	(282)
Total Operations Center in Israel	**(1,293)**	**-**	**-**	**-**	**(1,293)**
Total general and administrative expenses	**(1,839)**	**(1)**	**-**	**(7)**	**(1,847)**

Total administrative expenses, pursuant to the income statement, increased by Ps. 2,004 million, up from Ps. 1,839 million during fiscal year 2016 (of which Ps. 1,293 million are attributable to the Operations Center in Israel and Ps. 546 million to the Operations Center in Argentina) to Ps. 3,843 million during fiscal year 2017 (of which Ps. 3,135 million are attributable to the Operations Center in Israel and Ps. 708 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, administrative expenses rose by 29.67%. Total administrative expenses, as a percentage of revenues from sales, leases and services, fell slightly from 5.8% during fiscal year 2016 to 5.2% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total general and administrative expenses, pursuant to the income statement, experienced a slight increase from 12.2% during fiscal year 2016 to 12.3% during fiscal year 2017.

In turn, administrative expenses from our joint ventures increased by Ps. 4 million, from Ps. 1 million in fiscal year 2016 to Ps. 5 million during fiscal year 2017.

Finally, administrative expenses from inter-segment transactions did not exhibit significant changes for the reported periods.

Therefore, according to business segment reporting (taking into consideration administrative expenses from our joint ventures and without considering those related to expenses and collective promotion fund or expenses related to inter-segment operations), administrative expenses rose by Ps. 2,009 million from Ps. 1,848 million during fiscal year 2016 (of which Ps. 1,293 million derive from the Operations Center in Israel and Ps. 555 million from the Operations Center in Argentina) to Ps. 3,861 million during fiscal year 2017 (of which Ps. 3,135 million are attributable to the Operations Center in Israel and Ps. 726 million to the Operations Center in Argentina). Without considering the administrative expenses from the Operations Center in Israel, expenses rose by 30.14%. Administrative expenses as a percentage of revenues, pursuant to business segment reporting, declined from 6.1% during fiscal year 2016 to 5.3% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total administrative expenses, as a percentage of total revenues, experienced a slight increase from 16.8% during fiscal year 2016 to 16.7% during fiscal year 2017.

Operations Center in Argentina

Shopping Malls. General and administrative expenses in the Shopping Malls segment rose by 45.8%, up from Ps. 179 million during fiscal year 2016 to Ps. 261 million during fiscal year 2017, mainly as a result of: (i) a Ps. 33 million increase in salaries, social security charges and other personnel expenses; (ii) a Ps. 22 million increase in fees and payment for services, among other items; (iii) a Ps. 13 million increase in directors' fees; and (iv) a Ps. 7 million increase in fees and payment for services, among other items. General and administrative expenses of Shopping Malls, as a percentage of this segment's revenues, increased from 7.4% during fiscal year 2016 to 8.6% during fiscal year 2017.

Offices and Others. General and administrative expenses in our Offices and Others segment increased by 37.5%, from Ps. 24 million during fiscal year 2016 to Ps. 33 million during fiscal year 2017, primarily due to: (i) a Ps. 4 million increase in salaries, social security charges and other personnel expenses; and (ii) a Ps. 6 million increase in fees and payment for services, among other items. The segment's general and administrative expenses, as a percentage of this segment's revenues, showed a slight increase from 7.1% during fiscal year 2016 to 7.4% during fiscal year 2017.

Sales and Developments. General and administrative expenses associated to our Sales and Developments segment rose by Ps. 9 million, up from Ps. 23 million during fiscal year 2016 to Ps. 32 million during fiscal year 2017, primarily owing to: (i) a Ps. 6 million increase in fees and payment for services; (ii) a Ps. 2 million increase in salaries, social security charges and other personnel expenses, (iii) a Ps. 2 million increase in directors' fees, among other items. General and administrative expenses, as a percentage of this segment's revenues, decreased from 287.5% during fiscal year 2016 to 32.3% during fiscal year 2017.

Hotels. General and administrative expenses associated to our Hotels segment rose by 31.1%, from Ps. 103 million during fiscal year 2016 to Ps. 135 million during fiscal year 2017, mainly as a result of: (i) a Ps. 16 million increase in salaries, social security charges and other personnel expenses; (ii) a Ps. 4 million increase in taxes, rates and contributions; and (iii) Ps. 4 million increase in fees and payments for services, among other items. General and administrative expenses associated to the Hotels segment, as a percentage of this segment's revenues, fell from 19.3% during fiscal year 2016 to 18.6% during fiscal year 2017.

International. General and administrative expenses associated to our International segment fell by 14.3%, from Ps. 91 million during fiscal year 2016 to Ps. 78 million during fiscal year 2017, mainly as a result of fees for services incurred in connection with our investment in IDBD.

Financial Operations, Corporate and Others. General and administrative expenses associated to our Financial Operations, Corporate and Others segment increased by 35.8 % from Ps. 134 million during fiscal year 2016 to Ps. 182 million during fiscal year 2017, mainly due to (i) a Ps. 23 million increase in salaries, social security charges and other personnel expenses and (ii) a Ps. 22 million increase in maintenance, repair and services expenses.

Operations Center in Israel

Real Estate. During fiscal year 2017, general and administrative expenses associated to the Real Estate segment totaled Ps. 290 million, which, as a percentage of the revenues derived from this segment, accounted for 5.9%.

Supermarkets. During fiscal year 2017, general and administrative expenses associated to the Supermarkets segment totaled Ps. 627 million, which, as a percentage of the revenues derived from this segment, accounted for 1.3%.

Telecommunications. During fiscal year 2017, general and administrative expenses associated to the Telecommunications segment totaled Ps. 1,592 million, which, as a percentage of the revenues derived from this segment, accounted for 10.0%.

Others. During fiscal year 2017, general and administrative expenses associated to the Others segment totaled Ps. 626 million, which, as a percentage of the revenues derived from this segment, accounted for 238.0%.

Selling expenses

Selling expenses	Year ended on 06.30.2017 In millions of Ps.				
	Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(185)	(1)	-	(2)	(188)
Offices and Others	(33)	(1)	-	-	(34)
Sales and Developments	(13)	(3)	-	-	(16)
Hotels	(94)	-	-	-	(94)
International	-	-	-	-	-
Financial Operations, Corporate and Others	(23)	-	-	-	(23)
Total Operations Center in Argentina	**(348)**	**(5)**	**-**	(2)	**(355)**
Operations Center in Israel					
Real Estate	(91)	-	-	-	(91)
Supermarkets	(9,517)	-	-	-	(9,517)
Telecommunications	(3,406)	-	-	-	(3,406)
Insurance	-	-	-	-	-
Others	(79)	-	-	-	(79)
Total Operations Center in Israel	**(13,093)**	**-**	**-**	**-**	**(13,093)**
Total selling expenses	**(13,441)**	**(5)**	**-**	**(2)**	**(13,448)**

Selling expenses	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
	Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(144)	(1)	-	-	(145)
Offices and Others	(8)	-	-	-	(8)
Sales and Developments	(22)	(1)	-	-	(23)
Hotels	(69)	-	-	-	(69)
International	-	-	-	-	-
Financial Operations, Corporate and Others	(19)	-	-	-	(19)
Total Operations Center in Argentina	**(262)**	**(2)**	**-**	**-**	**(264)**
Operations Center in Israel					
Real Estate	(29)	-	-	-	(29)
Supermarkets	(3,907)	-	-	-	(3,907)
Telecommunications	(1,493)	-	-	-	(1,493)
Insurance	-	-	-	-	-
Others	(13)	-	-	-	(13)
Total Operations Center in Israel	**(5,442)**	**-**	**-**	**-**	**(5,442)**
Total selling expenses	**(5,704)**	**(2)**	**-**	**-**	**(5,706)**

Total consolidated selling expenses, pursuant to the income statement, increased by Ps. 7,737 million, up from Ps. 194 million during fiscal year 2016 to Ps. 13,441 million during fiscal year 2017 (of which Ps. 13,093 million are attributable to the Operations Center in Israel and Ps. 348 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, selling expenses rose by 34.6%. Total consolidated selling expenses, as a percentage of revenues from sales, leases and services, rose from 18.1% during fiscal year 2016 to 18.2% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total selling expenses, as a percentage of revenues from sales, leases and services, experienced a slight increase from 5.9% during fiscal year 2016 to 6.2% during fiscal year 2017.

In turn, selling expenses associated to our joint ventures increased by Ps. 3 million from Ps. 2 million in fiscal year 2016 to Ps. 5 million in fiscal year 2017.

Therefore, according to business segment reporting (taking into consideration the selling expenses from our joint ventures and without considering those related to expenses and collective promotion fund or inter-segment expenses), selling expenses rose by Ps. 7,742 million from Ps. 5,706 million during fiscal year 2016 to Ps. 13,448 million during fiscal year 2017 (of which Ps. 13,093 million are attributable to the Operations Center in Israel and Ps. 355 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, selling expenses rose by 26.0%. Selling expenses, as a percentage of revenues, pursuant to business segment reporting, fell from 18.5% during fiscal year 2016 to 18.8% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total selling expenses as a percentage of total revenues pursuant to business segment reporting, experienced a slight increase from 8.0% during fiscal year 2016 to 8.2% during fiscal year 2017.

Operations Center in Argentina

Shopping Malls. Selling expenses in the Shopping Malls segment rose by 29.7%, up from Ps. 145 million during fiscal year 2016 to Ps. 188 million during fiscal year 2017, primarily as a result of higher taxes, rates and contributions and higher loan loss charges. Selling expenses, as a percentage of the Shopping Malls segment's revenues, rose from 6.0% during fiscal year 2016 to 6.2% during fiscal year 2017.

Offices and Others. Selling expenses associated to our Offices and Others segment increased by 325.0%, from Ps. 8 million during fiscal year 2016 to Ps. 34 million during fiscal year 2017. Such variation was mainly due to higher loan loss charges, among other factors. The selling expenses associated to our Offices and Others segment, as a percentage of this segment's revenues, rose from 2.4% during fiscal year 2016 to 7.7% during fiscal year 2017.

Sales and Developments. Selling expenses for the Sales and Developments segment decreased by Ps. 7 million, from Ps. 23 million during fiscal year 2016 to Ps. 16 million during fiscal year 2017, mainly as a result of a decrease in taxes, rates and contributions.

Hotels. The selling expenses associated to our Hotels segment rose by 36.2%, from Ps. 69 million during fiscal year 2016 to Ps. 94 million during fiscal year 2017, mainly due to an increase in taxes, rates and contributions, an increase in fees and payment for services and salaries and social security charges, among others. Selling expenses associated to our Hotels segment as a percentage of this segment's revenues experienced a slight increase from 12.9% during fiscal year 2016 to 13% during fiscal year 2017.

Financial Operations. Selling expenses in the Financial Operations segment increased by Ps. 4 million from Ps. 19 million in fiscal year 2016 to Ps. 23 million in fiscal year 2017, mainly due to an increase in advertising, publicity and others.

Operations Center in Israel

Real Estate. During fiscal year 2017, selling expenses associated to the Real Estate segment totaled Ps. 91 million, which, as a percentage of the revenues derived from this segment, accounted for 1.9%.

Supermarkets. During fiscal year 2017, selling expenses associated to the Supermarkets segment totaled Ps. 9,517 million, which, as a percentage of the revenues derived from this segment accounted for 20.1%.

Telecommunications. During fiscal year 2017, selling expenses associated to the Telecommunications segment totaled Ps. 3,406 million, which, as a percentage of the revenues derived from this segment, accounted for 21.3%.

Others. During fiscal year 2017, selling expenses associated to the Others segment totaled Ps. 79 million, which, as a percentage of the revenues derived from this segment, accounted for 30.0%.

Other operating results, net

	Year ended on 06.30.2017 In millions of Ps.				
Other operating results, net	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	(59)	-	-	-	(59)
Offices and Others	3	1	-	-	4
Sales and Developments	(41)	5	-	-	(36)
Hotels	(1)	-	-	-	(1)
International	27	-	-	-	27
Financial Operations, Corporate and Others	(3)	-	-	-	(3)
Total Operations Center in Argentina	**(74)**	**6**	**-**	**-**	**(68)**
Operations Center in Israel					
Real Estate	46	-	-	-	46
Supermarkets	(52)	-	-	-	(52)
Telecommunications	(36)	-	-	-	(36)
Insurance	-	-	-	-	-
Others	(154)	-	-	-	(154)
Total Operations Center in Israel	**(196)**	**-**	**-**	**-**	**(196)**
Total other operating results, net	**(270)**	**6**	**-**	**-**	**(264)**

Other operating results, net	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
	Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(61)	(2)	-	-	(63)
Offices and Others	(7)	-	-	1	(6)
Sales and Developments	(42)	4	-	4	(34)
Hotels	(2)	-	-	-	(2)
International	144	-	-	-	144
Financial Operations, Corporate and Others	1	-	-	-	1
Total Operations Center in Argentina	**33**	**2**	**-**	**5**	**40**
Operations Center in Israel					
Real Estate	(19)	-	-	-	(19)
Supermarkets	(13)	-	-	-	(13)
Telecommunications	-	-	-	-	-
Insurance	-	-	-	-	-
Others	-	-	-	-	-
Total Operations Center in Israel	**(32)**	**-**	**-**	**-**	**(32)**
Total other operating results, net	**1**	**2**	**-**	**5**	**8**

Other operating results, net, pursuant to the income statement, declined by Ps. 271 million, from a net gain of Ps. 1 million during fiscal year 2016 to a net loss of Ps. 270 million during fiscal year 2017 (Ps. 74 million from the Operations Center in Argentina and Ps. 196 million from the Operations Center in Israel). Such decline is mostly attributable to a decrease in the exchange difference as a result of consolidating IDBD for 107 M.

Other operating results, net from our joint ventures increased by Ps. 4 million, from a gain of Ps. 2 million during fiscal year 2016 (of which a Ps. 4 million gain is allocated to the Sales and Developments segment within the Operations Center in Argentina, while a loss of Ps. 2 million is allocated to the Shopping Malls segment within the Operations Center in Argentina) to a gain of Ps. 6 million during fiscal year 2017 (of which a gain of Ps. 5 million is allocated to the Sales and Developments segment within the Operations Center in Argentina, and Ps. 1 million to the Offices and Others segment).

Finally, other operating results from inter-segment operations decreased by Ps. 5 million, from Ps. 5 million during fiscal year 2016 (of which Ps. 4 million are allocated to the Sales and Developments segment within the Operations Center in Argentina and Ps. 1 million allocated to the Offices and Others segment within the Operations Center in Argentina) to Ps. 0 million during fiscal year 2017.

Therefore, according to business segment reporting (taking into consideration the other operating results, net from our joint ventures and without considering those related to inter-segment operations), other operating results, net fell by Ps. 272 million from a net gain of Ps. 8 million during fiscal year 2016 to a net loss of Ps. 264 million during fiscal year 2017. Without considering the effect of the Operations Center in Israel, Other operating results declined by Ps. 68 million.

<u>Operations Center in Argentina</u>

Shopping Malls. Other operating losses, net for the Shopping Malls segment declined by 6.8%, from Ps. 63 million during fiscal year 2016 to Ps. 59 million during fiscal year 2017, mainly as a consequence of a decrease in the provision for lawsuits and contingencies of Ps. 4 million.

Offices and Others. Other operating results, net associated with our Offices and Others segment increased by Ps. 10 million, from a loss of Ps. 6 million during fiscal year 2016 to a gain of Ps. 4 million during fiscal year 2017, mainly due to BAICOM S.A.

Sales and Developments. Other operating results, net in connection with our Sales and Developments segment increased by Ps. 2 million, from a loss of Ps. 34 million during fiscal year 2016 to a loss of Ps. 36 million during fiscal year 2017, mainly due to the sale and reversal of property, plant and equipment.

Hotels. Other operating results, net associated to the Hotels segment increased by Ps. 1 million, primarily owing to an increase in provisions for lawsuits and other contingencies.

International. Other operating results, net in this segment declined by 81.2% from a net gain of Ps. 144 million during fiscal year 2016 to a net gain of Ps. 27 million during fiscal year 2017, primarily due to a decline in income caused by the partial reversal of cumulative conversion differences. As of June 30, 2016, it corresponds mainly to the reversal of the conversion differences prior to IDBD's business combination.

Financial Operations, Corporate and Others. Other operating results, net associated to our Financial Operations, Corporate and Others segment decreased by Ps. 4 million, from a gain of Ps. 1 million during fiscal year 2016 to a net loss of Ps. 3 million during fiscal year 2017, due to lower income from the sale of subsidiaries which amounted to 4 million in 2016.

<u>Operations Center in Israel</u>

Real Estate. During fiscal year 2017, Other operating results, net from the Real Estate segment totaled Ps. 46 million, which, as a percentage of this segment's revenues, accounted for 0.9%.

Supermarkets. During fiscal year 2017, Other operating results, net from the Supermarkets segment amounted to a (loss) of Ps. 52 million, which, as a percentage of this segment's revenues, accounted for 0.01%.

Telecommunications. During fiscal year 2017, Other operating results, net from the Telecommunications segment amounted to a (loss) of Ps. 36 million, which, as a percentage of this segment's revenues, accounted for 0.2%.

Others. During fiscal year 2017, Other operating results, net from the Others segment amounted to a (loss) of Ps. 154 million, which, as a percentage of this segment's revenues, accounted for 58.5%.

Profit / (loss) from operations

Profit / (loss) from operations	Year ended on 06.30.2017 In millions of Ps. Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	4,205	29	24	(5)	4,253
Offices and Others	1,505	185	3	8	1,701
Sales and Developments	824	(3)	-	-	821
Hotels	9	-	-	-	9
International	(51)	-	-	-	(51)
Financial Operations, Corporate and Others	(204)	-	-	(3)	(207)
Total Operations Center in Argentina	**6,288**	**211**	**27**	**-**	**6,526**
Operations Center in Israel					
Real Estate	2,624	-	-	-	2,624
Supermarkets	1,649	-	-	-	1,649
Telecommunications	(253)	-	-	-	(253)
Insurance	-	-	-	-	-
Others	(758)	-	-	-	(758)
Total Operations Center in Israel	**3,262**	**-**	**-**	**-**	**3,262**
Total profit from operations	**9,550**	**211**	**27**	**-**	**9,788**

Profit / (loss) from operations	Year ended on 06.30.2016 (adjusted) In millions of Ps. Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	17,792	98	12	(7)	17,895
Offices and Others	1,328	248	1	8	1,585
Sales and Developments	628	49	-	4	681
Hotels	-	-	-	(1)	(1)
International	53	-	-	-	53
Financial Operations, Corporate and Others	(147)	-	-	(4)	(151)
Total Operations Center in Argentina	**19,654**	**395**	**13**	**-**	**20,062**
Operations Center in Israel					
Real Estate	652	-	-	-	652
Supermarkets	411	-	-	-	411
Telecommunications	(71)	-	-	-	(71)
Insurance	-	-	-	-	-
Others	(205)	-	-	-	(205)
Total Operations Center in Israel	**787**	**-**	**-**	**-**	**787**
Total profit from operations	**20,441**	**395**	**13**	**-**	**20,849**

Total consolidated profit from operations, pursuant to the income statement, decreased by 53.28%, from Ps. 20,441 million during fiscal year 2016 to Ps. 9,550 million during fiscal year 2017 (of which Ps. 3,262 million are attributable to the Operations Center in Israel and Ps. 6,288 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, Profit from operations fell by 68.01%. Total consolidated profit from operations, as a percentage of revenues from sales, leases and services, declined from 64.84% during fiscal year 2016 to 12.88% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total consolidated Profit from operations, as a percentage of total revenues, decreased from 442.06% during fiscal year 2016 to 109.36% during fiscal year 2017.

Profit from operations from our joint ventures decreased by Ps. 53.7%, from Ps. 395 million during fiscal year 2016 (of which a profit of Ps. 98 million is allocated to the Shopping Malls segment; a profit of Ps. 248 million is allocated to the Offices and Others segment, and a profit of Ps. 49 million is allocated to the Sales and Developments segment within the Operations Center in Argentina) to Ps. 211 million during fiscal year 2017 (of which a profit of Ps. 29 million is allocated to the Shopping Malls segment; a profit of Ps. 186 million is allocated to the Offices and Others segment, and a loss of Ps. 3 million is allocated to the Sales and Developments segment within the Operations Center in Argentina), mainly as a result of a decrease in net gain from fair value adjustment of investment properties.

In turn, profit from operations associated to expenses and collective promotion fund increased by 107.7%, from a profit of Ps. 13 million in fiscal year 2016 to a profit of Ps. 27 million during fiscal year 2017.

Finally, profit from operations from inter-segment operations did not experience significant changes.

Therefore, according to business segment reporting (taking into consideration the profit from operations from our joint ventures and without considering profit from operations related to expenses and collective promotion fund or inter-segment operations), profit from operations decreased by 52.74% from Ps. 20,849 million during fiscal year 2016 to Ps. 9,853 million during fiscal year 2017 (of which Ps. 3,262 million are attributable to the Operations Center in Israel and Ps. 6,526 million to the Operations Center in Argentina). Without considering the profit from operations from the Operations Center in Israel, profit from operations fell by 67.5%. Profit from operations as a percentage of revenues, pursuant to business segment reporting, fell from 68.7% during fiscal year 2016 to 13.55% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total profit from operations as a percentage of total revenues, pursuant to business segment reporting, declined from 609.97% during fiscal year 2016 to 151.4% during fiscal year 2017.

Operations Center in Argentina

Shopping Malls. Profit from operations in our Shopping Malls segment fell by 76.2%, from Ps. 17,895 million in income during fiscal year 2016 to Ps. 4,523 million in income during fiscal year 2017. This change is mainly due to a Ps. 14,064 million decrease in net gain from fair value adjustment of investment properties.

Profit from operations associated to our Shopping Malls segment, as a percentage of this segment's revenues, decreased from 743.8% during fiscal year 2016 to 139.8% during fiscal year 2017.

Offices and Others. Profit from operations in our Offices and Others segment rose by 7.3%, from Ps. 1,585 million in income during fiscal year 2016 to Ps. 1,701 million in income during fiscal year 2017. The main changes are attributable to higher income from partial disposals of investment properties during fiscal year 2017 and net loss from fair value adjustment of investment properties (Ps. 50 million), partially offset by an increase in Selling Expenses of Ps. 26 million.

Sales and Developments. Profit from operations in our Sales and Developments segment rose by 20.6%, up from income for Ps. 681 million during fiscal year 2016 to income for Ps. 821 million during fiscal year 2017. Such increase was mainly due to higher income from sales of the floors in the Beruti building and parking spaces in Rosario (Ps. 91 million) and the net loss from fair value adjustment of investment properties (Ps. 76 million), which were partially offset by a Ps. 23 million increase in Costs.

Hotels. Profit from operations in the Hotels segment grew by 1,000%, up from a loss of Ps. 1 million during fiscal year 2016 to Ps. 9 million in income during fiscal year 2017. The rise in the average rate per room in our hotel portfolio (in Pesos), which gave rise to an increase in revenues, along with higher costs (Ps. 125 million), general and administrative expenses (Ps. 32 million) and selling expenses (Ps. 25 million), among others.

