IRSA INVESTMENTS & REPRESENTATIONS INC
Form 20-F
November 01, 2016

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

[ ]
REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X]
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2016

OR

[ ]
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[ ]
SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

Commission file number 001-13542

IRSA Inversiones y Representaciones Sociedad Anónima
(Exact name of Registrant as specified in its charter)

IRSA Investments and Representations Inc.
(Translation of Registrant’s name into English)

Republic of Argentina
(country of incorporation or organization)

Bolívar 108
(C1066AAD)

Buenos Aires, Argentina
(Address of principal executive offices)

Matías Gaivironsky
Chief Financial and Administrative Officer
Tel +54(11) 4323-7449 finanzas@irsa.com.ar
Moreno 877 24th Floor
(C1091AAQ)
Buenos Aires, Argentina
(Name, Telephone, E-mail and/or address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12 (b) of the Act

Title of each class	Name of each exchange on which registered
Global Depositary Shares, each representing ten shares of Common Stock	New York Stock Exchange
Common Stock, par value one Peso per share	New York Stock Exchange*

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA
(THE "COMPANY")

*Not for trading, but only in connection with the registration of Global Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12 (g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15 (d) of the Act: None

The number of outstanding shares of the issuers common stock as of June 30, 2016 was 578,676,460.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:
x Yes oNo

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. xYes oNo

If the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. xYes oNo

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or of such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: xYes oNo

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of the Regulation S-T (232.405 of this
chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). o Yes xNo

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP o International Financial Reporting Standards as issued by the International Accounting statements included in this filing: x Other o

If other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). xYes o No

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DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

The U.S. Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements.

This annual report includes forward-looking statements, principally under the captions "Summary", "Item 3.D. Risk Factors", "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects". We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

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changes in general economic, business, political, legal, social or other conditions in Argentina or elsewhere in Latin America or in Israel or changes in developed or emerging markets;

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changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;

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inflation and deflation;

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fluctuations in prevailing interest rates;

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current and future government regulation;

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adverse legal or regulatory disputes or proceedings;

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fluctuations and declines in the value of Argentine public debt;

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political events, civil strife and armed conflicts;

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government intervention in the private sector, including through nationalization, expropriation, labor regulation or other actions;

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restrictions on transfer of foreign currencies;

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competition in the shopping center sector, office or other commercial properties and related industries;

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potential loss of significant tenants at our shopping centers, offices or other commercial properties;

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our ability to timely transact in the real estate market in Argentina or Israel;

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our ability to meet our debt obligations;

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shifts in consumer purchasing habits and trends;

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technological changes and our potential inability to implement new technologies;

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deterioration in regional, national or global businesses and economic conditions;

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fluctuations and declines in the exchange rate of the Peso and the NIS against other currencies;

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risks related to our investment in Israel; and

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the risk factors discussed under "Item 3.D. Risk Factors".

The words "believe", "may", "will", "aim", "estimate", "continue", "anticipate", "intend", "expect", "forecast", "foresee", "un similar other words identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

As of June 30, 2016, the Company has established two operations centers to manage its global business, "Operations Center in Argentina" and "Operations Center in Israel."

You should not place undue reliance on such statements which speak only as of the date that they were made. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future.

CERTAIN MEASUREMENTS AND TERMS

As used throughout this annual report, the terms "IRSA", the "Company", "we", "us" and "our" refer to IRSA Inversiones y Representaciones Sociedad Anónima, together with our consolidated subsidiaries, except where we make clear that such terms refer only to the parent company.

In Argentina the standard measure of area in the real estate market is the square meter (m2), while in the United States and certain other jurisdictions the standard measure of area is the square foot (sq. ft.). All units of area shown in this annual report (e.g., gross leasable area of buildings (or "GLA") and size of undeveloped land) are expressed in terms of square meters. One square meter is equal to approximately 10.764 square feet. One hectare is equal to approximately 10,000 square meters and to approximately 2.47 acres.

As used herein: "GLA" or "gross leasable area", in the case of shopping centers, refers to the total leasable area of the property, regardless of our ownership interest in such property (excluding common areas and parking and space occupied by supermarkets, hypermarkets, gas stations and co-owners, except where specifically stated).

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

This annual report contains our Audited Consolidated Financial Statements as of June 30, 2016 and 2015 for our fiscal years ended June 30, 2016, 2015 and 2014 (our "Audited Consolidated Financial Statements"). Our Audited Consolidated Financial Statements included elsewhere herein have been audited by Price Waterhouse & Co S.R.L. City of Buenos Aires, Argentina, member of PriceWaterhouseCoopers International Limited, an independent registered public accounting firm whose report is included herein.

Pursuant to Resolution N° 562/09 issued by the Argentine Comisión Nacional de Valores ("CNV"), as subsequently amended by Resolution N° 576/10, and further amended and restated by Resolution N° 622/13 (the "CNV Rules"), all listed companies in Argentina with certain exceptions (i.e., financial institutions and insurance entities) were required to present their consolidated financial statements for accounting periods beginning on or after January 1, 2012 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, in 2013 we prepared for the first time our Consolidated Financial Statements under IFRS for our financial year ended June 30, 2013, which included comparative financial information for the year ended June 30, 2012. All IFRS issued by the IASB effective at the time of preparing the Audited Consolidated Financial Statements have been applied. The opening IFRS statement of financial position was prepared as of our transition date of July 1, 2011.

On October 11, 2015, the Company, through its subsidiaries, obtained control of IDB Development Corporation ("IDBD"). IDBD's fiscal year ends on December 31 each year and the Company's fiscal year ends on June 30. IDBD's quarterly and annual reporting follows the guidelines of Israeli accounting standards, which means that the information is only available to IRSA after the applicable statutory periods expire. Therefore, the Company has started to consolidate IDBD's results of operations with a three-month lag, adjusted for the effects of material transactions that may have taken place during the reported period. Hence, IDBD's results of operations for the period beginning on October 11, 2015 (the date the Company obtained control of IDBD) through March 31, 2016, are included in the Company's consolidated statement of comprehensive income for the fiscal year ended June 30, 2016, adjusted by such material transactions that occurred between April 1 and June 30, 2016, mainly due to the decrease of the market price

of Clal's shares and the impact of such decrease in our registration of the investment in Clal.

Given the materiality of IDBD's results on the Company's consolidated results, the Company had to make changes on the presentation format of its financial information for ease of analysis. The most significant change is in line with the new organizational structure, which was split into two large operations centers in Argentina and Israel. In this regard, changes have been made to certain notes and tables and their respective order, classification and content, on a geographic basis and taking into consideration the significance of the Company's global operations following IDBD's consolidation.

As of June 30, 2016, the Company has established two Operations Centers to manage its global business, mainly through the following companies:

MARKET DATA

Market data used throughout this annual report was derived from reports prepared by unaffiliated third-party sources. Such reports generally state that the information contained therein has been obtained from sources believed by such sources to be reliable.

Certain amounts which appear in this annual report (including percentage amounts) may not sum due to rounding.

In this annual report where we refer to "Peso", "Pesos", "ARS" or "Ps." we mean Argentine Pesos, the lawful currency in Argentina; when we refer to "U.S. dollars," or "U.S.$" we mean United States Dollars, the lawful currency of the United States of America, when we refer to "NIS", we mean New Israel Shekels, the lawful currency of Israel; and when we refer to "Central Bank" we mean the Argentine Central Bank.

Solely for the convenience of the reader, we have translated certain Peso amounts into U.S. dollars at the offer exchange rate quoted by Banco de la Nación Argentina for June 30, 2016, which was Ps.15.04=U.S.$1.00. We have also translated certain NIS amounts into U.S. dollars at the offer exchange rate for June 30, 2016 which was NIS 3.8575=U.S.$1.00. We make no representation that the Peso, NIS or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

This item is not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

This item is not applicable.

ITEM 3. KEY INFORMATION

A. Selected Consolidated Financial Data

The following selected consolidated financial data has been derived from our consolidated financial statements as of the dates and for each of the periods indicated below. This information should also be read in conjunction with our Audited Consolidated Financial Statements included under Item 8. "Financial Information" and the discussion in Item 5. "Operating and Financial Review and Prospects". The selected Consolidated Statement of Comprehensive Income data for the years ended June 30, 2016, 2015 and 2014, and the selected consolidated balance sheet data as of June 30, 2016 and 2015 have been derived from our consolidated financial statements included in this annual report which have been audited by Price Waterhouse & Co. S.R.L., City of Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers International Limited, an independent registered public accounting firm.

On October 11, 2015, we acquired control of IDBD. In conformity with IFRS 3, IDBD's information is included in our financial statements since the acquisition date, without affecting the information from previous years. Therefore, the consolidated financial information for periods after the acquisition date is not comparable to previous periods. For more information see Item 5. "Operating and Financial Review and Prospects−Factors Affecting Comparability of our Results."

Summary Consolidated Financial and Other Information for IRSA

	For the fiscal year ended June 30,					
	2016	2016	2015	2014	2013	2012
	(in millions of US$) (ii)	(in millions of Ps.) (i)				
Consolidated Statements of Operations						
Revenues	2,173	32,675	3,403	2,845	2,187	1,790
Costs	(1,496)	(22,499)	(1,511)	(1,354)	(1,088)	(859)
Gross profit	677	10,176	1,892	1,491	1,099	931
Gain from disposal of investment properties	74	1,113	1,163	236	184	117
General and administrative expenses	(129)	(1,933)	(374)	(297)	(195)	(174)
Selling expenses	(395)	(5,948)	(194)	(146)	(106)	(85)
Other operating results, net	2	24	28	(46)	93	(32)
Profit from operations	228	3,432	2,515	1,238	1,076	757

Share of profit/ (loss) of associates and joint ventures	30	447	(1,023)	(414)	(7)	12
Profit from operations before financial results and income tax	258	3,879	1,492	824	1,068	769
Finance income	119	1,788	137	132	120	105
Finance costs	(395)	(5,938)	(1,107)	(1,749)	(772)	(528)
Other financial results	(58)	(870)	37	(102)	15	(4)
Financial results, net	(334)	(5,020)	(933)	(1,719)	(638)	(427)
(Loss)/ profit before income tax	(76)	(1,141)	559	(895)	430	342
Income tax expense	(10)	(149)	(489)	64	(133)	(117)
(Loss)/ profit for the year	(86)	(1,290)	70	(831)	297	225
Attributable to:						
Equity holders of the parent	(46)	(693)	(41)	(786)	239	204
Non-controlling interest	(40)	(597)	111	(45)	58	21
(Loss)/ profit per common share attributable						

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to equity holders of the parent:						
Basic	(0.08)	(1.21)	(0.07)	(1.36)	0.41	0.35
Diluted	(0.08)	(1.21)	(0.07)	(1.36)	0.41	0.35
Consolidated Statements of Comprehensive Operations (Loss) / profit for the year	(86)	(1,290)	70	(831)	297	225
Other comprehensive (loss)/ income:						
Currency translation adjustment	(51)	(760)	(164)	472	58	18
Share of currency translation adjustment of joint ventures and associates accounted for using the equity method	317	4,765	56	(29)	(1)	(3)
Share of change in the fair value of hedging instruments of associates and joint ventures accounted for using the equity method	(6)	(93)	-	-	-	-
Items that may not be reclassified subsequently to profit or loss, net of income tax						
Actuarial loss from defined benefit plans net of income taxes	(3)	(42)	-	-	-	-
Other comprehensive income / (loss) for the year	257	3,870	(108)	443	57	15
Total comprehensive income / (loss) for the year	172	2,580	(38)	(388)	354	240
Attributable to:						
Equity holders of the parent	(56)	(840)	(165)	(438)	288	219
Non-controlling interest	227	3,420	127	50	66	21
CASH FLOW DATA						
Net cash generated by operating activities	275	4,139	834	1,022	863	692
Net cash generated by /(used in) investing activities	546	8,210	261	(917)	(46)	(247)
Net cash used in financing activities	(264)	(3,968)	(1,390)	(597)	(306)	(493)

	For the fiscal year ended June 30,					
	2016	2016	2015	2014	2013	2012
	(in millions of US$)(ii)	(in millions of Ps.) (i)				
Consolidated Statements of Financial Position						
ASSETS						
Non-current assets						
Investment properties	3,316	49,872	3,490	3,270	3,983	3,266
Property, plant and equipment	1,599	24,055	243	220	213	228
Trading properties	297	4,471	128	131	94	83
Intangible assets	782	11,763	127	124	171	123
Investment in associates and joint ventures	1,080	16,236	2,552	2,261	1,424	1,446
Deferred income tax assets	42	638	53	369	85	34
Income tax and Minimum Presumed Income Tax ("MPIT") credit	8	123	109	110	130	103
Restricted assets	4	54	-	-	11	-
Trade and other receivables	229	3,441	115	92	85	93
Employee benefits	-	4	-	-	-	-
Investments in financial assets	148	2,226	703	275	266	756

Financial assets held for sale	222	3,346	-	-	-	-
Derivative financial instruments	1	8	206	-	21	18
Total non-current assets	7,729	116,237	7,726	6,851	6,4[illegible]	6,[illegible]50
Current Assets						
Trading properties	16	241	3	5	12	10
Inventories	216	3,246	23	17	16	16
Restricted assets	38	564	9	-	1	-
Income tax and Minimum Presumed Income Tax (“MPIT”) credit	34	506	19	16	-	-
Financial assets held for sale	84	1,256	-	1,358	-	-
Trade and other receivables	892	13,409	1,143	707	76[illegible]	[illegible]76
Investments in financial assets	642	9,656	295	234	24[illegible]	[illegible]9
Derivative financial instruments	1	19	29	13	-	-

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	For the fiscal year ended June 30,					
	2016	2016	2015	2014	2013	2012
	(in millions of US$)(ii)	(in millions of Ps.) (i)				
Cash and cash equivalents	922	13,866	375	610	797	259
Total Current Assets	2,843	42,763	1,896	2,959	1,839	839
TOTAL ASSETS	10,572	159,000	9,622	9,810	8,327	6,889
SHAREHOLDERS' EQUITY						
Share capital	38	575	574	574	579	579
Treasury shares	-	4	5	5	-	-
Inflation adjustment of share capital and treasury shares	8	123	123	123	123	274
Share premium	53	793	793	793	793	793
Additional paid-in capital from treasury shares	1	16	7	-	-	-
Legal reserve	8	117	117	117	85	71
Special reserve	-	4	4	375	395	-
Other reserves	48	726	299	806	532	421
Accumulated deficit	(83)	(1,243)	(40)	(785)	239	511
Total capital and reserves attributable to equity holders	74	1,115	1,882	2,008	2,746	2,649
Non-controlling interest	824	12,386	376	548	385	390
TOTAL SHAREHOLDERS' EQUITY	898	13,501	2,258	2,556	3,131	3,039
LIABILITIES						
Non-current liabilities						
Trade and other payables	101	1,518	255	203	211	167
Borrowings	6,029	90,680	3,736	3,756	2,923	2,048
Derivative financial instruments	7	105	265	321	-	-
Deferred income tax liabilities	503	7,571	51	346	396	411
Employee benefits	46	689	-	-	-	-
Salaries and social security liabilities	1	11	2	4	3	-
Provisions	88	1,325	374	205	58	18
Total non-current liabilities	6,775	101,899	4,683	4,835	3,591	2,644
Current liabilities						
Trade and other payables	1,188	17,874	896	679	677	492
Borrowings	1,480	22,252	1,237	737	773	558
Derivative financial instruments	7	112	238	14	2	-
Salaries and social security liabilities	113	1,707	123	99	49	40
Provisions	69	1,039	52	18	14	2
Income tax and Minimum Presumed Income Tax ("MPIT") liabilities	41	616	135	65	91	114
Liabilities held for sale	-	-	-	807	-	-
Total current liabilities	2,899	43,600	2,681	2,419	1,605	1,206
TOTAL LIABILITIES	9,674	145,499	7,364	7,254	5,196	3,850
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	10,572	159,000	9,622	9,810	8,327	6,889

	For the fiscal year ended June 30,					
	2016	2016	2015	2014	2013	2012
OTHER FINANCIAL DATA	(in millions of US$) (ii)	(in millions of Ps.) (i)				
Basic net (loss)/ income per common share	(0.08)	(1.21)	(0.07)	(1.36)	0.41	0.35
Diluted net (loss)/ income per common share	(0.08)	(1.21)	(0.07)	(1.36)	0.41	0.35
Basic net (loss)/ income per GDS	(0.80)	(12.05)	(0.72)	(13.60)	4.10	3.50
Diluted net (loss)/ income per GDS	(0.80)	(12.05)	(0.71)	(13.60)	4.10	3.50
Diluted weighted – average number of common shares	574,928,361	574,928,361	573,779,206	575,932,689	578,676,460	578,676,460
Depreciation and amortization	179	2,694	175	226	220	169
Capital expenditures	157	2,369	532	318	921	134
Working capital	(56)	(837)	(783)	540	234	(366)
Ratio of current assets to current liabilities	0.98	0.98	0.71	1.22	1.15	0.70
Ratio of shareholders' equity to total liabilities	0.09	0.09	0.31	0.35	0.60	0.79
Ratio of non current assets to total assets	0.73	0.73	0.80	0.70	0.78	0.88
Dividend paid	(7)	(106)	(69)	(113)	(240)	(263)
Dividends per common share	(0.01)	(0.18)	(0.12)	(0.20)	(0.41)	(0.45)
Dividends per GDS	(0.12)	(1.84)	(1.20)	(1.97)	(4.14)	(4.54)
Number of common shares outstanding	575,153,497	575,153,497	574,450,945	573,771,763	578,676,460	578,676,460
Capital stock	38	575	574	574	579	579

(i) Totals may not sum due to rounding.
(ii) Solely for the convenience of the reader we have translated Peso amounts into U.S. Dollars at the seller exchange rate quoted by Banco de la Nación Argentina as of June 30, 2016, which was Ps.15.04 per US$1.00. We make no representation that the Argentine Peso or U.S. Dollar amounts actually represent, could have been or could be converted into U.S. Dollars at the rates indicated, at any particular rate or at all. See "Exchange Rates". Totals may not sum due to rounding.

LOCAL EXCHANGE MARKET AND EXCHANGE RATES

During 2001 and 2015, Argentine government had established a series of exchange control measures that restricted the free disposition of funds and the transfer of funds abroad. To 2011, the Argentine government had significantly curtailed access to foreign exchange by individuals and private sector entities, making it necessary, among other things, to obtain prior approval from the Central Bank to enter into certain foreign exchange transactions such as payments relating to royalties, services or fees payable to related parties of Argentine companies outside Argentina.

With the change of government, and political color, in December 2015, one of the first measures taken by the Argentine government was to lift the principal restrictions that limited access to individuals to foreign exchange market. In this connection, Communication "A" 5850 of the Central Bank admitted again the possibility for individuals to have access to the local market, however, up to a certain amount of money. As local economy became stable in Argentina, and local markets reopened to foreign commerce, the Central Bank issued on August 2016 Communication

"A" 6037 that lifted all remaining limitations. Nowadays, all individuals have unrestrictive access to the local exchange market, according to the conditions and procedures that are explained in this document.

The following table shows the maximum, minimum, average and closing exchange rates for each period applicable to purchases of U.S. dollars.

	Maximum(1)(2)	Minimum(1)(3)	Average(1)(4)	At closing(1)
Fiscal year ended June 30, 2012	4.5070	4.1250	4.3016	4.5070
Fiscal year ended June 30, 2013	5.3680	4.5650	4.9339	5.3680
Fiscal year ended June 30, 2014	8.0830	5.4850	6.9333	8.0830
Fiscal year ended June 30, 2015	9.0380	8.163	8.5748	9.0380
Fiscal year ended June 30, 2016	15.7500	9.1400	12.2769	14.9900
Month ended April 30, 2016	14.7400	14.0000	14.3367	14.2000
Month ended May 31, 2016	14.1900	13.8700	14.0720	13.9410
Month ended June 30, 2016	15.2500	13.6950	14.1343	14.9900
Month ended July 31, 2016	15.1000	14.5100	14.8410	14.9600
Month ended August 31, 2016	15.0500	14.6100	14.7899	14.8800
Month ended September 30, 2016	15.3400	14.8500	15.0666	15.2600
October 2016 (through October 13, 2016)	15.1600	15.0200	15.1153	15.0820

SOURCE: CENTRAL BANK

(1) Average between the offer exchange rate and the bid exchange rate according to Banco de la Nación Argentina "foreign currency exchange rate", against Pesos.

(2) The maximum exchange rate appearing in the table was the highest end-of-month exchange rate in the year or shorter period, as indicated.

(3) The minimum exchange rate appearing in the table was the lowest end-of-month exchange rate in the year or shorter period, as indicated.

(4) Average exchange rates at the end of the month.

Although exchange control regulations were lifted on August 2016, certain regulations regarding the registration, disbursement, payment of principal and interest and prepayments, among other exchange control measures related to foreign indebtedness, remain in place, and we cannot give you any assurance that additional exchange control regulations will not be adopted in the future. See "Risk Factors— Risks Relating to Argentina—Exchange controls and restrictions on transfers abroad and capital inflow restrictions have been limited in the past and may limit the availability of international credit."

Exchange controls regulations currently in effect in Argentina include those described below.

Registration Requirements

A debtor must inform the Central Bank of any foreign indebtedness (financial and commercial) it incurs and must register and validate such indebtedness in accordance with Communication "A" 3602. Compliance with such information with the Central Bank is required in order to enable such debtor to purchase foreign currency in the Argentine foreign exchange market for the purpose of servicing such foreign indebtedness, among others.

In addition, all new foreign indebtedness of Argentine residents, as well as any refinancing of existing foreign debt, must provide that principal repayments thereunder are subject to a 120-day waiting period in which principal cannot be paid.

Disbursements

Pursuant to Communication "A" 5850, Argentine residents are no longer obliged to settle proceeds received from foreign indebtedness through the local exchange market. According to Communication "A" 6037, Argentine residents will have access to the local exchange money also at the time of repayment of principal and interests.
Principal and Interest Payments

Foreign currency necessary to pay principal and interest on foreign indebtedness, according to Communication "A" 5850 and Communication "A" 6037 can be purchased in the local exchange market.

Corporate Profits and Dividends

Pursuant to foreign exchange regulations, Argentine companies may freely access the MULC for remittances abroad to pay earnings and dividends in-so-far as they arise from closed and fully audited balance sheets and have satisfied applicable certification requirements.

Restrictions on Foreign Indebtedness

In June 2005, the Argentine government imposed certain additional restrictions on inflows and outflows of foreign currency to the Argentine foreign exchange market through Decree No. 616/2005 as amended and supplemented by Resolution 3/2015, such as:

Minimum Term of Indebtedness

Financial indebtedness incurred by Argentine residents with foreign creditors (including refinancing of existing indebtedness) must be agreed upon and cancelled within terms of no less than 120 calendar days (waiting period), whatever the form of repayment thereof. Additionally, no prepayment of such indebtedness may be made prior to the

expiration of such term, irrespective of the payment method and whether or not termination entails the execution of a foreign exchange trade in the local market.

Local Bank Account

The results of inflows in the local exchange market required to be credited in an account opened by a local financial entity, which can be denominated in either local or foreign currency.

No Restrictions on Residents on the Purchase of Foreign Currency

Other Exchange Control Measures

Subject to certain conditions, Central Bank regulations allow the purchase of foreign currency in the Argentine foreign exchange market for purposes of making payments on account of financial derivatives.

The following table shows the maximum, minimum, average and closing exchange rates for each period applicable to purchases of New Israeli Shekels (NIS).

	Maximum(1)(2)	Minimum(1)(3)	Average(1)(4)	At closing(1)
Fiscal year ended June 30, 2014	3.6213	3.4320	3.5075	3.4320
Fiscal year ended June 30, 2015	3.9831	3.4260	3.8064	3.7747
Fiscal year ended June 30, 2016	3.9604	3.7364	3.8599	3.8596
Month ended April 30, 2016	3.8139	3.7364	3.7722	3.7364
Month ended May 31, 2016	3.8869	3.7511	3.8156	3.8526
Month ended June 30, 2016	3.8905	3.8141	3.8558	3.8596
Month ended July 31, 2016	3.8875	3.8131	3.8570	3.8131
Month ended August 31, 2016	3.8362	3.7592	3.7946	3.7768
Month ended September 30, 2016	3.7853	3.7464	3.7642	3.7464
October 2016 (through October 13, 2016)	3.8155	3.7464	3.7901	3.8042

Source: Bloomberg

(1)
Average between the offer exchange rate and the bid exchange rate of the New Israeli Shekel against the U.S. dollar.

(2)
The maximum exchange rate appearing in the table was the highest end-of-month exchange rate in the year or shorter period, as indicated.

(3)
The minimum exchange rate appearing in the table was the lowest end-of-month exchange rate in the year or shorter period, as indicated.

(4)
Average exchange rates at the end of the month.

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B. Capitalization and Indebtedness

This section is not applicable.

C. Reasons for the Offer and Use of Proceeds

This section is not applicable.

D. Risk Factors

You should carefully consider the risks described below, in addition to the other information contained in this annual report, before making an investment decision. We also may face additional risks and uncertainties not currently known to us, or which as of the date of this annual report we might not consider significant, which may adversely affect our business. In general, you take more risk when you invest in securities of issuers in emerging markets, such as Argentina, than when you invest in securities of issuers in the United States, and certain other markets. You should understand that an investment in our common shares and Global Depository Shares ("GDSs") involves a high degree of risk, including the possibility of loss of your entire investment.

Operations Center in Argentina

Risks Relating to Argentina

We depend on macroeconomic and political conditions in Argentina.

We are exposed to economic conditions in Argentina, considering that as of the date of this annual report, substantially all of our assets were located in Argentina and all of our activities are conducted in Argentina. The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation, and may experience further volatility in the future.

The ongoing economic slowdown suggests uncertainty as to whether the economic growth experienced in the past decade is sustainable. This is mainly because economic growth was initially dependent on a significant devaluation of the Peso, excess production capacity resulting from a long period of deep recession and high commodity prices. Furthermore, the economy has suffered from a sustained erosion of direct investment and capital investment. After the 2001 economic crisis, Argentina recovered with significant increases in gross domestic product ("GDP") at an average of 8.5% on an annual basis between 2003 and 2008. As a result of the 2008 global financial crisis, Argentina GDP's growth rate decreased to 0.9% in 2009, though growth rebounded to 9.2% in 2010 and 8.9% in 2011. During 2012, the Argentine economy experienced a slowdown, with GDP increasing at a rate of 1.9%. In March 2014, the Argentine government announced a new method of calculating GDP as requested by the International Monetary Fund ("IMF") (using 2004 as the base year instead of 1993, which was the base reference year used in the prior method of GDP calculation). Following changes in the methodology used in calculating GDP, the National Institute of Statistics (Instituto Nacional de Estadísticas y Censos or "INDEC" as per its acronym in Spanish) reported that Argentina's GDP's growth rate for 2013 was 3%, 0.5% for 2014, this decrease was principally due to the deceleration of the global economy and prevailing macroeconomic conditions in Argentina during 2014, and 2.3% for 2015. As of July 31, 2016, the Monthly Economic Activity Estimator (Estimador Mensual de Actividad Económica, or the "EMAE") decreased 5.9%, relative to the same period in the prior year, according to data published by the INDEC. Argentina's relative stability since 2002 has been affected by increased social and political tension and government intervention in the economy.

Our business depends to a significant extent on macroeconomic and political conditions in Argentina. In early December 2015 Mr. Mauricio Macri, was elected in Argentina. The President is expected, that hindered economic worth to continue promoting legal measures to reverse some of the previous presidential administrations, especially economic policies and exchange control regulations. However, until any changes in laws and regulations are enacted, we are uncertain how any such changes may affect our business and results of operations. Deterioration of the country's economy would likely have a significant adverse effect on our business, financial condition and results of operations.

There are concerns about the accuracy of Argentina's official inflation statistics.

In January 2007, the INDEC began to calculate the CPI, based on the monthly average of a weighted basket of consumer goods and services to reflect the pattern of consumption of Argentine households. At the time that the INDEC adopted this change in methodology the Argentine government also replaced several key officers at the INDEC, prompting complaints of governmental interference from the technical staff at the INDEC. In addition, the IMF requested a number of times that INDEC clarify its methodology for measuring inflation rates.

On November 23, 2010, the Argentine government began consulting with the IMF for technical assistance in order to prepare a new national CPI data with the aim of modernizing the current statistical system. During the first quarter of 2011, a team from the IMF started collaborating with the INDEC in order to create such an index. Notwithstanding such efforts, reports published by the IMF stated that its staff also used alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, and such measures have shown inflation rates that are considerably higher than those published by the INDEC since 2007. Consequently, the IMF called on Argentina to adopt measures to improve the quality of data used by the INDEC. At a meeting held on February 1, 2013, the Executive Board of the IMF emphasized that the progress in implementing remedial measures since September 2012 had been insufficient. As a result, the IMF has issued a declaration of censure against Argentina in connection with the breach of its related obligations to the IMF and called on Argentina to adopt remedial measures to address the inaccuracy of inflation and GDP data without further delay.

In order to address the quality of official data, a new consumer price index denominated Urban National Consumer's Price Index (Índice de Precios al Consumidor Nacional Urbano, or the "IPCNu"), was enacted on February 13, 2014. For the year ended December 31, 2014, the IPCNu was 23.9%. The IPCNu represents the first national indicator in Argentina to measure changes in prices of household goods for final consumption. While the previous price index only measured inflation in the Greater Buenos Aires area, the IPCNu is calculated by measuring prices of goods across the entire urban population of the 23 provinces of Argentina and the City of Buenos Aires. In addition, in February 2014, the INDEC released a new GDP index for 2013, equal to 3.0%, which differs from the GDP index originally released by the INDEC for the same period which was 5.5%. On December 15, 2014, the IMF recognized the progress of Argentine authorities to remedy the inaccurate provision of data, but has delayed the definitive evaluation of the new index. If the IMF finds that the methodology of INDEC for calculating a new measure of CPI or GDP is inaccurate, or concludes that its methodology should be adjusted, that could result in financial and economic consequences for Argentina, including a lack of access to financing from IMF. If the IMF adopts any measures that are adverse to Argentina, the Argentine economy could suffer adverse effects, either by limiting access to international financial markets or increasing the financing cost associated therewith, which in turn would adversely affect our financial condition and results of operations.

On January 8, 2016, as a result of the INDEC's historical inability to produce reliable statistical data, the Macri administration issued an emergency decree and ceased publication of national statistics. The INDEC suspended all publications of statistical data until the technical reorganization process was completed and the administrative structure of the INDEC was recomposed.

After this process of reorganization and recovery, the INDEC began to gradually publish official data. In this regard, on June 15, 2016, July 13, 2016, August 12, 2016, September 13, 2016 and October 13, 2016 the INDEC published inflation data of the months of in May, June, July, August and September reflecting a monthly increase of 4.2%, 3.1%, 2.0%, 0.2% and 1.1%, respectively; however, at the date hereof, the CPI for the first four months of 2016 has not been published.

In addition, on June 29, 2016, the INDEC recalculated historical GDP data dating back to 2014, and GDP was estimated at 2.3% in 2013, a contraction of 2.6% in 2014, an increase to 2.4% in 2015 and an increase to 0.5% the first six month of 2016. Uncertainty still remains regarding the reliability related to the inaccuracy of the economic indicators remains a factor that negatively affects the economy of Argentina and our business. However, on October 5, 2016, concluded the first IMF audit over the Argentine's public accounts, saying that the new government has achieved an important progress. As of the date of this annual report, the Argentine government was waiting for the final report of the IMF, which will possibly include the lifting of the censure against Argentina.

Notwithstanding these measures to address appropriate inflation statistics, there are private reports implying significantly higher inflation rates than the official reports of the INDEC. Despite the changes adopted by the INDEC to the measurement procedure with the IPCNu, there are still some differences between the figures resulting from this indicator and those recorded by private consultants, the Argentine Congress and the provincial statistic agencies. If it is determined that it is necessary to unfavorably adjust the consumer price index and other INDEC indices, there could be a significant decrease in confidence in the Argentine economy, which could, in turn, have a material adverse effect on us.

Continuing high inflation may impact the Argentine economy and adversely affect our results of operations.

Inflation has, in the past, materially undermined the Argentine economy and the government's ability to foster conditions that would permit stable growth. In recent years, Argentina has confronted inflationary pressures, evidenced by significantly higher fuel, energy and food prices, among other factors. According to data published by the INDEC, the rate of inflation reached 10.9% in 2010, 9.5% in 2011, 10.8% in 2012, 10.9% in 2013, 23.9% in 2014, 11.9% in the ten-month period ended October, 31 2015. In response, the prior Argentine administration implemented programs to control inflation and monitor prices for essential goods and services, including freezing the prices of key products and services, and price support arrangements agreed between the Argentine government and private sector companies in several industries and markets.

In November 2015, the INDEC suspended the publication of the CPI. According to the most recent publicly available information based on data from the Province of San Luis, the CPI grew by 31.6% in 2015 and the inflation rate was 6.5%, 4.2%, 2.7%, 3.0% and 3.4% in December 2015 and January, February, March and April 2016, respectively. According to the most recent publicly available information based on data from the City of Buenos Aires, the CPI grew by 26.9% in 2015 and the inflation rate was 3.9%, 4.1%, 4.0%, 3.3% and 6.5% in December 2015 and January, February, March and April 2016, respectively. After implementing certain methodological reforms and adjusting certain macroeconomic statistics on the basis of these reforms, in June 2016 the INDEC resumed its CPI publications. According to the INDEC, Argentina's rate of inflation rate was 4.2%, 3.1%, 2.0%, 0.2% and 1.1% in May, June, July, August and September 2016, respectively.

A high inflation environment would undermine Argentina's foreign competitiveness by diluting the effects of a peso devaluation, negatively impact the level of economic activity and employment and undermine confidence in Argentina's banking system, which could further limit the availability of domestic and international credit to businesses. In turn, a portion of the Argentine debt is adjusted by the Stabilization Coefficient ("Coeficiente de Estabilización de Referencia", or "CER"), a currency index, that is strongly related to inflation. Therefore, any significant increase in inflation would cause an increase in the Argentine external debt and consequently in Argentina's financial obligations, which could exacerbate the stress on the Argentine economy. A high level of uncertainty and a general lack of stability in terms of inflation could also lead to shortened contractual terms and affect the ability to plan and make decisions.

Inflation rates could escalate in the future, and there is uncertainty regarding the effects that the measures adopted, or that may be adopted in the future, by the Argentine government to control inflation may have. If inflation remains high or continues to rise, Argentina's economy may be negatively impacted and our results of operations could be materially affected.

Foreign shareholders of companies operating in Argentina have initiated investment arbitration proceedings against Argentina that have resulted and could result in arbitral awards and/or injunctions against Argentina and its assets and, in turn, limit its financial resources.

In response to the emergency measures implemented by the Argentine government during the 2001-2002 economic crisis, a number of claims were filed before the International Centre for Settlement of Investment Disputes (the "ICSID") against Argentina. Claimants allege that the emergency measures were inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties by which Argentina was bound at the time.

As of the date of this annual report, there are four final awards issued by ICSID tribunals against Argentina for an aggregate total amount of US$470.66 million and Argentina is seeking the annulment of four additional awards for an aggregate total amount of US$831.73 million. There are six ongoing cases against Argentina before ICSID with claims totaling US$2.15 billion (including two cases with claims for amounts that are currently undetermined), and in

three of these cases (with aggregate claims for US$2.08 billion) the ICSID tribunal has already ruled that it has jurisdiction. There are eight additional cases with claims totaling US$6.17 billion in which the parties agreed to suspend the proceedings pending settlement discussions (including the proceedings initiated by Task Force Argentina, an Italian bondholder association known as "TFA"). A successful completion of these negotiations could lead additional ICSID claimants to withdraw their claims, although Argentina can offer no assurance to this effect.

It is not certain that Argentina will prevail in having any or all of those cases dismissed, or that if awards in favor of the plaintiffs are granted, that it will succeed in having those awards annulled.

Claimants have also filed claims before arbitral tribunals under the rules of the United Nations Commission on International Trade Law ("UNCITRAL") and under the rules of the International Chamber of Commerce ("ICC"). As of the date of this annual report, there are three final awards against Argentina for an aggregate total amount of US$246.27 million and Argentina is seeking the annulment of an additional award for US$96,509 million. There are three ongoing cases against Argentina before UNCITRAL and ICC tribunals with claims totaling US$625.08 million, including one case with a US$507.80 million claim in which the tribunal has already ruled that it has jurisdiction. There is one additional case with a claim of US$168.69 million in which the parties agreed to suspend the proceedings pending settlement discussions.

We cannot give any assurance that Argentina will prevail in having any or all of those cases dismissed, or that if awards in favor of the plaintiffs are granted, that it will succeed in having those awards annulled.

Ongoing claims before the ICSID tribunal and other arbitral tribunals could lead to new awards against Argentina, which could have a material adverse effect on our capacity to access to international credit.

Significant fluctuation in the value of the Peso may adversely affect the Argentine economy as well as our financial performance.

Since the strengthening of exchange controls began in late 2011, and upon the introduction of measures that have limited access to foreign currency by private companies and individuals (such as requiring an authorization of tax authorities to access the foreign currency exchange market), the implied exchange rate, as reflected in the quotations for Argentine securities that trade in foreign markets compared to the corresponding quotations in the local market, has increased significantly over the official exchange rate. These measures were lifted on December 16, 2015. However, any reenactment of these measures may prevent or limit us from offsetting the risk derived from our exposure to the U.S. dollar and, if so, we cannot predict the impact of these changes on our financial condition and results of operations.

If the Peso continues to depreciate, all of the negative effects on the Argentine economy related to such devaluation could reappear, with adverse consequences on our business. Moreover, it would likely result in a material adverse effect in our business as a result of the exposure to financial commitments denominated in U.S. Dollar. While certain of our office space leases are denominated in U.S. dollars, we are only partially protected against depreciation of the Peso as payment is fixed in Pesos and there can be no assurance we will be able to maintain our U.S. Dollar-denominated leases.

On the other hand, a substantial increase in the value of the Peso against the U.S. Dollar also presents risks for the Argentine economy. The appreciation of the Peso against the U.S. Dollar negatively impacts the financial condition of entities whose foreign currency denominated assets exceed their foreign currency-denominated liabilities, such as us. In addition, in the short term, a significant real appreciation of the Peso would adversely affect exports. This could have a negative effect on GDP growth and employment as well as reduce the Argentine public sector's revenues by reducing tax collection in real terms, given its current heavy reliance on taxes on exports. The appreciation of the Peso against the U.S. Dollar could have an adverse effect on the Argentine economy and our business.

Certain measures that may be taken by the Argentine government may adversely affect the Argentine economy and, as a result, our business and results of operations

In the past, the Argentine government has increased its direct intervention in the economy through the implementation or change of laws and regulations, such as, nationalizations or expropriations; restrictions on production, imports and exports; exchange and/or transfer restrictions; direct and indirect price controls; tax increases, changes in the interpretation or application of tax laws and other retroactive tax claims or challenges; cancellation of contract rights; or delays or denials of governmental approvals.

In November 2008, the Argentine government enacted Law No. 26,425 which provided for the nationalization of the Administradoras de Fondos de Jubilaciones y Pensiones. More recently, beginning in April 2012, the Argentine government provided for the nationalization of YPF S.A. and imposed major changes to the system under which oil companies operate, principally through the enactment of Law No. 26,741 and Decree No. 1277/2012. In February 2014, the Argentine government and Repsol S.A. (the former principal shareholder of YPF S.A.) announced that they had reached agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF S.A.

shares. Such compensation totaled US$5 billion, payable by delivery of Argentine sovereign bonds with various maturities. In April 23, 2014, the agreement with Repsol was approved by the Argentine Congress and accordingly, in May 8, 2014, Repsol, S.A. received the relevant Argentine government bonds.

Additionally, on December 19, 2012, the Argentine government issued Decree No.2552/12, which, ordered the expropriation of the "Predio Rural de Palermo." However, on January 4, 2013, the Federal Civil and Commercial Chamber granted an injunction that momentarily blocked the enforceability of Decree N° 2,552/2012; notwithstanding the foregoing on June 1, 2015, the injunction was released. On June 2, 2015, this decision was appealed, and as a result the aforementioned injuction is still effective and the effects of the Decree No.2552/12 remain blocked as of the date hereof. The Argentine government filed a motion to revoke the injuction which was rejected by the Federal Civil and Commercial Chamber and as a consequence the Argentine government filed an extraordinary motion with the Supreme Court, which was rejected and therefore the injunction remains effective. as of the date of this annual report the Argentine government has answered the claim and requested the registration of the litis. The court granted the registration of the litis and ordered to notify the plaintiff of the answer of the claim filed by the Argentine Government however the notification has not been received by the plaintiff. The Decree No.2552/12 may indirectly affect IRSA's investment in Entertainment Holding S.A. ("EHSA").

Furthermore, on May 18, 2015, we were notified that the Agencia de Administración de Bienes del Estado ("AABE"), revoked the concession agreement granted to our subsidiary Arcos del Gourmet S.A., through Resolution No. 170/2014. On June 2, 2015, we filed before the AABE a request to declare the notification void, as certain formal proceedings required under Argentine law have not been complied by the AABE. Furthermore, we filed an administrative appeal requesting the dismissal of the revocation of the agreement and a lawsuit seeking to declare the Resolution No. 170/2014 void. We also filed a lawsuit in order to judicially pay the monthly rental fees of the property. As of the date of this annual report, the "Distrito Arcos" shopping center continues to operate normally.

There are other recent examples of government intervention. In December 2012 and August 2013, the Argentine Congress established new regulations relating to domestic capital markets. The new regulations generally provide for increased intervention in the capital markets by the government, authorizing, for example, the CNV to appoint observers with the ability to veto the decisions of the board of directors of companies admitted to the public offering regime under certain circumstances and suspend the board of directors for a period of up to 180 days. Notwithstanding, the new government is working on an amendment to the Capital Markets Law, which will, among other things, take off the CNV the authorization to appoint observers mentioned before.

We cannot assure you that these or other measures that may be adopted by the Argentine government, such as expropriation, nationalization, forced renegotiation or modification of existing contracts, new taxation policies, changes in laws, regulations and policies affecting foreign trade, investment, etc., will not have a material adverse effect on the Argentine economy and, as a consequence, adversely affect our financial condition, our results of operations and the market value of our securities.

The Argentine presidential, congressional and certain municipal and state government elections that were held in October and November 2015 generated political uncertainty as to whether the new Argentine government, which took office on December 10, 2015, would implement changes in policy or regulation that could adversely affect the Argentine economy. As of the date of this annual report, the Argentine government has adopted a series of economic actions and foreign exchange regulations whose effects will be seen in the coming months. The President of Argentina and the Congress each have considerable power to determine governmental policies and actions that relate to the Argentine economy and, consequently, may affect our results of operations or financial condition. We can offer no assurances that the policies that may be implemented by the new Argentine government will not adversely affect our business, results of operations or financial condition.

The Argentine government may order salary increases to be paid to employees in the private sector, which would increase our operating costs.

In the past, the Argentine government has passed laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees and may do so again in the future. In the aftermath of the Argentine economic crisis, employers both in the public and private sectors experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. In August 2012, the Argentine government established a 25% increase in minimum monthly salary to Ps.2,875, effective as of February 2013. The Argentine government increased the minimum monthly salary to Ps.3,300 in August 2013, to Ps.3,600 in January 2014, to Ps.4,400 in September 2014, to Ps.4,716 in January 2015, to Ps.5,588 in August 2015 and to Ps.6,060 from January 2016. Due to ongoing high levels of inflation, employers in both the public and private sectors continue to experience significant pressure from unions and their employees to increase salaries. During the first months of the year 2016, various unions have agreed with employers' associations on salary increases between 30% and 35%.

In the future, the government could take new measures requiring salary increases or additional benefits for workers, and the labor force and labor unions may apply pressure for such measures. As of the date of this annual report, the government and labor representatives were engaged in negotiations to set national guidelines for salary increases during 2016. Any such increase in wage or worker benefit could result in added costs and reduced results operations for Argentine companies, including us.

Property values in Argentina could decline significantly.

Property values are influenced by multiple factors that are beyond our control, such as a decrease in the demand for real estate properties due to a deterioration of macroeconomic conditions or an increase in supply of real estate properties that could adversely affect the value of real estate properties. We cannot assure you that property values will increase or that they will not be reduced. Most of the properties we own are located in Argentina. As a result, a reduction in the value of properties in Argentina could materially affect our business.

Restrictions on transfers of foreign currency and the repatriation of capital from Argentina may impair our ability to pay dividends and distributions.

According to current Argentine practices the Argentine government may impose restrictions on the exchange of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds from investments in Argentina in circumstances where a serious imbalance develops in Argentina's balance of payments or where there are reasons to foresee such an imbalance. Beginning in December 2001, the Argentine government implemented a number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad without prior approval by the Central Bank, some of which are still in effect. With the administration of President Macri, many of the ongoing restrictions were lifted.

On January 7, 2003, the Central Bank issued communication "A" 3859, which is still in force and pursuant to which there are no limitations on companies' ability to purchase foreign currency and transfer it outside Argentina to pay dividends, provided that those dividends arise from net earnings corresponding to approved and audited financial statements. The transfer of funds abroad by local companies to pay annual dividends only to foreign shareholders, based on approved and fully audited financial statements, does not require formal approval by the Central Bank.

Notwithstanding the above, for many years, and as a consequence of a decrease in availability of U.S. dollars in Argentina, the previous Argentine government imposed informal restrictions on certain local companies and individuals for purchasing foreign currency. These restrictions on foreign currency purchases started in October 2011 and tightened thereafter through the date of this annual report. As a result of these informal restrictions, local residents and companies may be prevented from purchasing foreign currency through the foreign exchange market ("Mercado Único y Libre de Cambios" or "Exchange Market") for the purpose of making payments abroad, such as dividends, capital reductions, and payment for importation of goods and services.

Together with the new government administration, such restrictions and other foreign exchange control measures were lifted, towards opening Argentina's foreign exchange market. In this sense, on December 17, 2015, Communication "A" 5850 of the Central Bank reestablished the possibility for non-Argentinean residents to repatriate their investment capital and, recently, Communication "A" 6037 of the Central Bank defined the new regulations that apply to the acquisition of foreign currency and the elimination of all other restrictions that impair residents and non-residents to have access to the FX market.

However, in the future, the Argentine government or the Central Bank may impose formal restrictions to the payment of dividends abroad and established additional requirements. Any restrictions on transferring funds abroad imposed by the government could undermine our ability to pay dividends on our ADSs in U.S. Dollars.

Exchange controls and restrictions on transfers abroad and capital inflow restrictions have been limited in the past and may limit the availability of international credit.

Until December 2015, many foreign exchange restrictions and controls imposed by the Argentine government had limited the ability of companies and individuals to access the Exchange Market. On December 16, 2015, the new authorities issued Communication "A" 5850 of the Central Bank, lifting most of the restrictions then in place. Among these measures, free access to the Exchange Market was granted for the purchase of foreign currency intended for general purposes, without the need for the Central Bank's or AFIP's previous consent, and the requirement to deposit 30% of certain capital inflows into Argentina was eliminated, subsequently extended by Communication "A" 5963 and 5964. Also, on August 8, 2016, the Central Bank issued Communication "A" 6037, in which the exchange regulations, including the obligation was removed substantially redefined to justify with documentation each change operation, the daily and monthly to operate caps were removed to internet banking and exchange freely chosen schedule to operate

and Communication a "4805" limiting repealed was allowed conducting derivative transactions with foreign countries, risks denying coverage to many companies, especially small and medium size enterprises.

Although these recent changes in the foreign exchange policies tend to allow free access by companies and individuals to the Exchange Market, certain limitations remain in effect including the following:

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The proceeds of foreign currency sales in the Exchange Market exceeding the peso equivalent of US$2,500 per month must be credited in pesos in a checking or savings account with a local financial institution;

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It is no longer necessary that the proceeds of external indebtedness be entered or settled in the local foreign exchange market;

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Any external indebtedness incurred or renewed after December 17, 2015, must remain in Argentina for a period of at least 120 calendar days from the date the proceeds were transferred into Argentina; and

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Capital inflows into the local foreign exchange market must be credited in an account opened with a local financial institution.

Notwithstanding the measures adopted by the Macri administration, which lifted certain exchange and capital controls, in the future the Argentine government could impose further exchange controls or restrictions on the movement of capital and/or take other measures in response to capital flight or a significant depreciation of the peso, which could limit our ability to access the international capital markets. Such measures could lead to political and social tensions and undermine the Argentine government's public finances, as has occurred in the past, which could adversely affect Argentina's economy and prospects for economic growth. For more information, see "Local Exchange Market and Exchange Rates."

The Argentine economy could be adversely affected by political and economic developments in other global markets.

Argentina's economy is vulnerable to external shocks that could be caused by adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina's major trading partners (including Brazil, the European Union, China and the United States) could have a material adverse impact on Argentina's balance of trade and adversely affect Argentina's economic growth. In 2015, there were declines in exports of 14% with Chile, 26% with MERCOSUR (Brazil) and 16% with NAFTA (the United States, Mexico and Canada), each as compared to 2014. Declining demand for Argentine exports could have a material adverse effect on Argentina's economic growth. For example, the recent significant depreciation of the Brazilian and Chinese currencies and the current slowdown of their respective economies may negatively affect the Argentine economy. Moreover, the political and social instability in Brazil, which includes the recent removal of the President Dilma Rousseff from office following an impeachment vote in the Senate, may have an adversely impact on Argentine's economy.

In addition, financial and securities markets in Argentina have been influenced by economic and market conditions in other markets worldwide. Such was the case in 2008, when the global economic crisis led to a sudden economic decline in Argentina in 2009, accompanied by inflationary pressures, depreciation of the peso and a drop in consumer and investor confidence. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into other countries. International investors' reactions to events occurring in one market sometimes demonstrate a "contagion" effect in which an entire region or class of investment is disfavored by international investors. Argentina could be adversely affected by negative economic or financial developments in other countries, which in turn may have an adverse effect on our financial condition and results of operations. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility. Moreover, Argentina may also be affected by other countries that have influence over world economic cycles.

The international economy is showing contradictory signals of global growth, leading to significant financial uncertainty. There is growing concern about the deceleration of growth in China in particular as well as the significant decline in global commodity prices, particularly oil and gas. In addition, emerging market economies have been affected by the recent change in the U.S. monetary policy, resulting in the unwinding of investments and increased volatility in the value of their currencies. If interest rates rise significantly in developed economies, including the United States, emerging market economies, including Argentina, could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. There is also global uncertainty about the degree of economic recovery in the United States, with no substantial positive signals from other developed countries. Moreover, the recent challenges faced by the European Union to stabilize certain of its member economies, such as Greece, have had and may continue to have international implications affecting the stability of global financial markets, which has hindered economies worldwide.

The effects of the United Kingdom's vote to exit from the European Union and its impact on economic conditions in Latin America and Argentina and, particularly, on our business, financial condition, results of operations, prospects and trading of our notes are uncertain.

On June 23, 2016, the United Kingdom voted in favor of the United Kingdom exiting the European Union. As of the date of this annual report, the actions that the United Kingdom will take to effectively exit from the European Union or the length of such process are uncertain. The results of the United Kingdom's referendum have caused, and are anticipated to continue causing, volatility in the financial markets, which may in turn have a material adverse effect on our business, financial condition and results of operations.

A decline in the international prices for Argentina's main commodity exports could have an adverse effect on Argentina's economic growth and on our business.

High commodity prices have contributed significantly to the increase in Argentine exports since the third quarter of 2002 as well as in governmental revenues from export taxes (withholdings). However, this reliance on the export of certain commodities, such as soy, has made the Argentine economy more vulnerable to fluctuations in their prices. In December 2015, the new Argentine administration announced a plan to gradually reduce the exports tax payable by soy growers from January 2018 to December 2019, and eliminated export taxes on wheat, corn, sorghum and sunflower, in an attempt to encourage exports.

If international commodity prices decline, the Argentine government's revenues would decrease significantly affecting Argentina's economic activity. Accordingly, a decline in international commodity prices could adversely affect Argentina's economy, which in turn would produce a negative impact on our financial condition and results of operations.

In addition, adverse weather conditions can affect the production of commodities by the agricultural sector, which account for a significant portion of Argentina's export revenues. These circumstances would have a negative impact on the levels of government revenues, availability of foreign exchange and the government's ability to service its sovereign debt, and could either generate recessionary or inflationary pressures, depending on the government's reaction. Either of these results would adversely impact Argentina's economy growth and, therefore, our business, financial condition and results of operations.

Restrictions on the supply of energy could negatively affect Argentina's economy.

As a result of prolonged recession and the forced conversion into Pesos and subsequent freeze of natural gas and electricity tariffs in Argentina, there has been a lack of investment in natural gas and electricity supply and transport capacity in Argentina in recent years. At the same time, domestic demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and the implementation of price constraints, which has prompted the government to adopt a series of measures that have resulted in industry shortages and/or costs increase. In particular, Argentina has been importing natural gas in order to compensate for shortages in local production. In order to pay for natural gas imports, the Argentine government has frequently used the Central Bank reserves due to the absence of incoming currencies from investment. If the government is unable to pay for the natural gas imported in order to produce electricity, business and industries may be adversely affected.

The Argentine government has been taking a number of measures to alleviate the short-term impact of energy shortages on residential and industrial users. If these measures prove to be insufficient, or if the investment that is required to increase natural gas production, transportation capacity and energy generation over the medium-and long-term fails to materialize on a timely basis, economic activity in Argentina could be curtailed which may have a significant adverse effect on our business.

As a first step of these measures, subsidies on energy tariffs were withdrawn from industries and high income consumers. Additionally, since 2011, a series of rate increases and the reduction of subsidies mainly among industries and high-income consumers were implemented. In February 2016, the Argentine government revised the tariff schedule for electricity and gas rates and eliminated the subsidies for these utilities, (except for tariffs for certain economically vulnerable sectors). As a result, energy costs are expected to increase by 500% or more. By correcting tariffs, modifying the regulatory framework and reducing the federal government's role as an active market participant, the new administration aims to correct distortions in the energy sector and stimulate investment. In July 2016, a federal court in the city of La Plata suspended the increase in gas tariffs across the Province of Buenos Aires. In addition, on August 3, 2016, a federal court in San Martin suspended the increase in gas tariffs across the country until a public hearing to discuss the electricity tariffs increase is set. The case was brought before the Supreme Court of Argentina, and on August 18, 2016, the Supreme Court of Argentina upheld the suspension of gas tariffs increase to residential customers, arguing that a tariffs increase could not be established without public hearings. A public hearing on the increase was held on September 16, 2016 and as result, the increase in gas tariffs will be increased by approximately 203% in October 2016, with semi-annual increases until 2019. In relation to other services (water, transport and electricity), the government announced that other public meetings will be held in mid-October.