International. Profit from operations in our International segment decreased by 196.2% from Ps. 53 million in income during fiscal year 2016 to a Ps. 51 million loss during fiscal year 2017. The main changes resulted from a decrease in Other income and expenses of Ps. 117 million.

Financial Operations, Corporate and Others. Loss from operations for our Financial Operations, Corporate and Others segment exhibited an increase in the loss of 37.1%, from a Ps. 151 million loss during fiscal year 2016 to a Ps. 207 million loss during fiscal year 2017, mainly as a result of a Ps. 48 million change in general and administrative expenses.

Operations Center in Israel

Real Estate. During fiscal year 2017, profit from operations associated to the Real Estate segment totaled Ps. 2,624 million, which, as a percentage of the revenues derived from this segment, accounted for 53.4%.

Supermarkets. During fiscal year 2017, profit from operations associated to the Supermarkets segment totaled Ps. 1,649 million which, as a percentage of the revenues derived from this segment, accounted for 34.87%.

Telecommunications. During fiscal year 2017, loss from operations associated to the Telecommunications segment totaled a Ps. 253 million loss, which, as a percentage of the revenues derived from this segment, accounted for 1.6%.

Others. During fiscal year 2017, loss from operations associated to the Others segment totaled a Ps. 758 million loss which, as a percentage of the revenues derived from this segment, accounted for 288.8%.

Share of profit / (loss) of associates and joint ventures

	Year ended on 06.30.2017 In millions of Ps.				
Share of profit / (loss) of associates and joint ventures	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	20	(20)	-	-	-
Offices and Others	132	(132)	-	-	-
Sales and Developments	36	(22)	-	-	14
Hotels	-	-	-	-	-
International	(196)	-	-	-	(196)
Financial Operations, Corporate and Others	88	-	-	-	88
Total Operations Center in Argentina	**80**	**(174)**	**-**	**-**	**(94)**
Operations Center in Israel					
Real Estate	46	-	-	-	46
Supermarkets	75	-	-	-	75
Telecommunications	-	-	-	-	-
Insurance	-	-	-	-	-
Others	(16)	-	-	-	(16)
Total Operations Center in Israel	**105**	-	-	-	**105**
Total share of profit / (loss) of associates and joint ventures	**185**	**(174)**	**-**	**-**	**11**

	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Share of profit / (loss) of associates and joint ventures	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment elimination**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	61	(61)	-	-	-
Offices and Others	175	(155)	-	-	20
Sales and Developments	47	(42)	-	-	5
Hotels	-	-	-	-	-
International	(772)	-	-	-	(772)
Financial Operations, Corporate and Others	231	-	-	-	231
Total Operations Center in Argentina	**(258)**	**(258)**	**-**	**-**	**(516)**
Operations Center in Israel					
Real Estate	226	-	-	-	226
Supermarkets	-	-	-	-	-
Telecommunications	-	-	-	-	-
Insurance	-	-	-	-	-
Others	(103)	-	-	-	(103)
Total Operations Center in Israel	**123**	-	-	-	**123**
Total share of loss of associates and joint ventures	**(135)**	**(258)**	**-**	**-**	**(393)**

Our share of loss of associates and joint ventures, pursuant to the income statement, increased by 236.3%, from a loss of Ps. 135 million during fiscal year 2016 to a gain of Ps. 184 million during fiscal year 2017 (of which a gain of Ps. 338 million is attributable to the Operations Center in Argentina and a loss of Ps. 18 million to the Operations Center in Israel). Without considering the effect of the Operations Center in Israel, our share of loss of associates and joint ventures fell by 81.8%, mainly as a result of the losses derived from our International segment, partially offset by an increase in income from our Financial Operations, Corporate and Others segment.

Furthermore, our net share of profit (loss) of joint ventures mainly from Nuevo Puerto Santa Fe S.A. (Shopping Malls segment), Quality Invest S.A. (Offices and Others segment), and Cyrsa S.A., Puerto Retiro S.A. and Baicom Networks S.A. (Sales and Developments segment) experienced a change of 125.4%, from a loss of Ps. 393 million during fiscal year 2016 to a gain of Ps. 10 million during fiscal year 2017, mostly due to the results of the Quality S.A. joint venture, following a decline in that company's revenues.

Operations Center in Argentina

Shopping Malls. According to business segment reporting, the share of profit of the joint venture Nuevo Puerto Santa Fe S.A. is presented on a line by line consolidated basis in this segment.

Offices and Others. According to business segment reporting, the share of profit/(loss) of the joint venture Quality Invest S.A. is presented on a line by line consolidated basis in this segment whereas the share of profit/(loss) generated by the indirect share interest in our associate La Rural S.A., through the joint ventures Entertainment Holding S.A. and Entretenimiento Universal S.A., remains net in this line.

Sales and developments. The share of profit of joint ventures Cyrsa S.A., Puerto Retiro S.A. and Baicom Networks S.A. is presented on a line by line consolidated basis. The share of profit / (loss) of our associate Manibil S.A., presented in this line, rose by Ps. 9 million, from Ps. 5 million during fiscal year 2016 to Ps. 14 million during fiscal year 2017.

Hotels. No share of profit / (loss) of associates and joint ventures was accounted for during the year in connection with this segment.

International. Our share of loss of associates in this segment increased by 74.6%, from Ps. 772 million in loss during fiscal year 2016 to Ps. 196 million in loss during fiscal year 2017, mainly due to increased losses from our investment in New Lipstick LLC for Ps. 249 million; partially offset by increased gains from Condor for Ps. 53 million.

Financial Operations, Corporate and Others. The share of profit of our associates in the Financial Operations, Corporate and Others segment decreased by 62.3%, from Ps. 231 million during fiscal year 2016 to Ps. 88 million during fiscal year 2017, mainly due to: (i) lower gains from our investments in BHSA for Ps. 174 million and Banco de Crédito y Securitización for Ps. 13 million, partially offset by: (ii) increased losses from our investment in Tarshop for Ps. 24 million.

Operations Center in Israel

Real Estate. During fiscal year 2017, the share of profit of associates and joint ventures associated to the Real Estate segment totaled Ps. 46 million.

Supermarkets. During fiscal year 2017, the share of profit of associates and joint ventures associated to the Real Estate segment totaled Ps. 75 million.

Others. During fiscal year 2016, the share of loss of associates and joint ventures associated to the Others segment totaled Ps. 73 million.

Financial results, net

The net financial loss fell by Ps. 812 million, from a loss of Ps. 4,881 million during fiscal year 2016 to a loss of Ps. 4,618 million during fiscal year 2017 (of which Ps. 3,371 million are derived from the Operations Center in Israel and Ps. 1,247 million are derived from the Operations Center in Argentina).

Operations Center in Argentina:

The net financial loss decreased by 12.86%, from Ps. 1,431 million during fiscal year 2016 to Ps. 1,247 million during fiscal year 2017, mainly as a result of: (i) a decrease in costs and financial income in the amount of Ps. 1,023 million (mostly caused by: (a) a decrease in exchange losses of Ps. 1,022 million; (b) an increase in the interest expense on loans for Ps. 453 million and income on notes for Ps. 261 million, and (c) a decrease in other financial costs for Ps. 182 million); partially offset by: (ii) decreased gains from other financial results of Ps. 839 million (mainly attributable to results from financial derivatives for Ps. 880 million.

Operations Center in Israel:

The net financial loss from the Operations Center in Israel amounted to Ps. 3,372 million, mainly attributable to interest expense and offset by a gain from Clal's shares.

Income Tax

The Company applies the deferred tax method to calculate the income tax applicable to the fiscal periods under consideration, thus recognizing the temporary differences as tax assets and liabilities. The income tax expense for the year went from a Ps. 6,373 million loss during fiscal year 2016 to a Ps. 2,915 million loss during fiscal year 2017, of which a Ps. 2,421 million loss was derived from the Operations Center in Argentina and a Ps. 494 million loss was derived from the Operations Center in Israel.

Profit for the year

As a result of the factors described above, profit for the year went from Ps. 9,496 million during fiscal year 2016 to Ps. 5,220 million during fiscal year 2017, of which a profit of Ps. 2,699 million is attributable to the Operations Center in Argentina and a profit of Ps. 2,521 million is attributable to the Operations Center in Israel.

Results of Operations for the fiscal years ended June 30, 2016 and 2015

Revenues

Revenues	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
	Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	3,487	20	(1,101)	-	2,406
Offices and Others	422	4	(93)	7	340
Sales and Developments	3	5	-	-	8
Hotels	533	-	-	1	534
International	-	-	-	-	-
Financial Operations, Corporate and Others	1	-	-	-	1
Total Operations Center in Argentina	**4,446**	**29**	**(1,194)**	**8**	**3,289**
Operations Center in Israel					
Real Estate	1,538	-	-	-	1,538
Supermarkets	18,610	-	-	-	18,610
Telecommunications	6,655	-	-	-	6,655
Insurance	-	-	-	-	-
Others	274	-	-	-	274
Total Operations Center in Israel	**27,077**	**-**	**-**	**-**	**27,077**
Total revenues	**31,523**	**29**	**(1,194)**	**8**	**30,366**

(*) Includes revenues from sales, leases and services (Ps. 3,252 million) and revenues from expenses and collective promotion fund (Ps. 1,194 million).

Revenues	Year ended on 06.30.2015 (adjusted) In millions of Ps.				
	Income statement (*)	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Malls	2,571	13	(806)	-	1,778
Offices and Others	398	9	(79)	5	333
Sales and Developments	10	5	-	-	15
Hotels	396	-	-	-	396
International	28	-	(2)	-	26
Financial Operations, Corporate and Others	-	-	-	-	-
Total revenues	**3,403**	**27**	**(887)**	**5**	**2,548**

(*) Includes revenues from sales, leases and services (Ps. 2,516 million) and revenues from expenses and collective promotion fund (Ps. 887 million).

Revenues from sales, leases and services, pursuant to the income statement, rose by Ps. 28,120 million, up from Ps. 3,403 million during fiscal year 2015 to Ps. 31,523 million during fiscal year 2016 (Ps. 27,077 million of which derive from the Operations Center in Israel and Ps. 4,446 million from the Operations Center in Argentina). Without considering the revenues from the Operations Center in Israel, revenues from sales, leases and services increased by 30.6%.

In turn, revenues from expenses and collective promotion fund increased by 34.6%, from Ps. 887 million (of which Ps. 806 million are allocated to the Shopping Malls segment and Ps. 79 million are allocated to the Offices and Others segment within the Operations Center in Argentina) during fiscal year 2015 to Ps. 1,194 million (of which Ps. 1,101 million are allocated to the Shopping Malls segment and Ps. 93 million are allocated to the Offices and Others segment) during fiscal year 2016.

Furthermore, revenues from interests in our joint ventures showed a 7.4% increase, up from Ps. 27 million during fiscal year 2015 (of which Ps. 13 million are allocated to the Shopping Malls segment, Ps. 9 million to the Offices and Others segment, and Ps. 5 million to the Sales and Developments segment within the Operations Center in Argentina) to Ps. 29 million during fiscal year 2016 (of which Ps. 20 million are allocated to the Shopping Malls segment, Ps. 4 million to the Offices and Others segment, and Ps. 5 million to the Sales and Developments segment within the Operations Center in Argentina), mainly as a result of increased revenues from our joint venture Nuevo Puerto Santa Fe S.A., and partially offset by a decline in revenues from our joint venture Quality Invest S.A.

Finally, inter-segment revenues increased by 60%, from Ps. 5 million during fiscal year 2015 (allocated to the Offices and Others segment within the Operations Center in Argentina) to Ps. 8 million during fiscal year 2016 (of which Ps. 7 million are allocated to the Offices and Others segment and Ps. 1 million to the Hotels segment within the Operations Center in Argentina).

Thus, according to business segment reporting (taking into consideration the revenues from our joint ventures and without considering the revenues from expenses and collective promotion fund or inter-segment revenues), revenues grew by Ps. 27,847 million from Ps. 2,548 million during fiscal year 2015 to Ps. 30,395 million during fiscal year 2016 (of which Ps. 27,077 million are derived from the Operations Center in Israel and Ps. 3,289 million are derived from the Operations Center in Argentina). Without considering the revenues from the Operations Center in Israel, revenues, pursuant to business segment reporting, grew by 29.1%.

Operations Center in Argentina

Shopping Malls. Revenues from the Shopping Malls segment rose by 35.3%, up from Ps. 1,778 million during fiscal year 2015 to Ps. 2,406 million during fiscal year 2016. This increase was mainly attributable to: (i) a Ps. 471 million increase in the revenues from base and percentage rents stemming from a 34.4% increase in our tenants' total sales, up from Ps. 21,509 million during fiscal year 2015 to Ps. 28,905 million during fiscal year 2016, (ii) a Ps. 51 million increase in revenues from admission fees, (iii) a Ps. 41 million increase in revenues from parking, and (iv) a Ps. 36 million increase in revenues from commissions, among other items.

Offices and Others. Revenues from the Offices and Others segment rose by 2.1%, up from Ps. 333 million during fiscal year 2015 to Ps. 340 million during fiscal year 2016. They were affected by the partial sales of investment properties that took place during fiscal year 2016 and caused a reduction in the segment's total leasable surface area. Rental revenues, considering properties that are similar for both fiscal years on account of no reductions in their leasable surface area, rose by 34.0%, up from Ps. 200 million during fiscal year ended June 30, 2015 to Ps. 268 million during fiscal year ended June 30, 2016, mainly due to the devaluation, whilst rental revenues associated to properties whose leasable area was reduced, dropped by 49.5%, from Ps. 111 million during fiscal year 2015 to Ps. 56 million during fiscal year 2016. At the end of fiscal year 2016, the average occupancy rate for the portfolio of premium offices had been 97.7% and the average rental remained close to USD 27 per square meter.

Sales and Developments. Revenues from the Sales and Developments segment decreased by 46.7%, from Ps. 15 million during fiscal year 2015 to Ps. 8 million during fiscal year 2016. This reduction is mainly due to lower revenues from the sales of units at Condominios I and II (Ps. 7 million).

Hotels. Revenues from our Hotels segment rose by 34.8%, up from Ps. 396 million during fiscal year 2015 to Ps. 534 million during fiscal year 2016, primarily due to a 34.4% increase in the average rate per room (measured in Ps.) of our hotel portfolio.

International. Revenues from the International segment dropped by 100% as compared to the Ps. 26 million accounted for in fiscal year 2015 due to the sale of the Madison 183 building completed by the Group in fiscal year 2015.

Financial Operations, Corporate and Others. Revenues from the Financial Operations, Corporate and Others segment did not experience significant changes during the reported periods.

Operations Center in Israel

Real Estate. During fiscal year 2016, revenues from the Real Estate segment totaled Ps. 1,538 million.

Supermarkets. During fiscal year 2016, revenues from the Supermarkets segment totaled Ps. 18,610 million.

Telecommunications. During fiscal year 2016, revenues from the Telecommunications segment totaled Ps. 6,655 million.

Others. During fiscal year 2016, revenues from the Others segment totaled Ps. 274 million.

Costs

	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Costs	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	(1,361)	(2)	1,113	(6)	(256)
Offices and Others	(110)	(5)	94	-	(21)
Sales and Developments	(15)	(5)	-	-	(20)
Hotels	(361)	-	-	-	(361)
International	-	-	-	-	-
Financial Operations, Corporate and Others	-	-	-	-	-
Total Operations Center in Argentina	**(1,847)**	**(12)**	**1,207**	**(6)**	**(658)**
Operations Center in Israel					
Real Estate	(467)	-	-	-	(467)
Supermarkets	(14,076)	-	-	-	(14,076)
Telecommunications	(4,525)	-	-	-	(4,525)
Insurance	-	-	-	-	-
Others	(184)	-	-	-	(184)
Total Operations Center in Israel	**(19,252)**	**-**	**-**	**-**	**(19,252)**
Total costs	**(21,099)**	**(12)**	**1,207**	**(6)**	**(19,910)**

Costs	Year ended on 06.30.2015 (adjusted) In millions of Ps. Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(979)	(1)	820	(4)	(164)
Offices and Others	(89)	(3)	79	-	(13)
Sales and Developments	(14)	(5)	-	-	(19)
Hotels	(278)	-	-	-	(278)
International	(9)	-	2	-	(7)
Financial Operations, Corporate and Others	-	-	-	-	-
Total costs	**(1,369)**	**(9)**	**901**	**(4)**	**(481)**

Total consolidated costs, pursuant to the income statement, increased by Ps. 19,730 million, up from Ps. 1,369 million during fiscal year 2015 to Ps. 21,099 million during fiscal year 2016 (of which Ps. 19,252 million are derived from the Operations Center in Israel and Ps. 1,847 million from the Operations Center in Argentina). Without considering the costs from the Operations Center in Israel, costs rose by 34.9%. Total consolidated costs as a percentage of total consolidated revenues also increased by 40.2% during fiscal year 2015 to 66.9% during fiscal year 2016, and such increase is mainly attributable to the Operations Center in Israel. Without considering the costs from the Operations Center in Israel, consolidated costs as a percentage of total consolidated revenues experienced a slight increase from 40.2% during fiscal year 2015 to 41.5% during fiscal year 2016.

In turn, costs from expenses and the collective promotion fund increased by 34.0%, from Ps. 901 million during fiscal year 2015 (of which Ps. 820 million are allocated to the Shopping Malls segment and Ps. 79 million to the Offices and Others segment within the Operations Center in Argentina) to Ps. 1,207 million during fiscal year 2016 (of which Ps. 1,113 million are allocated to the Shopping Malls segment and Ps. 94 million to the Offices and Others segment within the Operations Center in Argentina), mainly due to increased costs originated by our Shopping Malls, which rose by 35.7% from Ps. 820 million in fiscal year 2015 to Ps. 1,113 million in fiscal year 2016, mainly as a result of: (i) an increase in publicity and advertising expenses of Ps. 111.8 million, (ii) an increase in salaries, social security charges and other personnel expenses of Ps. 103.1 million; (iii) an increase in maintenance, security, cleaning, repair and other expenses of Ps. 100.8 million (caused mainly by price raises in security and cleaning services and in public utilities rates), (iv) an increase in taxes, rates and contributions, and other expenses of Ps. 25.5 million, and (v) an increase in other expenses of Ps. 42.0 million (to cover the deficit in the collective promotion fund and expenses). Such change was also attributable to: a Ps. 54.1 million increase in expenses from the Offices and Others segment, from Ps. 28.3 million during fiscal year 2015 to Ps. 82.4 million during fiscal year 2016, mostly caused by the acquisition of new buildings (maintenance, cleaning, lease, expenses and other expenses of Ps. 36.1 million, salaries and social security charges of Ps. 10.8 million, and taxes, rates and contributions, and utilities of Ps. 8.9 million).

Furthermore, costs from our joint ventures showed a net increase of 33.3%, up from Ps. 9 million during fiscal year 2015 (of which Ps. 1 million is allocated to the Shopping Malls segment, Ps. 3 million to the Offices and Others segment, and Ps. 5 million to the Sales and Developments segment within the Operations Center in Argentina) to Ps. 12 million during fiscal year 2016 (of which Ps. 2 million are allocated to the Shopping Malls segment, Ps. 5 million to the Offices and Others segment, and Ps. 5 million to the Sales and Developments segment within the Operations Center in Argentina).

Finally, costs from inter-segment transactions increased by 50.0%, from Ps. 4 million during fiscal year 2015 to Ps. 6 million during fiscal year 2016 (which are fully allocated to the Shopping Malls segment within the Operations Center in Argentina).

Therefore, according to business segment reporting (taking into consideration the costs from our joint ventures and without considering the costs from expenses and collective promotion fund or costs from inter-segment operations), costs rose by Ps. 19,252 million from Ps. 490 million during fiscal year 2015 to Ps. 19,922 million during fiscal year 2016 (of which Ps. 19,252 million are attributable to the Operations Center in Israel and Ps. 658 million to the Operations Center in Argentina). Without considering the costs from the Operations Center in Israel, costs rose by 36.8%. Furthermore, total costs as a percentage of total revenues, pursuant to business segment reporting, increased from 18.9% during fiscal year 2015 to 65.6% during fiscal year 2016, and such increase is mainly attributable to the Operations Center in Israel. Without considering the effect of the Operations Center in Israel, total costs as a percentage of total revenues experienced a slight increase from 18.9% during fiscal year 2015 to 20.0% during fiscal year 2016.

Operations Center in Argentina

Shopping Malls. Costs from the Shopping Malls segment increased by 56.1%, from Ps. 164 million during fiscal year 2015 to Ps. 256 million during fiscal year 2016. This increase is mainly due to: (i) higher costs related to a deficit in Expenses and Collective Promotion Fund of our Shopping Malls for Ps. 59 million; (ii) a Ps. 10 million increase in maintenance, security, cleaning, repair and other expenses (caused mainly by price raises in security and cleaning services and in public utilities rates); and (iii) a Ps. 10 million increase in salaries, social security charges and other personnel expenses, among other items. Costs from the Shopping Malls segment, as a percentage of revenues derived from this segment, increased slightly from 9.2% during the fiscal year ended June 30, 2015 to 10.6% during fiscal year 2016.

Offices and Others. Costs in the Offices and Others segment rose by 61.5%, from Ps. 13 million during fiscal year 2015 to Ps. 21 million during fiscal year 2016, mainly as a consequence of: (i) an increase in lease and expenses of Ps. 6 million, among others. Total costs in the Offices and Others segment, as a percentage of this segment's revenues, rose from 3.9% during fiscal year 2015 to 6.2% during fiscal year 2016.

Sales and Developments. The costs associated to our Sales and Developments segment increased slightly by 5.3%, from Ps. 19 million during fiscal year 2015 to Ps. 20 million during fiscal year 2016. Costs in the Sales and Developments segment, as a percentage of this segment's revenues, increased from 126.7% during fiscal year 2015 to 250.0% during fiscal year 2016.

Hotels. Costs in the Hotels segment rose by 29.9%, from Ps. 278 million during fiscal year 2015 to Ps. 361 million during fiscal year 2016, mainly due to: (i) a Ps. 52 million increase in salaries, social security charges and other personnel expenses; (ii) increased charges, amounting to Ps. 19 million, as maintenance and repairs; and (iii) an increase of Ps. 7 million and Ps. 5 million in service fees and in the cost of food, beverages and other hotel-related expenses, respectively. Costs in the Hotels segment, as a percentage of this segment's revenues, fell from 70.2% during fiscal year 2015 to 67.6% during fiscal year 2016.

International. Costs in the International segment dropped by 100.0%, as compared to the Ps. 7 million accounted for during fiscal year 2015. Such decrease is mainly attributable to the sale of the Madison 183 building in fiscal year 2015, which used to be allocated to rental property.

Operations Center in Israel

Real Estate. During fiscal year 2016, costs from the real estate segment totaled Ps. 467 million. In addition, costs, as a percentage of the revenues derived from this segment, amounted to 30.4%.