High public expenditure could result in long-lasting adverse consequences for the Argentine economy.

Over the last several years, the Argentine government has substantially increased public expenditures. In 2014, public sector expenditures increased by 43% year-over-year and the government reported a primary fiscal deficit of 0.9%. During recent years, the Argentine government has resorted to the Central Bank and to the Administración Nacional de la Seguridad Social (Federal Social Security Agency, or "ANSES", as per its acronym in Spanish) to source part of its funding requirements. In 2015, this trend continued as the primary fiscal balance showed a deficit of 5.4% as of December 31, 2015.

Recently, the Argentine government has begun adjusting its subsidy policies, particularly those related to energy, electricity and gas, water and public transportation. Changes in these policies could materially and adversely impact consumer purchase capacity and economic activity and may lead to an increase in prices.

Moreover, the primary fiscal balance could be negatively affected in the future if public expenditures continue to increase at a rate higher than revenues as a result of subsidies to lower-income sectors, social security benefits, financial assistance to provinces with financial problems, increased spending on public works and subsidies to the energy and transportation sectors. A further deterioration in fiscal accounts could negatively affect the government's ability to access the long-term financial markets and could in turn result in more limited access to such markets by Argentine companies.

RISKS RELATING TO OUR BUSINESS

We are subject to risks inherent to the operation of shopping centers that may affect our profitability.

Our shopping centers are subject to various factors that affect their development, administration and profitability, including:

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decline in our lease prices or increases in levels of default by our tenants due to economic conditions, increases in interest rates and other factors that we cannot control;

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the accessibility and the attractiveness of the area where the shopping center is located;

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the intrinsic attractiveness of the shopping center;

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the flow of people and the level of sales of each shopping center rental unit;

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increasing competition from internet sales;

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the amount of rent collected from each shopping center rental unit;

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changes in consumer demand and availability of consumer credit (considering the limits impose by the Central Bank to interest rates charged by financial institutions), both of which are highly sensitive to general macroeconomic conditions; and

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fluctuations in occupancy levels in our shopping centers.

An increase in our operating costs, caused by inflation or by other factors, could have a material adverse effect on us if our tenants are unable to pay higher rent due to the increase in expenses. Moreover, the shopping center business is closely related to consumer spending and by prevailing economic conditions that affect potential customers. All of our shopping centers and commercial properties, under Operations Center in Argentina, are located in Argentina, and, as a consequence, their business could be seriously affected by a recession in Argentina. For example, during the economic crisis in Argentina, spending decreased significantly, unemployment, political instability and inflation significantly

reduced consumer spending in Argentina, lowering tenants' sales and forcing some tenants to leave our shopping centers. Persistently poor economic conditions in Argentina will likely have a material adverse effect on the revenues from shopping center activity and thus on our business.

Our assets are highly concentrated in certain geographic areas and an economic downturn in such areas could have a material adverse effect on our results of operations and financial condition.

For the fiscal year ended June 30, 2016, 78% of our sales from leases and services for the Operations Center in Argentina were derived from shopping centers located in the City of Buenos Aires and the Greater Buenos Aires metropolitan area. In addition, all of our office buildings are located in the City of Buenos Aires and a substantial portion of our revenues in Argentina are derived from such properties. Although we own properties and may acquire or develop additional properties outside of the City of Buenos Aires and the Greater Buenos Aires, we expect to continue to depend to a large extent on economic conditions affecting those areas and therefore an economic downturn in those areas could have a material adverse effect on our financial condition and results of operations by reducing our rental income may adversely affect our ability to meet our debt obligations.

Our performance is subject to risks associated with our properties and with the real estate industry.

Our economic performance and the value of our real estate assets are subject to the risk that our properties may not be able to generate sufficient revenues to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to service our debt and to cover other expenses may be adversely affected.

Events or conditions beyond our control that may adversely affect our operations or the value of our properties include:

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downturns in the national, regional and local economic climate;

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volatility and decline in discretionary spending;

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competition from other shopping centers and office, and commercial buildings;

- local real estate market conditions, such as oversupply or reduction in demand for retail, office, or other commercial space;

- decreases in consumption levels;

- changes in interest rates and availability of financing;

- the exercise by our tenants of their legal right to early termination of their leases;

- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;

- increased operating costs, including insurance expense, salary increases, utilities, real estate taxes, state and local taxes and heightened security costs;

- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;

- significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs;

- declines in the financial condition of our tenants and our ability to collect rents from our tenants;

- changes in our ability or our tenants' ability to provide for adequate maintenance and insurance, possibly decreasing the useful life of and revenue from property;

- changes in law or governmental regulations (such as those governing usage, zoning and real property taxes) or government action such as expropriation, confiscation or revocation of concessions; and

- judicial interpretation of the New Civil and Commercial Code (in force from August 1, 2015) which may be adverse to our interests.

If any one or more of the foregoing conditions were to affect our business, it could have a material adverse effect on our financial condition and results of operations.

An adverse economic environment for real estate companies such as a credit crisis may adversely impact our results of operations and business prospects significantly.

The success of our business and profitability of our operations depend on continued investment in the real estate sector and access to capital and debt financing. A long term crisis of confidence in real estate investments and lack of credit for acquisitions may constrain our growth. As part of our business goals, we intend to increase our properties portfolio though strategic acquisitions of core properties at advantageous prices, where we believe we can bring the necessary expertise to enhance property values. In order to pursue acquisitions, we may need access to equity capital and/or debt financing. Any disruptions in the financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact our ability to refinance existing debt and the availability and cost of credit in the near future. Any consideration of sales of existing properties or portfolio interests may be tempered by decreasing property values. Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness depends on our operating and financial performance, which in turn is subject to prevailing economic conditions. If a recurrence of the disruptions in financial markets remains or arises in the future, there can be no assurances that government responses to such disruptions will restore investor confidence, stabilize the markets or increase liquidity and the availability of credit.

We may face risks associated with property acquisitions.

We have in the past acquired, and intend to acquire in the future, properties, including large properties that would increase our size and potentially alter our capital structure. Although we believe that the acquisitions that we have completed in the past and that we expect to undertake in the future have, and will, enhance our future financial performance, the success of such transactions is subject to a number of uncertainties, including the risk that:

- we may not be able to obtain financing for acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates; and
- acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures.

If we acquire new properties, we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and to manage new properties in a way that allows us to realize cost savings and synergies, which could impair our results of operations.

Our future acquisitions may be unprofitable.

We intend to acquire additional properties to the extent that we manage to acquire them on advantageous terms and conditions and they meet our investment criteria. Acquisitions of commercial properties entail general investment risks associated with any real estate investment, including:

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our estimates of the cost of improvements needed to bring the property up to established standards for the market may prove to be inaccurate;

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properties we acquire may fail to achieve, within the time frames we project, the occupancy or rental rates we expect to achieve at the time we make the decision to acquire, which may result in the properties' failure to achieve the returns we projected;

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our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs, which could significantly increase our total acquisition costs; and

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our investigation of a property or building prior to its acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

If we acquire a business, we will be required to merge and integrate the operations, personnel, accounting and information systems of such acquired business. In addition, acquisitions of or investments in companies may cause disruptions in our operations and divert management's attention away from day-to-day operations, which could impair our relationships with our current tenants and employees.

Properties we acquire may subject us to unknown liabilities.

Properties that we acquire may be subject to unknown liabilities and we would have no recourse, or only limited recourse to the former owners of the properties. Thus, if a liability were asserted against us based upon ownership of an acquired property, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow. Unknown liabilities relating to acquired properties could include:

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liabilities for clean-up of undisclosed environmental contamination;

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law reforms and governmental regulations (such as those governing usage, zoning and real property taxes); and

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liabilities incurred in the ordinary course of business.

Our dependence on rental income may adversely affect our ability to meet our debt obligations.

A substantial part of our income is derived from rental income from real property. As a result, our performance depends on our ability to collect rent from tenants. Our income and funds for distribution would be negatively affected if a significant number of our tenants:

- delay lease commencements;
- decline to extend or renew leases upon expiration;
- fail to make rental payments when due; or
- close stores or declare bankruptcy.

Any of these actions could result in the termination of leases and the loss of rental income attributable to the terminated leases. In addition we cannot assure you that any tenant whose lease expires will renew that lease or that we will be able to re-lease space on economically advantageous terms or at all. The loss of rental revenues from a number of our tenants and our inability to replace such tenants may adversely affect our profitability and our ability to meet debt and other financial obligations.

It may be difficult to buy and sell real estate quickly and transfer restrictions may apply to part of our portfolio of properties.

Real estate investments are relatively illiquid and this tends to limit our ability to vary our portfolio in response to changes in the economy or other conditions. In addition, significant expenditures associated with each investment, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a decrease in income from an investment. If income from a property declines while the related expenses do not decline, our business would be adversely affected. Further, if it becomes necessary or desirable for us to dispose of one or more of our mortgaged properties, we may not be able to obtain a release of the lien on the mortgaged property without payment of the associated debt. The foreclosure of a mortgage on a property or inability to sell a property could adversely affect our business.

Some of the land we have purchased is not zoned for development purposes, and we may be unable to obtain, or may face delays in obtaining, the necessary zoning permits and other authorizations.

We own several plots of land which are not zoned for the type of projects we intend to develop. In addition, we do not yet have the required land-use, building, occupancy and other required governmental permits and authorizations for these properties. We cannot assure you that we will continue to be successful in our attempts to rezone land and to obtain all necessary permits and authorizations, or that rezoning efforts and permit requests will not be unreasonably delayed or rejected. Moreover, we may be affected by building moratorium and anti-growth legislation. If we are unable to obtain all of the governmental permits and authorizations we need to develop our present and future projects as planned, we may be forced to make unwanted modifications to such projects or abandon them altogether.

Our ability to grow will be limited if we cannot obtain additional financing.

We must maintain liquidity to fund our working capital, service our outstanding indebtedness and finance investment opportunities. Without sufficient liquidity, we could be forced to curtail our operations or we may not be able to pursue new business opportunities.

Our growth strategy is focused on the development and redevelopment of properties we already own and the acquisition and development of additional properties. As a result, we are likely to depend to an important degree on the availability of debt or equity capital, which may or may not be available on favorable terms or at all. We cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital markets depends on a number of factors, including the market's perception of our growth potential, our ability to pay dividends, our financial condition, our credit rating and our current and potential future earnings. Depending on these factors, we could experience delays or difficulties in implementing our growth strategy on satisfactory terms or at all.

The capital and credit markets have been experiencing extreme volatility and disruption since the last credit crisis. If our current resources do not satisfy our liquidity requirements, we may have to seek additional financing. The availability of financing will depend on a variety of factors, such as economic and market conditions, the availability of credit and our credit ratings, as well as the possibility that lenders could develop a negative perception of the prospects of our company or the industry generally. We may not be able to successfully obtain any necessary additional financing on favorable terms, or at all.

Serious illnesses and pandemics, such as the 2009 outbreak of Influenza A H1N1 virus (the "Swine Flu") and the current Zika virus, have in the past adversely affected consumer and tourist activity, may do so in the future and may adversely affect our results of operations.

As a result of the outbreak of Swine Flu during the winter of 2009, consumers and tourists dramatically changed their spending and travel habits to avoid contact with crowds. Furthermore, several governments enacted regulations limiting the operation of schools, cinemas and shopping centers. Even though the Argentine government only issued public service recommendations to the population regarding the risks involved in visiting crowded places, such as shopping centers, and did not issue specific regulations limiting access to public places, a significant number of consumers nonetheless changed their habits vis-a-vis shopping centers and malls. Similarly, the current zika virus pandemic may result in similar courses and outcomes. We cannot assure you that a new disease outbreak or health hazard (such as the Ebola outbreak in recent years) will not occur in the future, or that such an outbreak or health hazard would not significantly affect consumer and/or tourist activity, and that such scenario would not adversely affect our businesses.

Adverse incidents that occur in our shopping centers may result in damage to our image and a decrease in the number of customers.

Given that shopping centers are open to the public, with ample circulation of people, accidents, theft, robbery and other incidents may occur in our facilities, regardless of the preventative measures we adopt. In the event such an incident or series of incidents occurs, shopping center customers and visitors may choose to visit other shopping venues that they believe are safer and less violent, which may cause a reduction in the sales volume and operating income of our shopping centers.

Argentine Law governing leases imposes restrictions that limit our flexibility.

Argentine laws governing leases impose certain restrictions, including the following:

- a prohibition on including automatic price adjustment clauses based on inflation increases in lease agreements; and

- the imposition of a two-year minimum lease term 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 due to the circumstances, the subject matter of the lease agreement requires a shorter term.

As a result of the foregoing, we are exposed to the risk of increases of inflation under our leases, and the exercise of rescission rights by our tenants could materially and adversely affect our business. We cannot assure you that our tenants will not exercise such right, especially if rent values stabilize or decline in the future or if economic conditions deteriorate.

In addition, on October 1, 2014, the Argentine Congress adopted a new Civil and Commercial Code (the “Civil and Commercial Code”) which became effective on June 30, 2015, and is in force since August 1, 2015, requires that lease agreements provide for a minimum term of two years, and a maximum term of twenty years for residential leases and of fifty years for other leases. Furthermore, the Civil and Commercial Code modifies the regime applicable to contractual provisions relating to foreign currency payment obligations by establishing that foreign currency payment obligations may be discharged in Pesos. This amends the legal framework currently in force, pursuant to which debtors may only discharge their foreign currency payment obligations by making payment in the specific foreign currency agreed upon in their agreements; although the option to discharge in Pesos a foreign currency obligation may be waived by the debtor is still under discussion. Although certain judicial decisions have held that this regulation regarding foreign currency can be set aside by the parties to an agreement, it is still too early to determine whether or not this legal provision can be set aside in an agreement as a general rule. Moreover, and regarding the new provisions for leases, there are no judicial decisions on the scope of this amendment and, in particular, in connection with the ability of the parties to any contract to set aside the new provision and enforce such agreements before an Argentine court.

We may be liable for some defects in our buildings.

According to the Argentine Civil Code as previously in effect, the builder of a real estate development was liable in case of property damage – meaning the damages compromises the structure and/or the defects render the building no longer useful – for a period of 10 years since the possession of the property; on the other hand, the builder was liable for latent defects, even when those defects did not imply significant property damage. In addition, the Argentine Civil Code as previously in effect, provided that such liability was extended to the technical project manager and the designer of any given project. Furthermore, in certain cases, such as when consumer law was involved, the liability could be extended to the developer. The Civil and Commercial Code, which became effective on August 1, 2015, has similar provisions and expressly extends the liability for such damage to real estate developers (i.e., any person who sells real estate built by either themselves or by a third party contractor), and any other person involved in the project, in addition to the liability of the builder, the technical project manager and the designer of the project. According to the Civil and Commercial Code, the warranty period for latent defects expires after three years after the client takes possession of the real estate, and both the builder and the seller are liable for such defects.

In our real estate developments we usually act as developers and sellers and we build through third-party contractors. Absent a specific claim, we cannot quantify the potential cost of any obligation that may arise as a result of a future claim, and we have not recorded provisions associated with them in our financial statements. If we were required to remedy any defects on completed works, our financial condition and results of operations could be adversely affected.

Eviction proceedings in Argentina are difficult and time consuming.

Although Argentine law permits a summary proceeding to collect unpaid rent and a special proceeding to evict tenants, eviction proceedings in Argentina are difficult and time-consuming. Historically, the heavy workloads of the courts and the numerous procedural steps required have generally delayed landlords' efforts to evict tenants. Eviction proceedings generally take between six months and two years from the date of filing of the suit to the time of actual eviction.

Historically, we have sought to negotiate the termination of lease agreements with defaulting tenants after the first few months of non-payment in order to avoid legal proceedings. Delinquency may increase significantly in the future, and such negotiations with tenants may not be as successful as they have been in the past. Moreover, new Argentine laws and regulations may forbid or restrict eviction, and in each such case they would likely have a material and adverse effect on our financial condition and results of operation.

We are subject to risks inherent to the operation of office buildings that may affect our profitability.

Office buildings are subject to various factors that affect their development, administration and profitability, including:

- a decrease in demand for office space;
- a deterioration in the financial condition of our tenants may result in defaults under leases due to bankruptcy, lack of liquidity or for other reasons;
- difficulties or delays renewing leases or re-leasing space;
- decreases in rents as a result of oversupply, particularly of newer buildings;
- competition from developers, owners and operators of office properties and other commercial real estate, including sublease space available from our tenants; and
- maintenance, repair and renovation costs incurred to maintain the competitiveness of our office buildings.

If we are unable to adequately address these factors, any one of them could adversely impact our business, which would have an adverse effect on our financial condition and results of operations.

Our investment in property development and management activities may be less profitable than we anticipate.

We are engaged in the development and management of shopping centers, office buildings and other rental properties, frequently through third-party contractors. Risks associated with our development and management activities include the following, among others:

- abandonment of development opportunities and renovation proposals;
- construction costs of a project may exceed our original estimates for reasons including raises in interest rates or increases in the costs of materials and labor, making a project unprofitable;
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
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pre-construction buyers may default on their purchase contracts or units in new buildings may remain unsold upon completion of construction;

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the unavailability of favorable financing alternatives in the private and public debt markets;

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aggregate sale prices of residential units may be insufficient to cover development costs;

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construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs;

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failure or delays in obtaining necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, or building moratoria and anti-growth legislation;

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significant time lags between the commencement and completion of projects subjects us to greater risks due to fluctuation in the general economy;

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construction may not be completed on schedule because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, or man-made or natural disasters (such as fires, hurricanes, earthquakes or floods), resulting in increased debt service expense and construction costs;

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general changes in our tenants' demand for rental properties; and

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we may incur capital expenditures that could result in considerable time consuming efforts and which may never be completed due to government restrictions.

In addition, we may face contractors' claims for the enforcement of labor laws in Argentina (sections 30, 31, 32 under Law No. 20,744), which provide for joint and several liability. Many companies in Argentina hire personnel from third-party companies that provide outsourced services, and sign indemnity agreements in the event of labor claims from employees of such third company that may affect the liability of such hiring company. However, in recent years several courts have denied the existence of independence in those labor relationships and declared joint and several liabilities for both companies.

While our policies with respect to expansion, renovation and development activities are intended to limit some of the risks otherwise associated with such activities, we are nevertheless subject to risks associated with the construction of properties, such as cost overruns, design changes and timing delays arising from a lack of availability of materials and labor, weather conditions and other factors outside of our control, as well as financing costs, may exceed original estimates, possibly making the associated investment unprofitable. Any substantial unanticipated delays or expenses could adversely affect the investment returns from these redevelopment projects and harm our operating results.

We are subject to great competitive pressure.

Our real estate activities are highly concentrated in the Buenos Aires metropolitan area, where the real estate market is highly competitive due to a scarcity of properties in sought-after locations and the increasing number of local and international competitors. Furthermore, the Argentine real estate industry is generally highly competitive and fragmented and does not have high barriers to entry restricting new competitors from entering the market. The main competitive factors in the real estate development business include availability and location of land, price, funding, design, quality, reputation and partnerships with developers. A number of residential and commercial developers and real estate services companies compete with us in seeking land for acquisition, financial resources for development and prospective purchasers and tenants. Other companies, including joint ventures of foreign and local companies, have become increasingly active in the real estate business and shopping center business in Argentina, further increasing this competition. To the extent that one or more of our competitors are able to acquire and develop desirable properties, as a result of greater financial resources or otherwise, our business could be materially and adversely affected. If we are not able to respond to such pressures as promptly as our competitors, or the level of competition increases, our financial condition and results of our operations could be adversely affected.

There are other shopping centers and numerous smaller retail stores and residential properties within the market area of each of our properties. The number of competing properties in a particular area could have a material adverse effect on our ability to lease retail space in our shopping centers or sell units in our residential complexes and on the amount of rent or the sale price that we are able to charge. We cannot assure you that other shopping center operators, including international shopping center operators, will not invest in Argentina in the near future. If additional companies become active in the Argentine shopping center market in the future, such competition could have a material adverse effect on our results of operations.

Substantially all of our offices and other non-shopping center rental properties are located in developed urban areas. There are many office buildings, shopping malls, retail and residential premises in the areas where our properties are located. This is a highly fragmented market, and the abundance of comparable properties in our vicinity may adversely affect our ability to rent or sell office space and other real estate and may affect the sale and lease price of our premises. In the future, both national and foreign companies may participate in Argentina's real estate development market, competing with us for business opportunities.

Some potential losses are not covered by insurance and certain kinds of insurance coverage may become prohibitively expensive.

We currently carry insurance policies that cover potential risks such as civil liability, fire, loss profit, floods, including extended coverage and losses from leases on all of our properties. Although we believe the policy specifications and insured limits of these policies are generally customary, there are certain types of losses, such as lease and other contract claims, terrorism and acts of war that generally are not insured under the insurance policies offered in the national market. Should an insured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. If any of our key employees were to die or become incapacitated, we could experience losses caused by a disruption in our operations which will not be covered by insurance, and this could have a material adverse effect on our financial condition and results of operations.

In addition, we cannot assure you that we will be able to renew our insurance coverage in an adequate amount or at reasonable prices. Insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and mold, or, if offered, these types of insurance may be prohibitively expensive.

An uninsured loss or a loss that exceeds policies on our properties could subject us to lost capital or revenue on those properties.

Under the terms and conditions of the leases currently in force on our properties, tenants are required to indemnify and hold us harmless from liabilities resulting from injury to persons, or property, on or off the premises, due to activities conducted on the properties, except for claims arising from our negligence or intentional misconduct or that of our agents. Tenants are generally required, at the tenant's expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies. In addition, we cannot assure you that our tenants will properly maintain their insurance policies or have the ability to pay the deductibles.

Should a loss occur that is uninsured or in an amount exceeding the combined aggregate limits for the policies noted above, or in the event of a loss that is subject to a substantial deductible under an insurance policy, we could lose all or part of our capital invested in, and anticipated revenue from, one or more of the properties, which could have a material adverse effect on our operating results and financial condition.

Demand for our premium properties may not be sufficient.

We have focused on developing residential projects that cater to affluent individuals and have entered into property barter agreements pursuant to which we contribute our undeveloped properties to ventures with developers who will deliver us units at premium locations. At the time the developers return these properties to us, demand for premium residential units could be significantly lower. In such case, we would be unable to sell these residential units at the estimated prices or time frame, which could have an adverse effect on our financial condition and results of operations.

Our level of debt may adversely affect our operations and our ability to pay our debt as it becomes due.

We had, and expect to have, substantial liquidity and capital resource requirements to finance our business. As of June 30, 2016, our consolidated financial debt amounted to Ps.112,932 million (including IDBD's debt outstanding as of that date plus accrued and unpaid interest on such indebtedness and deferred financing costs). We cannot assure you that we will have sufficient cash flows and adequate financial capacity in the future. While the commitments and other covenants applicable to IDBD's debt obligations do not have apply IRSA since such it is not recourse to IRSA and it is not guaranteed by IRSA's assets, these covenants and restrictions may impair or restrict our ability to operate IDBD and implement our business strategy.

The fact that we are highly leveraged may affect our ability to refinance existing debt or borrow additional funds to finance working capital requirements, acquisitions and capital expenditures. In addition, the recent disruptions in the global financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact our ability to refinance existing debt and the availability and cost of credit in the future. In such conditions, access to equity and debt financing options may be restricted and it may be uncertain how long these economic circumstances may last. This would require us to allocate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including acquisitions and capital expenditures. Our leverage could also affect our competitiveness and limit our ability to changes in market conditions, changes in the real estate industry and economic downturns.

We may not be able to generate sufficient cash flows from operations to satisfy our debt service requirements or to obtain future financing. If we cannot satisfy our debt service requirements or if we default on any financial or other covenants in our debt arrangements, the lenders and/or holders of our debt will be able to accelerate the maturity of such debt or cause defaults under the other debt arrangements. Our ability to service debt obligations or to refinance them will depend upon our future financial and operating performance, which will, in part, be subject to factors beyond our control such as macroeconomic conditions and regulatory changes in Argentina. If we cannot obtain future financing, we may have to delay or abandon some or all of our planned capital expenditures, which could adversely affect our ability to generate cash flows and repay our obligations as they become due.

The recurrence of a credit crisis could have a negative impact on our major customers, which in turn could materially adversely affect our results of operations and liquidity.

The global credit crisis that began in 2008 had a significant negative impact on businesses around the world. The impact of a crisis on our major tenants cannot be predicted and may be quite severe. A disruption in the ability of our

significant tenants to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their future orders of their products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity.

We are subject to risks affecting the hotel industry.

The full-service segment of the lodging industry in which our hotels operate is highly competitive. The operational success of our hotels is highly dependent on our ability to compete in areas such as access, location, quality of accommodations, rates, quality food and beverage facilities and other services and amenities. Our hotels may face additional competition if other companies decide to build new hotels or improve their existing hotels to increase their attractiveness.

In addition, the profitability of our hotels depends on:

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our ability to form successful relationships with international and local operators to run our hotels;

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changes in tourism and travel trends, including seasonal changes and changes due to pandemic outbreaks, such as the A H1N1 virus, a potential ebola outbreak, among others, or weather phenomena's or other natural events, such as the eruption of the Puyehué and the Calbuco volcano in June 2011 and April 2015, respectively;

·
affluence of tourists, which can be affected by a slowdown in global economy; and

·
taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

The shift of consumers to purchasing goods over the Internet, where barriers to entry are low, may negatively affect sales at our shopping centers.

In recent years, internet retail sales have grown significantly in Argentina, even although the market share of such sales is still insignificant. The Internet enables manufacturers and retailers to sell directly to consumers, diminishing the importance of traditional distribution channels such as retail stores and shopping centers. We believe that our target consumers are increasingly using the Internet, from home, work or elsewhere, to shop electronically for retail goods, and this trend is likely to continue. If e-commerce and retail sales through the Internet continue to grow, consumers' reliance on traditional distribution channels such as our shopping centers could be materially diminished, having a material adverse effect on our financial condition, results of operations and business prospects.

Our business is subject to extensive regulation and additional regulations may be imposed in the future.

Our activities are subject to Argentine federal, state and municipal laws, and to regulations, authorizations and licenses required with respect to construction, zoning, use of the soil, environmental protection and historical patrimony, consumer protection, antitrust and other requirements, all of which affect our ability to acquire land, buildings and shopping centers, develop and build projects and negotiate with customers. In addition, companies in this industry are subject to increasing tax rates, the creation of new taxes and changes in the taxation regime. We are required to obtain licenses and authorizations with different governmental authorities in order to carry out our projects. Maintaining our licenses and authorizations can be a costly provision. In the case of non-compliance with such laws, regulations, licenses and authorizations, we may face fines, project shutdowns, and cancellation of licenses and revocation of authorizations.

In addition, public authorities may issue new and stricter standards, or enforce or construe existing laws and regulations in a more restrictive manner, which may force us to make expenditures to comply with such new rules. Development activities are also subject to risks relating to potential delays in obtaining or an inability to obtain all necessary zoning, environmental, land-use, development, building, occupancy and other required governmental permits and authorizations. Any such delays or failures to obtain such government approvals may have an adverse effect on our business.