Supermarkets. During fiscal year 2016, costs from the Supermarkets segment totaled Ps. 14,076 million. In addition, costs, as a percentage of the revenues derived from this segment, amounted to 75.6%.

Telecommunications. During fiscal year 2016, costs from the Telecommunications segment totaled Ps. 4,525 million. In addition, costs, as a percentage of the revenues derived from this segment, amounted to 68.0%.

Others. During fiscal year 2016, costs from the Others segment totaled Ps. 184 million. In addition, costs, as a percentage of the revenues derived from this segment, amounted to 67.2%.

Gross profit

	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Gross profit	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	2,126	18	12	(6)	2,150
Offices and Others	312	(1)	1	7	319
Sales and Developments	(12)	-	-	-	(12)
Hotels	172	-	-	1	173
International	-	-	-	-	-
Financial Operations, Corporate and Others	1	-	-	-	1
Total Operations Center in Argentina	**2,599**	**17**	**13**	**2**	**2,631**
Operations Center in Israel					
Real Estate	1,071	-	-	-	1,071
Supermarkets	4,534	-	-	-	4,534
Telecommunications	2,130	-	-	-	2,130
Insurance	-	-	-	-	-
Others	90	-	-	-	90
Total Operations Center in Israel	**7,825**	**-**	**-**	**-**	**7,825**
Total gross profit	**10,424**	**17**	**13**	**2**	**10,456**

	Year ended on 06.30.2015 (adjusted) In millions of Ps.				
Gross profit	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	1,592	12	14	(4)	1,614
Offices and Other	309	6	-	5	320
Sales and Developments	(4)	-	-	-	(4)
Hotels	118	-	-	-	118
International	19	-	-	-	19
Financial Operations, Corporate and Others	-	-	-	-	-
Total gross profit	**2,034**	**18**	**14**	**1**	**2,067**

Total consolidated gross profit, pursuant to the income statement, increased by Ps. 8,390 million, up from Ps. 2,034 million during fiscal year 2015 to Ps. 10,424 million during fiscal year 2016 (of which Ps. 7,825 million are derived from the Operations Center in Israel and Ps. 2,599 million from the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, gross profit rose by 28.3%. Total consolidated gross profit, as a percentage of revenues from sales, leases and services, fell from 55.6% during fiscal year 2015 to 14.1% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, total consolidated gross profit, pursuant to the income statement, experienced a slight decline from 55.6% during fiscal year 2015 to 54.6% during fiscal year 2016.

In turn, total gross profit from expenses and collective promotion fund did not experience significant changes and remained at approximately Ps. 14 million in both fiscal years (mostly allocated to the Shopping Malls segment).

Furthermore, gross profit from our joint ventures fell by 5.6% from Ps. 18 million in fiscal year 2015 to Ps. 17 million in fiscal year 2016.

Therefore, according to business segment reporting (taking into consideration the gross profit from our joint ventures and without considering the gross profit from expenses and collective promotion fund or inter-segment gross profits), gross profit rose by Ps. 8,383 million from Ps. 1,920 million during fiscal year 2015 to Ps. 10,468 million during fiscal year 2016 (of which Ps. 7,825 million are attributable to the Operations Center in Israel and Ps. 2,648 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, gross profit rose by 27.9%. Furthermore, gross profit as a percentage of revenues, pursuant to business segment reporting, fell from 81.1% during fiscal year 2015 to 34.4% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, gross profit as a percentage of total revenues experienced a slight decline from 81.1% during fiscal year 2015 to 80% during fiscal year 2016.

Operations Center in Argentina

Shopping Malls. Gross profit at the Shopping Malls segment increased by 33.2%, up from Ps. 1,614 million during fiscal year 2015 to Ps. 2,150 million during fiscal year 2016, mainly due to an increase in our tenants' total sales, resulting in higher percentage rent under our lease agreements. Gross profit from the Shopping Malls segment as a percentage of this segment's revenues experienced a slight decline from 90.8% during fiscal year 2015 to 89.4% during fiscal year 2016.

Offices and Others. Gross profit at the Offices and Others segment fell by 0.3%, from Ps. 320 million during fiscal year 2015 to Ps. 319 million during fiscal year 2016. Gross profit for the Offices and Others segment as a percentage of this segment's revenues decreased from 96.1% during fiscal year 2015 to 93.8% during fiscal year 2016.

Sales and Developments. Gross profit (loss) at the Sales and Developments segment increased by Ps. 8.0 million, from a loss of Ps. 4 million during fiscal year 2015 to a loss of Ps. 12 million during fiscal year 2016, mainly due to lower sales accounted for during fiscal year 2016 and an increase in maintenance and preservation costs in connection with these properties.

Hotels. Gross profit at the Hotels segment rose by 46.6%, up from Ps. 118 million during fiscal year 2015 to Ps. 173 million during fiscal year 2016. Gross profit for the Hotels segment, as a percentage of this segment's revenues, rose from 29.8% during fiscal year 2015 to 32.4% during fiscal year 2016.

International. Gross profit at the International segment dropped by 100.0% from the Ps. 19 million accounted for during fiscal year 2015.

Financial Operations, Corporate and Others. Gross profit at the Financial Operations, Corporate and Others segment did not experience significant changes during the reported periods.

Operations Center in Israel

Real Estate. During fiscal year 2016, gross profit from the Real Estate segment totaled Ps. 1,071 million, which, as a percentage of the revenues derived from this segment, amounted to 69.63%.

Supermarkets. During fiscal year 2016, gross profit from the Supermarkets segment totaled Ps. 4,534 million, which, as a percentage of the revenues derived from this segment, amounted to 24.36%.

Telecommunications. During fiscal year 2016, gross profit from the Telecommunications segment totaled Ps. 2,130 million, which, as a percentage of the revenues derived from this segment, amounted to 32%.

Others. During fiscal year 2017, gross profit from the Others segment totaled Ps. 90 million, which, as a percentage of the revenues derived from this segment, amounted to 32.84%.

Net gain from fair value adjustment of investment properties

	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Net gain from fair value adjustment of investment properties	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	16,049	83	-	-	16,132
Offices and Others	1,055	249	-	-	1,304
Sales and Developments	726	47	-	-	773
Hotels	-	-	-	-	-
International	-	-	-	-	-
Financial Operations, Corporate and Others	-	-	-	-	-
Total Operations Center in Argentina	**17,830**	**379**	**-**	**-**	**18,209**
Operations Center in Israel					
Real Estate	(271)	-	-	-	(271)
Total Operations Center in Israel	**(271)**	**-**	**-**	**-**	**(271)**
Total net gain from fair value adjustment of investment properties	**17,559**	**379**	**-**	**-**	**17,938**

Net gain from fair value adjustment of investment properties	Year ended on 06.30.2015 (adjusted) In millions of Ps.				
	Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	729	-	-	-	729
Offices and Others	1,830	41	-	-	1,871
Sales and Developments	1,399	8	-	-	1,407
Hotels	-	-	-	-	-
International	-	-	-	-	-
Financial Operations, Corporate and Others	-	-	-	-	-
Total net gain from fair value adjustment of investment properties	**3,958**	**49**	-	-	**4,007**

Total consolidated net gain from fair value adjustment of investment properties, pursuant to the income statement, increased by Ps. 13,601 million, from Ps. 3,958 million during fiscal year 2015 to Ps. 17,559 million during fiscal year 2016 (of which a Ps. 271 million loss derives from the Operations Center in Israel and Ps. 17,830 million from the Operations Center in Argentina).

Operations Center in Argentina

Net gain from fair value adjustment of our combined portfolio of investment properties for fiscal year 2016 was Ps. 18,209 million (Ps. 16,132 million for Shopping Malls; Ps. 1,304 million for Offices and Others; and Ps. 773 million for Sales and Developments). The significant increase in the value of our investment properties as measured in Pesos was primarily due to: (i) a 364 basis points decrease in the discount rate applied under the discounted cash flows appraisal method that resulted in increases in value of investment properties, which was driven mainly by macroeconomic improvements and lower cost for Argentina to raise capital after the presidential elections held in October 2015 and the agreement with holdout bondholders reached in April 2016; and (ii) in the period from the end of June 2015 to the end of June 2016 (our fiscal year) the Peso depreciated more than 65% against the U.S. dollar (from Ps. 9.04 to USD1.00 to Ps. 14.99 to USD1.00) and because the value of our investment properties is denominated in U.S. dollars given that real estate market transactions in Argentina are largely carried out in such currency.

We maintained the same portfolio of shopping malls during fiscal years 2016 and 2015. Overall, the appraised values of our shopping mall properties increased by 155.5% during fiscal year 2016 largely due to rental value growth and the impact of the depreciation of the Peso.

The appraised value of our office buildings increased by 6.0% in fiscal year 2016 as compared to fiscal year 2015, largely as a result of the impact of the depreciation of the Peso and rental value growth during the period. In addition, we realized a profit of Ps. 908 million on disposal of office properties in fiscal year 2016 as compared to Ps. 645 million in fiscal year 2015.

Operations Center in Israel

Real Estate. In fiscal year 2016, the net gain from fair value adjustment of investment properties from the Real Estate segment was a Ps. 271 million loss, which, as a percentage of revenues from this segment, accounted for 17.62%.

General and administrative expenses

General and administrative expenses	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
	Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(178)	-	-	(1)	(179)
Offices and Others	(24)	-	-	-	(24)
Sales and Developments	(22)	(1)	-	-	(23)
Hotels	(101)	-	-	(2)	(103)
International	(91)		-	-	(91)
Financial Operations, Corporate and Others	(130)	-	-	(4)	(134)
Total Operations Center in Argentina	**(546)**	**(1)**	**-**	**(7)**	**(554)**
Operations Center in Israel					
Real Estate	(100)	-	-	-	(100)
Supermarkets	(203)	-	-	-	(203)
Telecommunications	(708)	-	-	-	(708)
Insurance	-	-	-	-	-
Others	(282)	-	-	-	(282)
Total Operations Center in Israel	**(1,293)**	**-**	**-**	**-**	**(1,293)**
Total general and administrative expenses	**(1,839)**	**(1)**	**-**	**(7)**	**(1,847)**

General and administrative expenses	Year ended on 06.30.2015 (adjusted) In millions of Ps.				
	Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(136)	-	-	-	(136)
Offices and Others	(3)	-	-	-	(3)
Sales and Developments	(2)	(1)	-	-	(3)
Hotels	(75)	-	-	(3)	(78)
International	(56)	-	-	-	(56)
Financial Operations, Corporate and Others	(102)	-	-	-	(102)
Total general and administrative expenses	**(374)**	**(1)**	**-**	**(3)**	**(378)**

Total general and administrative expenses, pursuant to the income statement, increased by Ps. 1,465 million, up from Ps. 374 million during fiscal year 2015 to Ps. 1,839 million during fiscal year 2016 (of which Ps. 1,293 million are attributable to the Operations Center in Israel and Ps. 546 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, total general and administrative expenses rose by 46.0%. Total general and administrative expenses, as a percentage of revenues from sales, leases and services, fell from 11.0% during fiscal year 2015 to 5.9% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, total general and administrative expenses, pursuant to the income statement, experienced a slight increase from 11.0% during fiscal year 2015 to 12.3% during fiscal year 2016.

General and administrative expenses from our joint ventures did not experience significant changes during the reported periods.

Finally, administrative expenses from inter-segment transactions increased by Ps. 4 million, from Ps. 3 million during fiscal year 2015 to Ps. 7 million during fiscal year 2016 (which are fully allocated to the Hotels segment in fiscal year 2015; and shared among the Shopping Malls segment, Hotels segment and Financial Operations, Corporate and Others segment in fiscal year 2016).

Therefore, according to business segment reporting (taking into consideration administrative expenses from our joint ventures and without considering those related to expenses and collective promotion fund or expenses related to inter-segment operations), general and administrative expenses rose by Ps. 1,469 million from Ps. 379 million during fiscal year 2015 to Ps. 1,848 million during fiscal year 2016 (of which Ps. 1,293 million are attributable to the Operations Center in Israel and Ps. 555 million to the Operations Center in Argentina). Without considering the administrative expenses from the Operations Center in Israel, expenses rose by 46.6%. Furthermore, administrative expenses as a percentage of revenues, pursuant to business segment reporting, declined from 14.8% during fiscal year 2015 to 6.1% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, total administrative expenses as a percentage of total revenues experienced a slight increase from 14.8% during fiscal year 2015 to 16.8% during fiscal year 2016.

Operations Center in Argentina

Shopping Malls. General and administrative expenses in the Shopping Malls segment rose by 31.6%, up from Ps. 136 million during fiscal year 2015 to Ps. 179 million during fiscal year 2016, mainly as a result of: (i) a Ps. 18 million increase in salaries, social security charges and other personnel expenses; (ii) a Ps. 13 million increase in Director's fees; and (iii) a Ps. 7 million rise in fees and payment for services, among other items. General and administrative expenses of Shopping Malls, as a percentage of this segment's revenues, fell slightly from 7.6% during fiscal year 2015 to 7.4% during fiscal year 2016.

Offices and Others. General and administrative expenses in our Offices and Others segment increased by 700%, from Ps. 3 million during fiscal year 2015 to Ps. 24 million during fiscal year 2016, primarily due to: (i) a Ps. 11 million increase in directors' fees, (ii) a Ps. 3 million increase in banking fees and (iii) an increase in salaries, social security charges and other personnel expenses, among other items. The segment's general and administrative expenses, as a percentage of this segment's revenues, rose from 0.9% during fiscal year 2015 to 7.1% during fiscal year 2016.

Sales and Developments. General and administrative expenses associated to our Sales and Developments segment rose by Ps. 20 million, up from Ps. 3 million during fiscal year 2015 to Ps. 23 million during fiscal year 2016, primarily owing to: (i) a Ps. 12 million increase in directors' fees, (ii) a Ps. 6 million increase in maintenance, repair and services, among other items.

Hotels. General and administrative expenses associated to our Hotels segment rose by 32.1%, from Ps. 78 million during fiscal year 2015 to Ps. 103 million during fiscal year 2016, mainly as a result of: (i) a Ps. 12 million increase in salaries, social security charges and other personnel expenses; and (ii) a Ps. 6 million increase in fees and payments for services, among others. General and administrative expenses associated to the Hotels segment as a percentage of this segment's revenues fell from 19.7% during fiscal year ended 2015 to 19.3% during fiscal year 2016.

International. General and administrative expenses associated to our International segment increased by 62.5%, from Ps. 56 million during fiscal year 2015 to Ps. 91 million during fiscal year 2016, mainly as a result of fees incurred in connection with our investment in IDBD.

Financial Operations, Corporate and Others. General and administrative expenses associated to our Financial Operations, Corporate and Others segment increased by 31.4% from Ps. 102 million during fiscal year 2015 to Ps. 134 million during fiscal year 2016, mainly due to: (i) a Ps. 6 million increase in salaries, social security charges and other personnel expenses; partially offset by (ii) a decrease in directors' fees of Ps. 5 million, (iii) a Ps. 25 million increase in fees and payment for services, (iv) a Ps. 1 million increase in banking fees, and (v) a Ps. 2 million increase in rentals and expenses.

Operations Center in Israel

Real Estate. During fiscal year 2016, general and administrative expenses associated to the Real Estate segment totaled Ps. 100 million. General and administrative expenses as a percentage of the revenues derived from this segment amounted to 6.5%.

Supermarkets. During fiscal year 2016, general and administrative expenses associated to the Supermarkets segment totaled Ps. 203 million. General and administrative expenses as a percentage of the revenues derived from this segment amounted to 1.1%.

Telecommunications. During fiscal year 2016, general and administrative expenses associated to the Telecommunications segment totaled Ps. 708 million. General and administrative expenses as a percentage of the revenues derived from this segment amounted to 10.6%.

Others. During fiscal year 2016, general and administrative expenses associated to the Others segment totaled Ps. 282 million. General and administrative expenses as a percentage of the revenues derived from this segment amounted to 102.9%.

Selling expenses

	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Selling expenses	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	(144)	(1)	-	-	(145)
Offices and Others	(8)	-	-	-	(8)
Sales and Developments	(22)	(1)	-	-	(23)
Hotels	(69)	-	-	-	(69)
International	-	-	-	-	-
Financial Operations, Corporate and Others	(19)	-	-	-	(19)
Total Operations Center in Argentina	**(262)**	**(2)**	**-**	**-**	**(264)**
Operations Center in Israel					
Real Estate	(29)	-	-	-	(29)
Supermarkets	(3,907)	-	-	-	(3,907)
Telecommunications	(1,493)	-	-	-	(1,493)
Insurance	-	-	-	-	-
Others	(13)	-	-	-	(13)
Total Operations Center in Israel	**(5,442)**	**-**	**-**	**-**	**(5,442)**
Total selling expenses	**(5,704)**	**(2)**	**-**	**-**	**(5,706)**

Selling expenses	Year ended on 06.30.2015 (adjusted) In millions of Ps. Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Malls	(112)	(1)	-	-	(113)
Offices and Others	(13)	-	-	-	(13)
Sales and Developments	(1)	(1)	-	-	(2)
Hotels	(52)	-	-	-	(52)
International	-	-	-	-	-
Financial Operations, Corporate and Others	(16)	-	-	-	(16)
Total selling expenses	**(194)**	**(2)**	**-**	**-**	**(196)**

Total consolidated selling expenses, pursuant to the income statement, increased by Ps. 5,510 million, up from Ps. 194 million during fiscal year 2015 to Ps. 5,704 million during fiscal year 2016 (of which Ps. 5,442 million are attributable to the Operations Center in Israel and Ps. 262 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, selling expenses rose by 35.1%. Total consolidated selling expenses, as a percentage of revenues from sales, leases and services, rose from 5.7% during fiscal year 2015 to 18.1% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, total selling expenses, as a percentage of revenues from sales, leases and services, experienced a slight increase from 5.7% during fiscal year 2015 to 5.9% during fiscal year 2016.

In turn, selling expenses associated to our joint ventures did not experience significant changes during the reported periods.

Therefore, according to business segment reporting (taking into consideration the selling expenses from our joint ventures and without considering those related to expenses and collective promotion fund or inter-segment expenses), selling expenses rose by Ps. 5,510 million from Ps. 198 million during fiscal year 2015 to Ps. 5,708 million during fiscal year 2016 (of which Ps. 5,442 million are attributable to the Operations Center in Israel and Ps. 266 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, selling expenses rose by 34.7%. Furthermore, selling expenses as a percentage of revenues, pursuant to business segment reporting, rose from 7.7% during fiscal year 2015 to 18.9% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, selling expenses as a percentage of total revenues pursuant to business segment reporting, experienced a slight increase from 7.7% during fiscal year 2015 to 8.0% during fiscal year 2016.

Operations Center in Argentina

Shopping Malls. Selling expenses in the Shopping Malls segment rose by 28.3%, up from Ps. 113 during fiscal year 2015 to Ps. 145 million during fiscal year 2016, primarily as a result of: (i) a Ps. 29 million increase in the charge associated to taxes, rates and contributions; mainly due to higher charges associated to turnover tax, among other items. Selling expenses, as a percentage of the Shopping Malls segment's revenues, declined from 6.4% during fiscal year 2015 to 6.0% during fiscal year 2016.

Offices and Others. Selling expenses associated to our Offices and Others segment declined by 38.5%, from Ps. 13 million during fiscal year 2015 to Ps. 8 million during fiscal year 2016. Such variation was mainly due to a recovery of Ps. 6 million from the loan loss charges, along with an increase in other items. The selling expenses associated to our Offices and Others segment, as a percentage of this segment's revenues, dropped from 3.9% during fiscal year 2015 to 2.4% during fiscal year 2016.

Sales and Developments. Selling expenses for the Sales and Developments segment increased by Ps. 21 million, from Ps. 2 million during fiscal year 2015 to Ps. 23 million during fiscal year 2016, mainly as a result of an increase in taxes, rates and contributions of Ps. 18 million, due to an increase in turnover tax.

Hotels. The selling expenses associated to our Hotels segment rose by 32.7%, from Ps. 52 million during fiscal year 2015 to Ps. 69 million during fiscal year 2016, mainly due to: (i) a Ps. 6 million increase in taxes, rates and contributions; and (ii) a Ps. 5 million increase in fees and payments for services, among others. Selling expenses associated with our Hotels segment as a percentage of this segment's revenues experienced a slight decline from 13.1% during fiscal year 2015 to 12.9% during fiscal year 2016.

Financial Operations, Corporate and Others. Selling expenses in the Financial Operations, Corporate and Others segment increased by 18.8% from Ps. 16 million during fiscal year 2015 to Ps. 19 million during fiscal year 2016. Such change was mainly due to an increase in advertising expenses of Ps. 2 million, among other items.

Operations Center in Israel

Real Estate. During fiscal year 2016, selling expenses associated to the Real Estate segment totaled Ps. 29 million. Selling expenses as a percentage of the revenues derived from this segment amounted to 1.9%.

Supermarkets. During fiscal year 2016, selling expenses associated to the Supermarkets segment totaled Ps. 3,907 million. Selling expenses as a percentage of the revenues derived from this segment amounted to 20.9%.

Telecommunications. During fiscal year 2016, selling expenses associated to the Telecommunications segment totaled Ps. 1,493 million. Selling expenses as a percentage of the revenues derived from this segment amounted to 22.43%.

Others. During fiscal year 2016, selling expenses associated to the Others segment totaled Ps. 13 million. Selling expenses as a percentage of the revenues derived from this segment amounted to 4.7%.

Other operating results, net

Other operating results, net	Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Operations Center in Argentina					
Shopping Malls	(61)	(2)	-	-	(63)
Offices and Others	(7)	-	-	1	(6)
Sales and Developments	(42)	4	-	4	(34)
Hotels	(2)	-	-	-	(2)
International	144	-	-	-	144
Financial Operations, Corporate and Others	1	-	-	-	1
Total Operations Center in Argentina	**33**	**2**	**-**	**5**	**40**
Operations Center in Israel					
Real Estate	(19)	-	-	-	(19)
Supermarkets	(13)	-	-	-	(13)
Telecommunications	-	-	-	-	-
Insurance	-	-	-	-	-
Others	-	-	-	-	-
Total Operations Center in Israel	**(32)**	**-**	**-**	**-**	**(32)**
Total other operating results, net	**1**	**2**	**-**	**5**	**8**

Other operating results, net	Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
	Year ended on 06.30.2015 (adjusted) In millions of Ps.				
Operations Center in Argentina					
Shopping Malls	(48)	(1)	-	-	(49)
Offices and Others	(118)	-	-	1	(117)
Sales and Developments	(13)	-	-	-	(13)
Hotels	-	-	-	-	-
International	214	-	-	-	214
Financial Operations, Corporate and Others	(2)	-	-	-	(2)
Total other operating results, net	**33**	**(1)**	**-**	**1**	**33**

Other operating results, net, pursuant to the income statement, did not exhibit any changes in the operations center in Argentina, and exhibited a Ps. 32 million loss in the operations center in Israel.