In the past, the Argentine government imposed strict and burdensome regulations regarding leases in response to housing shortages, high rates of inflation and difficulties in accessing credit. Such regulations limited or prohibited increases on rental prices and prohibited eviction of tenants, even for failure to pay rent. Most of our leases provide that the tenants pay all costs and taxes related to their respective leased 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 negatively affecting our rental income. We cannot assure you that the Argentine government will not impose similar or other regulations in the future. Changes in existing laws or the enactment of

new laws governing the ownership, operation or leasing of properties in Argentina could negatively affect the Argentine real estate market and the rental market and materially and adversely affect our operations and profitability.

We face risks associated with our expansion in the United States.

On July 2, 2008, we acquired 30% interest in Metropolitan 885 LLC ("Metropolitan"), a limited liability company organized under the laws of Delaware, United States of America. During fiscal year 2011, an agreement was reached to restructure Metropolitan's debt; after the consummation of the aforementioned restructuring, we indirectly hold 49% of New Lipstick LLC ("New Lipstick"), a holding company which is the owner of Metropolitan. Metropolitan's main asset is the Lipstick Building, a 34-story building located at 885 Third Avenue between 53 and 54 streets in Manhattan, New York. Metropolitan has incurred in a secured loan in connection with the Lipstick Building. For more information, please see "Item 5. Operating and Financial Review and Prospects."

In March 2012, through our subsidiary Real Estate Strategies, L.P. ("RES"), we acquired 3,000,000 Series C convertible preferred shares issued by Condor in an aggregate amount of US$30 million, a REIT focused in middle-class and long-stay hotels in 20 states in the United States of America. During 2008 and 2009, the U.S. markets experienced extreme dislocations and a severe contraction in available liquidity globally as important segments of the credit markets were frozen. Global financial markets have been disrupted by, among other things, volatility in securities prices, rating downgrades and declining valuations. This disruption lead to a decline in business and consumer confidence and increased unemployment and precipitated an economic recession throughout the globe. As a consequence, owners and operators of commercial real estate, including hotels and resorts, and commercial real estate properties such as offices, experienced dramatic declines in property values. We are unable to predict if disruptions in the global financial markets will occur in the future and the impact that may have on our business, financial condition and results of operations.

If the bankruptcy of Inversora Dársena Norte S.A. is extended to our subsidiary Puerto Retiro, we will likely lose a significant investment in a unique waterfront land reserve in the City of Buenos Aires.

On April 18, 2000, Puerto Retiro S.A. ("Puerto Retiro") was served notice of a filing made by the Argentine Government, through the Ministry of Defense, seeking to extend bankruptcy of Inversora Dársena Norte S.A. ("Indarsa") to the Company. Upon filing of the complaint, the bankruptcy court issued an order restraining the ability of Puerto Retiro to dispose of, in any manner, the real property purchased in 1993 from Tandanor. Indarsa had acquired 90% of the capital stock in Tandanor from the Argentine Government in 1991. Tandanor's main business involved ship repairs performed in a 19-hectare property located in the vicinity of La Boca neighborhood and where the Syncrolift is installed. As Indarsa failed to comply with its payment obligation for acquisition of the shares of stock in Tandanor, the Ministry of Defense filed a bankruptcy petition against Indarsa, seeking to extend it to us.

The evidentiary stage of the legal proceedings has concluded. We lodged an appeal from the injunction order, and such order was confirmed by the Court of Appeals on December 14, 2000. The parties filed the arguments in due time and proper manner. After the case was set for judgment, the judge ordered the suspension of the judicial order requesting the case records for issuance of a decision based on the alleged existence of pre-judgmental status in relation to the criminal case against former officials of the Ministry of Defense and our former executive officers, for which reason the case will not be adjudicated until a final judgment is entered in respect of the criminal case.

It has been made known to the commercial court that the expiration of the statute of limitations has been declared in the criminal action and the criminal defendants have been acquitted. However, this decision was reversed by the Criminal Court (Cámara de Casación Penal). An extraordinary appeal was filed and rejected, therefore an appeal was directly lodged with the Argentine Supreme Court for improper refusal to permit the appeal, and a decision is still pending.

Our Management and external legal counsel believe that there are sufficient legal and technical arguments to consider that the petition for an extension of the bankruptcy will be dismissed by the court. However, in view of the particular features and progress of the case, this position cannot be held to be conclusive.

In turn, Tandanor filed a civil action against Puerto Retiro 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- 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 disputed in the case.

In July 2013, the answer to the civil action was filed, which contained a number of defenses. Tandanor requested the intervention of the Argentine Government as third party co-litigant in this case, which petition was granted by the Court. In March 2015, both the Argentine Government and the criminal complainant answered the asserted defenses. On July 12, 2016, Puerto Retiro was legally notified of the decision adopted by the Tribunal Oral Federal N° 5 related to the preliminary objections above mentioned. Two of them were rejected –lack of information and lack of legitimacy (passive). We filed an appeal with regard to the rejection of these two objections. But, on the other hand, the other two objections will be considered at sentencing by the court, which is an important step in order to obtain a favorable decision. As of the date hereof, no resolution has been issued in such regard. We cannot assure you that we will be successful in getting this case dismissed.

Property ownership through joint ventures or minority participation may limit our ability to act exclusively in our interest.

In some cases, we develop and acquire properties through joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. For example, we currently own 80% of Panamerican Mall S.A. ("PAMSA"), while another 20% is owned by Centro Comercial Panamericano S.A., and 50% of Quality Invest S.A. ("Quality Invest"). We could engage in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, our joint venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the timing and terms of any sale or refinancing of a property. For example, the approval of certain of the other investors is required with respect to operating budgets and refinancing, encumbering, expanding or selling any of these properties. In some instances, our joint venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our joint venture partners are inconsistent with our own objectives, we will not be able to act exclusively in our interests.

If one or more of the investors in any of our jointly owned properties were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, there could be an adverse effect on the relevant property or properties and in turn, on our financial performance. Should a joint venture partner declare bankruptcy, we could be liable for our partner's common share of joint venture liabilities.

Dividend restrictions in our subsidiaries' debt agreements may adversely affect it.

Dividends paid by our subsidiaries are an important source of funds for us as are other permitted payments from subsidiaries. The debt agreements of our subsidiaries contain covenants restricting their ability to pay dividends or make other distributions. If our subsidiaries are unable to make payments to us, or are able to pay only limited amounts, we may be unable to make payments on its indebtedness.

We are dependent on our Board of Directors.

Our success, to a significant extent, depends on the continued employment of Eduardo Sergio Elsztain and certain other members of our board of directors and senior management, who have significant expertise and knowledge of our business and industry. The loss or interruption in their services for any reason could have a material adverse effect on our business and results of operations. Our future success also depends in part upon our ability to attract and retain other highly qualified personnel. We cannot assure you that we will be successful in hiring or retaining qualified personnel, or that any of our personnel will remain employed by us.

We may face potential conflicts of interest relating to our principal shareholders.

Our largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through Cresud S.A.C.I.F.y A. ("Cresud"). As of June 30, 2016, such beneficial ownership consisted of: (i) 366,788,251 common shares held by Cresud, and (ii) 900 common shares held directly by Mr. Elsztain. See Item 7 – Major Shareholders and Related Party Transactions. Conflicts of interest between our management, Cresud and our affiliates may arise in the performance of our business activities. As of June 30, 2016, Mr. Elsztain also beneficially owned (i) approximately 30.9% of Cresud's common shares and (ii) approximately 94.6% of the common shares of our subsidiary IRSA Commercial Properties. We cannot assure you that our principal shareholders and their affiliates will not limit or cause us to forego business opportunities that our affiliates may pursue or that the pursuit of other opportunities will be in our interest.

Due to the currency mismatches between our assets and liabilities, we have currency exposure.

As of June 30, 2016, the majority of our liabilities in our Operations Center in Argentina, such as our Series II Notes are denominated in U.S. dollars while our revenues are mainly denominated in Pesos. This currency gap exposes us to a risk of volatility in the rate of exchange between the Peso and the U.S. dollar, and our financial results are adversely affected when the U.S. dollar appreciates against the Peso. Any depreciation of the Peso against the U.S. dollar correspondingly increases the nominal amount of our debt in Pesos, with further adversely effects our results of operation and financial condition and may increase the collection risk of our leases and other receivables from our tenants, most of which generate Peso-denominated revenues. Because we record the value of our investment properties in Argentina at acquisition cost plus capital expenditures less amortization, any depreciation or devaluation of the Peso will have an adverse effect on our financial statements.

Risks Related to our Investment in Banco Hipotecario

As of June 30, 2016, we owned approximately 29.91% of the outstanding capital stock of Banco Hipotecario S.A. ("Banco Hipotecario"), which represented 11% of our consolidated assets from our operations center in Argentina as of

such date. All of Banco Hipotecario's operations, properties and customers are located in Argentina. Accordingly, the quality of Banco Hipotecario's loan portfolio, financial condition and results of operations depend on economic, regulatory and political conditions prevailing in Argentina. These conditions include growth rates, inflation rates, exchange rates, changes to interest rates, changes to government policies, social instability and other political, economic or international developments either taking place in, or otherwise affecting, Argentina.

Risks Relating to the Argentine Financial System and Banco Hipotecario

The short-term structure of the deposit base of the Argentine financial system, including Banco Hipotecario, could lead to a reduction in liquidity levels and limit the long-term expansion of financial intermediation.

Given the short-term structure of the deposit base of the Argentine financial system, credit lines are also predominantly short-term, with the exception of mortgages, which represent a low proportion of the existing credit base. Although liquidity levels are currently reasonable, no assurance can be given that these levels will not be reduced due to a future negative economic scenario. Therefore, there is still a risk of low liquidity levels that could increase funding cost in the event of a withdrawal of a significant amount of the deposit base of the financial system, and limit the long-term expansion of financial intermediation including Banco Hipotecario.

The stability of the financial system depends upon the ability of financial institutions, including ours, to maintain and increase the confidence of depositors.

The measures implemented by the Argentine government in late 2001 and early 2002, in particular the restrictions imposed on depositors to withdraw money freely from banks and the "pesification" and restructuring of their deposits, were strongly opposed by depositors due to the losses on their savings and undermined their confidence in the Argentine financial system and in all financial institutions operating in Argentina.

If depositors once again withdraw their money from banks in the future, there may be a substantial negative impact on the manner in which financial institutions, including ours, conduct their business, and on their ability to operate as financial intermediaries. Loss of confidence in the international financial markets may also adversely affect the confidence of Argentine depositors in local banks.

In the future, an adverse economic situation, even if it is not related to the financial system, could trigger a massive withdrawal of capital from local banks by depositors, as an alternative to protect their assets from potential crises. Any massive withdrawal of deposits could cause liquidity issues in the financial sector and, consequently, a contraction in credit supply.

The occurrence of any of the above could have a material and adverse effect on Banco Hipotecario's expenses and business, results of operations and financial condition.

The asset quality of financial institutions is exposed to the non-financial public sector's and Central Bank's indebtedness.

Financial institutions carry significant portfolios of bonds issued by the Argentine government and by provincial governments as well as loans granted to these governments. The exposure of the financial system to the non-financial public sector's indebtedness had been shrinking steadily, from 48.9% of total assets in 2002 to 10.3% in 2015 and 9.2% for the period of six months ended as June 30, 2016. To an extent, the value of the assets held by Argentine banks, as well as their capacity to generate income, is dependent on the creditworthiness of the non-financial public sector, which is in turn tied to the government's ability to foster sustainable long-term growth, generate fiscal revenues and reduce public expenditure.

In addition, financial institutions currently carry securities issued by the Central Bank in their portfolios, which generally are short-term; as of June 30, 2016, such securities issued by the Central Bank represented approximately 23.6% of the total assets of the Argentine financial system. As of June 30, 2016, Banco Hipotecario's total exposure to the public sector was Ps.7,517.5 million, which represented 20.3% of its assets as of that date, and the total exposure to securities issued by the Central Bank was Ps.1,499.8 million, which represented 4.1% of its total assets as of June 30, 2016.

The Consumer Protection Law may limit some of the rights afforded to Banco Hipotecario.

Argentine Law N° 24,240 (the "Consumer Protection Law") sets forth a series of rules and principles designed to protect consumers, which include Banco Hipotecario's customers. The Consumer Protection Law was amended by Law N° 26,361 on March 12, 2008 to expand its applicability and the penalties associated with violations thereof. Additionally, Law N° 25,065 (as amended by Law N° 26,010 and Law N° 26,361, the "Credit Card Law") also sets forth public policy regulations designed to protect credit card holders. Recent Central Bank regulations, such as Communication "A" 5388, also protect consumers of financial services.

In addition, the Civil and Commercial Code has a chapter on consumer protection, stressing that the rules governing consumer relations should be applied and interpreted in accordance with the principle of consumer protection and that a consumer contract should be interpreted in the sense most favorable to it.

The application of both the Consumer Protection Law and the Credit Card Law by administrative authorities and courts at the federal, provincial and municipal levels has increased. This trend has increased general consumer protection levels. If Banco Hipotecario is found to be liable for violations of any of the provisions of the Consumer Protection Law or the Credit Card Law, the potential penalties could limit some of Banco Hipotecario's rights, for example, with respect to its ability to collect payments due from services and financing provided by us, and adversely affect Banco Hipotecario's financial results of operations. We cannot assure you that court and administrative rulings based on the newly-enacted regulation or measures adopted by the enforcement authorities will not increase the degree of protection given to Banco Hipotecario's debtors and other customers in the future, or that they will not favor the claims brought by consumer groups or associations. This may prevent or hinder the collection of payments resulting from services rendered and financing granted by us, which may have an adverse effect on Banco Hipotecario's business and results of operations.

Class actions against financial institutions for unliquidated amounts may adversely affect the financial system's profitability.

Certain public and private organizations have initiated class actions against financial institutions in Argentina. The National Constitution and the Consumer Protection Law contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases is limited. Nonetheless, through an ad hoc doctrine, Argentine courts have admitted class actions in some cases, including various lawsuits against financial entities related to "collective interests" such as alleged overcharging on products, interest rates and advice in the sale of public securities, etc. If class action plaintiffs were to prevail against financial institutions, their success could have an adverse effect on the financial industry in general and indirectly on Banco Hipotecario's business.

Banco Hipotecario operates in a highly regulated environment, and its operations are subject to regulations adopted, and measures taken, by several regulatory agencies.

Financial institutions are subject to a major number of regulations concerning functions historically determined by the Central Bank and other regulatory authorities. The Central Bank may penalize Banco Hipotecario and its directors, members of the Executive Committee, and members of its Supervisory Committee, in the event of any breach the applicable regulation. Potential sanctions, for any breach on the applicable regulations may vary from administrative and/or disciplinary penalties to criminal sanctions. Similarly, the CNV, which authorizes securities offerings and regulates the capital markets in Argentina, has the authority to impose sanctions on us and Banco Hipotecario's Board of Directors for breaches of corporate governance established in the capital markets laws and CNV Rules. The Financial Information Unit (Unidad de Informacíón Financiera, or "UIF" as per its acronym in Spanish) regulates matters relating to the prevention of asset laundering and has the ability to monitor compliance with any such regulations by financial institutions and, eventually, impose sanctions.

We cannot assure you whether such regulatory authorities will commence proceedings against Banco Hipotecario, its shareholders or directors, or its Supervisory Committee, or penalize Banco Hipotecario. This notwithstanding, and in addition to "Know Your Customer" compliance, Banco Hipotecario has implemented other policies and procedures to comply with its duties under currently applicable rules and regulations.

In addition to regulations specific to the banking industry, Banco Hipotecario is subject to a wide range of federal, provincial and municipal regulations and supervision generally applicable to businesses operating in Argentina, including laws and regulations pertaining to labor, social security, public health, consumer protection, the environment, competition and price controls. We cannot assure that existing or future legislation and regulation will not require material expenditures by Banco Hipotecario or otherwise have a material adverse effect on Banco Hipotecario's consolidated operations.

Increased competition and M&A activities in the banking industry may adversely affect Banco Hipotecario.

Banco Hipotecario foresees increased competition in the banking sector. If the trend towards decreasing spreads is not offset by an increase in lending volumes, the ensuing losses could lead to mergers in the industry. These mergers could lead to the establishment of larger, stronger banks with more resources than us. Therefore, although the demand for financial products and services in the market continues to grow, competition may adversely affect Banco Hipotecario's results of operations, resulting in shrinking spreads and commissions.

Future governmental measures may adversely affect the economy and the operations of financial institutions.

The Argentine government has historically exercised significant influence over the economy, and financial institutions, in particular, have operated in a highly regulated environment. We cannot assure you that the laws and regulations currently governing the economy or the banking sector will remain unaltered in the future or that any such changes will not adversely affect Banco Hipotecario's business, financial condition or results of operations and Banco Hipotecario's ability to honor its debt obligations in foreign currency.

Several legislative bills to amend the Financial Institutions Law have been sent to the Argentine Congress. If the law currently in force were to be comprehensively modified, the financial system as a whole could be substantially and adversely affected. If any of these legislative bills were to be enacted or if the Financial Institutions Law were amended in any other way, the impact of the subsequent amendments to the regulations on the financial institutions in general, Banco Hipotecario's business, its financial condition and the results of operations is uncertain.

Law N° 26,739 was enacted to amend the Central Bank's charter, the principal aspects of which are: (i) to broaden the scope of the Central Bank's mission (by establishing that such institution shall be responsible for financial stability and economic development while pursuing social equity); (ii) to change the obligation to maintain an equivalent ratio between the monetary base and the amount of international reserves; (iii) to establish that the board of directors of the institution will be the authority responsible for determining the level of reserves required to guarantee normal operation of the foreign exchange market based on changes in external accounts; and (iv) to empower the monetary authority to regulate and provide guidance on credit through the financial system institutions, so as to "promote long-term production investment".

In addition, the Civil and Commercial Code, among other things, modifies the applicable regime for contractual provisions relating to foreign currency payment obligations by establishing that foreign currency payment obligations may be discharged in Pesos. This amends the legal framework, pursuant to which debtors may only discharge their foreign currency payment obligations by making payment in the specific foreign currency agreed upon in their agreements; provided however that the option to discharge in Pesos a foreign currency obligation may be waived by the debtor is still under discussion.

We are not able to ensure that any current or future laws and regulations (including, in particular, the amendment to the Financial Institutions Law and the amendment to the Central Bank's charter) will not result in significant costs to us, or will otherwise have an adverse effect on Banco Hipotecario's operations.

Risks Relating to Banco Hipotecario's Business

The quality of Banco Hipotecario's loan portfolio could be impaired if the Argentine private sector continues to be affected in the event of a decrease in the level of activity.

Banco Hipotecario's loan portfolio is concentrated on recession-sensitive segments and it is to a large extent dependent upon local and international economic conditions. This in turn might affect the creditworthiness of Banco Hipotecario's loan portfolio and its results of operations.

Reduced spreads without corresponding increases in lending volumes could adversely affect Banco Hipotecario's profitability.

The spread for Argentina's financial system between the interest rates on loans and deposits could be affected as a result of increased competition in the banking sector and the Argentine government's tightening of monetary policy in response to inflation concerns. Since 2009, the interest rate spreads throughout the Argentine financial system have generally increased. This increase was sustained by a steady demand for consumer loans in recent years. In 2013 and 2014, borrowing and lending rates increased significantly. However, the net interest margin of the financial system remained stable due to a substantial growth both in the loan and deposit portfolios. In June 2014, the Central Bank established a system of maximum active benchmark rates for consumer loans and secured loans and additionally, in October 2014, established a new mechanism of regulation by setting a minimum deposit rate for certain deposits of natural persons.

We cannot guarantee that interest rate spreads will remain stable unless increases in lending or additional cost-cutting occurs. A reversal of this trend, or a new regulation imposing maximum active benchmark rates, could adversely affect Banco Hipotecario's profitability.

Banco Hipotecario's obligations as trustee of the Programa de Crédito Argentino del Bicentenario para la Vivienda Única Familiar ("PROCREAR") trust are limited.

Banco Hipotecario currently acts as trustee of the PROCREAR Trust, which aims to facilitate access to housing solutions by providing mortgage loans for construction and developing housing complexes across Argentina. Under the terms and conditions of the PROCREAR Trust, all the duties and obligations under the trust have to be settled with the trust estate. Notwithstanding, if the aforementioned is not met, Banco Hipotecario could have its reputation affected. In addition, if the Argentine government decides to terminate the PROCREAR Trust and/or terminate Banco Hipotecario's role as trustee of the PROCREAR Trust, this may adversely affect Banco Hipotecario's results of operations.

The Argentine Government might prevail at Banco Hipotecario's General Shareholders' Meetings.

By virtue of Law N° 23,696 (the "Privatization Law"), there are no restrictions on the Argentine Government's ability to dispose of its Class A shares and all those shares minus one could be sold to third parties through public offering. Banco Hipotecario's By-laws set forth that if at any time Class A shares were to represent less than 42% of Banco Hipotecario's shares with right to vote, Class D shares automatically lose their triple vote right, which could result in the principal shareholders losing control of Banco Hipotecario. Should any such situation materialize and should the Argentine Government retain a sufficient number of Class A shares, the Argentine Government could prevail in Shareholders' Meetings (except for some decisions that call for qualified majorities) and could thus exert actual control on the decisions that must be submitted to consideration by the Shareholders' Meeting.

Cybersecurity events could negatively affect Banco Hipotecario's reputation, its financial condition and results of operations.

Banco Hipotecario has access to large amounts of confidential financial information and control substantial financial assets belonging to the customers as well as to Banco Hipotecario. In addition, Banco Hipotecario provides its customers with continuous remote access to their accounts and the possibility of transferring substantial financial assets by electronic means. Accordingly, cybersecurity is a material risk for Banco Hipotecario. Cybersecurity incidents, such as computer break-ins, phishing, identity theft and other disruptions could negatively affect the security of information stored in and transmitted through Banco Hipotecario 's computer systems and network infrastructure and may cause existing and potential customers to refrain from doing business with Banco Hipotecario.

In addition, contingency plans in place may not be sufficient to cover liabilities associated with any such events and, therefore, applicable insurance coverage may be deemed inadequate, preventing Banco Hipotecario from receiving full compensation for the losses sustained because of such a disruption.

Although Banco Hipotecario intends to continue to implement security technology devices and establish operational procedures to prevent such damage, we cannot assure you that all of Banco Hipotecario's systems are entirely free from vulnerability and these security measures will be successful. If any of these events occur, it could damage Banco Hipotecario's reputation, entail serious costs and affect Banco Hipotecario's transactions, as well as its results of operations and financial condition.

A disruption or failure in any of Banco Hipotecario's information technology systems could adversely affect its business.

Banco Hipotecario depends on the efficient and uninterrupted operation of internet-based data processing, communication and information exchange platforms and networks, including those systems related to the operation of Banco Hipotecario's ATM network. Banco Hipotecario's operations depend on its ability to manage its information technology systems and communications efficiently and without interruption. Banco Hipotecario's communications, systems or transactions could be harmed or disrupted by fire, floods, power failures, defective telecommunications, computer viruses, electronic or physical theft and similar events or disruptions. In addition, Banco Hipotecario's information technology systems and operations may suffer if its suppliers do not meet the delivery of products in a timely manner or decide to end the relationship with Banco Hipotecario.

Any of the foregoing events may cause disruptions in Banco Hipotecario's information technology systems, delays and the loss of critical data, and could prevent Banco Hipotecario from operating at optimal levels. In addition, the contingency plans in place may not be sufficient to cover all those events and, therefore, this may mean that the applicable insurance coverage is limited or inadequate, preventing Banco Hipotecario from receiving full compensation for the losses sustained because of such a disruption. Also, Banco Hipotecario's recovery of losses plan may not be enough to prevent damage resulting from all the cases and Banco Hipotecario's insurance coverage could be inadequate to cover losses from interruptions. If any of these assumptions occur Banco Hipotecario's reputation, business, results of operations and financial condition could be adversely affected.

Differences in the accounting standards between Argentina and certain countries with developed capital markets, such as the United States, may make it difficult to compare Banco Hipotecario's financial statements and those prepared by companies from these other countries.

Publicly available information about Banco Hipotecario in Argentina is presented differently from the information available for registered public companies in certain countries with highly developed capital markets, such as the United States. Except as otherwise described herein, Banco Hipotecario prepares its financial statements in accordance with Central Bank GAAP, which differ in certain significant respects from Argentine GAAP and from U.S. GAAP.

Operations Center in Israel

Risks related to Israel

Conditions in Israel could adversely affect our subsidiary IDBD.

Our subsidiary IDB Development Corporation is incorporated and operates in Israel. Accordingly, political, economic and military conditions in Israel directly affect IDBD's business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel, the Palestinian Authority and Israel's Arab neighbors.

Although Israel has entered into various agreements with Egypt, Jordan and the Palestinian Authority, there has been an increase in unrest and terrorist activity, which began in September 2000 and has continued with varying levels of severity. Starting in December 2008, for approximately three weeks, Israel engaged in an armed conflict with Hamas in the Gaza Strip, which involved missile strikes against civilian targets in various parts of Israel and negatively affected business conditions in Israel. In November 2012, for approximately one week, Israel experienced a similar armed conflict, resulting in hundreds of rockets being fired from the Gaza Strip and disrupting most day-to-day civilian activity in southern Israel. Due to these conflicts, political, economic and military conditions in Israel may directly affect IDBD and could result in physical damage to its related facilities or the interruption or curtailment of trade between Israel and its present trading partners. If IDBD's assets are damaged as a result of hostile action or hostilities otherwise disrupt its ongoing operations, IDBD's business could be materially adversely affected. We do not believe that the political and security situation has had any material impact on IDBD to date; however, we can give no assurance that security and political conditions will not have such effect in the future. Any armed conflict, political instability or continued violence in the region, or the interruption or curtailment of trade between Israel and its present trading partners may have a negative effect on the Israeli economy and IDBD and adversely affect the results of operations, business, and financial condition, thereby negatively impacting its ability to generate revenue.

Israel's economy may become unstable.

Over the years, the Israeli economy has been subject to periods of inflation, low foreign exchange reserves, fluctuations in world commodity prices, military conflicts and civil unrest. For these and other reasons, the government of Israel has, from time to time, intervened in the economy employing fiscal and monetary policies. The Israeli government has periodically changed its policies in these areas. Reoccurrence of previous destabilizing factors could make it more difficult for IDBD to operate its business and could adversely affect its financial results.

In the years in which there is strong economic activity and positive growth in the Israeli economy, there is an increase in demand. Conversely, in times of financial crisis, demand decreases, which would adversely affect the results of IDBD and, in turn, adversely affect our consolidated results.

The compliance of the new provisions of the Reduced Centralization Act may have an adverse material impact in IDBD's results of operations.

In December 2013, the official "Reshumot" published in Israel the Promotion of Competition and Reduction of Centralization Law, 5774-2013 (the "Reduced Centralization Act"), which imposes certain limits in the ownership and control of reporting companies.

One provision limits the pyramidal structure (or multiholding companies) of control in reporting companies (in special entities whose securities are held by public shareholders) to two layers of entities (with the holding company in the first layer not including a reporting entity that has no controlling shareholder). In case Discount Investment is considered a second-tier company, it would be prohibited to control publicly held companies. IDBD may be required to merge Discount Investments in order to enable continued control of IDBD and/or Discount Investments in other companies.

In connection with evaluating the application of the Law, in August 2014, IDBD's Board of Directors appointed an advisory committee to examine various alternatives to address the implications of the Law to comply with the provisions that apply to control in a pyramid o multiholding company structure in order to enable continued control of IDBD and/or Discount Investments in "other tier companies" (currently held directly by Discount Investments) as of December 2019. The advisory committee has recommended the following alternatives:

(a)
Taking either IDBD or Discount Investments private thereby removing the requirement that they be reporting entities (and as a result not a "tier company"); and

(b)
Merge IDBD and Discount Investments.

The Board of Directors of Discount Investments has appointed an advisory committee with a similar function. As of the date of this Annual Report, no specific alternatives have been identified. The implementation of an alternative that would be adopted is likely to take several years.

Based on these analyses, IDBD considers it more likely that the completion of one of the specified alternatives will be adopted to comply with the restrictions of the Law regarding pyramidal holdings, while allowing IDBD to continue to control Discount Investments, and Discount Investments to continue to control Cellcom after December 2019. PBC, which currently is a third-tier company that controls each of Gav-Yam, Ispro and Mehadrin, has preliminarily evaluated application of the Law on its holding structure and determined that it will be able to maintain said control,

as it has concluded that the Law has no effect over its financial statements.

Another new provision determines the separation of significant affiliates and significant financial institutions. In May 2015, companies of Clal Holdings Insurance Enterprises (except Clal Holdings Insurance Enterprises), including Clal Insurance and Epsilon Investment House Ltd. (held by Discount Investments) were included in the list of the significant financial institutions published in the website Ministry of Finance and the official gazette in connection with the Reduced Centralization Act. Clal Holdings Insurance Enterprises was included in the list as a significant corporation. The classification of Clal Holdings Insurance Enterprises as a significant corporation directly impacts its control over Clal Insurance.

In December 2014, Israel's concentration committee issued directives for the appointment of a trustee in Clal Holdings Insurance Enterprises to hold the control currently held by IDBD. In addition, in December 30, 2014, the committee delivered a notification requesting IDBD to sell its interest in Clal Holdings Insurance Enterprises. The sale arrangement outlined in the letter involves IDBD's and the Trustee's interests in the sale process under different options and timeframes. As of June 30, 2016, the current sale arrangement involved the sale of the interest in the stock exchange or by over-the-counter trades, as per the following detail and by the following dates:

a. IDBD would have to sell at least 5% of its equity interest in Clal from May 7, 2016.

b. During each of the subsequent four-month periods, IDBD would have to sell at least an additional 5% of its equity interest in Clal.

c. If IDBD sells more than 5% of its equity interest in Clal in any given four-month period, the percentage in excess of the required 5% would be offset against the percentage required in the following period.

As a result we record our investment in CLAL as a financial asset at market value through profit or loss. The request to sell the shares of CLAL in 5% tranches could cause a negative impact on the market price. A decrease in the market price of Clal's shares would cause an immediate effect in our income statements and financial results.

Clal Holdings Insurance Enterprises appealed to the committee, requesting a reclassification of its status of significant corporation. Dolphin filed an appeal before the Supreme Court of Justice of Israel on the Tel Aviv-Jaffo Court's Decision. We cannot assure that we will be successful in our appealing with the concentration committee.

The compliance of the Reduced Centralization Act, in particular the provisions related to reporting companies in pyramid structure (or multiholding companies) and separation of significant corporations and significant financial corporations, may have a material adverse impact on IDBD's business and results of operations and, as a consequence, a negative effect on the value of our investment in IDBD. For more information about the Reduced Centralization Act and potential implications of its provisions on IDBD and its subsidiaries, see "Item 4 – Information on the Company".

IDBD's operations may be disrupted by the obligations of personnel to perform military service.

IDBD's Israeli employees may be called upon to perform up to 36 days (and in some cases more) of annual military reserve duty until they reach the age of 40 (and in some cases, up to the age of 45 or older) and, in emergency circumstances, could be called to permanent active duty. In response to increased tension and hostilities, there have been occasional call-ups of military reservists, including in connection with the mid-2006 war in Lebanon and the December 2008 and November 2012 conflicts with Hamas in the Gaza Strip. It is possible that there will be additional call-ups in the future. IDBD could be disrupted by the absence of a significant number of employees or the absence of one or more key employees for extended periods of times due to military service. Such disruption could materially adversely affect IDBD's business and its results of operations. Additionally, the absence of a significant number of the employees of IDBD's Israeli suppliers and contractors or the absence of one or more key employees for extended periods of time due to military service may disrupt their operations and thereby materially adversely affect IDBD's

ability to generate revenue and, in turn, adversely affect our consolidated results.

Political relations could limit IDBD's ability to do business internationally.

Several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continues or increases. These restrictions may materially limit IDBD's ability to export or import certain services, or reduce the domestic demand for its products and services as a result of the interruption or curtailment of trade between Israel and its present trading partners, which could adversely affect IDBD's ability to generate revenue and, in turn, adversely affect our consolidated results.

IDBD may face difficulties in exporting offshore.

Israel's export policy currently sets forth certain restrictions that may be unfavorable to IDBD's activities. Changes in customs tariffs for goods and in policy on protecting local production may impact the results of some IDBD's subsidiaries and/ or associates. In addition, the possibility of exportation and sales in Israel depends on several factors, such as establishment of export and transportation facilities, obtaining regulatory approvals, the economic viability of exports, geopolitical challenges, identification of potential customers in the international market, and financing investments in development and establishment of the export projects. In view of the complexity and potential limited ability to export, IDBD may be unable to export surplus supply and this may materially adversely affect the its financial results.

IDBD's business is subject to substantial regulation and permit requirements in Israel and may be materially adversely affected if it is unable to comply with existing regulations or requirements, or changes in applicable regulations or requirements.

Our subsidiary IDBD is subject to a number of laws and regulations affecting many aspects of its present and future operations, as well as permits from Israeli government authorities. Such laws and regulations generally require that IDBD obtain and comply with a wide variety of licenses, permits and other approvals.

In recent years there is a trend of increased legislation, standards and regulations in various sectors of Israel's economy. Legislative changes in various areas in Israel, such as reducing economic concentration, promoting competition and laws concerning anti-trust, taxation, mandatory tender offers, regulation of the communications market, supervision of insurance business, corporate law and securities law, laws concerning supervision of prices of goods and services, consumer protection laws, environmental protection laws, planning and construction laws. This trend may impact the business and financial results of IDBD and its subsidiaries, their financial results and trading price of their securities. Furthermore, changes in policy applied by various Israeli authorities pursuant to these laws may also have similar impact.

Under these and other laws and regulations, IDBD could be subject to business restructurings, changes in its corporate structure, business strategy and other corporate adaptations. Failure to comply with these laws and regulations may also result in the suspension or termination of IDBD's operations and subject them to administrative, civil and criminal penalties. Moreover, these laws and regulations could change in ways that could substantially increase its costs. Any such liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on IDBD's financial condition and results of operations. Stricter regulation applicable to IDBD's business, restrictive trade practices, control of prices and similar factors, may materially adversely affect IDBD's businesses.

IDBD's activities are subject to approvals, permits and licenses awarded to them by law by various authorities (such as: the Commissioner of Capital Market, Ministry of Communications, Ministry of Environmental Protection, Petroleum Supervisor at the Ministry of Energy and Water). Failure to comply with terms and conditions of such approvals, permits or licenses may result in sanctions being imposed (including criminal sanctions) on the companies

in breach, including fines and/or termination of the relevant approvals, permits or licenses. Some of the aforementioned licenses are for a limited term and may be renewed from time to time, all subject to terms and conditions thereof and to statutory provisions. As of the date hereof, we cannot predict what changes (if any) will be made with respect to future licensing and other regulatory matters. Furthermore, there is no certainty that IDBD's existing licenses will be renewed at the end of their terms or that there will not be a change in the licenses' conditions.

We cannot assure that the existing laws and regulations will not be revised or reinterpreted, that new laws and regulations will not be adopted or become applicable to IDBD, or that future changes in laws and regulations will not have a detrimental effect on its business. Although not currently required, additional regulatory approvals may be required in the future due to a change in laws and regulations or for other reasons. We cannot assure that IDBD will be able to obtain all required regulatory approvals that may be required in the future, or any necessary modifications to existing regulatory approvals, or maintain all required regulatory approvals.

Changes in regulations, licensing or any other regulatory matters could adversely affect IDBD's ability to generate revenues. This, in turn, could represent a negative effect in our consolidated results.

IDBD may be adversely affected by class actions on consumer-related matters and environmental protection-related matters

The nature of the business developed by certain IDBD's subsidiaries, namely Cellcom and Shufersal, the investment in Clal and the associate Adama, exposes these companies to class actions with regard to consumer issues and issues related to environmental protection, such as ionizing radiation from cellular devices, emissions, water, noise and smell pollution. Moreover, in most cases, our patients may benefit from Israeli consumer protection laws, which provide special procedural rules, such as the shifting of the burden of proof, strict liability and joint and several liability for damage caused by companies outsourced by us to provide specific services. The amount involved in this type of class action can be sumptuous, in special in issues related to environmental protection, and might even exceed IDBD's shareholders equity, and must defend against such lawsuits at significant cost, even if such lawsuits are unfounded. If the decisions in any such actions are unfavorable to IDBD, it might be required to pay heavy fines to cover damages. Any proceeding involving consumer complaints may also adversely affect IDBD's reputation and, consequently, its client base. Class actions may adversely affect IDBD's financial condition and materially adversely affect its reputation. As a result, IDBD's is subject to a potential decrease in the number of clients and in its gross operating revenue. Consequently, IDBD's business, results of operations, financial condition and the market price of its securities may be adversely affected.

Risks related to IDBD and IDBD's subsidiaries and/ or associates

Most of our revenues are generated by IDBD, an entity incorporated and operating in Israel.

IDBD is incorporated in Israel, where it operates the totality of its business. As of June 30, 2016, IDBD's revenues corresponded to approximately 86.4% of our total revenues for our fiscal year then ended. IDBD's activities are subject to Israel's political, economic and military conditions and also to extensive Israeli regulation related to, among other matters, licensing, competition, rates and environmental practices. There can be no assurance that governmental policies in Israel or the current regulations will not change in the future and adversely affect IDBD's business. We are unable to predict whether IDBD's success will continue to prosper in Israeli markets. For more information, please refer to the risk factors under "—Risks Related to Israel."

IDBD may not be able to comply with financial commitments with its creditors and to fully comply with Israeli laws, which would have a material adverse effect on its financial condition and on its ability to continue as a going concern.

On October 11, 2015, we gained effective control over IDBD and started consolidating IDBD's results of operations.

IDBD's activities were materially affected with the promulgation of the Promotion of Competition and Reduction of Centralization Law Nº 5.774-13 (the "Reduced Centralization Act") published in December 2013. In order to fully

comply with this law, IDBD could be forced to adopt some adverse measures, such as dispose its controlling interest in Clal or to merge with DIC. For more information about the Reduced Centralization Act and potential implications of its provisions on IDBD and its subsidiaries, see "Item 4 – Information on the Company".

IDBD is also subject to compliance with certain covenants under its debt arrangements. Although IDBD has successfully negotiated waivers to these covenants with its creditors valid until December 2016, we cannot assure that it will be successful in renegotiating an extension or other new terms. If IDBD is unable to renegotiate or, as an alternative, to raise additional capital, the original covenants of such arrangements will become effective again and creditors could require immediate repayment of the debt.

All factors mentioned above raise significant uncertainties as to IDBD's capacity to continue as a going-concern. IDBD's ability to continue as a going concern will depend on its ability in renegotiating the terms of its arrangements, in raising additional funds and also its ability to fully comply with Israel authority's demands.

IDBD is currently exploring alternative measures to meet its future liquidity requirements and is making payments to significant creditors as cash flow permits. IDBD is in ongoing contact with its creditors regarding future payments, and is attempting to resolve issues regarding its late payments or non-payments. Based on its future cash flow projections, IDBD expects to have the required liquidity to meet its commitments by issuing new debt in Israel, selling financial assets such as Clal and dividend payouts by Clal. IDBD could also secure additional financing through the private issuance of equity securities. However, there can be no assurance that IDBD will be able to resolve these matters satisfactorily, and if it is unable to do so, it may be unable to pay out debts as they become due and could be subject to litigation regarding non-payment that could have a material adverse effect on its business, financial condition, and results of operations.

Our independent registered public accounting firm has included an explanatory paragraph in their opinion that makes references to Note 1 of the consolidated financial statements as of and for the year ended June 30, 2016, which discloses the existence of risks and uncertainties in relation to IDBD and indicating that our financial statements do not include any adjustments related to the valuation of IDBD's assets and liabilities that would be required if IDBD were not able to continue as a going-concern.

The outcome of the arbitration proceedings between Dolphin and ETH is uncertain and may have an adverse effect on our business.

The arbitration process between Dolphin an ETH (a non-related company established under the laws of the State of Israel, which was presented to Dolphin as a company controlled by Mordechay Ben Moshé) regarding certain matters related to the acquisition and obtainment of control of IDBD, though partially resolved, is still pending.

On September 24, 2015, the competent arbitrator resolved that: (i) Dolphin and IFISA were entitled to act as buyers in the BMBY process, and ETH had to sell all of the IDBD shares held by it at a price of NIS 1.64 per share; (ii) The buyer had to fulfill all of the commitments included in the Arrangement, including the commitment to carry out Tender Offers; (iii) The buyer had to pledge in favor of the Arrangement Trustees the shares that were previously pledged in favor of the Arrangement Trustees by the seller.

However, Dolphin and ETH still have counterclaims of different kinds which are subject to such arbitration proceeding, which, as of the filing date of this Annual Report, is still being heard. There can be no assurances of the final outcome of this process. Should the arbitrator rule in favor of ETH, the value of our investment in IDBD could be severely affected and therefore would likely have a significant adverse effect on our business, financial condition and results of operations.

IDBD's subsidiaries do business abroad and might be subject to foreign regulation and, therefore, are subject to substantial foreign regulations and permit requirements and may be materially adversely affected if it is unable to comply with existing regulations or requirements, or changes in applicable regulations or requirements

Some of IDBD subsidiaries do business overseas or their securities are traded on foreign stock exchanges. Changes in legislation and regulatory policy in foreign countries as well as characteristics of the business environment in the operating country may impact the financial results and business standing of those companies.

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Changes in international financial reporting standards or in accounting principles applicable to IDBD and its subsidiaries may impact various data (including equity attributable to equity holders and earnings) reported on the financial statements of IDBD and its subsidiaries, their compliance with financial covenants, if any, their compliance with terms and conditions of permits and licenses awarded to them and their capacity to distribute dividends. We cannot assure that the existing laws and regulations in the countries where IDBD's subsidiaries and/ or associates have operations will not be revised or reinterpreted, that new laws and regulations will not be adopted or become applicable to IDBD's subsidiaries and/ or associates, or that future changes in laws and regulations will not have a detrimental effect on its business. Although not currently required, additional regulatory approvals may be required in the future due to a change in laws and regulations or for other reasons. We cannot assure that IDBD's subsidiaries and/ or associates will be able to obtain all required regulatory approvals that may be required in the future, or any necessary modifications to existing regulatory approvals, or maintain all required regulatory approvals in the countries in which they operate.

Changes in regulations, licensing or any other regulatory matters in the countries where IDBD's subsidiaries and/ or associates operate could adversely affect their ability to generate revenues. This, in turn, could represent a negative effect in IDBD's and, as consequence, in our consolidated results.

IDBD's subsidiary Property and Building ("PBC") operates in real estate industry, and is exposed to the risks inherent to that industry.

As part of the real estate industry, PBC face similar risks as described above, regarding our Operation Center in Argentina, such as:

- "Our performance is subject to risks associated with our properties and with the real estate industry."
- "An adverse economic environment for real estate companies such as a credit crisis may adversely impact our results of operations and business prospects significantly"
- "We may face risks associated with property acquisitions."
- "Our future acquisitions may be unprofitable."
- "Properties we acquire may subject us to unknown liabilities."
- "Our dependence on rental income may adversely affect our ability to meet our debt obligations."
- "It may be difficult to buy and sell real estate quickly and transfer restrictions may apply to part of our portfolio of properties."
- "We are subject to risks inherent to the operation of office buildings that may affect our profitability."
- "The recurrence of a credit crisis could have a negative impact on our major customers, which in turn could materially adversely affect our results of operations and liquidity."

IDBD's subsidiary Shufersal operates in the retail industry, which is a highly regulated industry in Israel.

Israeli legislation with respect to sanitation licensing, as well as new consumer legislation which confers extensive authority upon the Israel Consumer Protection and Fair Trade Authority, consumer legislation and the increased enforcement thereof, and increased oversight of prices or increases in the minimum wage, may adversely affect the business affairs of Shufersal, its financial position and its results of operations. An increase in the minimum wage may adversely affect the financial results of Shufersal, including its profitability. Additionally, the regulator's determinations regarding the rules for conduct between the large marketing chains, of which Shufersal is one, and dominant suppliers in the food supply segment, including by virtue of the provisions of the Food Law, and regarding the merger of Shufersal with Clubmarket, which is one of the largest retail chains in Israel, may adversely affect Shufersal's business, financial condition and results of operations.

Shufersal faces intense competition in all aspects of its business.

Shufersal closely monitors the developments in the retail sector, and adjusts its operations, if and insofar as is required, in accordance with those developments. Shufersal faces intense competition, especially as it proceeds with full implementation of its business plan. Competitive pressures, including the responses of competitors to Shufersal's strategy and the manner of its implementation, may adversely affect Shufersal's ability to deal with competition, and may lead to lower pricing and the loss of market share in a manner which may have an adverse effect on Shufersal's business, financial condition and results of operations. The entry of new competitors into markets in which Shufersal is engaged, or the entry of existing competitors into segments in which they were not previously active, could adversely affect Shufersal's business.

An ineffective wholesale market for retail, the offering of services not in accordance with the criteria of the wholesale market, or the pricing thereof by competitors in order to expand market share could harm Shufersal's ability to offer competitive services and its competitive position. If Shufersal is unable to manage its competition in an effective manner, its future results might be adversely affected.

The sale of Adama is subject to Chinese regulatory and antitrust approvals and the sale transaction may not be completed.

On July 17, 2016, our indirect subsidiary DIC, agreed to sell its remaining 40% in Adama to ChemChina for cash consideration of US$ 230 million and cancellation of a loan due to a Chinese bank. It is expected that the sale transaction be consummated by the first week of November 2016, subject to the fulfillment of certain conditions, including the receipt of Chinese regulatory and antitrust approvals. Upon completion of the transaction, each party will waive all claims and demands against each other. If the sale transaction is not completed for any reason, the value of our investment in IDBD could be materially adversely affected and therefore would likely have a significant adverse effect on our business, financial condition and results of operations.

IDBD's subsidiary Cellcom operates in telecommunications industry, which is a highly regulated industry in Israel. In recent years, regulation in Israel has materially adversely affected Cellcom's results.

A substantial part of Cellcom's operations is subject to the Israeli Communications Law No. 1982, the Israeli Wireless Telegraph Ordinance (New Version) No. 1972, the regulations promulgated thereunder and the licenses for the provision of different telecommunications services that Cellcom received from the Ministry of Communications in accordance with the Communications Law. The interpretation and implementation of the Communications Law, Wireless Telegraph Ordinance and regulations and the provisions of its general licenses, as well as its other licenses, are not certain and subject to change, and disagreements have arisen and may arise in the future between the Ministry of Communications and us. The Communications Law and regulations thereunder grant the Ministry of Communications extensive regulatory and supervisory authority with regard to its activities, as well as the authority to impose substantial sanctions in the event of a breach of its licenses or the applicable laws and regulations. Further, in the event that Cellcom materially violate the terms of its licenses, the Ministry of Communications has the authority to revoke them. Cellcom's operations are also subject to the regulatory and supervisory authority of other Israeli regulators which have the authority to impose criminal and administrative sanctions against us.

Cellcom's general cellular license is valid until February 2022. It may be extended for additional six-year periods upon request to the Ministry of Communications and confirmation from the Ministry of Communications that Cellcom has complied with the provisions of its license and applicable law, has invested in the improvement of its service and network and has demonstrated the ability to do so in the future. Netvision's unified licenses (granted in July 2015 and amended in February 2016) under which Netvision is providing landline telephony services, internet connectivity services, or ISP, and international long distance services, or ILD, are valid until March 2026 and February 2022, respectively, and may be extended for additional ten year periods, on terms similar to those provided in its cellular license. Cellcom's other licenses are also limited in time. Cellcom's licenses may not be extended when requested, or, if extended, the extensions may be granted on terms that are less favorable to Cellcom. In addition, the Ministry of Communications has interpreted and may interpret its licenses and has modified and may modify its licenses without Cellcom's consent and in a manner that could limit its ability to conduct its business and harm its results of operations. Possible changes to its licenses and legislation which would require us to change its pricing plans and information systems frequently or on a timetable Cellcom cannot meet, can increase the risk of noncompliance with its licenses or violation of such legislation and its exposure to lawsuits and regulatory sanctions.

IDBD's subsidiary Cellcom faces intense competition in all aspects of its business.

The Israeli telecommunications market is highly competitive in many of its elements, including the cellular and landline service markets. The competition level has increased substantially in recent years, following the entry of additional competitors and regulatory changes alleviating entry barriers and transfer barriers. Also, there is a

continued increase of competition in the end user equipment market. In the last year, Cellcom entered both the TV market through its OTT TV service and the landline infrastructure market, through the landline wholesale market (VDSL). In the other markets Cellcom operates in and specifically in the cellular market, the intensified competition led to price competition, the adverse effects of which include a high churn rate and high subscriber acquisition costs, in addition to continued price erosion, all of which have ultimately led to a material decrease in revenues and profitability for us and other MNOs. The current level of competition in all the markets in which Cellcom operates and aggressive price plan offerings by its competitors are expected to continue. The entry of new competitors into markets in which Cellcom is engaged, or the entry of existing competitors into segments in which they were not previously active, or were partially active, as a result of regulatory changes, would allow other operators to provide services currently provided only by Cellcom to its subscribers.

An ineffective wholesale market for landline communication, including due to the exclusion of telephony services from the wholesale market, the offering of services not in accordance with the criteria of the wholesale market, or the pricing thereof in a manner which could harm Cellcom's ability to offer competitive services packages, and competition on the part of Bezeq and Hot (due to their dominant status in the landline communication market), particularly if the cancellation or easement of the structural separation which applies to the Bezeq and Hot groups is implemented before the creation of an effective wholesale market in the landline communication market. We are unable to foresee if the current high level of competition and trends will continue in the future or if it will continue to affect Cellcom results of operations. In case Cellcom is unable to manage its competition in an effective manner, its future results might be adversely affected.

Cellcom may be adversely affected by the significant technological and other changes in the cellular communications industry.

The telecommunications market is known for rapid and significant technological changes and requires ongoing investments in advanced technologies in order to remain competitive. In recent years Cellcom has witnessed a growing demand for Internet, content and data through advanced third and fourth generation cellular phones, smartphones, modems, tablets and other devices using cellular data that resulted in a rapid and immense growth of data traffic on cellular networks and required cellular operators to upgrade their networks to accord such demand. Transfer of subscribers to unlimited packages of services and national roaming on its network, have contributed to the substantially growing demand for data traffic on its network, as well as to voice and text messages.

We estimate that data traffic will continue to rapidly grow in the future. To meet the growing demand for cellular data traffic, Cellcom is required, among others, to continue its investment in its 4G network and upgrading its transmission network, to allow larger capacity and higher data speed rates. In addition, as in order to provide optimal performance, its LTE network requires additional frequencies to those allocated to us under the LTE frequencies tender (as the Ministry of Communications expects us to evacuate 12 1800MHz which were allocated to us for its 2G network, to be used by its LTE network), Cellcom is in the process of allocating additional 1800MHz to its LTE network, in areas where lower usage of its 2G network, together with advanced and modern equipment and software features, allows such allocation, with negligible adverse effect to its 2G network performance. Nonetheless, such limited quantity of frequencies may adversely affect its network performance, specifically if Cellcom cannot use additional frequencies under network sharing agreements, as its 4G network will have 15MHz at most (similar to Pelephone’s network, unless Pelephone enters a network sharing agreement), whereas Partner and Hot’s 4G combined network enjoys 20MHz.

If Cellcom fails to obtain or maintain favorable arrangements with foreign telecommunications operators, its services may be less attractive or less profitable.

Cellcom relies on agreements with cellular providers outside Israel to provide roaming capabilities to its cellular subscribers in many areas outside Israel. Cellcom cannot control or compel the improvement of the quality of the service that they provide and it may be inferior or less advanced than the service that it provides. Some of Cellcom’s competitors may be able to obtain lower roaming rates than it does because they may have larger call volumes or can use more favorable agreements of their overseas affiliates. If Cellcom’s competitors’ providers can deliver a higher quality, more advanced or a more cost effective roaming service, then subscribers may migrate to those competitors and its results of operation could be adversely affected, more so if the proposed amendment to its license, allowing other operators to provide roaming services to its subscribers, will be adopted.

In recent years, roaming tariffs for Cellcom’s subscribers have decreased. If roaming tariffs continue to decrease including as a result of the increasing competition or the changing regulation, this could adversely affect its profitability and results of operations. Inbound roaming to its network is also influenced by its ability to maintain favorable roaming arrangements. The entry of additional UMTS providers has not only increased competition regarding outgoing roaming services but also increased competition on inbound roaming services. Additional operators or the abovementioned proposed amendment to its license, may increase such competition further. Cellcom also relies on agreements with foreign carriers to provide ILD services by Netvision as well as its international voice hubbing (providing ILD services to foreign operators) services. The risks detailed above in relation to roaming services and possible effects of such risks, apply to Netvision’s ILD and hubbing services as well.

Cellcom’s substantial debt increases its exposure to market risks, may limit its ability to incur additional debt that may be necessary to fund its operations and could adversely affect its financial stability; regulatory change, market terms and its financial results may affect its possibilities to raise debt.

IDBD's investment Clal operates in the insurance industry, which is a highly regulated industry in Israel. Therefore, Clal is subject to substantial regulations and permit requirements in the insurance area and may be materially adversely affected if it is unable to comply with existing regulations or requirements, or changes in applicable regulations or requirements.

Clal is exposed to changes in legislation and regulation which pertain to its operating segments. In particular, some of the regulatory changes which were recently implemented and proposed, may adversely affect components of the business model in the sector. Additionally, changes in legislation and regulation, including circulars, determinations in principle, position papers and provisions which the Commissioner of Capital Markets is authorized to impose in connection with changes to policy terms, including policy premiums which may affect Clal, including with reference to products which were sold in the past, both by way of retroactive application and due to their effect on the interpretation of agreements which were signed in the past.

Significant operations in Clal are subject to detailed and complex regulation. In particular, the insurance and long-term savings activities are subject to regulatory directives which change from time to time, with respect to products which were sold over many years, and which have long insurance coverage periods and/or savings periods. Non-compliance with the regulatory requirements, including by mistake, may lead to sanctions, including the revocation of licenses and permits and monetary fines, against Clal, also as part of audits on behalf of oversight entities, and may serve as a basis for claims against it.

Risks Related to the GDSs and the Common Shares

Shares eligible for sale could adversely affect the price of our common shares and GDSs.