Other operating results, net from our joint ventures increased by Ps. 3 million, from a loss of Ps. 1 million during fiscal year 2015 (allocated to the Shopping Malls segment within the Operations Center in Argentina) to a gain of Ps. 2 million during fiscal year 2016 (of which a gain of Ps. 4 million is allocated to the Sales and Developments segment within the Operations Center in Argentina, and a loss of Ps. 2 million to the Shopping Malls segment within the Operations Center in Argentina).

Finally, Other operating results, net from inter-segment operations increased by Ps. 4 million, from Ps. 1 million during fiscal year 2015 (allocated to the Offices and Others segment within the Operations Center in Argentina) to Ps. 5 million during fiscal year 2016 (of which Ps. 4 million are allocated to the Sales and Developments segment within the Operations Center in

Argentina and Ps. 1 million to the Offices and Others segment within the Operations Center in Argentina).

Therefore, according to business segment reporting (taking into consideration the Other operating results, net from our joint ventures and without considering those related to inter-segment operations), Other operating results, net declined by Ps. 25 million from a net gain of Ps. 33 million during fiscal year 2015 to a net gain of Ps. 8 million during fiscal year 2016. Without considering the effect of the Operations Center in Israel, Other operating results, net rose by Ps. 7 million.

Operations Center in Argentina

Shopping Malls. Other operating losses, net for the Shopping Malls segment rose by 28.6%, from Ps. 49 million during fiscal year 2015 to Ps. 63 million during fiscal year 2016, mainly as a consequence of the adjustment due to the change in fair value of investment properties for Ps. 21 million, offset by a decrease in the provision for lawsuits and contingencies of Ps. 8 million. Other operating losses, net, as a percentage of revenues from the Shopping Malls segment, shrank from 2.8% during fiscal year 2015 to 2.6% during fiscal year 2016.

Offices and Others. Other operating losses, net associated with our Offices and Others segment declined by Ps. 111 million, from a loss of Ps. 117 million during fiscal year 2015 to a loss of Ps. 6 million during fiscal year 2016.

Sales and Developments. Other operating results, net in connection with our Sales and Developments segment increased by Ps. 21 million, from a loss of Ps. 13 million during fiscal year 2015 to a loss of Ps. 34 million during fiscal year 2016, mainly due to Ps. 16.0 million in income during fiscal year 2015 owing to the sale of our share interest in Bitania, among other factors.

Hotels. Other operating losses, net associated to the Hotels segment increased by Ps. 2 million, primarily owing to an increase in provisions for lawsuits and contingencies.

International. Other operating results, net in this segment declined by 32.7% from a net gain of Ps. 214 million during fiscal year 2015 to a net gain of Ps. 144 million during fiscal year 2016, primarily due to a decline in income caused by the partial reversal of accumulated conversion differences. As of June 30, 2016, it is attributable to the reversal of conversion differences prior to IDBD’s business combination, whilst as of June 30, 2015, it is attributable to the reversal of the provision for conversion differences generated by Rigby, following the partial repayment of the company’s capital stock.

Financial Operations, Corporate and Others. Other operating results, net associated to our Financial Operations, Corporate and Others segment did not show significant changes for the reported periods.

Profit / (loss) from operations

	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Profit / (loss) from operations	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	17,792	98	12	(7)	17,895
Offices and Others	1,328	248	1	8	1,585
Sales and Developments	628	49	-	4	681
Hotels	-	-	-	(1)	(1)
International	53	-	-	-	53
Financial Operations, Corporate and Others	(147)	-	-	(4)	(151)
Total Operations Center in Argentina	**19,654**	**395**	**13**	**-**	**20,062**
Operations Center in Israel					
Real Estate	652	-	-	-	652
Supermarkets	411	-	-	-	411
Telecommunications	(71)	-	-	-	(71)
Insurance	-	-	-	-	-
Others	(205)	-	-	-	(205)
Total Operations Center in Israel	**787**	**-**	**-**	**-**	**787**
Total profit from operations	**20,441**	**395**	**13**	**-**	**20,849**

	Year ended on 06.30.2015 (adjusted) In millions of Ps.				
Profit / (loss) from operations	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment eliminations**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	2,025	10	14	(4)	2,045
Offices and Others	2,005	47	-	6	2,058
Sales and Developments	1,379	6	-	-	1,385
Hotels	(9)	-	-	(3)	(12)
International	177	-	-	-	177
Financial Operations, Corporate and Others	(120)	-	-	-	(120)
Total Operations Center in Argentina	**5,457**	**63**	**14**	**(1)**	**5,533**

Total consolidated profit from operations, pursuant to the income statement, increased by 274.6%, up from Ps. 5,547 million during fiscal year 2015 to Ps. 20,441 million during fiscal year 2016 (of which Ps. 787 million are attributable to the Operations Center in Israel and Ps. 19,654 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, profit from operations rose by 260.2%. Total consolidated profit from operations, as a percentage of revenues from sales, leases and services, declined from 160.4% during fiscal year 2015 to 64.8% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, total consolidated profit from operations, as a percentage of total revenues, increased from 160.35% during fiscal year 2015 to 442.1% during fiscal year 2016.

Profit from operations from our joint ventures increased by 527.0%, up from Ps. 63 million during fiscal year 2015 (of which a profit of Ps. 10 million is allocated to the Shopping Malls segment; a profit of Ps. 47 million is allocated to the Offices and Others segment, and a profit of Ps. 6 million is allocated to the Sales and Developments segment within the Operations Center in Argentina) to Ps. 395 million during fiscal year 2016 (of which a profit of Ps. 98 million is allocated to the Shopping Malls segment; a profit of Ps. 248 million is allocated to the Offices and Others segment, and a profit of Ps. 49 million is allocated to the Sales and Developments segment within the Operations Center in Argentina), mainly as a result of an increase in net gain from fair value adjustment of investment properties.

In turn, profit from operations associated to expenses and collective promotion fund declined by 7.1%, from a profit of Ps. 14 million during fiscal year 2015 to a profit of Ps. 13 million during fiscal year 2016.

Finally, profit from operations from inter-segment operations did not experience significant changes.

Therefore, according to business segment reporting (taking into consideration the profit from operations from our joint ventures and without considering profit from operations related to expenses and collective promotion fund or inter-segment operations), profit from operations rose by 276.81% from Ps. 5,533 million during fiscal year 2015 to Ps. 20,849 million during fiscal year 2016 (of which Ps. 787 million are attributable to the Operations Center in Israel and Ps. 20,062 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, profit from operations rose by 262.59%. Furthermore, profit from operations as a percentage of revenues, pursuant to business segment reporting, fell from 217.15% during fiscal year 2015 to 68.66% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, total profit from operations as a percentage of total revenues, pursuant to business segment reporting, increased from 217.15% during fiscal year 2015 to 609.98% during fiscal year 2016.

Operations Center in Argentina

Shopping Malls. Profit from operations in our Shopping Malls segment grew by 775.1%, from Ps. 2,045 million in income during fiscal year 2015 to Ps. 17,895 million in income during fiscal year 2016. The change is mainly attributable to a Ps. 15,403 million increase in net gain from fair value adjustment of investment properties.

Profit from operations for our Shopping Malls segment, as a percentage of this segment's revenues, increased from 115.0% during fiscal year 2015 to 743.8% during fiscal year 2016.

Offices and Others. Profit from operations in our Offices and Others segment fell by 23.0%, from Ps. 2,058 million in income during fiscal year 2015 to Ps. 1,585 million in income during fiscal year 2016. The main changes are attributable to a decrease in net gain from fair value adjustment of investment properties (Ps. 567 million), partially offset by an increase of Ps. 111 million in income from Other income and expenses.

Profit from operations in our Offices and Others segment measured as percentage of this segment's revenues decreased from 618.0% during fiscal year 2015 to 446.2% during fiscal year 2016.

Sales and Developments. Profit from operations in our Sales and Developments segment fell by 50.8%, down from income for Ps. 1,385 million during fiscal year 2015 to income for Ps. 681 million during fiscal year 2016. The main changes are due to an increase in Selling expenses and General and administrative expenses for Ps. 21 million and Ps. 20 million, respectively.

Hotels. Loss from operations in the Hotels segment exhibited a decrease in loss by 91.7%, from Ps. 12 million during fiscal year 2015 to Ps. 1 million during fiscal year 2016. The increase in the average rate per room of our hotel portfolio (in Pesos) gave rise to an increase in Revenues, along with an increase in Selling Expenses (Ps. 17 million), General and administrative expenses (Ps. 25 million), among others.

International. Profit from operations in our International segment shrank by 70.1% from Ps. 177 million in income during fiscal year 2015 to Ps. 53 million in income during fiscal year 2016. The change is mainly due to an increase in income during fiscal year 2015 from the sale of the Madison 183 building by the Group, and also due to a decrease in income from Other income and expenses in the amount Ps. 70 million.

Financial Operations, Corporate and Others. Loss from operations for our Financial Operations, Corporate and Others segment exhibited an increase in the loss of 25.8%, from a loss of Ps. 120 million during fiscal year 2015 to a loss of Ps. 151 million during fiscal year 2016. The increase in expenses, mainly in General and administrative expenses, resulted in an increase in the loss for the segment.

Operations Center in Israel

Real Estate. During fiscal year 2016, profit from operations associated to the Real Estate segment totaled Ps. 625 million, which, as a percentage of the revenues derived from this segment, accounted for 42.39%.

Supermarkets. During fiscal year 2016, profit from operations associated to the Supermarkets segment totaled Ps. 411 million which, as a percentage of the revenues derived from this segment, accounted for 22.08%.

Telecommunications. During fiscal year 2016, profit from operations associated to the Telecommunications segment was a loss of Ps. 71 million, which, as a percentage of revenues derived from this segment, accounted for 1.06%.

Others. During fiscal year 2016, profit from operations associated to the Others segment was a loss of Ps. 205 million, which, as a percentage of revenues derived from this segment, accounted for 74.81%.

Share of profit / (loss) of associates and joint ventures

	Year ended on 06.30.2016 (adjusted) In millions of Ps.				
Share of profit / (loss) of associates and joint ventures	**Income statement**	**Interest in joint ventures**	**Expenses and collective promotion fund**	**Inter-segment elimination**	**Segment-reporting**
Operations Center in Argentina					
Shopping Malls	61	(61)	-	-	-
Offices and Others	175	(155)	-	-	20
Sales and Developments	47	(42)	-	-	5
Hotels	-	-	-	-	-
International	(772)	-	-	-	(772)
Financial Operations, Corporate and Others	231	-	-	-	231
Total Operations Center in Argentina	**(258)**	**(258)**	**-**	**-**	**(516)**
Operations Center in Israel					
Real Estate	226	-	-	-	226
Supermarkets	-	-	-	-	-
Telecommunications	-	-	-	-	-
Insurance	-	-	-	-	-
Others	(103)	-	-	-	(103)
Total Operations Center in Israel	**123**	-	-	-	**123**
Total share of loss of associates and joint ventures	**(135)**	**(258)**	**-**	**-**	**(393)**

Share of profit / (loss) of associates and joint ventures	Year ended on 06.30.2015 (adjusted) In millions of Ps. Income statement	Interest in joint ventures	Expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Malls	6	(6)	-	-	-
Offices and Others	34	(29)	-	-	5
Sales and Developments	12	(11)	-	-	1
Hotels	1	-	-	-	1
International	(431)	-	-	-	(431)
Financial Operations, Corporate and Others	155	-	-	-	155
Total share of loss of associates and joint ventures	**(223)**	**(46)**	**-**	**-**	**(269)**

Our share of loss of associates and joint ventures, pursuant to the income statement, declined by 39.5%, down from a loss of Ps. 223 million during fiscal year 2015 to a loss of Ps. 135 million during fiscal year 2016 (of which a gain of Ps. 123 million is attributable to the Operations Center in Israel and a loss of Ps. 258 million to the Operations Center in Argentina) mainly as a result of the investments derived from our International segment, partially offset by the investments in our Financial Operations, Corporate and Others segment.

Furthermore, our share of profit (loss) of joint ventures mainly from Nuevo Puerto Santa Fe S.A. (Shopping Malls segment), Quality Invest S.A. (Offices segment), and Cyrsa S.A., Puerto Retiro S.A. and Baicom Networks S.A. (Sales and Developments segment) experienced a change of 46.1%, from Ps. 269 million during fiscal year 2015 to Ps. 393 million during fiscal year 2016, mostly due to a decrease in results of the joint venture Cyrsa S.A.

Shopping Malls. According to business segment reporting, the share of profit of the joint venture Nuevo Puerto Santa Fe S.A. is presented on a line by line consolidated basis in this segment.

Offices and Others. According to business segment reporting, the share of profit/(loss) of the joint venture Quality Invest S.A. is presented on a line by line consolidated basis in this segment whereas the share of profit/(loss) generated by the indirect share interest in our associate La Rural S.A., through the joint ventures Entertainment Holding S.A. and Entretenimiento Universal S.A., remains net in this line and increased by Ps. 15 million, from Ps. 5 million during fiscal year 2015 to Ps. 20 million during fiscal year 2016.

Sales and Developments. The share of profit of joint ventures Cyrsa S.A., Puerto Retiro S.A. and Baicom Networks S.A. is presented on a line by line consolidated basis. The share of profit / (loss) of our associate Manibil S.A., presented in this line, rose by Ps. 4 million, from Ps. 1 million during fiscal year 2015 to Ps. 5 million during fiscal year 2016.

Hotels. No share of profit / (loss) of associates and joint ventures was accounted for during the year in connection with this segment.

International. Our share of loss of associates in this segment rose by 79.1%, from Ps. 431 million in loss during fiscal year 2015 to Ps. 772 million in loss during fiscal year 2016, mainly due to: (i) increased losses from our investment in IDBD for Ps. 100 million (the net gain/(loss) from fair value adjustment of such investment was disclosed within the International segment until October 11, 2015); and (ii) increased losses derived from our investment in New Lipstick LLC for Ps. 113 million; and (iii) an increase in loss from our investment in PBEL of Ps. 61 million; partially offset by increased gains from Condor for Ps. 22 million.

Financial Operations, Corporate and Others. The share of profit of our associates in the Financial Operations, Corporate and Others segment increased by 49.0%, from Ps. 155 million during fiscal year 2015 to Ps. 231 million during fiscal year 2016, mainly due to:(i) increased gains from our investments in BHSA for Ps. 114 million and Banco de Crédito y Securitización for Ps. 3 million, partially offset by: (ii) increased losses from our investment in Tarshop for Ps. 23 million and (iii) the Ps. 19 million non-recurring profit from our investment in Avenida made during fiscal year 2015, until the time the Company ceased to consider this investment as an associate.

Operations Center in Israel

Real Estate. During fiscal year 2016, the share of profit / (loss) of associates and joint ventures associated to the Real Estate segment totaled Ps. 226 million.

Others. During fiscal year 2016, the share of profit / (loss) of associates and joint ventures associated to the Others segment (loss) totaled Ps. 103 million.

Financial results, net

The net financial loss rose by Ps. 3,939 million, from a loss of Ps. 942 million during fiscal year 2015 to a loss of Ps. 4,881 million during fiscal year 2016 (of which Ps. 3,037 million are derived from the Operations Center in Israel and Ps. 1,844 million are derived from the Operations Center in Argentina). The loss from the operations center in Israel mainly derives from the change in fair value of Clal.

Operations Center in Argentina

The net financial loss increased by 51.9%, from Ps. 942 million during fiscal year 2015 to Ps. 1,431 million during fiscal year 2016, mainly as a result of: (i) an increase of Ps. 1,835 million in financial costs and expenses (mostly caused by: (a) an increase in net exchange difference of Ps. 1,552 million; (b) an increase in the interest expense on loans and notes for Ps. 415 million; partially offset by: (ii) increased gains from other financial results of Ps. 1,346 million (mainly attributable to: (d) the valuation at fair value of financial derivatives for Ps. 973 million; and (e) other financial assets for Ps. 401 million.

Income Tax

The Company applies the deferred tax method to calculate the income tax applicable to the fiscal years under consideration, thus recognizing the temporary differences as tax assets and liabilities. The income tax expense for the year went from a Ps. 1,581 million loss during fiscal year 2015 to a Ps. 6,373 million loss during fiscal year 2016, of which a Ps. 6,443 million loss was derived from the Operations Center in Argentina and a Ps. 70 million gain was derived from the Operations Center in Israel.

Profit for the year

As a result of the factors described above, profit for the year went from a profit of Ps. 2,710 million during fiscal year 2015 to a profit of Ps. 9,496 million during fiscal year 2016, of which a gain of Ps. 11,249 million is attributable to the Operations Center in Argentina and a loss of Ps. 1,753 million is attributable to the Operations Center in Israel.

Liquidity and Capital Resources

As of June 30, 2017, we had positive working capital of Ps. 19,058 million (calculated as current assets less current liabilities as of such date). At the same date, we had cash and cash equivalents totaling Ps. 24,854 million, an increase of Ps. 10,988 million compared to the Ps. 13,866 million of cash and cash equivalents held as of June 30, 2016.

Fiscal year ended June 30, 2017

Our operating activities generated net cash inflows of Ps. 9,059 million, mainly due to profit from operations of Ps. 9,550 million, mostly resulting from net gain from fair value adjustment of investment properties of Ps. 4,453 million, offset by a loss of financial results, net in the amount of Ps. 4,575 million.

Fiscal year ended June 30, 2016

Our operating activities generated net cash inflows of Ps. 4,946 million, mainly due to profit from operations of Ps. 9,496 million, a decrease in properties held for sale of Ps. 202 million and an increase in salaries and social security charges of Ps. 23 million, partially offset by Ps. 17,559 million from net gain from fair value adjustment of investment properties, a decrease in provisions of Ps. 143 million, an increase in inventory of Ps. 190 million and Ps. 6,373 million related to income tax paid.

Fiscal Year ended June 30, 2015

Our operating activities generated net cash inflows of Ps. 1,263 million, mainly due to profit from operations of Ps. 2,710 million, an increase in salaries and social security charges of Ps. 22 million, an increase in trade and other account payables of Ps. 233 million which were partially offset by an increase in trade and other receivables of Ps. 400 and Ps. 1,581 million related to income tax paid.

Investing activities

Fiscal Year ended June 30, 2017

Our investing activities resulted in net cash outflows of Ps. 2,068 million for the fiscal year ended June 30, 2017, mainly as a result of (i) Ps. 293 million related to gains from disposals of investment properties, (ii) Ps. 251 million related to collection of dividends, (iii) disbursements related to acquisition of financial assets for Ps. 4,782 million (iv) Ps. 2,853 million and Ps. 2,629 million related to the acquisition of investment properties and property, plant and equipment, respectively.

Fiscal Year ended June 30, 2016

Our investing activities resulted in net cash inflows of Ps. 8,210 million for the fiscal year ended June 30, 2016, of which (i) Ps. 1,393 million were related to gains from disposals of investment properties, (ii) Ps. 99 million were related to collection of dividends, (iii) Ps. 12,069 million were related to the acquisition of investments in financial assets, and (iv) Ps. 9,193 million of cash added from business combination with IDBD; partly offset by (v) Ps. 888 million and Ps. 1,021 million related to the acquisition of investment properties and property, plant and equipment, respectively, (vi) Ps. 131 million related to the acquisition of intangible assets, (vii) Ps. 207 million related to capital contributions in associates and joint ventures (viii) Ps. 852 million related to loans granted to related parties.

Fiscal Year ended June 30, 2015

Our investing activities resulted in net cash inflows of Ps. 261 million for the fiscal year ended June 30, 2015, of which (i) Ps. 2,447 million were related to gains from disposals of investment properties and (ii) Ps. 2,339 million were related to collections from the sale investments in financial assets; partially offset by (iii) Ps. 1,242 million related to acquisition of joint ventures and associates and (iv) Ps. 2,934 million related to the acquisition of investments in financial assets.

Financing activities

Fiscal year ended June 30, 2017

Our financing activities for the fiscal year ended June 30, 2017 resulted in net cash inflows of Ps. 1,537 million, mainly due to (i) the repayment of loans of Ps. 14,577 million; (ii) the payment of interest on short-term and long-term debt of Ps. 5,692 million; and (iii) the payment of principal on notes of Ps. 5,531 million, partially offset by (iv) borrowings for Ps. 6,250 million; (v) Ps. 20,435 million related to the issuance of non-convertible notes and (vi) Ps. 151 million related to derivative financial instruments, net.

Fiscal year ended June 30, 2016

Our financing activities for the fiscal year ended June 30, 2016 resulted in net cash outflows of Ps. 3,968 million, mainly due to (i) the repayment of loans of Ps. 9,554 million; (ii) the payment of interest on short-term and long-term debt of Ps. 3,365 million; (iii) the acquisition of non-controlling interest in subsidiaries of Ps. 1,047 million and (iv) the payment of principal on notes of Ps. 4,253 million, partially offset by (v) borrowings for Ps. 6,015 million; (vi) Ps. 7,622 million related to the issuance of non-convertible notes and (vii) Ps. 1,951 million related to derivative financial instruments, net.

Fiscal Year ended June 30, 2015

Our financing activities for the fiscal year ended June 30, 2015 resulted in net cash outflows of Ps. 1,390 million, mainly due to (i) the repayment of loans of Ps. 1,073 million, (ii) the payment of interest on short-term and long-term debt of Ps. 547 million, (iii) capital distributions of Ps. 228 million, (iv) Ps. 111 million related to the acquisition of derivative financial instruments, (v) Ps. 69 million related to dividend distributions; partially offset by (vi) borrowings for Ps. 628 million.

Capital Expenditures

Fiscal Year 2017

During the fiscal year ended June 30, 2017, we invested Ps. 5,429 million, mainly related to: (a) Ps. 469 million for the purchase of the Philips Building adjoining the DOT commercial complex; (b) improvements in our Sheraton Libertador, Intercontinental and Llao Llao hotels (Ps. 5 million, Ps. 7.5 million and Ps. 3.5 million, respectively); (c) Ps. 1,345 million related to the acquisition of furniture and fixtures, machinery, equipment and communication networks; (d) Ps. 1,390 related to the development of properties; (e) Ps. 100 million related to improvements in our shopping malls; (f) Ps. 57 million related to the acquisition of land reserves; (g) Ps. 646 million used in improvements to our offices and other rental properties; (h) Ps. 714 million related mostly to improvements in supermarkets in Israel (i) Ps. 664 million mainly related to other items related to the operations center in Israel.

Fiscal Year 2016

During the fiscal year ended June 30, 2016, we invested Ps. 47,059 million, mainly related to: (a) improvements in our Intercontinental and Llao Llao hotels (Ps. 3 million and Ps. 2 million, respectively); (b) Ps. 7 million allocated to advances for the acquisition of investments in general; (c) Ps. 795 million related to the acquisition of furniture and fixtures, machinery, equipment and communication networks; (d) Ps. 147 million related to improvements in our shopping malls; (e) Ps. 485 million related to improvements to our offices and other rental properties; (f) Ps. 12 million related to the acquisition of land reserves, (g) Ps. 919 million related to the development of properties and (h) Ps. 44,690 million related to the addition of assets due to the business combination with IDBD.