The market prices of our common shares and GDS could decline as a result of sales by our existing shareholders of common shares or GDSs in the market, or the perception that these sales could occur. These sales also might make it difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

The GDSs are freely transferable under U.S. securities laws, including common shares sold to our affiliates. Cresud, which as of June 30, 2016, owned approximately 63.38% of our common shares (or approximately 366,788,251 common shares which may be exchanged for an aggregate of 36,678,825 GDSs), is free to dispose of any or all of its common shares or GDSs at any time in its discretion. Sales of a large number of our common shares and/or GDSs would likely have an adverse effect on the market price of our common shares and GDSs.

If we issue additional equity securities in the future, you may suffer dilution, and trading prices for our equity securities may decline.

We may issue additional shares of our common stock for financing future acquisitions or new projects or for other general corporate purposes, although there is no present intention to do so. Any such issuance could result in a dilution of your ownership stake and/or the perception of any such issuances could have an adverse impact on the market price of the GDSs.

We are subject to certain different corporate disclosure requirements and accounting standards than domestic issuers of listed securities in the United States

There may be less publicly available information about the issuers of securities listed on the Buenos Aires Stock Market (“Mercado de Valores de Buenos Aires” or “MERVAL” as per its acronym in spanish) than is regularly published by or about domestic issuers of listed securities in the United States and certain other countries.

We are exempt from the rules under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

The identification of a material weakness in our internal controls over financial reporting could negative affect the trading price of our shares or GDSs

Our management is responsible for establishing and maintaining adequate Internal Control over Financial Reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our Internal Control over Financial Reporting includes a series of procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes, in accordance with IFRS and includes

those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS and that the relevant entity's or division's receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

Our management concluded that our disclosure controls and procedures as of the end of fiscal year 2014 were not effective given to a material weakness in our internal control over financial reporting. This material weakness was related to the accounting for derivative financial instruments derived from non-routine complex contractual provisions in the context of the acquisition of an associate and was already remediated. Under this concept, a material weakness is a deficiency, or combination of deficiencies, in the internal control over financial reporting that may reasonably cause that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. See "Controls and Procedures - A. Disclosure Controls and Procedures."

Any failure to implement and/ or maintain improvements in the controls over our financial reporting, or any difficulties encountered in the implementation of such improvements, could result in a material misstatement in our annual or interim financial statements that: (i) may not be prevented or detected; and/or, (ii) may cause us to fail to meet our reporting obligations under the applicable securities laws. This situation may also cause investors to lose confidence in our reported financial information, and this could have an adverse impact on the trading price of our shares or GDSs.

Investors may not be able to effect service of process within the U.S., limiting their recovery of any foreign judgment.

We are a publicly held stock corporation (sociedad anónima) organized under the laws of Argentina. Most of our directors and our senior managers, are located in Argentina. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons or to enforce against us or them in United States court judgments obtained in such courts predicated upon the civil liability provisions of the United States federal securities laws. There is doubt whether the Argentine courts will enforce, to the same extent and in as timely a manner as a U.S. or foreign court, an action predicated solely upon the civil liability provisions of the United States federal securities laws or other foreign regulations brought against such persons or against us.

If we are considered to be a passive foreign investment company for United States federal income tax purposes, U.S. Holders of our common shares or GDSs would suffer negative consequences.

Based on the current and projected composition of our income and valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company ("PFIC") for United States federal income tax purposes for the taxable year ending June 30, 2016, and we do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina's economic and financial system may substantially affect the composition of our income and assets and the accuracy of our projections. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental income, which regulations are potentially subject to differing interpretation. If we become a PFIC, U.S. Holders (as defined in "Taxation—United States Taxation") of our common shares or GDSs will be subject to certain United States federal income tax rules that have negative consequences for U.S. Holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our common shares or GDSs at a gain, as well as reporting requirements. Please see ''Taxation—United States Taxation—Passive Foreign Investment Company" for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

Changes in Argentine tax laws may adversely affect the tax treatment of our common shares or GDSs.

On September 23, 2013, the Argentine income tax law was amended by the passage of Law N° 26,893. Under the amended law, the distribution of dividends is subject to income tax at a rate of 10%, unless the dividends are distributed to Argentine corporate entities. In addition, the amended law establishes that the sale, exchange or other transfer of shares and other securities is subject to a capital gain tax at a rate of 15% for Argentine resident individuals and foreign beneficiaries. There is an exemption for Argentine resident individuals if certain requirements are met; however, there is no such exemption for non-Argentine residents. See "Item 10.E - Taxation —Argentine Taxation". However, as of the date hereof many aspects of the amended tax law remain unclear and, pursuant to certain announcements made by Argentine tax authorities, they are subject to further rulemaking and interpretation, which may adversely affect the tax treatment of our common shares and/or GDSs.

The income tax treatment of income derived from the sale of GDSs, dividends or exchanges of shares from the GDS facility may not be uniform under the revised Argentine income tax law. The possibly varying treatment of source income could impact both Argentine resident holders as well as non-Argentine resident holders. In addition, should a sale of GDSs be deemed to give rise to Argentine source income, as of the date of this annual report no regulations have been issued regarding the mechanism for paying the Argentine capital gains tax when the sale exclusively involves non-Argentine parties. However, as of the date of this annual report, no administrative or judicial rulings have clarified the ambiguity in the law.

Therefore, holders of our common shares, including in the form of GDSs, are encouraged to consult their tax advisors as to the particular Argentine income tax consequences under their specific facts.

Holders of our GDSs may be unable to exercise voting rights with respect to the common shares underlying the GDSs at our shareholders' meetings.

We will not treat the holders of our GDSs as one of our shareholders and the holders of our GDSs will not have shareholder rights. The GDS depositary will be the holder of the common shares underlying your GDSs and GDS holders may exercise voting rights with respect to the common shares represented by the GDSs only in accordance with the deposit agreement relating to the GDSs. There are no provisions under Argentine law or under our by-laws that limit the exercise by GDS holders of their voting rights through the GDS depositary with respect to the underlying common shares. However, there are practical limitations on the ability of GDS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. For example, holders of our common shares will receive notice of shareholders' meetings through publication of a notice in an Official Gazette in Argentina, an Argentine newspaper of general circulation and the bulletin of the Buenos Aires Stock Exchange ("BCBA"), and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. GDS holders, by comparison, will not receive notice directly from us. Instead, in accordance with the deposit agreement, we will provide the notice to the GDS depositary. If requested by us, the GDS depositary will mail to holders of GDSs the notice of the meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, GDS holders must then instruct the GDS depositary as to voting the common shares represented by their GDSs. Due to these procedural steps involving the GDS depositary, the process for exercising voting rights may take longer for GDS holders than for holders of common shares and common shares represented by GDSs may not be voted as GDS holders desire.

Under Argentine law, shareholder rights may be more limited or less well defined than in other jurisdictions.

Our corporate affairs are governed by our by-laws and by Argentine corporate law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the States of Delaware or New York, or in other jurisdictions outside Argentina. In addition, your rights or the rights of holders of our common shares to protect your or their interests in connection with actions by our board of directors may be fewer and less well defined under Argentine corporate law than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets are not as highly regulated or supervised as the U.S. securities markets or markets in some other jurisdictions. In addition, rules and policies against self—dealing and regarding the preservation of shareholder interests may be less well defined and enforced in Argentina than in the United States, putting holders of our common shares and GDSs at a potential disadvantage.

The protections afforded to minority shareholders in Argentina are different from and more limited than those in the United States and may be more difficult to enforce.

Under Argentine law, the protections afforded to minority shareholders are different from, and much more limited than, those in the United States and some other Latin American countries. For example, the legal framework with respect to shareholder disputes, such as derivative lawsuits and class actions, is less developed under Argentine law than under U.S. law as a result of Argentina's short history with these types of claims and few successful cases. In addition, there are different procedural requirements for bringing these types of shareholder lawsuits. As a result, it may be more difficult for our minority shareholders to enforce their rights against our directors or us or controlling shareholder than it would be for shareholders of a U.S. company.

The majority of our shareholders may determine to not pay any dividends.

In accordance with Argentine corporate law, we may pay dividends to shareholders out of net and realized profits, if any, as set forth in our Audited Financial Statements prepared in accordance with IFRS. 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 shareholders entitled to vote at the meeting. As a result, we cannot assure you that we will be able to generate enough net and realized profits so as to pay dividends or that our shareholders will decide that dividends will be paid.

Our ability to pay dividends is limited by law and economic conditions.

In accordance with Argentine corporate law, we may pay dividends in Pesos out of retained earnings, if any, to the extent set forth in our Audited Financial Statements. Our ability to generate retained earnings is subject to the results of our operations.. The uncertainty surrounding future rates of inflation may affect our results of operations and consequently our ability to pay dividends. If the Peso continues to devaluate significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences on our business and as a result on the results of our operations and our ability to pay dividends.

The ability of holders of the GDSs to receive cash dividends may be limited.

The ability of GDS holders to receive cash dividends may be limited by the ability of the GDS depositary to convert cash dividends paid in Pesos into U.S. Dollars. Under the terms of our deposit agreement with the GDS depositary for the GDSs, to the extent that the GDS depositary can in its judgment, and in accordance with local exchange regulations, convert Pesos (or any other foreign currency) into U.S. Dollars on a reasonable basis and transfer the resulting U.S. Dollars abroad, the GDS depositary will as promptly as practicable convert or cause to be converted all cash dividends received by it in Pesos on the deposited securities common shares into U.S. Dollars. If, in the judgment of the GDS depositary, this conversion is not possible on a reasonable basis (or is not permitted by applicable Argentine laws, regulations and approval requirements), the GDS depositary may distribute the foreign currency received by it in Pesos in Argentina or in its discretion hold such currency uninvested for the respective accounts of the owners entitled to receive the same. As a result, if the exchange rate fluctuates significantly during a time when the GDS depositary cannot or does not convert the foreign currency, you may lose some or all of the value of the dividend distribution. For further information see "Risks Relating to Argentina—Restrictions on transfers of foreign currency and the repatriation of capital from Argentina may impair our ability to pay dividends and distributions."

Our ability to pay dividends is limited by law and our by-laws.

In accordance with Argentine corporate law, we may pay dividends in Pesos out of retained earnings, if any, to the extent set forth in our audited financial statements. Our ability to generate retained earnings is subject to the results of our operations. During 2014 inflation accelerated mainly due to the devaluation process carried out by the Central Bank. The uncertainty surrounding future inflation may affect our results and as a result our ability to pay dividends. If the Peso continues to devaluate significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences on our business and as a result on the results of our operations and our ability to pay dividends.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

General Information

Our legal and commercial name is IRSA Inversiones y Representaciones Sociedad Anónima. We were incorporated and organized on April 30, 1943, under Argentine law as a stock corporation (Sociedad Anónima), and we were registered with the Public Registry of Commerce of the City of Buenos Aires (Inspección General de Justicia or "IGJ") on June 23, 1943, under number 284, on page 291, book 46 of volume A. Pursuant to our bylaws, our term of duration expires on April 5, 2043. Our common shares are listed and traded on the MERVAL through the BCBA and our GDSs representing our common shares are listed on the New York Stock Exchange ("NYSE"). Our principal executive offices are located at Bolivar 108 1st floor, Ciudad Autónoma de Buenos Aires (C1066AAD), Argentina. Our headquarters are located at Moreno 877, (C1091AAQ), Ciudad Autónoma de Buenos Aires. Our telephone is +54 (11) 4323-7400. Information contained in or accessible through our website is not a part of this annual report. All references in this annual report to this or other internet sites are inactive textual references to these URLs, or "uniform resource locators" and are for your information reference only. We assume no responsibility for the information contained on these sites. Our Depositary Agent for the GDSs in the United States is The Bank of New York whose address is P.O. Box 358516 Pittsburgh, PA 15252-8516, and whose telephones are + 1-888-BNY-ADR for U. S. calls and + 1 - 201-680-6825 for calls outside U.S.

History

We have been actively engaged in a range of diversified real estate activities in Argentina since 1991. After our global public offering in 1994, we launched our real estate activities in the office rental market by acquiring three office towers located in prime office zones of Buenos Aires.

Since 1996, through our subsidiary IRSA Commercial Properties, we have expanded our real estate activities in the Shopping Centers segment through the acquisition of controlling interests in sixteen shopping centers: Paseo Alcorta, Alto Palermo Shopping, Buenos Aires Design, Alto Avellaneda, Alto NOA, Abasto Shopping, Patio Bullrich, Mendoza Plaza Shopping, Alto Rosario, Córdoba Shopping Villa Cabrera, Dot Baires, Soleil Premium Outlet, La Ribera Shopping, Distrito Arcos, Alto Comahue Sopping and Patio Olmos. Since 1996, we have also expanded our operations into the residential real estate market through the development and construction of multi-tower apartment complex in the City of Buenos Aires and through the development of private residential communities in the greatest Buenos Aires metropolitan area.

In 1997, we entered the hotel market through the acquisition of a 50% interest in the Llao Llao Hotel near Bariloche and the Intercontinental Hotel in the City of Buenos Aires. In 1998, we also acquired Libertador Hotel in the City of Buenos Aires and subsequently sold a 20% interest to an affiliate of Sheraton Hotels.

In 1999, we acquired 2.9% of the shares of Banco Hipotecario. Over the years, we have acquired additional common shares increasing our interest to 29.91% as of the date of this annual report.

In 2005, we opened Alto Rosario Shopping, which through the years had become in the most important shopping center in Rosario. Also, in such year, we increased our interest in Mendoza Plaza Shopping S.A. ("Mendoza Plaza") from 68.8% to 85.4% through our subsidiary IRSA Commercial Properties. Attractive prospects in our Office business led us to make an important investment in this segment by acquiring Bouchard 710 building in fiscal year 2005, covering 15,014 square meters of rentable premium space.

In December 2006, we started the operation of Córdoba Shopping, a shopping center located in the neighborhood of Villa Cabrera in the City of Córdoba, Province of Córdoba. Córdoba Shopping has a total area of 35,000 square meters with 106 stores, 12 movie theaters and parking for 1,500 vehicles. Also, through our subsidiaries, we started in 2007 the construction of one of our most important projects, a shopping center and an office building located in the neighborhood of Saavedra, at the intersection between Panamericana Highway and General Paz Avenue.

During 2007, we made several significant acquisitions in the Shopping Centers and Offices segments. In 2007, we purchased Bouchard Plaza building, also known as "Edificio La Nación", a 23 floor AAA office building with a total leasable area of 33,324 square meters, located in the downtown of the City of Buenos Aires. During 2015, we completed selling all of the floors in Edificio La Nación, remaining in the portfolio 115 parking spaces for rent. In 2007, we bought Dock del Plata building with a gross leasable area of 7,921 square meters, located in the exclusive area of Puerto Madero, already sold in its entirety. We also launched the development of an office building at Dock IV of Puerto Madero, opened in May 2009, which was entirely sold in December 2015. In addition, we acquired a 50% interest in an office building including current leases with a gross leasable area of 31,670 square meters, known as Torre BankBoston, which is located in Carlos Maria Della Paolera 265, Buenos Aires, and was designed by the recognized architect Cesar Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur).

In March 2008, we launched a residential project through a partnership with Cyrela Brazil Realty to develop a new homebuilding concept in Argentina accompanied by an innovative sale and financing policy. The partnership's first project named "Horizons" is located in the Vicente López neighborhood, Province of Buenos Aires. The project was a commercial success, all the units were sold in record time.

In April 2008, we acquired a building known as "Edificio República", in the City of Buenos Aires. This property, designed by the architect César Pelli, is a premium office building in the downtown area of the City of Buenos Aires, which added approximately 19,533 gross leasable square meters to our portfolio. In June 2008, our subsidiary IRSA Commercial Properties acquired a land located in Beruti 3351/3359, between Bulnes and Coronel Diaz Avenue, in Palermo, a neighborhood of the City of Buenos Aires next to our mall "Alto Palermo Shopping", in which our affiliate TGLT is developing a residential building named "Astor Berutti".

In July 2008, we decided to expand internationally into the United States, taking advantage of certain investment opportunities generated after the global financial crisis. We acquired a 30% interest in Metropolitan 885 LLC ("Metropolitan"), a limited liability company incorporated under the laws of Delaware. Its main asset is a 34-story building named Lipstick Building, located at 885 Third Avenue, New York. In addition to this asset, the acquired company also includes debt associated with the building. The purchase price paid was US$22.6 million. The property has approximately 59,000 square meters of leasable area. Also, we acquired a 50% put right related to stake acquired over a period beginning at six months from closing of the transaction until the third anniversary at a price equal to the amount paid for the acquisition plus interest at a rate of 4.5% per annum. Moreover, we acquired the right of first offer

for the 5% interest currently held by other shareholder of Metropolitan. During fiscal year 2011, as a result of successful negotiations, we reached an agreement to restructure the debt of Metropolitan, which was completed on December 30, 2010, the date on which a principal payment of US$15.0 million for the new restructured mortgage financing, reducing it from US$130.0 million to US$115.0 million. As a result we own indirectly 49% of New Lipstick LLC ("New Lipstick"), a holding company that owns Metropolitan, and as part of those agreements the 50% put option was terminated.

In May 2009, we opened the Dot Baires Shopping Mall, which has four levels and basement levels, consisting of a total area of 173,000 square meters, 49,179 square meters of which is gross leasable area. Dot Baires Shopping, has 153 retail stores, a hypermarket, a cinema complex and parking spaces for 2,200 vehicles.

On August 4, 2009, we acquired a 12.86% interest of Hersha Hospitality Trust ("Hersha") for approximately US$60.0 million. Hersha is a U.S. Real Estate Investment Trust ("REIT"), listed in NYSE, which owned at that time participations in 77 hotels throughout the northeast cost of the United States, which contain approximately 9,800 rooms. By 2014, we had sold most of our interest in Hersha at prices by common share that almost doubled the amount invested.

During 2010, we acquired from Parque Arauco S.A. a 31.6% stake in IRSA Commercial Properties, for a total purchase price of US$126 million, as a consequence of which we increased our shareholding in IRSA Commercial Properties from 63.4% to 94.9%. As of June 30, 2016, our holding was 94.61%.

In December 2010, we acquired a 49% interest in the entity that then owned the building located at 183 Madison Avenue, New York, for a purchase price of US$85.1 million. In November 2012, we increased our participation by an additional 25.5%, to 74.50% of the share capital outstanding. In September 2014, we completed the sale of 183 Madison Avenue, for a sale price of US$185 million.

In March 2011, we bought the Nobleza Piccardo warehouse, through a subsidiary in which we have a 50% stake. This property is located in the city of San Martin, Province of Buenos Aires, and due to its size and location represents an excellent venue for the future development of different segments. The total plot area is 160,000 square meters with floor area of 81,786 square meters. Under the terms of the agreement, Nobleza Piccardo rents the property during the first year, releasing it partially until the third year, at which time it releases the entire building. We are working on the design of a master plan to apply to the authorities of San Martín that allow us to develop a mixed-use project.

In August 2011, we acquired through our subsidiary IRSA Commercial Properties, the 50% of Nuevo Puerto Santa Fe S.A. ("NPSF") common shares, a corporation that is tenant of a building in which La Ribera Shopping was built and currently operates, a mall of approximately 8,000 square meters of gross leasable area, located within Dique I of the port of the city Santa Fe.

In March 2012, we entered into an agreement with Supertel Hospitality Inc. ("Supertel") whereby we acquired 3,000,000 convertible preferred shares in which we invested approximately US$20 million. Supertel is a U.S. REIT listed on Nasdaq, which began operations in late 70s and in 1994 completed its initial public offering. The company was focused on mid-range and extended stays hotels in 23 states in the United States, which are operated by different operators and franchises. During 2015, it appointed a new CEO who is working on the relaunching of the company. It has also changed its name to "Condor Hospitality Trust" and its symbol on Nasdaq to "CDOR" ("Condor"). During March 2016, Supertel exchanged its Class C preferred shares for a new class of preferred Class D shares issued by Condor. In this new issue it has joined the firm "Stepstone Real Estate" as a new investment partner contributing US$30 million, which were intended to cancel the Preferred Series A and B and the acquisition of new hotels. The new preferred shares series D will accrue an annual interest of 6.25% and will be convertible into common stock at a price of US$1.60 per share at any time maintaining a conversion obligation in the event of future capitalization of the company. Condor's board is composed of four directors appointed by Supertel, 3 from Stepstone and 2 Independents. Also, Supertel's voting power in Condor amounts to 49%.

In December 2014, we renamed Alto Palermo into IRSA Commercial Properties, an exclusive vehicle of commercial real estate in Argentina with more than 430,000 premium square meters of properties, to capture all growth opportunities arising in the future. We transferred 83,789 square meters of five buildings of our Premium office portfolio to our subsidiary Alto Palermo S.A. (APSA) (currently IRSA Commercial Properties), of which we own 94.61% of its shares and decided to change its name to IRSA Commercial Properties, which is listed on the MERVAL and on Nasdaq, under the symbol "IRCP". The Premium office buildings transferred included Edificio República, Torre Bank Boston, Edificio Intercontinental Plaza, Edificio Bouchard 710 and Edificio Suipacha. We also transferred to IRSA Commercial Properties the reserve of land known as Intercontinental II, adjoining Edificio Intercontinental Plaza, which has potential for the development of 19,597 m2.

In December 2014, we opened a new shopping center, "Distrito Arcos, Premium Outlet". Located in Palermo (City of Buenos Aires), this new project of approximately 13,000 square meters of gross leasable area, 52 shops and 15 stands was established as an outlet with variety of premium brands in an open-air environment.

In March 2015, we inaugurated the sixteenth mall of our portfolio. Alto Comahue Shopping, located in the center of the city of Neuquén, which has an area of 9,500 square meter gross leasable area, about 1,000 parking spaces between indoor and outdoor and a major entertainment and leisure space. The mall has 130 retail shops that feature the most prestigious brands in the country. The project is part of a mixed-use complex, to be complemented by a supermarket and two additional land plots. One of them is for the development of a hotel, and the other of 18,000 square meters, is for future residential development.

In October 11, 2015, continuing with our strategy of expansion and diversification in the international markets, we gained control of the Israeli conglomerate IDBD. IDBD is one of the largest and most diversified conglomerates in Israel which participates through its subsidiaries in numerous markets and industry sectors, such as: real estate (Property & Building Corporation), supermarkets (Shufersal), agrochemicals (Adama), insurance (Clal Holdings Insurance Enterprises), and telecommunications (Cellcom), among others. IDBD's shares ceased to be listed on the Stock Exchange of Tel Aviv ("TASE"). For more information about the control obtainment of IDBD please see "Significant acquisitions, dispositions and development of business - Acquisition of control of IDBD".

Significant acquisitions, dispositions and development of business

Acquisitions

Acquisition of control of IDBD

On May 7, 2014, the Company, acting indirectly through Dolphin, acquired jointly with ETH, an aggregate of 106.6 million common shares in IDBD, representing 53.30% of IDBD's stock capital, in the context of a restructuring Arrangement of IDBH, IDBD's parent company. Under the terms of the agreement, Dolphin and ETH (the "Shareholders' Agreement")1, Dolphin acquired 50% interest in this investment, and ETH acquired a 50% equity stake in IDBH. The initial investment amount was NIS 950 million, equivalent to approximately US$272 million at the exchange rate prevailing on that date.

On May 28, 2015, in accordance to the requirements under existing shareholder arrangements, ETH launched a tender offer to acquire all the shares of IDBD held by minority shareholders, at a fixed price. The obligation to consummate this acquisition was assumed by the buyers. On June 10 and 11, 2015, Dolphin gave notice to ETH of its intention to buy all the shares of IDBD held by ETH.

After certain aspects of the offer were resolved in arbitration brought by Dolphin and ETH, on September 24, 2015, the arbitration panel resolved that: (i) Dolphin and IFISA were entitled to act as buyers in the tender offer and ETH had to sell all IDBD shares held by it (92,665,925 shares) at a price of NIS 1.64 per share; (ii) the buyer was obligated to fulfill the commitments assumed by ETH, including the commitment to carry out the tender offers; and (iii) the buyer was obligated to pledge the shares of acquired from ERT to the Agreement Trustees.

1 Note that the shareholders' agreement was originally signed between Dolphin and ETH MBA Extra Holdings. On April 2014, Dolphin and CAA Extra Holding received the rights to become holders of the shares.

On October 11, 2015, the BMBY process concluded, and IFISA acquired all IDBD's shares from ETH. Consequently, the Shareholders' Agreement was terminated and members of IDBD's board of directors appointed by ETH tendered their resignations, leaving Dolphin with the authority to appoint new members to the Board. Additionally, Dolphin pledged additional shares as collateral to secure compliance with the IDBD stock purchase agreement, thereby increasing the number of pledged shares to 64,067,710. As a consequence, IRSA acquired control of IDBD and started to consolidate financial statements as from that date.

In addition to the arbitration decision issued on September 24, 2016, ETH and Dolphin have counterclaims that remain unresolved in such arbitration proceeding. As of the date of this Annual Report, the proceeding is still pending.

Subsequently following the exercise of BMBY, Dolphin has entered into an option agreement with IFISA that grants Dolphin the right for a period of two years to acquire the 92,665,925 shares in IDBD owned by IFISA at a price per share of NIS 1.64 plus an annual interest rate of 8.5%. The exercise date for the option extends for two years. Dolphin also has a first refusal if IFISA agrees to sell these shares to a third party. The value of the option agreement as of June 30, 2016 is zero.

Acquisition of non-controlling interest

Dolphin was required to carry out the first tranche of tender offers in December 2015. Before expiration of such first tranche, Dolphin and the arrangement trustees (the "Trustees") entered into an extension agreement (the "Extension Agreement"), which was replaced by the final agreement approved by approximately 95% of the non-controlling shareholders of IDBD (excluding IFISA) and by warrants holders of IDBD on March 2, 2016 and by the competent court on March 10, 2016. The major amendments to the Arrangement were:

(i)
Replacement of the obligation to conduct tender offers as previously established under the Arrangement whereby Dolphin would purchase all the shares outstanding on March 29, 2016 from non-controlling shareholders of IDBD (except for those held by IFISA) on March 31, 2016. On March 29, 2016, all IDBD shares would be delisted from the TASE. On that date, all IDBD warrants held by non-controlling shareholders would expire and Dolphin would make capital contributions to IDBD or grant subordinate loans, as described hereafter.

(ii)
The price to be paid for each IDBD share held by non-controlling shareholders on March 29, 2016 would be NIS 1.25 payable in cash, plus NIS 1.20 adjusted nominal value in bonds of the IDBD Series 9 (the "IDBD Bonds"), which IDBD will issue directly to non-controlling shareholders and holders of warrants, and Dolphin will inject funds into IDBD equal to the adjusted nominal value of IDBD Bonds. Additionally, Dolphin would undertake to pay NIS 1.05 per share (subject to adjustments) in cash if Dolphin, either directly or indirectly, gains control of Clal, or if IDBD sells a controlling stake in Clal under certain parameters (the "Clal payment"), which refers mainly to Clal's sale price (at a price which exceeds 75% of its book value upon execution of the sale agreement, subject to adjustments) and, under certain circumstances, the proportion of ownership of Clal shares sold by IDBD.

(iii)
The warrants held by non-controlling shareholders that have not been exercised until March 28, 2016 expired on March 31, 2016. Each warrant holder was entitled to elect whether: (a) to receive IDBD bonds (based on the adjusted nominal value) in an amount equal to the difference between NIS 2.45 and the exercise price of the warrants and be entitled to the Clal payment; or (b) to receive a payment determined by an independent appraiser and approved by Court.

Regarding warrant holders choosing this second alternative of payment, the District Court has rejected the experts opinion with respect to the evaluation of the Clal payment and one of the warrants holders has decided to file an appeal before the Supreme Court. As of the date of this filing, the process has not been ended and the Supreme Court has not rendered a decision yet.

(iv)
Dolphin committed to providing IDBD a total of NIS 515 million (the "Contribution to IDBD"), of which Dolphin contributed NIS 15 million in February 2016 and NIS 85 million in March 2016. The amount injected to IDBD would be reduced by any capital contribution resulting from the exercise of warrants held by non-controlling shareholders (maximum amount of approximately NIS 37.5 million). The contribution to IDBD would further cover the IDBD Bonds necessary to comply with the transactions described above (between NIS 166.5 million and NIS 178 million), and the balance would be contributed until completing the amount committed by Dolphin either as a capital contribution or as a subordinated loan which amounted to NIS 248.45.

(v)
Dolphin had to pledge 28% of its IDBD shares, as well as all rights held by Dolphin in relation to the subordinated loan granted in the amount of NIS 210 million in December 2015, until the payment obligation for Clal has been completed or has expired, after which the pledge will be discharged.

Should new shares be issued by IDBD, Dolphin will be required to pledge additional shares until completing the 28% of all IDBD share capital. This pledge supersedes the existing pledge on approximately 64 million shares of IDBD and all Dolphin's rights in relation to the Subordinated Loan.

(vi)
Additionally, Dolphin agreed not to exercise its right to convert the subordinated loans into shares of IDBD until the pledge described above has been released. Should the pledge on subordinated loans be exercised by the Trustees, then those trustees may convert the subordinated loans into shares; however, in such case, the maximum percentage of the IDBD capital that may be pledged is 35%, and any shares in excess of such amount will be released from the pledge.

On March 31, 2016: (i) Dolphin acquired all shares from IDBD' minority shareholders (except for IFISA), (ii) all warrants held by IDBDs minority shareholders expired, and (iii) Dolphin made additional contributions to IDBD via subordinated loans pursuant. All commitments to invest in IDBD by Dolphin have been satisfied; only obligation to make a payment to Clal is outstanding, provided certain conditions are met. Additionally, Dolphin is obligated to exercise its warrants if both of the following conditions occur:

(i)
An agreement is reached to renegotiate the debt covenants applicable to IDBD and its subsidiaries; and

(ii)
Control over Clal is obtained.

The obligation would amount to NIS 391 million. The warrants mature on February 10, 2018. As of June 30, 2016, IRSA's indirect interest in IDBD was 68.28% without considering dilution.

The transaction described above represented the acquisition of an additional interest of 19.28% in IDBD for a total amount of Ps.1,249 million. As a result of this transaction, the non-controlling interest was increased by Ps.346 million and the interest attributable to the shareholders' of the controlling parents was increased by Ps.234 million.

Acquisition and sale of investment properties

During the fiscal year ended June 30, 2016, IRSA sold certain floors corresponding to Maipú 1300 Building, Intercontinental Plaza, all the floors corresponding to Dique IV and Isla Sirgadero, among others. All sales mentioned above led to a combined profit for the Company of Ps.1,113 million.

During the fiscal year ended June 30, 2015, IRSA acquired five plots of farmlands in Luján for Ps.210 million and, through IRSA CP, a plot of land in Córdoba in the amount of Ps.3.1 million, and has sold floors corresponding to Maipú 1300 building, Intercontinental Plaza, Bouchard 551, the entire Madison 183 building and parking spaces in Bouchard 551, Libertador 498 and Maipú 1300. All sales mentioned above led to a combined profit for the Company of Ps.1,163 million.

During the fiscal year ended June 30, 2014, IRSA acquired, through IRSA CP, a building next to Alto Palermo Shopping for US$3.8 million and sold floors corresponding to Maipú 1300 building, Bouchard 551 and the entire buildings Mayo 589, Rivadavia 565, Costeros Dique IV Constitución 1159 and parking spaces in Maipú 1300, Bouchard 551 and Libertador 498 buildings. All sales mentioned above led to a combined profit for the Company of Ps.236 million.

Acquisition of additional interest in BHSA

During the year ended June 30, 2015, IRSA acquired 3,289,029 additional shares of BHSA for Ps.14.2 million, thereby increasing its equity stake from 29.77% to 29.99%. During the year ended June 30, 2016 IRSA sold 1,115,165 shares of BHSA in a total amount of Ps.7.7 million, thereby decreasing its interest to 29.91%.

Disposal of financial assets

During August 2014, IRSA, through its subsidiary REIG IV, sold the balance of one million shares of Hersha Hospitality Trust, at an average price of US$6.74 per share.

Sale of Associates

On February 5, 2014, IRSA, through Ritelco, sold its interest in Bitania, representing 49% of its capital stock, for US$4.2 million. Such transaction generated a net gain of approximately Ps.13.3 million.

Acquisition of BACS

The Company through Tyrus, subscribed a purchase-sale agreement of shares of BACS, representing an interest of 6.125%, for US$1.35 million. This operation is yet to be approved by the BCRA as of June 30, 2016, according to regulations in force. The advance payment related to this transaction is disclosed in “Trade receivables and Other receivables”. On August 24, 2016 the operation was approved by the BCRA.

On June 17, 2015, subscribed Convertible Notes, issued by BACS with or a nominal value of Ps.100,000,000, which are convertible into common stock.

On June 21, 2016, we notified BACS on their right to convert all of the convertible subordinated Notes into common shares.

As a consequence, BACS initiated the relevant diligence before the Argentine Central Bank in order to secure the authorization to issue the shares in our favor.

Rigby capital reduction

During fiscal year 2015, Rigby reduced its capital stock by distributing among existing shareholders, proportionally to their shareholdings, the gain made on the sale of Madison building. The total amount distributed is US$103.8 million, of which the Company received US$77.4 million (US$26.5 million through IRSA International and US$50.9 million through IMadison LLC) and US$26.4 million were distributed to other shareholders. As a result of such reduction, the Company has decided to reverse the corresponding accumulated conversion difference on a pro rata basis, which amounted to Ps.188.3 million.

Capital Expenditures

Fiscal Year 2016. During the fiscal year ended June 30, 2016, we invested Ps.2,369 million, mainly related to: (a) acquisitions and improvements in property, plant and equipment for Ps.1,172 million, primarily i) Ps.378 million in buildings and facilities, mainly in our operation center in Israel's supermarkets, ii) Ps.310 million in communication networks, and iii) Ps.291 million in machinery and equipment; (b) improvements in our rental properties of Ps.260 million, primarily in our shopping centers in Argentina; and (c) the development of properties for Ps.919 million, mainly in our Operations Center in Israel.

Fiscal Year 2015. During the fiscal year ended June 30, 2015, we invested Ps.532 million, as follows: (a) to fund improvements in our Sheraton Libertador, Intercontinental and Llao Llao hotels (Ps.1.2 million, Ps.9 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 centers, (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 the "La Adela" project, and (h) Ps.1.6 million related to the acquisition of land reserves.

Fiscal Year 2014. During the fiscal year ended June 30, 2014, we invested Ps.318 million, as follows: (a) to fund improvements in our Sheraton Libertador, Intercontinental and Llao Llao hotels (Ps.5.6 million, Ps.2.1 million and Ps.2.3 million, respectively), (b) Ps.9.5 million related to the acquisition of furniture and fixtures, machinery, equipment and facilities, (c) to fund improvements in our shopping centers for Ps.61.1 million, (d) Ps.179.3 million allocated to the development of properties, Ps.99.9 million corresponding to the "Distrito Arcos" project and Ps.79.4 million to the "Shopping Neuquén" project, (e) Ps.29.6 million allocated to advances for the acquisition of investments in general, (f) Ps.24 million allocated to improvements of our offices and other rental properties, and (g) Ps.0.5 million related to the acquisition of land reserves.

Recent Developments:

Annual Shareholders Meeting.

Our Ordinary and Extraordinary Shareholders' Meeting has been called for October 31, 2016, at 1:00 p.m., to address the following agenda: (i) Consideration of documents contemplated in Section 234, paragraph 1, of the Argentine Companies Law No. 19,550 for the fiscal year ended June 30, 2016; (ii) Consideration of the fiscal year's results, consisting of a Ps.1,254 million net loss. Ratification of the Board of Directors' decision dated May 12, 2016, as to funding the legal reserve with funds from the future dividends reserve, in accordance with Art. 5, Chapter III, Title IV of CNV Rules; (iii) Consideration of Board of Directors' performance; (iv) Consideration of Supervisory Committee's performance; (v) Consideration of compensation payable to the Board of Directors for Ps.24 million for the fiscal year ended June 30, 2016; (vi) Consideration of compensation payable to the Supervisory Committee for the fiscal year ended June 30, 2016; (vii) Determination of the number and election of Regular Directors and Alternate Directors, as applicable; (viii) Appointment of Regular and Alternate Members of the Supervisory Committee; (ix) Appointment of Certifying Accountant for the next fiscal year and determination of its compensation. Delegation of powers; (x) Updating of report on Shared Services Agreement; (xi) Treatment of amounts paid as personal assets tax levied on the shareholders; (xii) Consideration of (i) request for extension of the Global Note Program for up to US$300 million currently outstanding, in accordance with the resolutions adopted at the Shareholders' Meeting dated October 31, 2011, for a further 5 years or more, if applicable; (ii) request for extension of the Program for an additional US$200 million; (xiii) Consideration of (i) delegation on the Board

of Directors of powers to implement the time and amount extension requests of the Global Note Program and/or its reduction, and to determine the terms and conditions of the Program not expressly approved by the shareholders' meeting, such as time and currency of issue and further terms and conditions of the notes to be issued under the Global Note Program ; (ii) authorization to Board of Directors to (a) approve, celebrate, enter into and/or subscribe any agreement, contract, document, instrument and/or note related to the time extension of the Program and/or the implementation of the amount increase and/or the issuance of notes and/or series of notes under the Program; (b) request to the Argentine Securities Commission the authorization for the public offering of such notes; (c) request to the applicable stock Exchange, local or foreign, the authorization for the listing of such notes; and (d) undertake any action or take any necessary step in order to the time extension request of the Program and/or its amount increase and/or the issuance of notes and/or series of notes under the Program; and (iii) authorization to the Board of Directors to delegate the powers and authorizations granted in (i) and (ii) to one or many of its members; (xiv) Consideration of the granting of indemnity to current and former members of the Board of Directors, members of the Supervisory Committee and the Senior Management of the Company, in subsidy of the D&O policies; (xv) Consideration of reform of article 24 of the by-laws in order to include distance meetings.

Operations Center in Argentina

Issuance of Series VII and Series VIII Notes.

On September 8, 2016, we issued the Series VII Notes, in an aggregate principal amount of Ps.384,233,262, bearing an adjustable interest rate of BADLAR + 2.99% per year and the Series VIII Notes, in an aggregate principal amount of US$184,507,138, bearing interest at a fixed rate of 7% per year. Both Series mature on September 9, 2019. The use of proceeds was mainly to repay debt.

Redemption of Series I Notes.

On September 9, 2016, we announced our intention to redeem all outstanding Series I Notes for a total amount of US$74.55 million. The redemption took place on October 11, 2016, and the redemption price was equal to 100% of the aggregate principal amount of the outstanding Notes plus accrued interest, as a result of the redemption, the outstanding amount of the Notes was cancelled in full.

Dolphin Netherlands shares subscription.

On August 10, 2016, through a subsidiary, we subscribed additional shares of Dolphin Netherlands B.V. for a subscription price of US$3.2 million. As of June 30, 2016 we owned 98.6% of Dolphin Netherlands B.V.

Operations Center in Israel

Acquisition of DIC shares from IDBD.

On September 23, 2016, we acquired from IDBD 8,888,888 shares of Discount Investment Corporation ("DIC") (DISI:TASE) for NIS 100 million (approximately US$26.7 million), equivalent to 8.8% of DIC's shares outstanding.

ChemChina's offer for Adama Agricultural Solutions Ltd.

On July 17, 2016, our indirect subsidiary DIC, agreed to sell its remaining 40% in Adama to ChemChina for cash consideration of US$ 230 million and cancellation of a loan due to a Chinese bank. It is expected that the sale

transaction be consummated by the first week of November 2016, subject to the fulfillment of certain conditions, including the receipt of Chinese regulatory and antitrust approvals.

Dismissal of liquidation request of IDBD.

On July 18, 2016, the Tel Aviv District Court dismissed the request for liquidation of IDBD and appointment of interim liquidator put forward by Hermetic Trust (1975) Ltd. on behalf of IDBD's Series 9 bondholders.

Issuance of Notes by IDBD and DIC.

On August 2, 2016 IDBD issued a new Series of Debentures in the Israeli market for an amount of NIS 325 million due November 2019 at an annual interest rate adjustable by CPI plus 4.25%. The notes are pledged by shares of Clal Insurance Enterprise Holdings Ltd ("Clal"), subject to the approval of the Commissioner of Capital Markets, Insurance and Savings. IDBD is working to get the authorization to constitute the guarantee through the filing of an application to the Supreme Court asking for such approval. In case IDBD does not get the required approval, funds must be repaid with interest plus a penalty. on September 15, 2016, the High Court of Justice gave a partial judgment and decision, according to which it was decided, to reject the petition for the most part and to grant an order which instructs the Commissioner to appear and show a reason for her opposition to the request of the company to pledge up to 5% of the shares of Clal Holdings, subject to an outline agreed to at the time by the company. Furthermore, the company maintains the right to accede to a proposal for compromise which was raised in the context of the discussion. A hearing date was set for January 2017.

Furthermore, DIC re-opened its issuance of Notes due 2025 for an additional principal amount of NIS 360 million.

Notes in IDBD and subsidiaries.

In July 2016, Shufersal acquired Notes Series B shares with a Nominal Value of NIS 511 million by way of an additional issue of Notes Series F shares at a ratio of 1.175 for each NIS 1 nominal value of the Series B shares outstanding. The Notes Series B shares acquired by Shufersal were cancelled and delisted.

B. Business Overview

Operations and principal activities

Founded in 1943, IRSA Inversiones y Representaciones is one of Argentina's leading real estate companies in terms of total assets and the only Argentine real estate company whose shares are listed on both the MERVAL and on the NYSE.

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

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

ii.
the acquisition and development of office and other non-shopping center 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, 2016, we owned 94.61% of IRSA Commercial Properties, 29.91% of Banco Hipotecario, one of the leading financial institutions in Argentina, 49.9% interest in a US company whose main asset is the "Lipstick Building in New York City," 49.0% of the voting stock of the US Real Estate Investment Trust ("REIT") named Condor (formerly known as Hospitality Inc.) and indirectly, 68.3% of the IDBD.

On October 11, 2015, we gained effective control of IDBD and it began to include it in our 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 and Building Corporation), supermarkets (Shufersal), agroindustry (Adama), insurance (Clal Holdings Insurance Enterprises, hereinafter Clal), and telecommunications (Cellcom), among others.

On March 31, 2016, IDBD's shares were delisted from the Tel Aviv Stock Exchange. However, IDBD will continue to be registered with the TASE as a "Debentures Company" pursuant to Israeli law, as it has bonds listed on such exchange.

We have decided to break down reporting into an Operations Center in Argentina and an Operations Center in Israel. From the Operations Center in Argentina, through IRSA and our subsidiaries, we manage the businesses in Argentina and the international investments in the Lipstick Building in New York and the Condor hotel REIT. From our Operations Center in Israel, we manage IDBD.

Operations Center in Argentina

We operate our business in Argentina through six reportable segments, namely "Shopping Centers", "Offices and Others", "Sales and Developments", "Hotels", "International" and "Financial Operations and Others" as further described below:

Our "Shopping Centers" segment includes the operating results from our portfolio of shopping centers principally comprised of lease and service revenue from tenants. Our Shopping Centers segment had assets of Ps.2,337 million and Ps.2,371 million as of June 30, 2016 and 2015, respectively, representing 46% and 37% of our operating assets for the Operations Center in Argentina at such dates, respectively. Our Shopping Centers segment generated operating income of Ps.1,638 million and Ps.1,190 million for the fiscal years ended June 30, 2016 and 2015, respectively, representing 60% and 47% of our consolidated operating income in Argentina for such years, respectively.

Our "Offices and Others" segment includes the operating results of our lease and service revenues of office space and other non-retail building properties principally comprised of lease and service revenue from tenants. Our Offices and Others segment had assets of Ps.911 million and Ps.992 million as of June 30, 2016 and 2015, respectively, representing 18% and 15% of our operating assets for the Operations Center in Argentina at such dates, respectively. Our Offices and Others segment generated operating income of Ps.221 million and Ps.102 million for the fiscal years ended June 30, 2016 and 2015, respectively, representing 8% and 4% of our consolidated operating income for the Operations Center in Argentina for such years, respectively.

Our "Sales and Developments" segment includes the operating results of our acquisition and/or construction of housing and other properties for sale in the ordinary course of business. Our Sales and Developments segment had assets of Ps.742 million and Ps.612 million as of June 30, 2016 and 2015, respectively, representing 15% and 9% of our operating assets for the Operations Center in Argentina at such dates, respectively. Our Sales and Developments segment generated operating income of Ps.881 million and Ps.1,113 million for the financial years ended June 30, 2016 and 2015, respectively, representing 32% and 44% of our consolidated operating income for the Operations Center in Argentina for such years, respectively.

Our "Hotels" segment includes the operating results of our hotels mainly comprised of room, catering and restaurant revenues. Our Hotels segment had assets of Ps.164 million and Ps.172 million as of June 30, 2016 and 2015, respectively, representing 3% of our operating assets for the Operations Center in Argentina for both years. Our Hotels segment generated operating losses of Ps.1 million and operating losses of Ps.12 million for the fiscal years ended June 30, 2016 and 2015, respectively, representing 0.04% and 0.47% of our consolidated operating income for the Operations Center in Argentina for such years.

Our "International" segment includes investments that mainly operate in the United States in relation to the lease of office buildings and hotels in that country, and the results arising from the investment in IDBD at fair value until October 11, 2015. We intend to continue evaluating investment opportunities outside Argentina as long as they offer attractive investment and development options. Our International segment generated operating losses of Ps.3 million and operating income of Ps.146 million for the fiscal years ended June 30, 2016 and 2015, respectively, representing 0.1% and 6% of our consolidated operating income for the Operations Center in Argentina for such years, respectively.

Our "Financial Operations and Others" segment includes principally the income or loss generated by our associates Banco Hipotecario, BACS and Tarshop, and the residual financial operations of Metroshop carried on through Apsamedia. During fiscal year 2015, we decreased equity interest in Banco Hipotecario from 29.99% to 29.91%, held in the form of Class D shares, which are currently entitled to three votes per share. As of June 30, 2016, our investment in Banco Hipotecario generated income of Ps.259 million. Tarshop's operations consist primarily of lending and servicing activities related to the credit card offered to consumers at retail venues. Our Financial Operations and Others segment had assets of Ps.1,703 million and Ps.1,404 million as of June 30, 2016 and 2015, respectively, representing 34% and 22% of our operating assets for the Operations Center in Argentina at such dates, respectively. Our Financial Operations and Others segment generated operating losses of less than Ps.1 million and Ps.2 million for the fiscal years ended June 30, 2016 and 2015, respectively, representing less than 1% of our consolidated operating income for the Operations Center in Argentina for such years.

Operations Center in Israel

We operate our business in Israel through six reportable segments, namely "Real Estate", "Supermarkets", "Agrochemicals", "Telecommunications", "Insurances" and "Others" as further described below:

Our "Real Estate" segment includes mainly assets and operating income derived from business related to the subsidiary PBC. Through PBC, the Company operates rental properties and residential properties in Israel, United States and other parts of the world and carries out commercial projects in Las Vegas. Our Real Estate segment had assets of Ps.60,197 million as of June 30, 2016, representing 41% of our operating assets for the Operations Center in Israel at such date. Our Real Estate segment generated operating income of Ps.617 million for the fiscal year ended June 30, 2016, representing 86% of our consolidated operating income for the Operations Center in Israel for such year.

Our "Supermarkets" segment includes assets and operating income derived from the business related to the subsidiary Shufersal. Through Shufersal, the Company mainly operates a supermarket chain in Israel. Our Supermarkets segment

had assets of Ps.29,440 million as of June 30, 2016, representing 20% of our operating assets for the Operations Center in Israel at such date. Our Supermarkets segment generated operating income of Ps.424 million for the fiscal year ended June 30, 2016, representing 59% of our consolidated operating income for the Operations Center in Israel for such year.

Our "Agrochemicals" segment includes the income derived from the associate Adama. Adama is a company specialized in agrochemicals, particularly for the production of crops. Our Agrochemicals segment generated an income of Ps.334 million from the investment in Adama for the fiscal year ended June 30, 2016.

Our "Telecommunications" segment includes assets and operating income derived from the business related to the subsidiary Cellcom. Cellcom is a provider of telecommunication services and its main activities include the provision of mobile phone services, fixed line phone services, data and Internet, among others. Our Telecommunications segment had assets of Ps.27,345 million as of June 30, 2016, representing 19% of our operating assets for the Operations Center in Israel at such date. Our Telecommunications segment generated operating losses of Ps.71 million for the fiscal year ended June 30, 2016, representing 10% of our consolidated operating income for the Operations Center in Israel for such year.

Our "Insurance" segment includes the investment in Clal. Clal is one of the most important insurance groups in Israel, and is mainly engaged in pension and social security insurance, among others. As indicated in Note 16 of the Financial Statements, 51% of the controlling shares of Clal are held in a trust following the instructions of the Israel Securities Commission in order to comply with the sale of the controlling shares of Clal; as a result, Clal is not fully consolidated on a line-by-line basis but rather in a single line as a financial instrument at fair value, as required by the IFRS under the current circumstances where no control is exercised. Our Insurance segment had assets of Ps.4,602 million as of June 30, 2016, representing 3% of our operating assets for the Operations Center in Israel at such date.

Our "Others" segment includes the assets and income derived from other diverse business activities, such as technological developments, tourism, oil and gas assets, electronics, and others. Our Others segment had operating assets of Ps.25,405 million as of June 30, 2016, representing 17% of our operating assets for the Operations Center in Israel at such date. Our Others segment generated operating losses of Ps.250 million for the fiscal year ended June 30, 2016, representing 35%, of our consolidated operating income for the Operations Center in Israel for such year.

Business Strategy

As a leading company in Argentina engaged to acquiring, developing and managing real estate, we seek to (i) generate stable cash flows through the operation of our real estate rental assets (shopping centers, 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 Centers

Our main purpose is to maximize our shareholders' profitability. By using our know-how in the shopping centers 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 centers 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 1,000 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.

During the fiscal years ended June 30, 2014, 2015 and 2016, our Shopping Centers segment had revenues of Ps.1,383 million, Ps.1,778 million and Ps.2,406 million, respectively.

Offices and Others

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.

During the fiscal years ended June 30, 2014, 2015 and 2016, our Offices and Others segment had revenues of Ps.271 million, Ps.333 million and Ps.340 million, respectively.

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. The scarcity of mortgage financing restricted the growth in low 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.

During the fiscal years ended June 30, 2014, 2015 and 2016, our Sales and Developments segment had revenues of Ps.85 million, Ps.15 million and Ps.8 million, respectively, and recognized net gains from the sale of investment properties (primarily offices and parking spaces) of Ps.236 million, Ps.1,163 million and Ps.1,068 million, respectively.

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.

During the fiscal years ended June 30, 2014, 2015 and 2016, our Hotels segment had revenues of Ps.332 million, Ps.396 million and Ps.534 million.

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 49.0% of the voting securities of Condor Hospitality Trust REIT (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.

During the fiscal years ended June 30, 2014, 2015 and 2016, our International segment had revenues of Ps.84 million, Ps.26 million and Ps.0 million, respectively.

Financial Operations and Others

Through our investment in Banco Hipotecario, the main mortgage-lending bank in Argentina, we believe that we are able to achieve good synergies in the long term with a developed mortgage market. For the fiscal years ended June 30, 2014, 2015 and 2016, our investment in Banco Hipotecario generated a gain of Ps.184 million, Ps.143 million and Ps.257 million, respectively.

Operations Center in Israel

We hold, through Dolphin, 68.3% of IDBD, which is one of the largest and most diversified investment groups in Israel, which participates, through its subsidiaries, associates and joint ventures, in numerous markets and industry sectors, including real estate, retail, agricultural industry, insurance, telecommunications, among others. We seek to continue to reduce IDBD's indebtedness level, simplifying its capital structure and nurturing a strategy in each business unit aimed at improving operating margins and the results of our investment.

Real Estate

PBC has partnered with IDBD in two projects based in Las Vegas, through IDBG Ltd., including commercial and office building project (Tivoli). The first stage of this project has been fully completed. The second stage of the project is undergoing the building and marketing stages, and will include commercial areas with a surface area of approximately 16,000 square meters and office areas with a surface area of approximately 12,000 square meters. We

have already entered into lease agreements with an anchor tenant and other tenants covering approximately 66% of the commercial area included in the second stage of the project and around 8% of the office areas. We also expect to develop an additional project encompassing, two residential buildings and, during the year under review, have sold all the remaining residential units of these buildings.

Supermarkets

Shufersal continued developing its business plan, with a focus on building a commercial and operating infrastructure to enable growth in the coming years; strengthening its competitive edge; offering more value to customers; and improving its service. Under its business plan, Shufersal continues expanding and strengthening its brand; boosting the development of its digital platforms, with "Shufersal Online" at the core; fostering new and supplementary operations in the sectors in which it currently operates; and streamlining its real property, including the closure and downsizing of existing branches and the opening of new ones.

Agrochemicals

As a part of Adama's long-term strategy, in December 2015, Adama entered into a commercial cooperation agreement, according to which Adama will gradually become the sole distributor of formulated agrochemical products in China of several agrochemical companies controlled by China National Chemical Corporation ("ChemChina"). This cooperation is expected to support the strengthening of Adama's status in the Chinese market, by combining sales of Adama's products with products of ChemChina's companies and setting up a significant distribution platform in China, starting at the beginning of 2016. On July 17, 2016, DIC, reported that it had accepted ChemChina's offer for 40% of Adama Agricultural Solutions Ltd.'s shares, indirectly controlled by IDBD through DIC. For more information see "Recent Developments".

Telecommunications

Cellcom operates in a highly competitive environment. The main elements of Cellcom's business strategy are: offering comprehensive solutions to expand landline and mobile communication services, optimization of costs and expenses, including by means of carrying out streamlining measures.

Insurance

The investment managers make use of an advanced research department and an effective trading execution, to ensure a competitive advantage in order to achieve a fair long-term yield for policy holders, maximizing income from investments in accordance with the company's risk appetite and the structure of liabilities in the portfolios.

Others

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

Overview

Operations Center in Argentina

Shopping Centers

As of June 30, 2016, we operated and owned a majority interest in a portfolio of 16 shopping centers 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 centers operated by us comprise a total of 333,155 square meters of GLA (excluding certain spaces occupied by hypermarkets which are not our tenants). Total tenant sales in our shopping centers, as reported by retailers, were Ps.28,904.5 million for fiscal year 2016 and Ps.21,527 million for fiscal year 2015, which implies an increase of 34.3%, including Distrito Arcos and Alto Comahue. Tenant sales at our shopping centers 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 the tenant's sales.