Fiscal Year 2015

During the fiscal year ended June 30, 2015, we invested Ps. 532 million, mainly related to: (a) improvements in our Sheraton Libertador, Intercontinental and Llao Llao hotels (Ps. 1.2 million, Ps. 9.0 million and Ps. 4.5 million, respectively), (b) Ps. 14 million allocated to advances for the acquisition of investments in general, (c) Ps. 35 million related to the acquisition of furniture and fixtures, machinery, equipment, and facilities, (d) Ps. 186.5 million related to the development of properties, of which Ps. 1.5 million are related to Distrito Arcos and Ps. 185 million are related to Alto Comahue, (e) Ps. 60.4 million related to improvements in our shopping malls, (f) Ps. 5.6 million related to improvements to our offices and other rental properties, (g) Ps. 214.6 million related to the acquisition of “La Adela”, (h) Ps. 1.6 million related to the acquisition of land reserves.

9. OUR INDEBTEDNESS

Operations Center in Argentina

The following table describes our total indebtedness as of June 30, 2017:

Description	Currency	Amount (USD MM) [1]	Interest Rate	Maturity
Bank overdrafts	Ps.	2.8	Floating	< 180 d
IRSA NCN, Series VII	Ps.	23.1	Badlar + 299	Sep-19
IRSA NCN, Series VIII	USD	184.5	7.0%	Sep-19
ICBC Loan	USD	50.0	5.95%	Feb-22
ICBC Loan	Ps.	7.5	21.20	May-18
IRSA NCN 2020	USD	71.4	11.5%	Jul-20
Other loans	Ps.	0.1	-	-
IRSA's Total Debt	**USD**	**339.5**		
IRSA Cash&Eq+Investments [2]	USD	11.2		
Repurchased debt	USD	-		
IRSA's Net Debt	**USD**	**328.3**		
IRSA CP's Debt				
Bank overdrafts	Ps.	2.4	Floating	< 360 d
CP Bank Loan	Ps.	4.5	21.20%	May-18
Other Loans	Ps.	0.1	-	-
IRSA CP NCN, Class II	USD	360.0	8.75%	Mar-23
IRSA CP's Total Debt	**USD**	**367.0**		
IRSA CP Cash&Eq+Investments [3]	USD	**179.7**		
Repurchased debt	USD	-		
IRSA CP's Net Debt	**USD**	**187.3**		

(1) Principal amount in USD at an exchange rate of Ps. 16.63/USD, without considering accrued interest or eliminations of balances with subsidiaries.
(2) "IRSA Cash & Cash Equivalents plus Investments" includes IRSA Cash & Cash Equivalents + IRSA Investments in current and non-current financial assets.
(3) "IRSA CP Cash & Cash Equivalents plus Investments" includes IRSA CP Cash & Cash Equivalents + IRSA CP Investments in Current Financial Assets.

On September 8, 2016, IRSA issued Series VII and VIII Notes for an aggregate amount of USD 210 million:

a) Series VII Notes for a principal amount of Ps. 384.2 million at BADLAR + 299 bps due on September 9, 2019.

b) Series VIII Notes for a principal amount of USD 184.5 million at a fixed rate of 7% due on September 9, 2019.

The proceeds were mainly used to repay preexisting debt.

Operations Center in Israel

Financial debt as of March 31, 2017

Indebtedness	Amount [1]
IDBD's Total Debt	852
DIC's Total Debt	1,126
Shufersal's Total Debt	673
Cellcom's Total Debt	1,132
PBC's Total Debt	3,154
Others' Total Debt [2]	113

(1) Principal amount in USD (million) at an exchange rate of 3.4929 NIS/USD, without considering accrued interest or elimination of balances with subsidiaries.
(2) Includes IDB Tourism, Bartan and IDBG.

IDBD is subject to certain restrictions and financial covenants in relation to its financial debt, including its notes and loans from Banks and financial institutions. As concerns IDBD's financial position, flow of funds and capacity to discharge its financial debt commitments, it should be noted that:

- From September 2016, following the sale of Adama and the increased value recorded by its subsidiaries in the market, IDBD believes it will be able to secure financing in the market or refinance its debts. In this regard, IDBD has recently completed successful placements of debt. Moreover, it made early repayments of its financial debt and has managed to renegotiate the financial restrictions related to its debt.
- DIC declared dividends and IDBD received approximately NIS 271 million (equivalent to approximately $ 1,219 million), net of the exercise of warrants.
- In February 2017, Standard & Poor's Maalot (S&P Maalot) upgraded the rating of IDBD's notes from CCC to BB. Subsequently, in July 2017, S&P Maalot upgraded IDBD's rating again to BBB with a stable outlook.
- IDBD sold part of its interest in Clal and entered into a swap agreement for its future sale.

For the reasons explained above, IDBD understands that it has sufficient resources to continue doing business for at least 12 months after the date of these consolidated financial statements.

IDBD's Board of Directors has cash flow projections for 24 months until June 30, 2019 that assume that IDBD will receive, *inter alia*, cash from the realization of private investments directly held by IDBD; therefore, IDBD expects to satisfy all its obligations until the end of the second quarter of 2019. Although the materialization of these plans does not depend entirely on factors within its control, IDBD estimates that it will be successful in the consummation of these or other plans.

Based on the foregoing, IDBD's management believes that at present there are no material uncertainties regarding its capacity to operate as a going concern, in light of IDBD's current financial position, as it is capable of satisfying its financial commitments as and when due, and its ability to carry its business plan into execution.

Notwithstanding the foregoing, IDBD expects to discharge financial liabilities for NIS 1,413 million (equivalent to approximately $ 6,641 million as of the date of these consolidated financial statements) in November 2019. Payment of these liabilities could be affected by factors beyond IDBD's control, including IDBD's capacity to implement its plan to sell its interest in Clal, taking into account the mechanism determined by Israel's Capital Market, Insurance and Savings Commission (the "Commissioner"), the requirements of the Law to Promote Competition and Reduce Concentration (the "Concentration Law"), and IDBD's capacity to deal with the implications of the Concentration Law and to satisfy the specific requirements imposed on it regarding the control of companies through a pyramidal structure (Note 7).

IDBD expects that the consideration to be received for the sale of Clal, according to the mechanism imposed by the Commissioner (i.e., the sale in tranches of 5% each every four months), to the extent it is implemented, will be low or even significantly low as compared to a sale in bulk of Clal's controlling stake. However, the Company believes that, even if it continued selling Clal's shares according to the Commissioner's mechanism, it would have additional cash flow available to satisfy its commitments in November 2019. In the opinion of IDBD's management, IDBD will be able to address its commitments in due time and continue doing business.

It should be noted that the financial position of IDBD and its subsidiaries in the operations center in Israel does not adversely affect the financial or equity position of IRSA and its subsidiaries in the operations center in Argentina.

Moreover, the commitments and other restrictions resulting from IDBD's indebtedness have no effects on IRSA, as it qualifies as non-recourse debt against IRSA, and IRSA has not given its assets as collateral for such debt either.

10. BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

We are managed by a Board of Directors. Our by-laws provide that our Board of Directors will consist of a minimum of eight and a maximum of fourteen regular directors and a like or lesser number of alternate directors. Our directors are elected for three-fiscal year terms by a majority vote of our shareholders at a general ordinary shareholders' meeting and may be reelected indefinitely.

Currently our Board of directors is composed of fourteen regular directors and two alternate directors. Alternate directors will be summoned to exercise their functions in case of absence, vacancy or death of a regular director or until a new director is designated.

The table below shows information about our regular directors and alternate directors:

Name	Date of Birth	Position in IRSA	Date of current appointment	Term expiration	Current position held since
Eduardo S. Elsztain	01/26/1960	Chairman	2015	2018	1991
Saúl Zang	12/30/1945	First Vice-Chairman	2015	2018	1994
Alejandro G. Elsztain	03/31/1966	Second Vice-Chairman	2016	2019	2001
Fernando A. Elsztain	01/04/1961	Regular Director	2014	2017[1]	1999
Carlos Ricardo Esteves	05/25/1949	Regular Director	2014	2017[1]	2005
Cedric D. Bridger	11/09/1935	Regular Director	2015	2018	2003
Marcos Fischman	04/09/1960	Regular Director	2015	2018	2003
Fernando Rubín	06/20/1966	Regular Director	2016	2019	2004
Gary S. Gladstein	07/07/1944	Regular Director	2016	2019	2004
Mario Blejer	06/11/1948	Regular Director	2014	2017[1]	2005
Mauricio Wior	10/23/1956	Regular Director	2015	2018	2006
Gabriel A. G. Reznik	11/18/1958	Regular Director	2014	2017[1]	2008
Ricardo H. Liberman	12/18/1959	Regular Director	2014	2017[1]	2008
Daniel Ricardo Elsztain	12/22/1972	Regular Director	2014	2017[1]	2007
Gastón Armando Lernoud	06/04/1968	Alternate Director	2014	2017[1]	2014
Enrique Antonini	03/16/1950	Alternate Director	2016	2019	2007

[1] The term of office of Board members shall be in force until a Shareholders' Meeting is called to renew their powers and/or to appoint new Board members.

Ricardo Esteves, Cedric Bridger, Mario Blejer, Ricardo H. Liberman and Enrique Antonini are independent directors, pursuant to *CNV* Rules.

The following is a brief biographical description of each member of our Board of Directors:

Eduardo Sergio Elsztain

Mr. Elsztain studied Economic Sciences at Universidad de Buenos Aires. He has been engaged in the real estate business for more than twenty years. He is the Chairman of the Board of Directors of IRSA CP, Consultores Assets Management S.A., Dolphin Netherlands, Arcos del Gourmet S.A., Cresud, BACS Banco de Crédito & Securitización S.A., BrasilAgro Companhia Brasileira de Propiedades Agrícolas, E-Commerce Latina S.A., and Banco Hipotecario S.A., among others. He is also Director of IDBD Development Corporation Ltd. He is Fernando Adrián Elsztain's cousin and Alejandro Gustavo Elsztain and Daniel Ricardo Elsztain's brother.

Saúl Zang

Mr. Zang obtained a law degree from Universidad de Buenos Aires. He is a member of the International Bar Association and the Interamerican Federation of Lawyers. He is a founding partner of Zang, Bergel & Viñes Abogados law firm. Mr. Zang is President of Puerto Retiro S.A., vice-chairman of IRSA CP, Fibesa S.A. and CRESUD, among others. He is also director of Banco Hipotecario S.A., Nuevas Fronteras S.A., BrasilAgro Companhia Brasileira de Propiedades Agrícolas, IDBD Development Corporation Ltd., BACS Banco de Crédito & Securitización S.A., Tarshop S.A., and Palermo Invest S.A., among others.

Alejandro Gustavo Elsztain

Mr. Elsztain obtained a degree in agricultural engineering from Universidad de Buenos Aires. Currently he is Chairman of Fibesa S.A. and Cactus Argentina S.A., second vice-chairman of CRESUD, and Executive Vice-chairman of IRSA CP. He is also Vice-chairman of Nuevas Fronteras S.A. and Hoteles Argentinos S.A. He is also regular Director of BrasilAgro Companhia Brasileira de Propiedades Agrícolas, Emprendimientos Recoleta S.A. and IDBD Development Corporation Ltd., among others. Mr. Alejandro Gustavo Elsztain is the brother of our chairman, Eduardo Sergio Elsztain and Daniel Ricardo Elsztain, and a cousin of Fernando Adrián Elsztain.

Fernando Adrián Elsztain

Mr. Elsztain studied architecture at Universidad de Buenos Aires. He has been engaged in the real estate business as a consultant and as managing officer of a real estate company. He is chairman of the Board of Directors of Palermo Invest S.A. and Nuevas Fronteras S.A. He is also a director of Hoteles Argentinos S.A. and Llao Llao Resorts S.A., and an alternate director of Banco Hipotecario S.A. and Puerto Retiro S.A. Mr. Fernando Adrián Elsztain is cousin of our Chairman, Eduardo Sergio Elsztain, and our directors Alejandro Gustavo Elsztain and Daniel Ricardo Elsztain.

Carlos Ricardo Esteves

Mr. Esteves has a degree in Political Sciences from Universidad El Salvador. He was a member of the Boards of Directors of Banco Francés del Río de la Plata, Bunge & Born Holding, Armstrong Laboratories, Banco Velox and Supermercados Disco. He was one of the founders of CEAL (*Consejo Empresario de América Latina*) and is a member of the board of directors of *Encuentro de Empresarios de América Latina (padres e hijos)* and is co-President of *Foro Iberoamericano*.

Cedric D. Bridger

Mr. Bridger is qualified as a certified public accountant in the United Kingdom. From 1992 through 1998, he served as chief financial officer of YPF S.A. Mr. Bridger was also financial director of Hughes Tool Argentina, chief executive officer of Hughes Tool in Brazil and Hughes' corporate vice-president for South American operations. He is also a director of Banco Hipotecario S.A.

Fernando Rubín

Mr. Rubin has a degree in psychology from Universidad de Buenos Aires and attended a post-graduate course in Human Resources and Organizational Analysis at E.P.S.O. He has been the manager of organizational development at Banco Hipotecario and then CEO in that entity. He served as corporate manager of human resources for the Company, director of human resources for LVMH (Moet Hennessy Louis Vuitton) in Argentina and Bodegas Chandon in Argentina and Brazil. He also served as manager of the human resources division for the international consulting firm Roland Berger & Partner-International Management Consultants. He currently serves as president of Tarshop S.A.

Gary S. Gladstein

Mr. Gladstein has a degree in economics from the University of Connecticut and a master's degree in business administration from Columbia University. He was operations manager in Soros Fund Management LLC and is currently a senior consultant of Soros Fund Management LLC.

Mario Blejer

Mr. Blejer obtained a Ph.D. in economy from the University of Chicago. He has been Senior Counselor to the IMF in the European and Asian departments from 1980 to 2001. He was also vice-chairman and chairman of the Argentine Central Bank from 2001 to 2002. He also served as director of the Center for Studies of Central Banks of the Bank of England from 2003 to 2008 and as counselor of the Governor of the Bank of England during that same period. At present. Mr. Blejer is regular director of Banco Hipotecario S.A., among other companies. He was also External Counselor to the Currency Policy Council of the Central Bank of Mauritius and is Postgraduate professor at Torcuato Di Tella University.

Mauricio Wior

Mr. Wior obtained a master's degree in finance, as well as a bachelors' degree in economics and accounting from Tel Aviv University in Israel. Mr. Wior is currently a director of Banco Hipotecario, TGLT, Vice-president of Shufersal, Vice-president of Tarshop S.A. and President of BHN Sociedad de Inversión S.A. He has held positions at Bellsouth where he was Vice President for Latin America from 1995 to 2004. Mr. Wior was also CEO of Movicom Bellsouth from 1991 to 2004. In addition, he led the operations of various cellular phone companies in Uruguay, Chile, Peru, Ecuador and Venezuela. He was president of *Asociación Latinoamericana de Celulares* (ALCACEL); the U.S. Chamber of Commerce in Argentina and the Israeli-Argentine Chamber of Commerce. He was a director of *Instituto para el Desarrollo Empresarial de la Argentina* (IDEA), *Fundación de Investigaciones Económicas Latinoamericanas* (FIEL) and Tzedaka.

Gabriel A. G. Reznik

Mr. Reznik obtained a degree in Civil Engineering from Universidad de Buenos Aires. He worked for the Company from 1992 until May 2005, when he resigned. He had previously worked for an independent construction company in Argentina. He is regular director of Banco Hipotecario S.A.

Ricardo Liberman

Mr. Liberman graduated as a Public Accountant from Universidad de Buenos Aires. He is also an independent consultant in audit and tax matters.

Daniel Ricardo Elsztain

Mr. Elsztain graduated with a major in Economic Sciences from the Torcuato Di Tella University and has a Master in Business Administration. He serves as Director in Condor Hospitality Inc. He has been our operating manager since 1998. Mr. Elsztain is brother of Mr. Eduardo Sergio Elsztain, and Mr. Alejandro Gustavo Elsztain and cousin of Fernando Adrián Elsztain.

Gastón Armando Lernoud

Mr. Lernoud obtained a law degree in Universidad El Salvador in 1992. He obtained a Master in Corporate Law in Universidad de Palermo in 1996. He has been senior associate in Zang, Bergel & Viñes Law Firm until June 2002, when he joined CRESUD as legal counsel.

Enrique Antonini

Mr. Antonini holds a degree in law from the School of Law of Universidad de Buenos Aires. He has been director of Banco Mariva S.A. since 1992 until today, and alternate director of Mariva Bursátil S.A. since 2015. He is a member of the Argentine Banking Lawyers Committee and the International Bar Association. At present, he is Alternate Director of CRESUD.

Employment Contracts with our Directors

We do not have written contracts with our directors. However, Messrs. Eduardo Sergio Elsztain, Saúl Zang, Alejandro Gustavo Elsztain, Daniel Ricardo Elsztain, Fernando Elsztain, Fernando Rubín and Marcos Moisés Fishman are employed by our Company under the Labor Contract Law No. 20,744. In addition, our alternate director Gastón Armando Lernoud rendered services under the corporate services agreement. Law No. 20,744 governs certain conditions of the labor relationship, including remuneration, protection of wages, hours of work, holidays, paid leave, maternity protection, minimum age requirements, protection of young workers and suspension and termination of the contract.

Executive Committee

Pursuant to our by-laws, our day-to-day business is managed by an Executive Committee consisting of five regular directors and one alternate director, among which there should be the chairman, first vice-chairman and second vice-chairman of the board of directors. The current members of the Executive Committee are Messrs. Eduardo Sergio Elsztain, Saúl Zang, Alejandro Elsztain and Fernando Elsztain, as regular members. The Executive Committee meets as needed by our business, or at the request of one or more of its members.

The executive committee is responsible for the management of the daily business pursuant to the authority delegated by the Board of Directors in accordance with applicable laws and our by-laws. Pursuant to Section 269 of the Argentine Corporations Law, the Executive Committee is only responsible for the management of the day-to-day business. Our by-laws authorize the Executive Committee to:

- designate the managers of our Company and establish the duties and compensation of such managers;
- grant and revoke powers of attorney on behalf of our Company;
- hire, discipline and fire personnel and determine wages, salaries and compensation of personnel;
- enter into contracts related to our business;
- manage our assets;
- enter into loan agreements for our business and set up liens to secure our obligations; and
- perform any other acts necessary to manage our day-to-day business.

Senior Management

Appointment of Senior Management

Our Board of Directors appoints and removes senior management.

Senior Management Information

The following table shows information about our current Senior Management appointed by the Board of Directors:

Name	Date of birth	Position	Current position held since
Eduardo S. Elsztain	01/26/1960	Chief Executive Officer	1991
Daniel R. Elsztain	12/22/1972	Chief Real Estate Operating Officer	2012
Javier E. Nahmod	11/10/1977	Chief Real Estate Officer	2014
Matías I. Gaivironsky	02/23/1976	Chief Administrative and Finance Officer	2011

The following is a description of each of our Senior Managers who are not directors:

Matías Iván Gaivironsky
Mr. Matías Gaivironsky obtained a degree in business administration from Universidad de Buenos Aires. He has a Master in Finance from Universidad del CEMA. Since 1997 he has served in various positions at CRESUD, IRSA CP and the Company, and he has served as Chief Financial Officer since December 2011. In 2008 he served as Chief Financial Officer in Tarshop S.A. and was later appointed Manager of the Capital Markets and Investor Relations Division of CRESUD, IRSA CP and the Company.

Javier E. Nahmod
Mr. Javier Nahmod started his professional career in the Company in 1998, he has served in different areas within IRSA Inversiones y Representaciones e IRSA Propiedades Comerciales' real estate business.

During the first years he has served as Stands Marketer (*Comercializador de Góndolas*) and then, in 2003 he became Center Manager at Abasto Shopping Mall. Afterwards, he became Rental Business Manager (*Gerente de Negocios de Renta*) within the Real Estate Department, and then Regional Manager of Shopping Malls. He has served as Real Estate Manager within the Real Estate Business of the Company since 2014.

Supervisory Committee

Our Supervisory Committee (*Comisión Fiscalizadora*) is responsible for reviewing and supervising our administration and affairs and verifying compliance with our by-laws and resolutions adopted at the shareholders' meetings. The members of the Supervisory Committee are appointed at our annual general ordinary shareholders' meeting for a one-fiscal year term. The Supervisory Committee is composed of three regular members and three alternate members and pursuant to Section 294 of the Argentine Corporations Law No. 19,550, as amended, must meet at least every three months.

The following table shows information about the members of our Supervisory Committee, who were elected at the annual ordinary shareholders' meeting, held on October 30, 2015:

Name	Date of Birth	Position	Expiration Date	Current position held since
José D. Abelovich	07/20/1956	Regular Member	2016	1992
Marcelo H. Fuxman	11/30/1955	Regular Member	2016	1992
Noemí I. Cohn	05/20/1959	Regular Member	2016	2010
Sergio L. Kolaczyk	11/28/1964	Alternate Member	2016	2003
Roberto D. Murmis	04/07/1959	Alternate Member	2016	2005
Alicia G. Rigueira	12/02/1951	Alternate Member	2016	2006

Set forth below is a brief biographical description of each member of our Supervisory Committee:

José D. Abelovich.
Mr. Abelovich obtained a degree in accounting from Universidad de Buenos Aires. He is a founding member and partner of Abelovich, Polano & Asociados S.R.L., a law firm member of Nexia International, a public accounting firm in Argentina. Formerly, he had been a manager of Harteneck, López y Cía/Coopers & Lybrand and has served as a senior advisor in Argentina for the United Nations and the World Bank. He is a member of the Supervisory Committees of CRESUD, IRSA CP, Hoteles Argentinos S.A., Inversora Bolívar and Banco Hipotecario.

Marcelo H. Fuxman.
Mr. Fuxman obtained a degree in accounting from Universidad de Buenos Aires. He is a partner of Abelovich, Polano y Asociados S.R.L., a law firm member of Nexia International, a public accounting firm in Argentina. He is also a member of the supervisory committee of CRESUD, IRSA CP, Inversora Bolívar and Banco Hipotecario S.A.

Noemí I. Cohn.
Mrs. Cohn obtained a degree in accounting from Universidad de Buenos Aires. She is a partner of Abelovich, Polano y Asociados S.R.L. / Nexia International, an accounting firm in Argentina, and she works in the Audit sector. Mrs. Cohn worked in the audit area of Harteneck, López and Company, Coopers & Lybrand in Argentina and in Los Angeles, California. Mrs. Cohn is a member of the Supervisory Committees of CRESUD and IRSA CP, among others.

Sergio L. Kolaczyk.
Mr. Kolaczyk obtained a degree in accounting from Universidad de Buenos Aires. He is a professional from Abelovich, Polano & Asociados S.R.L./Nexia International. Mr. Kolaczyk is also alternate member of the Supervisory Committee of CRESUD and the Company, among other companies.

Roberto D. Murmis.
Mr. Murmis holds a degree in accounting from Universidad de Buenos Aires. Mr. Murmis is a partner at Abelovich, Polano & Asociados S.R.L., a law firm member of Nexia International. Mr. Murmis worked as an advisor to *Secretaría de Ingresos Públicos del Ministerio de Economía* of Argentina. Furthermore, he is a member of the supervisory committee of CRESUD, Alto Palermo Shopping S.A., Futuros y Opciones.Com S.A. and Llao Llao Resorts S.A.

Alicia G. Rigueira.

Mrs. Rigueira holds a degree in accounting from Universidad de Buenos Aires. Since 1998 she has been a manager at Estudio Abelovich, Polano & Asociados SRL, a law firm member of Nexia International. From 1974 to 1998, Mrs. Rigueira performed several functions at Harteneck, Lopez y Cía./Coopers & Lybrand. Mrs. Rigueira was professor at the School of Economic Sciences at Universidad de Lomas de Zamora.

Internal Control

Management uses the Integrated Framework-Internal Control issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Report") to assess the effectiveness of internal control over financial reporting.

The 2013 COSO Report sets forth that internal control is a process performed by the Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of the entity's objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations

Based on the above, the company's internal control system involves all the levels actively involved in exercising control:

- the Board of Directors, by establishing the objectives, principles and values, setting the tone at the top and making the overall assessment of results;
- the management of each area is responsible for the internal control in relation to objectives and activities of the relevant area, i.e. the implementation of policies and procedures to achieve the results of the areas and, therefore, those of the entity as a whole;
- the rest of the personnel plays a role in exercising control, by generating information used in the control system or taking action to ensure control.

Audit Committee

In accordance with the Regime of Transparency in Public Offerings provided by Decree No. 677/01, currently by application of Capital Markets Law No. 26,831 and the regulations of the CNV, our Board of Directors established an Audit Committee.

The Audit Committee is a committee of the Board of Directors, the main function of which is to assist the Board of Directors in (i) exercising its duty of care, diligence and competence in issues relating to us, specifically as concerns the enforcement of accounting policies, and disclosure of accounting and financial information, (ii) management of our business risk, the management of our internal control systems, (iii) behavior and ethical conduct of the Company's businesses, (iv) monitoring the sufficiency of our financial statements, (v) our compliance with the laws, (vi) independence and competence of independent auditors, (vii) performance of our internal audit duties both by our Company and the external auditors and (viii) it may render, upon request of the Board of Directors, its opinion on whether the conditions of the related parties' transactions for relevant amounts may be considered reasonably sufficient under normal and habitual market conditions.

In accordance with the provisions of the Capital Markets Law and the CNV's Regulations, our Audit Committee is made up by three Board members who qualify as independent directors. The NYSE Regulations establish that as of July 31, 2005, foreign companies listing securities in the United States must have an Audit Committee fully formed by independent directors.

Currently, we have a fully independent Audit Committee composed of Messrs. Cedric Bridger, Ricardo Liberman and Mario Blejer.

Aspects related to the decision-making processes and internal control system of the company

The decision-making process is led in the first place by the Executive Committee in exercise of the duties and responsibilities granted to it under the bylaws. As part of its duties, a material aspect of its role is to draft the Company's strategic plan and annual budget projections, which are submitted to the Board of Directors for review and approval.

The Executive Committee analyzes the objectives and strategies that will be later considered and resolved by the Board of Directors and outlines and defines the main duties and responsibilities of the various management departments.

The Company's internal control system also involves all levels that participate in active control: the Board of Directors establishes the objectives, principles and values, it provides general guidance and assesses global results; the Departments are responsible for compliance with internal policies, procedures and controls to achieve results within their sectors and –of course- achieve the results for the entire organization, and the other personnel members also have a role in exercising control upon generating information used by the control system, or by taking certain actions to ensure control.

In addition, the Company has an Internal Audit Department reporting to the CEO that is responsible for overseeing compliance with internal controls by the departments above mentioned and works, in turn, together with the Audit Committee by submitting periodic reports to the latter.

Compensation

Board of Directors

Under the Argentine Corporations Law, if the compensation of the members of the Board of Directors and the Supervisory Committee is not established in the by-laws of the Company, it should be determined by the shareholders' meeting. The maximum amount of total compensation to the members of the Board of Directors and the Supervisory Committee, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders and will be increased in proportion to the distribution up to such limit if all earnings are distributed. For purposes of applying this provision, the reduction in the distribution of dividends derived from reducing the Board of Directors' and Supervisory Committee's fees will not be considered.

When one or more directors perform special commissions or technical or administrative activities, and there are no earnings to distribute, or they are reduced, the shareholders meeting may approve compensation in excess of the above mentioned limits. The compensation of our directors for each fiscal year is determined pursuant to the Argentine Corporations Law and taking into consideration whether the directors performed technical or administrative activities and our fiscal year's results. Once the amounts are determined, they are considered at the shareholders' meeting.

Senior Management

We pay our senior management pursuant to a fixed amount, established by taking into consideration their background, capacity and experience and an annual bonus which varies according to their individual performance and the Company's overall results.

The total aggregate compensation paid to our Senior Management (including directors) for the fiscal year ended June 30, 2017 was Ps. 14,444,705.

Supervisory Committee

The shareholders meeting held on October 31, 2016, approved by majority vote the payment of fees to the Supervisory Committee for the duties performed during the fiscal year ended June 30, 2016 for an aggregate amount of Ps. 600,000.

Audit Committee

The members of our Audit Committee do not receive compensation in addition to that received for their service as members of our Board of Directors.

Compensation Plan for Executive Management

Since 2006 we develop a special compensation plan for key managers by means of contributions made by the employees and by the Company.

Such Plan is directed to key managers selected by us and aims to retain them by increasing their total compensation package through an extraordinary reward, granted to those who have met certain conditions.

Participation and contributions under the Plan are voluntary. Once the invitation to participate has been accepted by the employee, he or she may make two kinds of contributions: monthly contributions (salary based) and extraordinary contribution (annual bonus based). The suggested contribution to be made by Participants is: up to 2.5% of their monthly salary and up to 15% of their annual bonus. Our contribution will be 200% of the employees' monthly contributions and 300% of the extraordinary employees' contributions.

The funds collected as a result of the Participants' contributions are transferred to a special independent vehicle created in Argentina as an Investment Fund approved by the CNV.

The funds collected as a result of our contributions are transferred to another independent vehicle separate from the previous one. In the future, participants will have access to 100% of the benefits of the Plan (that is, including our contributions made on the participants' behalf to the specially created vehicle) under the following circumstances:

- ordinary retirement in accordance with applicable labor regulations;
- total or permanent incapacity or disability; and
- death.

In case of resignation or termination without cause, the Participant may redeem amounts contributed by us only if he or she has participated in the Plan for at least 5 years subject to certain conditions.

Long Term Incentive Program

The Shareholders' Meetings held on October 31, 2011, October 31, 2012 and October 31, 2013 ratified the resolutions approved thereat as regards the incentive plan for the Company's executive officers, up to 1% of its shareholders' equity by allocating the same number of own treasury stock (the "Plan"), and delegated on the Board of Directors the broadest powers to fix the price, term, form, modality, opportunity and other conditions to implement such plan. In this sense and in accordance with the new Capital Markets Law, the Company has made the relevant filing with the CNV and pursuant to the comments received from such entity, it has made the relevant amendments to the Plan which, after the CNV had stated to have no further comments, were explained and approved at the Shareholders' Meeting held on November 14, 2014, where the broadest powers were also delegated to the Board of Directors to implement such plan.

The Company has developed a medium and long term incentive and retention stock program for its management team and key employees under which share-based contributions were calculated based on the annual bonus for the years 2011, 2012, 2013 and 2014.

The beneficiaries under the Plan are invited to participate by the Board of Directors and their decision to access the Plan is voluntary.

In the future, the Participants or their successors in interest will have access to 100% of the benefit (IRSA's shares contributed by the Company) in the following cases:

- if an employee resigns or is dismissed for no cause, he or she will be entitled to the benefit only if 5 years have elapsed from the moment of each contribution;
- retirement;
- total or permanent disability;
- death.

While participants are part of the program and until the conditions mentioned above are met to receive the shares corresponding to the contributions based on the 2011 to 2013 bonus, participants will receive the economic rights corresponding to the shares assigned to them.

As regards the year 2014, the program sets forth an extraordinary reward consisting of freely available stock payable in a single opportunity on a date to be determined by the Company. The date was fixed for June 26, 2015 for payroll employees of IRSA, IRSA CP, PAMSA, ERSA, ARCOS and FIBESA who received IRSA's shares.

Besides, the Company has decided to grant a bonus to all the personnel with more than two years of seniority and who do not participate in the program described above, which bonus consists of a number of shares equivalent to their compensation for June 2014.

The shares allocated to the Plan by the Company are shares purchased in 2009, which the Shareholders' Meeting held on October 31, 2011 has specifically decided to allocate to the program.

Code of Ethics

The Code of Ethics is effective as from July 31, 2005 with the aim of providing a wide range of guidelines as concerns accepted individual and corporate behavior. It is applicable to directors, managers and employees of IRSA and its controlled companies. The Code of Ethics that governs our business, in compliance with the laws of the countries where we operate, may be found on our website www.irsa.com.ar.

A committee of ethics composed of managers and board members is responsible for providing solutions to issues related to the Code of Ethics and is in charge of taking disciplinary measures in case of breach of the code.

Employees

Operations Center in Argentina

As of June 30, 2017, we had 1,759 employees. Our Development and Sale of Properties and Other Non-Shopping Mall Businesses segment had 22 employees, 4 of whom were represented by the Commerce Union (*Sindicato de Empleados de Comercio, SEC*) and 10 were represented by the Horizontal Property Union (*Sindicato Único de Trabajadores de Edificios de Renta y Horizontal, SUTERH*). Our Shopping Malls segment had 947 employees, including 453 under collective labor agreements. Our Hotels segment had 790 employees, with 656 represented by the Tourism, Hotel and Gastronomic Workers Union (*Unión de Trabajadores del Turismo, Hoteleros y Gastronómicos de la República Argentina, UTHGRA*).

	Year ended on June 30,		
	2015	**2016**	**2017**
Development and Sale of Properties and Other Non-Shopping Mall Businesses [1]	34	31	31
Shopping Malls and Offices[3]	973	964	947
Hotels[2]	704	758	790
Total	**1,711**	**1,753**	**1,753**

(1) Includes IRSA, Consorcio Libertador S.A. and Consorcio Maipú 1300 S.A.
(2) Includes Hotel Intercontinental, Sheraton Libertador and Llao Llao.
(3) In April and May 2015, the employees assigned to IRSA, who discharge duties in connection with building's operations and the Real Estate business were transferred to IRSA Propiedades Comerciales S.A.

Operations Center in Israel

The following table shows the number of employees as of June 30, 2017 of our operations center in Israel divided by company:

IDBD	24
DIC [(1)]	18
Shufersal	13,790
Cellcom [(2)]	2,940
PBC [(3)]	118
Other[(4)]	821

(1) Includes Elron's employees.

(2) Includes Netvision's employees. Does not include temporary or external employees.

(3) Includes Gav-Yam's employees.

(4) Includes IDBG and IDB Tourism.

11. CORPORATE SERVICE AGREEMENT ENTERED INTO WITH CRESUD AND IRSA CP

In view of the fact that our Company, IRSA CP and CRESUD have operating areas with certain similarities, the Board of Directors deemed it appropriate in due course to implement alternative initiatives aimed at reducing certain fixed costs in activities in order to reduce their impact on operating results, thereby taking advantage of and optimizing the individual efficiencies of each company in the different areas of operations management.

In this sense, on June 30, 2004, a Framework Agreement for the Exchange of Corporate Services (the "Framework Agreement") was executed by and between the Company, IRSA CP and CRESUD, which was subsequently amended on August 23, 2007, August 14, 2008, November 27, 2009, March 12, 2010, July 11, 2011, October 15, 2012, November 12, 2013, February 24, 2014 and February 18, 2015.

The Framework Agreement currently provides for corporate services in the following areas: Human Resources; Finance; Institutional Relations; Administration and Control; Insurance; Security, Contracts, Technical, Infrastructure and Services; Purchases; Architecture and Design, Development and Works; Real Estate, Hotels, Directors to be distributed, Real Estate Directors to be distributed, General Management to be distributed, Directors' Security, Audit Committee, Real Estate Business Management, Real Estate Business HR, Fraud Prevention, Internal Audit, Agricultural Investment Management.

The services exchange consists in the provision of services for valuable consideration in relation to any of the above mentioned areas, carried out by one or more of the parties to the agreement on behalf of the other party or parties to the same agreement, invoiced and payable primarily through offsetting based on the provision of services in any such areas, and secondarily in cash, in case of a difference in value of the services provided.

Under this agreement, the companies hired an external consulting company to review and evaluate on a six-month basis the criteria used in the settlement of corporate services, as well as the bases of distribution and supporting documentation used in the process, to be reflected in a report prepared for each six-month period.

On March 12, 2010, the parties entered into an addendum to the Framework Agreement in order to simplify the issues arising from the consolidation of the financial statements as a result of CRESUD increased interest in the Company. Accordingly, certain employment agreements with corporate employees of IRSA CP and the Company were transferred to CRESUD.

Later, continuing with the same spirit intended to make the most efficient distribution of corporate resources amongst the various areas, on February 24, 2014 a new addendum to the Framework Agreement was executed. Pursuant to such addendum the parties agreed to transfer to IRSA CP and the Company the employment agreements with corporate employees working in the real estate business. Labor costs of the employees shall continue to be allocated pursuant to the Framework Agreement, as amended. In the future, and in furtherance of continuing to make the most efficient distribution of corporate resources, the Framework Agreement may be extended to include other areas shared among IRSA Propiedades Comerciales S.A., CRESUD and the Company.

It should be noted that the procedure under analysis allows our Company, IRSA CP and CRESUD to maintain total independence and confidentiality in our strategic and commercial decisions, and that the allocation of costs and income is performed based on operating efficiency and equity principles, without pursuing individual economic benefits for each company. The implementation of this project does not impair the identification of the economic transactions or services involved, or the effectiveness of internal control systems or internal and external audit work of each company, or the disclosure of the transactions subject to the Framework Agreement in accordance with Technical Resolution No. 21 of the FACPCE. Mr. Alejandro Gustavo Elsztain has been appointed to the position of General Coordinator, whereas Daniel E. Mellicovsky has been charged with the operation and implementation of the agreement on behalf of CRESUD, Cedric Bridger shall represent the Company, and Marcos Oscar Barylka shall represent IRSA CP. All these individuals are members of the Audit Committees of their respective companies.

Furthermore, on November 12, 2015, we executed the eighth amendment to the framework agreement for the exchange of corporate services with IRSA CP and CRESUD. The purpose of the new amendments was to generate a more efficient distribution of corporate resources among the parties, and to continue with the reduction of certain fixed costs of the parties' activities, so as to reduce their impact on operating results.

Finally, on May 5, 2017 we entered into the ninth amendment to the Framework Agreement with IRSA PC and Cresud. The purpose of the new amendments was to introduce changes in certain Areas of the Company and to modify the method of calculation of the sharing of operating services.

12. MARKET INFORMATION

New York Stock Exchange

Our Global Depositary Shares (GDSs), representing 10 common shares each, are listed on the NYSE under the trading symbol "IRS". Our GDSs started to be listed on the New York Stock Exchange on December 20, 1994 and they were issued by the Bank of New York, Inc., acting as depositary. However, it should not be assumed that our GDSs will be listed at a multiple 10 times higher than the price per common share. The table below shows the high and low closing prices of our GDSs in the New York Stock Exchange for the indicated periods.

	USD per GDS High	Low
Fiscal Year		
2017	26.15	16.58
2016	18.54	8.60
2015	21.10	12.90
	High	**Low**
Quarter		
2017		
4th quarter	26.15	23.35
3rd quarter	24.87	18.44
2nd quarter	20.14	17.06
1st quarter	19.49	16.58
2016		
4th quarter	16.81	14.03
3rd quarter	14.96	8.60
2nd quarter	18.15	12.01
1st quarter	18.54	13.92
2015		
4th quarter	19.88	17.61
3rd quarter	21.10	15.26
2nd quarter	17.72	12.90
1st quarter	17.39	13.76

Source: Bloomberg.

Bolsas y Mercados Argentinos (ByMA)

Our common shares are listed on the ByMA under the trading symbol "IRSA". Our common shares started to be traded on the ByMA in 1948. The table below shows the high and low closing prices of our common shares in the ByMA for the indicated periods:

	Pesos per share High	Low
Fiscal year		
2016	40.80	24.00
2016	25.50	11.60
2015	25.00	14.00
	High	**Low**
Quarter		
2017		
4th quarter	40.80	37.00
3rd quarter	38.20	29.35
2nd quarter	31.00	25.85
1st quarter	29.80	24.00
2016		
4th quarter	25.00	19.10
3rd quarter	21.90	11.60
2nd quarter	25.50	16.70
1st quarter	24.90	19.00
2015		
4th quarter	24.00	20.50
3rd quarter	25.00	17.50
2nd quarter	21.00	16.90
1st quarter	21.00	14.00

Source: Bloomberg.

Dividends and Dividend Policy

Pursuant to Argentine law, the distribution and payment of dividends to shareholders is allowed only if they result from realized and net profits of the company pursuant to annual financial statements approved by our shareholders. The approval, amount and payment of dividends are subject to the approval by our shareholders at our annual ordinary shareholders' meeting. The approval of dividends requires the affirmative vote of a majority of the shares entitled to vote at the meeting.

In accordance with Argentine corporate laws and our by-laws, net and realized profits for each fiscal year are required to be allocated as follows:

- 5% to our legal reserve, up to 20% of our capital stock;
- a certain amount determined at a shareholders' meeting is allocated to compensation of our directors and the members of our Supervisory Committee;
- to an optional reserve, a contingency reserve, a new account or for whatever other purpose our shareholders may determine.

According to rules issued by *Comisión Nacional de Valores*, cash dividends must be paid to shareholders within 30 days of the resolution approving their distribution. In the case of stock dividends, the shares must be delivered to shareholders within three months of the annual ordinary shareholders' meeting that approved them.

On February 2, 2007 we issued our 2017 fixed-rate notes for a total amount of USD 150 million at an annual interest rate of 8.5% payable semi-annually and due on February 2, 2017. These notes limit our ability to pay dividends, which may not exceed the sum of:

- 50% of our cumulative consolidated net income; or
- 75% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 3.0 to 1; or
- 100% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 4.0 to 1.
- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by the Company or by its restricted subsidiaries from (a) any contribution to the Company's capital stock or the capital stock of its restricted subsidiaries or issuance and sale of the Company's qualified capital stock or the qualified capital stock of its restricted subsidiaries subsequent to the issue of the Company's notes due 2017, or (b) issuance and sale subsequent to the issuance of the Company's notes due 2017 or its indebtedness or the indebtedness of its restricted subsidiaries that has been converted into or exchanged for qualified capital stock of the Company, (c) any kind of reduction in the Company's indebtedness or the indebtedness of any of its restricted subsidiaries; or (d) any kind of reduction in investments in debt certificates (other than permitted investments) and in the return on assets; or (e) any distribution received from an unrestricted subsidiary.

The table below presents the dividend payment ratio to the total amount of paid dividends, each paid entirely in common shares, for the mentioned years. Figures in Pesos are stated in historical Pesos as of their respective payment date.

Year declared	Cash dividends (Millions of Ps.)	Cash dividends(1) (Ps.)	Stock dividends(1) (Ps.)	Total per share (Ps.)
1997	15.0	0.110	-	0.110
1998	13.0	0.060	0.05	0.110
1999	18.0	0.076	0.04	0.116
2000	-	-	0.20	0.204
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
2006	-	-	-	-
2007	-	-	-	-
2008	-	-	-	-
2009	31.7	0.055	-	0.055
2010	120.0	0.207	-	0.207
2011	311.6	0.539	-	0.539
2012	99.0	0.171	-	0.171
2013	180.0	0.311	-	0.311
2014	306.6	0.532	-	0.532
2015	56.6	0.9869	-	0.9869
2016	-	-	-	-
2017	-	-	-	-

Notes:

(1) Corresponds to payments per share.

The table below presents the dividend payment ratio to the total amount of dividends paid for by our subsidiary IRSA Propiedades Comerciales S.A., from which we collect dividends in our capacity as shareholders, each fully paid, for the years indicated in the table below.

Dividends paid by our subsidiary IRSA Propiedades Comerciales S.A.

Year declared	Cash dividends(1) (Ps.)	Stock dividends(1) (Ps.)	Total per share (Ps.)
2005	14,686,488	-	0.0188
2006	29,000,000	-	0.0372
2007	47,000,000	-	0.0601
2008	55,721,393	-	0.0712
2009	60,237,864	-	0.0770
2010	56,000,000	-	0.0716
2011	243,824,500	-	0.1936
2012	294,054,600	-	0.2334
2013	306,500,000	-	0.2432
2014	407,522,074	-	0.3234
2015	437,193,000	-	0.3469
2016	283,580,353	-	0.2250
2017	770,000,000	-	6.1000(2)

Notes:

(1) Corresponds to payments per share.
(2) During FY17, IRCP's shares' face value was changed from Ps. 0.1 to Ps. 1 per share.

13. PROSPECTS FOR THE NEXT FISCAL YEAR

Our businesses in the operations center in Argentina and Israel have posted sound results for fiscal year 2017. We believe that the diversification of our business, with real estate assets in Argentina and abroad, favorably positions us to face all the challenges and opportunities that may arise in the coming years.

As concerns our operations center in Argentina, our subsidiary IRSA Propiedades Comerciales S.A. continues to consolidate itself as the leading commercial real estate company in Argentina, as its main shopping mall and office businesses keep recording positive growth levels. Although our tenants' sales decelerated during this fiscal year compared to the previous one, occupancy remains significantly high and the public keeps choosing each of our proposals; besides, top-notch domestic and international corporations continue to select our office spaces.

In the next fiscal year, we plan to make progress in the commercial developments already launched, including the 4,000 sqm expansion of our Alto Palermo shopping mall, the development of the 32,000 sqm office building in the commercial complex adjoining our Dot Baires shopping mall, and the "Catalinas" building in Buenos Aires, in which we own 16,012 sqm. In addition, in fiscal year 2018 we expect to carry out expansion works in some of our shopping malls for approximately 21,000 of GLA. We will build 2,200 sqm to add 6 cinema screens in Alto Comahue, a large store of 3,000 sqm in Alto Rosario shopping mall, and a 12,765 sqm Sodimac store in Mendoza Plaza Shopping, and we will expand Alto Avellaneda, our shopping mall located in the southern region of Buenos Aires, by 3,500 sqm. In addition, we will continue working on optimizing the performance of our current properties through improvements that allow us to take best advantage of their GLA potential and to furnish them with increased functionality and appeal for the benefit of consumers and tenants alike.

We will continue to promote marketing actions, events and targeted promotions at our shopping malls to attract consumers, through the joint endeavors of the Company, the retailers and the credit card issuer banks, as these actions have proved to be highly effective and are welcomed by the public.

We are optimistic about the opportunities that may arise in Argentina for fiscal year 2018. We have a large reserve of lands for future shopping mall and office development projects in an industry scenario with high growth potential.

As concerns our investments outside Argentina, we will continue working in the improvement of the operating ratios of our "Lipstick" building in New York and backing the new strategy of selectively selling low-class hotels and replacing them with higher-class hotels, that is being developed by the "Condor Hospitality Trust" hotel REIT (NASDAQ: CDOR), which made a capital increase in March this year and in which we hold 28.5% of its capital stock and voting rights.

Regarding our investment in the Israeli company IDBD, we are much pleased with the results obtained in fiscal year 2017, following the sale of the agrochemical company ADAMA, the improvement in the listing price of Clal Insurance company, which is recorded at fair value, and the recent debt issues made by different companies, which refinanced short-term debt at very attractive rates. In 2018, we will continue to work towards deleveraging the company, selling non-strategic assets in its portfolio and improving the operating margins of each of its operating subsidiaries.

Taking into account the quality of the real estate assets in our portfolio, the Company's financial position and low indebtedness level and its franchise for accessing the capital markets, we remain confident that we will continue consolidating the best real estate portfolio in Argentina and Israel. Moreover, in line with our continuous pursuit of business opportunities and having in mind the general and specific conditions of the national and international markets, we keep evaluating different actions to optimize our capital structure. As concerns our operations center in Argentina, to contribute to the equity reopening of our controlled company IRSA Propiedades Comerciales S.A., the Company could sell the shares held by it in such company, in one or more tranches, in the over-the-counter market or through a private sale, as agreed by the Company's shareholders in due course. As concerns our operations center in Israel, in the next fiscal year the Company will analyze the possibility of increasing its interest in IDB Development Corporation Ltd. through the purchase of shares held by its related parties.

Signed for identification purposes with our report dated
September 8, 2017

By: Supervisory Committee

José Daniel Abelovich
Regular Statutory Auditor

Saúl Zang
First Vice-Chairman

EXHIBIT I

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA'S CORPORATE GOVERNANCE CODE

Working progress on compliance with the Corporate Governance Code

Overview:

IRSA Inversiones y Representaciones Sociedad Anónima ("IRSA") issues, in accordance with the provisions set forth in General Resolution No. 606/12 by the Argentine Securities Commission (CNV), its report on compliance with the Corporate Governance Code, pursuant to corporate governance good practices followed by the Company, and the Board of Directors' performance, given their management and supervisory responsibilities set forth in the General Companies Law, the Company's Bylaws, the Capital Markets Law and further regulations applicable to the Company.

Additionally, foreign related and/or controlled companies must comply with the applicable laws in their jurisdiction. Particularly, the Israeli company IDB Development Corporation Ltd (IDBD), over which IRSA has shareholding control and which has been consolidated in its Financial Statements since October 11, 2015, must comply with the Israeli laws, in addition to the governmental regulations in force applicable to its subsidiaries' activities, including, *inter alia*, those required by the Tel Aviv Stock Exchange (TASE) given the fact that IDBD is a company registered as a Debenture Company.

	Compliance		Non-compliance(1)	Report(2) or Explain(3)
	Total(1)	Partial(1)		
PRINCIPLE I. THE RELATIONSHIP AMONGST THE ISSUER, THE CONGLOMERATE THAT IT HEADS AND/OR IS PART OF AND ITS RELATED PARTIES MUST BE TRANSPARENT				
Recommendation I.1: Guarantee that the Board discloses the policies that apply to the relationship amongst the Issuer and the conglomerate that it heads and/or is part of and its related parties. Answer if: The Issuer has internal procedures or policies to authorize transactions with related parties in accordance with Section 72 of Law No. 26,831, transactions with shareholders and Board members, senior management, and statutory auditors and/or members of the supervisory committee within the purview of the conglomerate that it heads and/or is a part of. Explain the main guidelines of the standard or internal policy.	X			The Company engages in transactions between related parties in accordance with Section 72 of Law No. 26,831 and International Accounting Standards, reporting them in its annual and quarterly Financial Statements as required by accounting standards. Pursuant to Section 72, before a transaction between related parties is conducted for a material amount, which is understood to be an amount equal to or higher than 1% of the Company's equity, the Board of Directors, prior to its approval, shall request a pronouncement from the Audit Committee stating whether the operating conditions can reasonably be considered to be in line with normal and regular market conditions.

Recommendation I.2: Make sure that the company has mechanisms to prevent conflicts of interest. Answer if: The Issuer has, irrespective of currently applicable rules and regulations, clear and specific policies and procedures to identify, handle and resolve any conflicts of interest arising amongst the members of the Board of Directors, senior management and statutory auditors and/or supervisory committee members in their relationship with the Issuer or with the Issuer's related persons. Describe the relevant aspects of such policies and procedures.	X			The Company has a Code of Ethics that has been signed by each one of the Company's members and applies to Directors, Statutory Auditors and employees. The Company also has an Ethics Committee which is responsible for resolving any issues related to that code. The Code of Ethics lays down ethical principles and guidelines about accepted individual and/or corporate behavior. Amongst other matters, this code includes guidelines concerning conflicts of interest. The Code prescribes that directors, managers and employees must act with honesty and integrity and must prevent their behaviors from causing conflicts of interest with the Company and if these were to arise, the Ethics Committee shall be provided in due time and manner with any information that could be inconsistent with the provisions contained in the Code of Ethics. The Company has a Map of Related Parties that identifies the companies with which the Issuer is in a controlling and/or significant influence situation. This Map is updated every three months. Managers, Directors and Statutory Auditors sign a form every year concerning Intercompany transactions.
Recommendation I.3: Prevent the undue use of inside information. Answer if: The Issuer relies, without prejudice to currently applicable rules and regulations, on accessible policies and mechanisms to prevent the undue use of inside information by the Board of Directors, senior management, statutory auditors and/or supervisory committee members, controlling shareholders or shareholders wielding significant influence, participating professionals and the rest of the persons listed in Sections 7 and 33 of Executive Order 677/2001. Describe the relevant aspects of	X			As indicated in I.2, the Company has a Code of Ethics that lays down the guidelines and mechanisms to prevent the undue use of inside information. This Code mandates that certain information is in a confidential nature and that it can only be used for its intended purposes for the Company's benefit and must not be shared with persons outside the Company or with employees who do not need such confidential information to discharge their duties. The Code sets forth also that unintended disclosures of confidential information must be avoided. The Code of Ethics also contains guidelines concerning compliance with the rules that govern relevant information. As a general principle, the

such policies and procedures.				Code prohibits directors, managers and employees from using inside or confidential information, directly or through third parties, to trade securities in the market. It also provides for a fixed period –before and after the publication of financial statements- during which employees, directors and statutory auditors are prohibited from trading Company securities. The transmission of alerts about the commencement of the period of non-availability to conduct transactions works also as a reminder. Such temporary restrictions may be equally imposed whenever the Board sees it fit. There are also information security procedures for safeguarding the Company's data.
<u>PRINCIPLE II.</u> LAY THE GROUNDWORK FOR THE ISSUER TO RELY ON ROBUST MANAGEMENT AND SUPERVISION				
The corporate governance framework must: <u>Recommendation II. 1</u>: Ensure that the Board of Directors manages and supervises the Issuer and provides it with strategic direction.				
II.1.1 Report if the Board of Directors approves:				
II.1.1.1 the Business Plan or the Company's strategic plan, as well as its annual management goals and budgets.	X			An essential portion of the duties and responsibilities discharged by the Executive Committee consists in generating a strategic plan for the Company and the forecasts covered by the annual budget submitted to the Board. It is through the Executive Committee that objectives and strategies are submitted and developed, which includes establishing the annual guidelines defined for the main company departments. As part of the strategic plan defined by the Executive Committee, the Company's Board of Directors approves the main specific tasks aimed at fulfilling such plan.
II.1.1.2 the investment policy (in financial assets and in capital expenditures), and its financing policy.		X		As part of the defined business strategy and within the context of the current fiscal year, the Board of Directors approves investments and medium- and long-term financing plans (corporate bonds –Negotiable

				Obligations-, syndicated loans, etc.). In addition, the Company has a Financial Risk Committee that analyzes and suggests financial instruments, counterparties and investment limits.
II.1.1.3 the corporate governance policy (compliance with the Corporate Governance Code),	X			As regards corporate governance, the Company has been implementing what has been laid down by the rules and regulations currently applicable to these matters issued by the Argentine Securities Commission (CNV) and the Securities and Exchange Commission (SEC) and self-regulated markets where its shares are listed, in addition to what is suggested by the best practices in connection with ethics and Board behavior. To this end, the Board has implemented a Code of Ethics that provides for the different channels available for placement of reports in the event of potential irregularities, which offer direct accesses, managed by the Ethics Committee and the Audit Committee, the latter in compliance with foreign legislation (SOX). There is also the Corporate Governance Code Report, approved every year by the Board of Directors, together with the Annual Report and the Rules of the Audit Committee registered with the Superintendence of Corporations (IGJ).
II.1.1.4 the policy to select, assess and remunerate senior management,	X			The Board of Directors delegates to the Executive Committee the day-to-day management of business. Therefore, it is entitled to appoint an Executive Vice-chairman, Executive Directors and/or analogous functional levels, determine the scope of their functions, appoint managers, including the CEO and sub-managers and determine their remuneration levels. In addition, the Executive Committee instructs the CEO, jointly with the Human Resources Department to determine the remuneration payable to senior managers. The Company has implemented, in accordance with the provisions of its Human Resources policies, a method

				for annually assessing performance and achievement of previously established targets, that is shared by and common to the entire organization, including its senior management, which is implemented in coordination with the Human Resources Department.
II.1.1.5 the policy to assign responsibilities to senior management,		X		The allocation of responsibilities of senior managers is vested in the CEO jointly with the Human Resources Department.
II.1.1.6 the supervision of succession planning for senior management,	X			The CEO and the Human Resources Department are responsible for supervising succession planning at the management level. In order to identify replacement management levels and teams, the organization assesses prospective successors to those Senior Management levels through a method focused on measuring individual potential.
II.1.1.7 the enterprise social responsibility policy,		X		When it comes to Social Responsibility (CRS), the Executive Committee considers and approves proposals in this field submitted to its consideration by the Institutional Relations Department. The pillars on which the Company's CRS actions are based include education, childhood and environmental care, made possible by working jointly with small- and medium-sized organizations, establishing long-term bonds with them, adding players in the value chain and cooperating with the various players in the communities where the Company operates, whether in terms of geographic area of influence or positioning. The Company has been carrying out ongoing activities in this field for many years by: • Integrating and educating children and youths in the communities surrounding its agribusiness ventures through financial and academic support to the educational institutions that act in these territories.

				• Providing a number of NGOs with spaces (plus the logistical and financial support) in the Company's buildings and shopping centers for these organizations to deploy activities such as dissemination, fund-raising and affiliation, to name but a few, etc. • Permanently creating and financing different entities whose purpose is to rescue and integrate children and youths that are either homeless or in social risk situations. • Supporting scientific, cultural and artistic projects through the mechanisms prescribed by the *Patronage* Law. • Constantly cooperating with communities neighboring with our shopping centers and rental buildings. • Caring for the environment through strict policies issued by the Board. In addition, through the IRSA Foundation, established in 1996 with the purpose of supporting and creating initiatives related to education, social inclusion, health and science, we have made contributions to social organizations by means of financial support for the execution of the programs developed by these organizations in line with those purposes.
II.1.1.8 comprehensive risk management, internal control, and fraud prevention policies,		X		The Company will evaluate in the future the need for formalizing policies concerning comprehensive risk management and fraud prevention. This notwithstanding, the functions consisting in risk management, internal control and fraud prevention at the Company are discharged by each department in line with their areas of responsibility. The Company assesses the efficacy of internal control focused on the issuance of financial statements using to that end the methodology of the COSO Report 2013 (Committee of Sponsoring Organization of the Treadway

				Commission). Should there be complaints or hints of potential frauds, they are reported to the Ethics Committee through the communication channels in place and they can be placed anonymously. The information received by the Ethics Committee is treated as confidential and action measures are taken to clarify and settle the situations reported.
II.1.1.9 The training and continued education policy applicable to the members of the Board of Directors and Senior Management. Should the company have these policies in place, insert a description of their main highlights.	X			The Company encourages involvement in training activities and in professional refreshment courses for the Board and management levels. It is Company policy to have its Board of Directors and management line trained and updated in regulatory matters in the framework of the experience and professional qualities of Board members and the responsibilities that they have. It is also deemed important for an adequate conduct of business that the Board and Senior Management should be trained in matters that favor better business conduct promoting and fostering participation in congresses and in national and international events that address issues associated to the activities deployed by the directors and senior managers.
II.1.2 If deemed relevant, please insert other policies applied by the Board that have not been mentioned and detail significant aspects.				There are no other policies that are considered relevant in their implementation other than as previously discussed.
II.1.3 The Issuer has in place a policy to ensure the availability of relevant information for its Board of Directors to make decisions and a channel for direct consultation with its management lines that is symmetrical for all its members (executive, external and independent) on an equal footing and sufficiently in advance so as to enable appropriate analysis. Explain further.	X			The Company has formal tools in its Corporate By-laws that allow and ensure that the basic details required for making decisions are supplied. Notwithstanding the by-laws provisions, which serve as ultimate ratio for accessing to information, Board members have access to the information generated by the Company for adopting decisions, and are also able to communicate directly with the Company's senior managers to clear all doubts and answer inquiries regarding the matters to be discussed at Board meetings.

II.1.4 The matters submitted to consideration by the Board of Directors are accompanied by an analysis of the risks associated to the decisions that may be adopted, taking into account the level of enterprise risk defined as acceptable by the Issuer. Explain further.	X			The Board analyzes the risks associated to decision-making after the submissions made and the information provided by the Executive Committee and the CEO about each issue, taking into account the level of enterprise risk defined as acceptable for each business and according to each market situation.
Recommendation II.2: Make sure that the Issuer exerts effective controls over management. Answer if: The Board of Directors verifies:				
II.2.1 that the annual budget and Business Plan are complied with,	X			The CEO and the Real Estate General Manager prepare quarterly reports on the Company's business which are submitted to the Board of Directors, containing details about economic financial management, behavior of the most relevant variables, and discussions are held on material topics by business segment and business unit (Argentina - Israel). A comparative analysis of the budget against the turn of business is submitted and any measures necessary to rectify or confirm the course of business are identified.
II.2.2 senior management performance and their attainment of the goals set for them (the level of earnings as forecast versus actually attained, financial ratings, financial reporting quality, market share, etc.). Describe the highlights of the Issuer's Management Control policy detailing the techniques employed and the frequency of monitoring by the Board of Directors.	X			The Executive Committee assesses the performance of its senior managers as well as the attainment of objectives based on the information provided by the CEO and the Human Resources Department taking into account their performance, the attainment of objectives, the level of earnings obtained and the Company's targets for each term in office. Moreover, as stated in II.1.1.4, the Company applies an annual assessment procedure in coordination with the Human Resources Department, over all its staff, including Senior Management levels. On the other hand, at Board Meetings in which information on the conduct of business, principal ratios and budget control for the relevant quarter is analyzed, compliance with the targets

				set by the company is monitored.
<u>Recommendation II.3</u>: Disclose the process to evaluate Board of Directors performance and its impact. Answer if:				
II.3.1 Each member of the Board of Directors abides by the Bank's By-laws and, when applicable, by the Rules that govern the operation of the Board of Directors. Detail the main guidelines of the Internal Rules. Indicate the degree of compliance with the Bank's By-laws and its Internal Rules.	X			The Board of Directors abides by the rules and regulations that apply to the Issuer and by the By-laws. Therefore, it is unnecessary and redundant, in the Board's opinion, to issue Rules to govern their operation.
II.3.2 The Board of Directors presents the outcome of its management actions taking into account the targets fixed at the beginning of the period in a manner such that shareholders are able to evaluate the degree of compliance with such objectives, which contain both financial and non-financial aspects. In addition, the Board of Directors presents a diagnosis about the degree of compliance with the policies mentioned in Recommendation II, paragraphs II.1.1. and II.1.2. Detail the highlights of the evaluation made by the Annual General Meeting about the degree of compliance by the Board of Directors with the goals established and the policies mentioned in Recommendation II, Sections II.1.1 y II.1.2, with an indication of the date of the AGM where such evaluation was presented.	X			Through its Annual Report and Management Discussion & Analysis, the Board presents the outcome of its actions and maintains permanent communication with the Company's investors through its Web site and in the interaction taking place at shareholders' meetings, keeping shareholders abreast on the results of the Company's operations and the degree of objective attainment. The Board is evaluated by each General Ordinary Shareholders' Meeting in accordance with the rules and regulations in force as contained in the General Companies Law and in the Company's By-laws. The last Shareholders' Meeting at which the matter was discussed was held on October 31, 2016.
<u>Recommendation II.4</u>: The number of external and independent directors must be a significant proportion of the Issuer's Board of Directors membership. Answer if:				
II.4.1 The proportion of executive members, external and independent	X			In its Board of Directors, the Company has a number of independent directors

(with the latter as defined by the rules of this Commission) of the Board of Directors is in keeping with the capital structure of the Issuer. Explain further.				that is higher than the one required by current regulations and higher than 20% since 2005. The Corporate By-laws provide that the Company's management and administration is vested in a Board of Directors composed of not less than eight (8) and not more than fourteen (14) members and an equal or lower number of alternates, as determined by the General Ordinary Shareholders' Meeting. Directors' term of office is three years, and they may be reelected indefinitely. At present, the Board of Directors is composed of fourteen (14) directors and two (2) alternate directors. Four (4) of the directors qualify as independent and three (3) of them are members of the Audit Committee; therefore, all the members of this committee are independent, in compliance with the requirement imposed by the SEC on issuers that are listed in the USA.
II.4.2 In the current year, the shareholders agreed at a General Shareholders' Meeting on a policy aimed at maintaining a proportion of at least 20% of independent members over the total number of Board members. Describe the highlights of this policy and of any shareholder agreement that explains the manner in which the members of the Board of Directors are appointed and their terms in office. Indicate if questions have been raised about the independence of Board members and if there have been abstentions caused by conflicts of interest.		X		The shareholders have not agreed on any policy seeking to maintain a proportion of at least 20% of independent members over the total Board. As regards the criteria of independence concerning the members of the Board, they are consistent with the provisions contained in the applicable laws. As set forth in item II.4.1, the number of independent directors in office is higher than the one required by law; therefore, for the time being, the Board does not see the need for laying down any such policies.
<u>Recommendation II.5</u>: Commit to the implementation of standards and procedures inherent in the selection and nomination of Board and Senior Management members at the Issuer. Answer if:				
II.5.1 The Issuer has a Nominations Committee			X	The Company does not have a Nominations Committee. Until now, the Company has not deemed the

				implementation of a Nominations Committee to be necessary because such functions are discharged by the Executive Committee. According to the provisions under the General Companies Law, the Annual General Meeting is responsible for approving the appointment and removal of Board members.
II.5.1.1 made up by at least three Board members, a majority of whom are independent,			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.1.2 chaired by an independent Board member,			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.1.3 that has members who evidence sufficient skills and expertise in human capital policies,			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.1.4 that meets at least twice a year,			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.1.5 whose decisions are not necessarily binding on the Annual General Meeting but rather in a consultative nature when it comes to the selection of Board members.			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.2 Should the Issuer have a Nominations Committee, it:			X	As stated in II.5.1., Item II.5.2 does not apply.
II.5.2.1. verifies that its Internal Rules are reviewed and evaluated once a year and submits change proposals to the Board to obtain Board approval,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.2 proposes that criteria be developed (qualifications, experience, professional reputation and ethics, other) to select new Board members and senior managers,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.3 identifies candidates to Board membership to be proposed by the Nominations Committee to the Annual General Meeting,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.4 suggests the Board members who shall be a part of the different Board committees based on their backgrounds,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.5 recommends that the			X	As stated in II.5.1., Items II.5.2.1

Chairman of the Board should not be the same as the Issuer's CEO,				through II.5.2.7 do not apply.
II.5.2.6 ensures that the *curricula vitae* of the Issuer's Board and Senior Management members are available in the Issuer's web-page and that the duration of Board members' terms in office is equally disclosed in the web page,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.7 corroborates that there are succession plans in place for Board and Senior Management members.			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.3 If relevant, please add policies implemented at the initiative of the Issuer's Nominations Committee which have not been mentioned in the preceding Item.			X	As stated in II.5.1, the item II.5.3 does not apply.
<u>Recommendation II.6</u>: Assess the advisability of Board members and/or statutory auditors and/or supervisory committee members discharging functions at several Issuers. Answer if: The Issuer imposes a limit on the ability of the members of the Board of Directors and/or statutory auditors and/or supervisory committee to discharge functions at other entities that do not belong to the conglomerate that the Company heads or of which it is a part. Specify any such limit and detail if there has been a breach of said limit in the course of the year.			X	The Company does not have a limiting rule in place. The Company considers their engagement sufficient in so far as it is adequate to the Company's needs.
<u>Recommendation II.7</u>: Make sure that Board and Senior management members at the Issuer are trained and develop their skills. Answer if:				
II.7.1. The Issuer has Continued Training Programs in connection with the Issuer's needs for the members of the Board of Directors and Senior Management, which include topics concerning their roles and responsibilities, comprehensive enterprise risk management, knowledge specific to the business		X		It is Company policy that the Board of Directors, the Executive Committee, the Audit Committee and its management line should be trained and maintained updated in regulatory matters in the framework of the experience, professional qualities and responsibilities of their members. The Company has in place training and

and its regulations, corporate governance dynamics and enterprise social responsibility. In the case of the Audit Committee members, international accounting standards, auditing standards and internal controls and specific regulations in the capital markets. Describe the programs implemented in the course of the year and their degree of compliance.				education programs in various matters that are given to its personnel and that include senior managers. In addition, participation in training activities and professional refreshment courses for the Board and Senior Management is encouraged. Notwithstanding the above, whenever it deems it necessary, the Committee can organize new refreshment and training activities on current regulations or topics related to its duties. The Company deems it important to better conduct business that the Board and senior Managers should be trained in matters that favor better business conduct promoting and fostering participation in congresses and in national and international events that address issues associated to the activities deployed by the directors and senior managers.
II.7.2. The Issuer incentivizes Board and Senior Management members by means other than discussed in II.7.1 to maintain permanent training supplementing their education level in a manner such as to add value to the Issuer. Indicate how the Issuer does this.	X			The Company incentivizes the involvement of Board members in specific areas through invitations to events with business contents akin to their roles, orientation activities and updates in regulatory matters.
PRINCIPLE III. ENDORSE AN EFFECTIVE POLICY FOR IDENTIFYING, MEASURING, MANAGING AND DISCLOSING ENTERPRISE RISK.				
In the framework for corporate governance: Recommendation III: The Board of Directors must rely on a policy for comprehensive enterprise risk management and monitor its adequate implementation.				
III.1 Answer if: The Issuer has in place comprehensive enterprise risk management policies (mandating compliance with strategic, operational, financial, reporting, legal and regulatory objectives, among others). Describe their most relevant aspects.		X		The Board of the Company undertakes actions to identify, evaluate and mitigate the Company's exposure to strategic, financial, operational and corporate governance risks. The Board of Directors, with the involvement of the Executive Committee, permanently evaluates the Company's business activities, which includes the risks, the opportunities offered by market conditions at each time and the attainment of the

				business's operating and strategic objectives. As part of its habitual practice of managing risks, the Board permanently monitors, through the Financial Risk Committee, the inherent investments and risks. In addition, the Company has an internal control system to prevent and identify risks, using the comprehensive internal control framework issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO Report 2013) to assess the effectiveness of internal controls over accounting information. In addition, the Company is discussing the potential issuance of a comprehensive risk management policy that provides a concept framework.
III.2 There is a Risk Management Committee as part of the Board of Directors or of the CEO. Report on the existence of manuals of procedures and detail the main risk factors that are specific to the Issuer or its business and the implemented mitigation actions. In the absence of a Risk Management Committee, please describe the supervisory role played by the Audit Committee when it comes to managing risks. In addition, specify the degree of interaction between the Board of Directors or of its committees with the Issuer's CEO in terms of comprehensive enterprise risk management.		X		The Issuer conducts permanent activities to identify risks inherent in its activity and any necessary mitigation actions. These actions are conducted by the Executive Committee within the Board as stated in III.1. The Executive Committee or the CEO permanently assess risks at the time of making decisions, availing themselves of sufficient and necessary information provided by the Company's different areas or derived from the actions of internal committees that undertake risk assessments concerning each specific matter. There is a Financial Risk Committee consisting of directors and various managers of the Company that reviews financial risk management and approval of different investment vehicles. The CEO reports periodically to the Board of Directors on management, risks assessed and submits the matters to be considered and then approved by the Board to the Board for its consideration. He also holds meetings with the Audit Committee or is a member of some internal

				committee, which contributes to adequately identifying and handling entrepreneurial risks.
III.3 There is an independent function within the office of the Issuer's CEO that implements the comprehensive risk management policies (function discharged by the Risk Management Officer or equivalent position). Specify.			X	There is no independent function within the Issuer's CEO. The Company will analyze the possibility of creating them in the future.
III.4 The comprehensive risk management policies are permanently updated in line with the generally accepted recommendations and methodologies in the matter. Identify them (Enterprise Risk Management, according to the conceptual framework in use at COSO - Committee of Sponsoring Organizations of the Treadway Commission -, ISO 31000, IRAM 17551 standard, Sarbanes-Oxley Act, Section 404, other).		X		The Company has been implementing the policies stated in Item III.1. In addition, the Company has an internal control system designed to prevent and identify accounting risks using the internal control comprehensive framework issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO Report 2013) to assess the effectiveness of internal controls over accounting information.
III.5 The Board of Directors communicates the outcomes of its supervisory tasks concerning risk management performed together with the CEO in the financial statements and in the annual report. Specify the main sections dealing with these matters.	X			Through its Annual Report, the Board discusses the Company's annual actions highlighting the achievements attained in each one of the segments in which it was involved and the results obtained. The Annual Report also mentions the challenges faced by the Company in the course of the year to attain its objectives. As from the moment when the Company adopted the International Financial Reporting Standards (IFRS), the Company's financial statements have been including a note on "Financial Risk Management". This note describes the main risks arising from financial instruments and the risks to which the Company is exposed and which may complicate the Company's strategy, its performance and the results of its operations. In the note, "other non-financial risks" to which the Company is exposed are also mentioned.

PRINCIPLE IV. SAFEGUARD THE INTEGRITY OF FINANCIAL REPORTING RESORTING TO INDEPENDENT AUDITS				
The corporate governance framework must: Recommendation IV: Guarantee independence and transparency in the functions entrusted to the Audit Committee and to the External Auditor.				
Answer if: IV.1. Upon electing the members of the Audit Committee, the Board of Directors takes into account that most of its members must be independent and so evaluates the advisability of it being chaired by an independent member.	X			As mentioned in Item II.4.2, all the members of the Company's Audit Committee qualify as independent directors as of to date; therefore, the independence criterion required by law is met. The Audit Committee is composed of three (3) directors, and the Chairman is appointed by the Committee members rather than by the Board.
IV.2 There is an internal audit function that reports to the Audit Committee or to the Chairman of the Board of Directors in charge of evaluating the internal control system. Please indicate if the Audit Committee or the Board of Directors conduct an annual assessment of the area's performance and the degree of independence of its professional involvement, which means that the professionals discharging such function are independent from the remaining operational areas and that they meet the requirements of independence vis-à-vis the controlling shareholders or the related entities that wield significant influence on the Issuer. Specify, also, whether the internal audit function conducts its work in accordance with the international standards that govern internal audit practitioners as issued by the Institute of Internal Auditors (IIA).	X			Internal Audit Management reports to the Compliance Management, who in turn reports directly to the Second Vice-chairman of the Company. The Audit Committee annually assesses the performance of Internal Audit and discloses its conclusions in its Annual Management Report, which is submitted by it to the Board at the time of issuance of the Company's Financial Statements. Such assessment results from meetings held between the Committee and Internal Audit, which evaluate the development and compliance with the Internal Audit' work plan, the reports resulting from the reviews, the observations made and the implementation of its recommendations. The professionals in charge of the Internal Audit function are independent vis-à-vis the Company's remaining operating areas. The Internal Audit area performs its tasks abiding, in general, by the guidelines laid down by international standards for the conduct of Internal Audits issued by the Institute of Internal Auditors (IIA). The Company's

				Internal Auditor has an international certification issued by the IIA.
IV.3 The members of the Audit Committee undertake an annual assessment of the qualifications, independence and performance exhibited by the External Auditors designated by the Shareholders' Meeting. Describe all relevant aspects in the procedures followed in making such evaluation.	X			In preparation for the Annual General Meeting, the Audit Committee considers the proposed appointment of External Auditors that will be submitted by the Board to such Annual General Meeting. The assessment conducted by the Audit Committee takes into account the professional skills of External Auditors, their expertise and independence conditions. The Audit Committee holds quarterly meetings with external auditors regarding presentation of their work on the Company's Financial Statements. In addition, and previous to the submission of the annual Financial Statements, the Audit Committee's Annual Report will include the committee's opinion concerning the performance of External Auditors.
IV.4 The Issuer relies on a policy concerning the rotation of the Supervisory Committee members and/or the External Auditor. When it comes to External Auditors, the policy addresses whether the rotation spans the audit firm or just the individuals.	X			The members of the Supervisory Committee are chosen by the Annual General Meeting for a one-year term to discharge their functions. The External Auditor is also chosen annually by the Shareholders' Meeting. General Resolution No. 663 issued by the CNV eliminated the audit firm rotation requirement, thus aligning CNV regulations to professional standards (Technical Resolution No. 34) and international standards, which do not require external audit firm rotation. As regards the rotation for the audit partner, General Resolution No. 663 established a term of 7 (seven) years, with a waiting period of 2 (two) years.
PRINCIPLE V. RESPECT SHAREHOLDERS' RIGHTS				
The corporate governance framework must: <u>Recommendation V.1</u>: Make sure that shareholders have access to the				

Issuer's information.				
Answer if: V.1.1 The Board of Directors fosters periodical informational meetings with shareholders, which coincide with the submission of interim financial statements. Explain further, providing the quantity and frequency of the meetings held in the course of the year.	X			Without prejudice to the information that is released to the market as material information, in each presentation of the interim and annual financial statements the Company issues a "press release" for the investment market and subsequently holds a conference call with on-line presentation where investors and analysts are able to contact the Company's officers directly and ask questions in real-time.
V.1.2 The Issuer relies on "information for investors" mechanisms and on an area that specializes in addressing investors' concerns. In addition, the Issuer has a web-site accessible to shareholders and other investors serving as an access channel for them to contact each other. Detail.	X			The Issuer has mechanisms to inform investors in real time and an Investors Relations Department exclusively devoted to dealing with investors' requirements and enquiries and provides information to shareholders and other investors. In addition to the publications in the Financial Information Highway (*Autopista de Información Financiera*) and the filings with the different enforcement agencies, the Company communicates all its relevant events through an e-mail distribution system that reaches a significant number of current and/or potential investors and analysts. It also has a website (www.irsa.com.ar) through which the shareholders and other investors may contact this department and obtain information about the Company and receive an answer about all types of enquiries concerning the Company.
<u>Recommendation V.2</u>: Promote shareholders' active involvement.				
Answer if: V.2.1 The Board of Directors has measures in place to foster the participation of all shareholders at the AGMs. Explain further, distinguishing the measures required by statutory provisions from those voluntarily offered by the Issuer to its shareholders.	X			In addition to the information published in the Financial Information Highway and to the information released to the market through the advertisement department of Bolsas y Mercados Argentinos (BYMA), the Board engages in a thorough follow-up of potential attendants previous to the shareholders' meetings in order to ensure the highest number of attendants possible. This follow-up also spans ADR holders through institutional contact with Bank of New York Mellon (BONY) and its

				correspondent bank in the Argentine Republic, who are furnished with a translated version of the agenda and other information as requested.
V.2.2 The Annual General Shareholders' Meeting has a set of Rules for its operation to make sure that the information will be available to the shareholders sufficiently in advance for decision-making purposes. Describe the salient points of this set of Rules.		X		The Annual General Shareholders' Meeting does not have Rules governing its operation. However, these shareholders' meetings are called and held in accordance with the provisions under the General Companies Law and all applicable rules and regulations that are issued by the control authority as these establish the terms for informing shareholders and furnishing them with the documentation submitted to the Shareholders' Meetings. The Company has been zealously working, consistently with market standards, on providing the shareholders with sufficient information for decision making purposes.
V.2.3 The Issuer has mechanisms in place for minority shareholders to propose matters for consideration by the Annual General Meeting in line with the provisions in currently applicable rules and regulations. Provide further information on the results.	X			Neither the by-laws, nor the operating procedures prevent receiving such proposals. As of the date hereof, there have not been proposals of specific issues.
V.2.4 The Issuer relies on policies to stimulate the involvement of the most relevant shareholders such as institutional investors. Specify.		X		To encourage shareholder involvement, the Company does not make any distinctions based on relevance: all shareholders are afforded identical treatment. Through the Bank that has custody over the ADRs, the Company fosters the participation of ADR holders –many of whom are institutional investors- in Annual General Meetings.
V.2.5 At the Shareholders' Meetings in which the nominations to the Board of Directors are debated, (i) the position of each one of the candidates is made known as to whether or not to adopt a Corporate Governance Code; and (ii) the foundations for such position are also made known previous to the			X	With the Company having adopted this Corporate Governance Code Report, the position concerning the acceptance of each Board member is impliedly embodied.

vote.				
Recommendation V.3: Guarantee the principle of equality between shares and votes. Answer if: The Issuer relies on a policy that promotes the principle of equality between shares and votes. State the changes in the structure of the outstanding shares by class in the past 3 (three) years.	X			The principle of equality between shares and votes is safeguarded by the Company's by-laws. The Company's shares have a par value of 1 Peso (1$) each and are entitled to one vote per share. The Company does not have its capital stock classified by classes of shares.
Recommendation V.4: Establish mechanisms to safeguard all the shareholders in the event of takeovers. Answer if: The Issuer adheres to the mandatory public tender offer regime. If not, explain further if there are other alternative mechanisms set forth in the by-laws, as would be the case of tag-along or other rights.	X			In accordance with the provisions set forth in Section 90 of the Capital Markets Law No. 26,831, all publicly traded companies are subject to the provisions of the mandatory public tender offer regime, and the Company satisfies this requirement.
Recommendation V.5: Increase the percentage of outstanding shares over capital stock. Answer if: The Issuer relies on shareholder dispersion for at least 20 per cent for its ordinary shares. If not, the Issuer relies on a policy to increase shareholder dispersion through the market. Indicate the percentage of shareholder dispersion as a percentage of the Issuer's capital stock and the changes in such percentage over the last 3 (three) years.	X			The controlling company CRESUD SACIFyA holds 63.77% of the outstanding shares of stock (including repurchased treasury stock), the remaining 36.23% is held by local and foreign investors. Over the past three years, dispersion was always higher than 20%.
Recommendation V.6: Make sure that there is a transparent dividend policy. Answer if:				
V.6.1 The Issuer relies on a dividend distribution policy set forth in the By-laws and approved by the Shareholders' Meeting setting out		X		The Annual Shareholders' Meeting is the one that annually determines how the income for the year will be allocated, defining which reserves will

the conditions for distributing dividends in cash or in shares. If such policy exists, state the criteria, frequency and conditions that must be satisfied for the payment of dividends.				be established and determining whether the resulting balances will be distributed as dividends. Such dividends shall be determined in accordance with the provisions set forth in the General Companies Law and Bylaws. Distribution of dividends depends upon the company's income and whether there are liquid and realized profits. For its approval, the affirmative vote of a majority of the holders of shares carrying voting rights at the Annual Shareholders' Meeting is required. In addition, the Company takes into account its liquidity and investment projects.
V.6.2 The Issuer relies on documented processes to prepare the proposal to allocate the Issuer's retained earnings in order to raise reserves –be them statutory, voluntary and contemplated by the by-laws-, transfer earnings to future fiscal years and/or pay dividends. Explain these processes further and identify the minutes of the Annual General Meeting that approves the distribution (in cash or in shares) or not of dividends, if this is not contemplated in the By-laws.	X			Once the Company's legal, financial, and business requirements are assessed, General Management prepares a proposal to appropriate results and submits them to the Board. Afterwards, the Board submits its proposal to the respective Annual General Meeting.
PRINCIPLE VI. MAINTAIN DIRECT AND RESPONSIBLE BONDS WITH THE COMMUNITY				
The corporate governance framework must: Recommendation VI: Disclose to the community matters concerning the Issuer and provide a direct means of communication with the company. Answer if:				
VI.1 The Issuer has a website accessible to the public and updated that should supply not only relevant company information (the By-laws, the conglomerate, the composition of the Board of Directors, financial statements, annual reports, to name but a few) but also receive the concerns of users in general.	X			The Company has a website (www.irsa.com.ar) for the public in general to access to the Company's institutional information, its corporate responsibility practices and an investor section containing all the financial information that is relevant to current and/or potential shareholders. In addition, it is a channel for contacting the following areas: Investor Relations, Institutional Relations, Commercial Areas and Human Resources. In addition, this

				web-site allows the community to communicate with the Ethics Committee to deal with users' concerns and a channel to receive various types of reports.
VI.2 The Issuer releases a Social and Environmental Responsibility Statement on an annual basis, verified by an independent External Auditor. If this statement is released, state its scope or its legal or geographical coverage and where it is available. Specify the rules or initiatives adopted to implement the enterprise social responsibility policy (Global Reporting Initiative and/or the UN's Global Pact, ISO 26.000, SA8000, UN's Millennium Development Goals, SGE 21-Foretica, AA 1000, Ecuador Principles, to name but a few).		X		The Company has been working with an aim towards ongoing improvement, environmental protection and compliance with current legislation and regulations, even those that were voluntarily adopted. Moreover, the Company shall continue the actions undertaken in the previous fiscal year, and shall prepare a summary detailing the main social and environmental actions, regarding the progress made during the 2017 fiscal year.
PRINCIPLE VII. REMUNERATE EQUITABLY AND RESPONSIBLY				
The corporate governance framework must: <u>Recommendation VII</u>: Establish clear policies to remunerate the Issuer's Board and Senior Management members, giving special consideration to any limits imposed by contracts or the by-laws based on the existence of earnings or not.				
Answer if: VII.1. The Issuer relies on a Remunerations Committee:			X	As of the date of this report, the Company did not have a Remunerations Committee, which is furthermore not required by currently applicable rules and regulations. Directors' remuneration is determined in conformity with the provisions under the General Companies Law taking into account whether directors discharge technical and administrative duties or not and based on the Company's earnings for the fiscal year. On an annual basis, the Audit Committee considers and renders an opinion on the proposal of directors' fees that the Board will submit to the Annual General Meeting for its approval.

VII.1.1 made up by at least three Board members, a majority of whom are independent,			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.1.2 chaired by an independent Board member,			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.1.3 that has members who evidence sufficient skills and expertise in human capital policies,			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.1.4 that meets at least twice a year,			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.1.5 whose decisions are not necessarily binding on the Annual General Meeting or on the Surveillance Committee but rather in a consultative nature when it comes to the remuneration of Board members.			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.2 Should the Issuer have a Remunerations Committee, it:			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.1 makes sure that there is a clear relationship between the performance of key personnel and its fixed and variable remuneration taking into account the risks taken on and their management,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.2 supervises that the variable portion of the remuneration of Board members and Senior Management members is linked to the Issuer's medium- and/or long-term performance,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.3 reviews the Issuer's position vis-à-vis competitors concerning its policies and practices applicable to the remunerations and benefits it pays and recommends whether to modify them or not,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.4 defines and communicates the policy applicable to key personnel retention, promotion, dismissal and suspension,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.5 informs the guidelines that determine the retirement plans of the Issuer's Board and Senior Management members,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.

VII.2.6 is regularly accountable to the Board and the Annual General Shareholders' Meeting on the actions undertaken and the issues analyzed at their meetings,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.7 ensures that the Chairman of the Remunerations Committee attends the Annual General Meeting that approves remunerations to the Board for him to explain the Issuer's policy concerning the remuneration of the Board and the Senior Management members.			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.3 If relevant, please add policies implemented at the initiative of the Issuer's Remunerations Committee which have not been mentioned in the preceding Item.			X	Not applicable.
VII.4 In the absence of a Remunerations Committee, explain how the functions described in VII. 2 are discharged within the Board itself.	X			In accordance with what has been discussed in Item VII.1, the Company does not have a Remunerations Committee. Based on the proposal of the fees to be paid to the Board members to be approved by the Annual General Meeting, the Audit Committee assesses and renders an opinion on the reasonableness of the total sum of fees against the earnings for the year, evaluating also the responsibilities inherent in the position, the dedication demanded for discharging duties, the professional experience and dedication in addition to consistency with the approvals conferred in previous fiscal years. As concerns the remuneration payable to senior managers and as mentioned in II.1.1.4, the Executive Committee delegates to the CEO and to the Human Resources Department the establishment of the remuneration payable to senior managers. In establishing these fees, what is taken into account is the responsibility, the performance and external competitiveness by entrusting specialized consultants with market surveys. In addition to determining a fixed amount, the portion of variable remuneration payable to senior managers is in line with the Company's objectives for the short, medium and long terms. The

				Company also has long-term retention plans that are communicated to key personnel.
PRINCIPLE VIII. FOSTER ENTERPRISE ETHICS				
The corporate governance framework must: Recommendation VIII: Guarantee ethical behaviors at the Issuer.				
Answer if: VIII.1 The Issuer relies on a Code of Enterprise Conduct. Indicate the main guidelines and whether it is available to the public. This Code is signed by, at least, the members of the Board of Directors and of senior management. Indicate if the Issuer promotes extending the enforcement of this code to suppliers and customers.	X			The Company has a Code of Ethics approved by the Board that applies to all the Company's directors, statutory auditors and employees and it establishes that they must act with honesty, integrity and responsibility when they interact with each other, with clients, investors, suppliers, government officials and the press and with other institutions and individuals. The Code of Ethics is available to the public at large and it has been published in the Company's webpage. It has been signed by the members of the Board of Directors and by the Company's employees.
VIII.2 The Issuer relies on mechanisms to receive reports about illegal or unethical behaviors submitted personally or by electronic means ensuring that the information relayed is treated in the outmost confidentiality and abides by the highest standards of information recording and preservation. Indicate if the service to receive and assess reports is rendered by the Issuer's personnel or by external independent professionals to afford whistleblowers increased protection.	X			The Company has provided for mechanisms to receive reports of illegal or anti-ethical behaviors through several communication channels which are described in the Code of Ethics. The channels made available comprise an e-mail address and a telephone number for the Ethics Committee, the e-mail addresses and the telephone numbers of the members of the Ethics Committee and a regular mail address for the Ethics Committee. In addition, for reports or concerns about accounting matters, accounting internal control or audit matters, the Audit Committee has an incoming box for reports that it manages directly. The reports can be placed anonymously and their treatment as confidential is guaranteed. The information conveyed is treated with high confidentiality and integrity standards and it is equally subject to stringent information recording and preservation standards. The service to receive and evaluate complaints is internal and it is the responsibility of the Ethics Committee and the Audit Committee as

				applicable.
VIII.3 The Issuer relies on policies, processes and systems to handle and find a resolution for the reports mentioned in Section VIII.2. Describe their most relevant aspects and indicate the degree of involvement of the Audit Committee in said resolutions, in particular in those reports associated to internal controls for financial reporting and on the behaviors of Board and senior management members.	X			To handle complaints and to find a solution to them, the Company has established a procedure whose main aspects are described below: • Receipt: complaints are received and analyzed by the Ethics Committee. • Registration: each complaint is registered. • Analysis and resolution: each complaint is analyzed and a resolution is found in its respect. • Communication: all the reports received by the Ethics Committee are communicated to the Audit Committee (they are reported on a quarterly basis). As for complaints placed with the Audit Committee, it will be the Audit Committee that first determines how to analyze them and which solution to give to them.
PRINCIPLE IX: FURTHER THE SCOPE OF THE CODE				
The corporate governance framework must: Recommendation IX: Promote the inclusion of the provisions inherent in good corporate governance practices in the By-laws. Answer if: The Board of Directors evaluates whether the provisions of the Corporate Governance Code must be reflected, in whole or in part, in the By-laws, including the general and specific responsibilities of the Board of Directors. Identify the provisions that will be actually included in the By-laws as from the coming into force of the Code until to date.	X			The Company's By-laws satisfy the requirements imposed by the General Companies Law and applicable rules and regulations in line with the Public Offering Regime, and its own Code of Ethics. The Company's By-laws include provisions analogous to, and coincidental with, the above-mentioned provisions in the field of composition of governance bodies, particularly the Board of Directors – functions, rotation and responsibilities-, the Supervisory Committee and the Executive and Audit Committees. Concerning conflicts of interest, it is the General Companies Law that applies directly, together with the rules and regulations that govern the capital markets. The By-laws do not contain any provision that impedes heeding recommendations that it does not specifically prescribe. It is for this reason that the Board understands

				that nothing warrants amending the by-laws for the time being. Therefore, the Company considers that it has in place an adequate regulatory framework concerning Corporate Governance; however, the Board may in the future consider the timing and advisability of including other provisions aimed at optimizing good corporate governance practices.

(1) Check with an "X" if applicable.

(2) In the event of total compliance, report how the Issuer abides by the principles and heeds the recommendations of the Corporate Governance Code

(3) In the event of Partial compliance or of Non-compliance, please state the reasons and describe the actions that the Issuer's Board is planning to implement in order to incorporate the recommendations not yet heeded in the coming fiscal year/s, if any.

Saúl Zang

First Vice-Chairman