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The following table shows certain information concerning our shopping centers as of June 30, 2016:

	Date of Acquisition	Location	GLA in square meters (1)	Stores	Occupancy rate (2)	IRSA Commercial Properties' Interest (3)	Book Value (4)
Shopping Centers							
Abasto (6)	Jul-94	City of Buenos Aires, Argentina	36,738	170	99.8%	100%	245
Alto Palermo	Nov-97	City of Buenos Aires, Argentina	18,966	142	99.6%	100%	208
Alto Avellaneda	Dec-97	Province of Buenos Aires, Argentina	35,887	134	100.0%	100%	127
Alcorta Shopping	Jun-97	City of Buenos Aires, Argentina	15,877	112	89.1%	100%	116(5)
Patio Bullrich	Oct-98	City of Buenos Aires, Argentina	11,783	88	99.1%	100%	109
Alto Noa	Mar-95	Salta, Argentina	19,040	89	100.0%	100%	32
Buenos Aires Design	Nov-97	City of Buenos Aires, Argentina	13,903	62	95.7%	53.7%	7
Mendoza Plaza	Dec-94	Mendoza, Argentina	42,043	139	95.2%	100%	92
Alto Rosario(6)	Nov-04	Santa Fe, Argentina	28,796	143	100.0%	100%	127
Córdoba Shopping –Villa Cabrera	Dec-06	Córdoba, Argentina	15,582	110	99.2%	100%	53
Dot Baires Shopping	May-09	City of Buenos Aires, Argentina	49,641	150	100.0%	80%	368
Soleil Premium Outlet	Jul-10	Province of Buenos Aires, Argentina	13,991	78	100.0%	100%	80
La Ribera Shopping	Aug-11	Santa Fe, Argentina	9,851	63	99.3%	50%	24
Distrito Arcos (7)	Dec-14	City of Buenos Aires, Argentina	11,170	60	97.0%	90.0%	280
Alto Comahue (8)	Mar-15	Neuquén, Argentina	9,890	102	96.6%	99.1%	318
Patio Olmos (9)	Sep-07	Córdoba, Argentina	-	-	-	100%	26
TOTAL GENERAL			333,158	1,642	98.4%	98.4%	2,212

(1) Corresponds to the total leasable surface area of each property. Excludes common areas and parking spaces.
(2) Calculated by dividing square meters under leases in effect by gross leasable area as of fiscal year end.
(3) Our effective interest in each of its business units.
(4) Cost of acquisition, plus improvements, less accumulated depreciation. Values in millions of Pesos.
(5) Includes Ps.13,454,000 from Ocampo parking space.
(6) Excludes Museo de los Niños (3,732 sqm in Abasto and 1,261 sqm in Alto Rosario).

(7) Opening was on December 18, 2014.
(8) Opening was on March 17, 2015.
(9) IRSA CP owns the historic building of the Patio Olmos shopping center in the province of Cordoba, operated by a third party.

Accumulated Rental Income as of June 30, 2016, 2015 and 2014

The following table shows certain information concerning Accumulated Rental Income as of June 30, 2016, 2015 and 2014 of our IRSA Commercial Properties subsidiary's shopping centers:

	As of June 30,		
	2016	2015	2014
	(In millions of Ps.)		
Abasto	384	302	238
Alto Palermo	392	295	244
Alto Avellaneda	265	200	161
Alcorta Shopping	187	141	106
Patio Bullrich	118	98	79
Alto Noa	73	51	39
Buenos Aires Design	45	35	27
Mendoza Plaza	119	92	74
Alto Rosario	182	138	100
Córdoba Shopping –Villa Cabrera	68	54	40
Dot Baires Shopping	261	199	158
Soleil Premium Outlet	80	59	44
La Ribera Shopping	21	13	9
Distrito Arcos (1)	78	23	-
Alto Comahue (2)	48	12	-
Total Sales	2,321	1,712	1,319

(1) Opening was on December 18, 2014.
(2) Opening was on March 17, 2015.
(3) Does not include income neither from Fibesa nor from Patio Olmos.

Tenant Retail Sales(1)(2)

The following table contains a breakdown of approximate total tenant retail sales in millions of Pesos at the shopping centers in which we had an interest for the fiscal years shown:

	As of June 30,		
	2016	2015	2014
	(In millions of Ps.)		
Abasto	4,043	3,150	2,447
Alto Palermo	3,499	2,662	2,111
Alto Avellaneda	3,781	2,913	2,334
Alcorta Shopping	1,900	1,475	1,120
Patio Bullrich	1,061	889	689
Alto Noa	1,369	1,069	766
Buenos Aires Design	414	326	272
Mendoza Plaza	2,369	1,907	1,515
Alto Rosario	2,628	1,952	1,378
Córdoba Shopping- Villa Cabrera	991	756	547
Dot Baires Shopping	3,254	2,571	2,008

Soleil Premium Outlet	1,282	938	664
La Ribera Shopping	634	398	281
Distrito Arcos (2)	962	340	-
Alto Comahue (3)	717	182	-
Total Sales	28,904	21,527	16,132

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(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 center, although in certain cases we own less than 100% of such shopping centers. Excludes sales from stands and spaces used for special exhibitions.
(2) Opening was on December 18, 2014.
(3) Opening was on March 17, 2015.

Accumulated Sales per type of Business

	As of June 30,		
	2016	2015	2014
	(In millions of Ps.)		
Anchor Store	1,591	1,299	1,098
Clothes and footwear	15,201	11,125	7,940
Entertainment	1,026	741	547
Home and decoration	784	617	486
Home Appliances	3,862	2,994	2,527
Restaurant	2,722	1,938	1,477
Miscellaneous	3,368	2,589	1,922
Services	352	223	136
Total	28,906	21,526	16,133

Occupancy Rate

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

	As of June 30,		
	2016	2015	2014
Abasto	99.8%	100.0%	99.4%
Alto Palermo	99.6%	99.7%	98.9%
Alto Avellaneda	100.0%	99.9%	99.5%
Alcorta Shopping	89.1%	100.0%	99.8%
Patio Bullrich	99.1%	100.0%	99.6%
Alto Noa	100.0%	100.0%	99.7%
Buenos Aires Design	95.7%	94.6%	92.3%
Mendoza Plaza	95.2%	96.1%	95.0%
Alto Rosario	100.0%	97.9%	97.0%
Córdoba Shopping Villa Cabrera	99.2%	99.8%	99.8%
Dot Baires Shopping	100.0%	99.7%	99.7%
Soleil Premium Outlet	100.0%	99.4%	100.0%
La Ribera Shopping	99.3%	99.3%	99.6%
Distrito Arcos	97.0%	97.3%	-
Alto Comahue	96.6%	94.2%	-
Total Percentage	98.4%	98.7%	98.4%

Rental Price

The following table shows the annual average rental price per square meter for the fiscal years ended June 30, 2016, 2015 and 2014:(1)

	As of June 30,		
	2016	2015	2014
Abasto	10,456.4	8,227.2	6,254.6

Alto Palermo	20,663.9	15,107.9	12,618.5
Alto Avellaneda	7,389.7	5,443.2	4,400.3
Alcorta Shopping	11,759.4	9,106.1	7,000.2

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	As of June 30,		
	2016	2015	2014
Patio Bullrich	10,056.9	8,452.8	6,762.3
Alto Noa	3,814.7	2,656.6	2,022.5
Buenos Aires Design	3,264.2	2,543.2	1,874.9
Mendoza Plaza	2,831.3	2,181.1	1,802.8
Alto Rosario	6,303.1	4,847.2	3,390.4
Córdoba Shopping Villa Cabrera	4,367.3	3,552.0	2,503.8
Dot Baires Shopping	5,265.1	4,001.7	3,389.3
Soleil Premium Outlet	5,726.0	4,242.5	2,908.4
La Ribera Shopping	2,109.4	1,340.3	1,129.7
Distrito Arcos (2)	6,993.8	1,891.1	-
Alto Comahue (3)	4,832.1	1,236.1	-

(1) Corresponds to consolidated annual accumulated rental prices according to the IFRS divided by gross leasable square meters. Does not include income from Fibesa or Patio Olmos.
(2) Opening was on December 18, 2014.
(3) Opening was on March 17, 2015.

Lease Expirations

The following table sets forth the schedule of estimated lease expirations for our shopping centers for leases in effect as of June 30, 2016, assuming that none of the tenants exercise renewal options or terminate their leases earlier:

As of June 30, 2016

Year of expiration	Number of Agreements	Square meters to expire	Percentage to expire	Amount (In millions of Ps.)(3)	Percentage of Agreements
2016	171(1)	33,155.2(1)	10%(1)	96.29	8%
2017	487	83,781.3	25%	356.83	30%
2018	403	69,906.2	21%	308.86	26%
2019 and subsequent years	581	146,312.7	44%	409.13	35%
Total (2)	1,642	333,155.4	100%	1,171.11	100%

(1) Including vacant stores relating to leases expired as of June 30, 2016. A lease may be associated to one or more stores.
(2) Does not reflect our ownership interest in each property.
(3) Annual base rent of each agreement as in effect as of June 30, 2016.

New Agreements and Renewals:

The following table shows certain information about lease agreements as of June 30, 2016:

Type of Business

	Number of Agreements	Annual Base Rent Amount	Annual Admission Rights Amount	Average Annual Base Rent per sqm (Ps.) New and renewed	Former agreements	Number of non-renewed agreements(1)	Non-renewed agreements(1) Annual Base Rent Amount
Clothing and footwear	456	345.3	95.9	6,394.0	4,029.7	515	366.1
Miscellaneous(2)	103	76.1	25.0	3,622.4	2,904.1	118	91.6
Restaurant	86	45.0	8.3	3,990.2	3,381.3	130	74.5
Home & décor	43	19.5	5.4	3,735.3	2,480.8	48	26.4
Houseware	26	39.5	4.0	4,997.9	3,216.9	25	29.2

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Type of Business	Number of Agreements	Annual Base Rent Amount	Annual Admission Rights Amount	Average Annual Base Rent per sqm (Ps.)		Number of non-renewed agreements(1)	Non-renewed agreements(1) Annual Base Rent Amount
				New and renewed	Former agreements		
Entertainment	9	13.5	1.1	673.3	322.9	23	17.2
Services	12	6.4	0.5	1,867.2	1,702.2	48	20.7
Total	735	545.2	140.3	4,435.8	2,550.3	907	625.9

(1)
Includes vacant stores as of June 30, 2016. Leasable Area with respect to such vacant stores is included under the type of business of the last tenant to occupy such stores.
(2)
Miscellaneous includes Anchor Store.

Depreciation

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives.

Principal Terms of our Leases

Under the Civil and Commercial Code, lease terms may not exceed fifty years, except for leases regulated by Law No.25,248. See Item. Key Information. "Risk Factors—Risks Relating to Our Business." Generally, our lease agreements provide terms of three to ten years.

Leasable space in our shopping centers is marketed through an exclusive arrangement with our wholly owned subsidiary and real estate brokers Fibesa. We have a standard lease agreement, the terms and conditions of which are described below, which we use for most tenants. However, our largest tenants generally negotiate better terms for their respective leases. No assurance can be given that lease terms will be as set forth in the standard lease agreement.

The rent consists of the higher of (i) a monthly base rent (the "Base Rent") and (ii) a specified percentage of the tenant's monthly gross sales in the store (the "Percentage Rent") (which generally ranges between 4% and 12% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most of our leases, a tenant's Base Rent generally increases between 18% and 27% on an annual and cumulative basis from the thirteenth (13th) month of effectiveness of the lease. Although many of our lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation, there can be no assurance that we may be able to enforce such clauses contained in our lease agreements.

In addition to rent, we charge most of our tenants an admission right, which is required to be paid upon entering into a lease agreement and upon a lease agreement renewal. The admission right is normally paid in one lump sum or in a small number of monthly installments, which range between three and six. If the tenant pays this fee in installments, it is the tenant's responsibility to pay for the balance of any such amount unpaid in the event the tenant terminates its lease prior to its expiration. In the event of unilateral termination and/or resolution for breach of duties by the tenant, a tenant will not be refunded its admission right without our consent.

We are responsible for supplying each shopping center with electricity, a main telephone switchboard, central air conditioning and a connection to a general fire detection system. Each rental unit at our properties is connected to

these systems. We also provide food court tenants with sanitation and with gas connections. Each tenant is responsible for completing all the necessary installations within its own rental unit, in addition to the direct expenses generated by these items within each rental unit. These direct expenses generally include: electricity, water, gas, telephone and air conditioning. Tenants must also pay for a percentage of total charges and general taxes related to the maintenance of the common areas. We determine this percentage based on different factors. The common area expenses include, among others, administration, security, operations, maintenance, cleaning and taxes.

We carry out promotional and marketing activities to increase consumer traffic at our shopping centers. These activities are paid for with the tenants' contributions to the Common Promotional Fund ("CPF"), which is administered by us. Every month, tenants contribute to the CPF an amount equal to approximately 15% of their total rent (Base Rent plus Percentage Rent), in addition to rent and expense payments. We may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set in the corresponding lease for the contributions to the CPF. We may also require tenants to make extraordinary contributions to the CPF to fund special promotional and marketing campaigns or to cover the costs of special promotional events that benefit all tenants. We may require tenants to make these extraordinary contributions up to four times a year provided that each such extraordinary contribution may not exceed 25% of the preceding monthly rental payment of the tenant.

Each tenant leases its rental unit as a shell without any fixtures. Each tenant is responsible for the interior design of its rental unit. Any modifications and additions to the rental units must be pre-approved by us. We have the option to decide tenants' responsibility for all costs incurred in remodeling the rental units and for removing any additions made to the rental unit when the lease expires. Furthermore, tenants are responsible for obtaining adequate insurance for their rental units, which must include, among other things, coverage for fire, glass breakage, theft, flood, civil liability and workers' compensation.

Sources of Shopping Center Sales

Set forth below is a breakdown of the sources of sales by tenants of the shopping centers stated in millions of Pesos for our fiscal years ended June 30, 2016, 2015 and 2014:

		As of June 30,	
	2016	2015	2014
Anchor Store	1,590.5	1,299.3	1,098.4
Clothing and footwear	15,201.4	11,124.8	7,940.1
Entertainment	1,025.7	740.6	546.5
Home	783.9	617.1	486.4
Home Appliances	3,861.5	2,994.2	2,526.5
Restaurants	2,722.2	1,938.4	1,476.8
Miscellaneous	3,368.2	2,589.4	1,922.3
Services	351.5	223.1	135.8
Total	28,904.9	21,526.9	16,132.8

Competition

Given that most of our shopping centers are located in densely populated areas, there are competing shopping centers within, or in close proximity to, our targeted areas. The number of shopping centers in a particular area could have a material effect on our ability to lease space in our shopping centers 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 centers. Our principal competitor is Cencosud S.A. which owns and operates Unicenter Shopping and the Jumbo hypermarket chain, among others.

The following table shows certain information concerning the most significant owners and operators of shopping centers in Argentina.

Company	Shopping Center	Location (1)	Gross Leasable Area(2)(sq. m.)	Stores	National GLA Percentage (2)	Stores Percentage (2)
IRSA Commercial Properties						
	Dot Baires Shopping	CABA	49,641	150	2.14%	2.16%
	Mendoza Plaza Shopping	Mendoza	42,043	139	1.81%	2.00%
	Abasto de Buenos Aires	CABA	40,470	170	1.74%	2.45%

	Alto Avellaneda	GBA	35,887	134	1.54%	1.93%
	Alto Rosario	Rosario	30,057	143	1.29%	2.06%
	Alto Palermo Shopping	CABA	18,966	142	0.82%	2.05%
	Alto Noa	Salta	19,040	89	0.82%	1.28%
	Alcorta Shopping	CABA	15,877	112	0.68%	1.62%
	Córdoba Shopping	Córdoba	15,582	110	0.67%	1.59%
	Soleil Premium Outlet	GBA	13,991	78	0.60%	1.12%
	Buenos Aires Design	CABA	13,903	62	0.62%	0.89%
	Distrito Arcos	CABA	11,170	60	0.48%	0.87%
	Patio Bullrich	CABA	11,738	88	0.51%	1.27%
	La Ribera Shopping	Santa Fe	9,851	63	0.42%	0.91%
	Alto Comahue	Neuquen	9,890	102	0.43%	1.47%
	Subtotal		338,198	1,642	14.55%	23.67%
Cencosud S.A.						
	Subtotal		650,256	1,456	28.01%	21.02%
Other Operators						
	Subtotal		1,334,846	3,836	57.44%	55.32%
	Total		2,323,278	6,934	100%	100%

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(1) "GBA" means Greater Buenos Aires, the Buenos Aires metropolitan area, and "CABA" means the City of Buenos Aires.

(2) Percentage over total shopping centers in Argentina that are members of the Argentine Chamber of Shopping Centers (Cámara Argentina de Shopping Centers, CASC). Figures may not sum due to rounding.

Source: Argentine Chamber of Shopping Centers.

Seasonality

Our business is affected by seasonality, influencing the level of our tenants' sales. During summer holidays (January and February) our tenants' sales typically reach their minimum level, whereas during winter holidays (July) and in December (Christmas) they reach their maximum level. Clothing retailers generally change their collections in spring and autumn, positively affecting our shopping centers' sales. Sales at discount prices at the end of each season are also one of the main seasonal factors affecting our business.

Offices and Others

According to Colliers International, as of June 30, 2016, the A+ and A office inventory remained stable since end of 2015 at 1,655,954 sqm. In terms of rental availability, there was a 1% decrease in the vacancy rate to 6.4% during the second quarter of 2016 compared to the same period the previous year. Thus, the vacancy rate has remained stable between 6% and 8% since 2010. 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 7% for the entire stock, while A+ properties buildings show a vacancy rate of 5%.

During the second quarter of 2016, net absorption was negative at 400 sqm, i.e., more meters have become vacant than the ones which have been occupied, a situation that had not be seen since 2012. This behavior of demand is mainly explained by the sub-market Zona Norte GBA, which concentrates most of the spaces that have become vacant. On the other hand, that area has experienced vacancies in A+ properties (-2,908 sqm) which mainly migrated to class A properties (as it increased by 2,474 sqm).

During the second quarter of 2016, rental prices remained steady as compared to the general average prices seen over the past ten years (US$24.80 per square meter). Compared to the previous quarter, a 2.5% increase was recorded (from US$24.10 per square meter to US$24.70 per square meter). This slight increase shows a 1.4% increase in rental prices for A+ properties (US$27.20 per square meter in the second quarter against US$26.80 per square meter in the first quarter) and a 2.4% increase in rental prices for A properties (US$23.40 per square meter in the second quarter against US$22.90 per square meter in the first quarter). The spread between both categories is US$3.80 and reached US$12 in low vacancy periods.

In turn, the sub-market Catalinas currently features the lowest prices in the market. The average value of the properties in such area is US$27.90 per square meter. This value is expected to increase over the next few months due to the addition of new towers with prices already over US$35 per square meter in the inventory.

At June 30, 2016, the sub-market Zona Norte GBA shows average rental prices of US$23.30, comparable to values reported in June 2015. Moreover, during the same month, the vacancy rate was 8.9%, compared to 9.5% in June 2015.

We are engaged in the acquisition and management of office buildings and other rental properties in Argentina. As of June 30, 2016, we directly and indirectly owned interests in office and other rental properties, which comprised 333,962 square meters of gross leaseable area. Out of these properties, eight were office properties, which comprised 81,020 square meters of gross leaseable area. For fiscal year 2016, we had revenues from Offices and other non-shopping center rental properties of Ps.340 million.

All our office rental properties in Argentina are located in the City of Buenos Aires. For the year ended June 30, 2016, the average occupancy rate for all our properties in the Offices and Others segment was approximately 84.7%.

Management

We generally act as the managing agent of the office properties in which we own an interest. These interests consist primarily of the ownership of entire buildings or a substantial number of floors in a building. The buildings in which we own floors are generally managed pursuant to the terms of a condominium agreement that typically provides for control by a simple majority of the interests (based on the area owned) in the building. As the managing agent of operations, we are responsible for handling services, such as security, maintenance and housekeeping. These services are generally outsourced. The cost of the services is passed-through and paid for by the tenants, except in the case of our units not rented, in which case we absorb the cost. Our leaseable space is marketed through commissioned brokers, the media and directly by us.

Leases

We usually lease our offices and other rental properties by using contracts with an average term of three years, with the exception of a few contracts with terms of five years. These contracts are renewable for two or three years at the tenant's option. Contracts for the rental of office buildings and other commercial properties are generally stated in U.S. dollars, and in accordance with Argentine law they are not subject to inflation adjustment. Rental rates for renewed 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 center rental properties:

	Date of Acquisition	Gross Leasable Area (sqm) (1)	Occupancy (2)rate	IRSA's Effective Interest	Monthly Rental Income (in thousands of Ps.)(3)	Annual accumulated rental income as of June 30, (in millions of Ps.)(4)			Book Value (in millions of Ps.)
						2016	2015	2014	
Offices									
Edificio República(5)	04/28/08	19,885	100.0%	100.0%	7,637	72	62	46	189
Torre Bankboston(5)	08/27/07	14,873	100.0%	100.0%	5,098	56	42	35	134
Bouchard 551	03/15/07	-	-	100.0%	-	3	10	24	8
Intercontinental Plaza(5)	11/18/97	6,569	100.0%	100.0%	2,036	28	56	40	10
Bouchard 710(5)(6)	06/01/05	15,014	100.0%	100.0%	7,020	68	48	34	60
Dique IV(9)	12/02/97	-	-	-	-	15	32	25	-
Maipú 1300	09/28/95	1,353	100.0%	100.0%	486	6	16	15	5
Libertador 498	12/20/95	620	100.0%	100.0%	611	6	2	3	3
Suipacha 652/64(5)	11/22/91	11,465	90.7%	100.0%	2,085	22	16	13	8
Dot Building(5)	11/28/06	11,242	100.0%	80.0%	3,521	31	27	19	122
Subtotal Offices		81,021	98.7%	N/A	28,494	307	311	254	539
Other Properties									
Santa María del Plata	10/17/97	106,610	100.0%	100.0%	676	12	-	-	13
Nobleza Picardo(7)	05/31/11	109,610	74.8%	50.0%	185	2	8	8	60
Other Properties(8)	N/A	38,646	42.8%	N/A	1,714	11	7	3	241
Total Offices and Others		335,887	84.7%	N/A	31,069	332	326	265	853

(1) Corresponds to the total leaseable surface area of each property as of June 30, 2016. Excludes common areas and parking spaces.
(2) Calculated by dividing occupied square meters by leaseable area as of June 30, 2016.
(3) The lease agreements in effect as of June 30, 2016 were computed for each property.
(4) Corresponds to total consolidated lease agreements.
(5) Through IRSA CP.
(6) On July 29, 2016, we executed a bill of sale for 1,702 square meters corresponding to two office floors and 16 parking units to an unrelated party, for a total amount of US$6.01 million, US$1.60 million which has already been paid, while the remaining balance will be paid upon execution of the deed of conveyance and delivery of possession.
(7) Through Quality Invest S.A.
(8) Includes the following properties: Ferro, Dot Adjoining Plot, Anchorena 665, Anchorena 545 (Chanta IV) and La Adela, among others.
(9) On December 10, 2015, we sold the “Juana Manso 295” office building located in the “Puerto Madero” area of the City of Buenos Aires, composed of 8 office floors and 116 parking spaces. The transaction amount was Ps.649 million, which has been fully paid and the gross profit from the transaction amounts to approximately Ps.586.8 million.

The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2016, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

As of June 30, 2016					
Year of Expiration	Number of Leases	Surface area subject to expiration (sqm)	Percentage subject to expiration	Amount (Ps.)	Percentage of Leases
2016	29	34,947	12%	34,508,797	10%
2017	20	23,455	8%	74,530,611	22%
2018	40	43,627	15%	148,854,011	43%
2019+	29	185,540	65%	85,548,601	25%
Total	118	287,569	100%	343,442,020	100%

Includes Offices whose lease agreement has not yet been renewed as of June 30, 2016.
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 as of the end of fiscal years of June 30, 2016, 2015 and 2014:

	Occupancy Rate(1)		
	2016	2015	2014
Offices			
Edificio República	100.0%	93.6%	94.0%
Torre Bankboston	100.0%	100.0%	100.0%
Intercontinental Plaza	100.0%	100.0%	100.0%
Bouchard 710	100.0%	100.0%	99.8%
Suipacha 652/64	90.7%	96.7%	100.0%
DOT Building	100.0%	100.0%	100.0%
Maipú 1300	100.0%	90.9%	87.3%
Libertador 498	100.0%	100.0%	100.0%
Juana Manso 295 (Dique IV)	-	99.5%	94.4%
Total Offices	98.7%	98.1%	97.7%

(1) Leased surface area in accordance with agreements in effect as of June 30, 2016 and 2015 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, 2016, 2015 and 2014.

Annual average income per surface area as of June 30, 2016, 2015 and 2014.

	Annual average income per square meter(1)		
	2016	2015	2014
Offices			

Edificio República	3,615	3,115	3,075
Torre Bankboston	3,778	2,819	2,467
Bouchard 551	-	-	3,565
Intercontinental Plaza	4,291	2,484	2,402
Bouchard 710	4,539	3,219	2,844
Juana Manso 295 (Dique IV)	-	2,847	2,722
Maipú 1300	4,790	3,330	3,000
Libertador 498	10,464	3,149	5,227
Suipacha 652/64	1,961	1,399	1,512
DOT Building	2,778	2,439	2,410

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(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, 2016:

Property	Number of Agreements(1)(5)	Annual Rental income (in millions of Ps.) (2)	Rental income per sqm New and Renewed (3)	Previous rental income per sqm (3)	N° of non-renewed agreements	Non-renewed agreements Annual rental income (4) (in millions of Ps.)
Maipú 1300	3	3.4	269.8	385.0	1	1
Av. Del Libertador 498	1	3.2	427.8	413.6	-	-
Intercontinental Plaza	1	2.5	232.5	232.5	-	-
Bouchard 710	3	12.9	399.2	331.8	-	-
Torre BankBoston	3	11.2	375.5	283.5	1	32
Edificio República	4	18.5	399.8	477.4	-	-
Dot Building	1	3.7	374.1	327.3	2	6
Suipacha 664	3	6.5	151.0	143.3	3	14
Total Offices	19	61,9	312.9	299.5	7	53

(1)
Includes new and renewed agreements executed in fiscal year 2016.
(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.

Sale and Development of Properties and Land Reserves

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.

During the fiscal year ended June 30, 2016, revenues from the development and sale of properties segment amounted to Ps.8 million, compared to Ps.15 million in the fiscal year ended June 30, 2015.

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.

The following table shows certain information and gives an overview regarding our sales and development properties as of June 30, 2016, 2015 and 2014:

	As of June 30,		
	2016	2015	2014
Residential apartments			
Caballito Nuevo	-	2	1
Condominios I y II (1)	-	7	52
Horizons (2)	5	5	23
Other Residential Apartments(3)	2	-	-
Subtotal Residential Apartments	7	14	76
Residential Communities			
Abril (4)	-	1	2

	As of June 30,		
	2016	2015	2014
El Encuentro	-	-	8
Subtotal Residential Communities	-	1	10
Land Reserve			
Neuquén	-	-	13
Subtotal Land Reserve	-	-	13
TOTAL	7	15	99

(1) Through IRSA Propiedades Comerciales S.A.
(2) Belongs to CYRSA S.A.
(3) Refers to Entre Ríos 465 and Caballito Plot.
(4) Includes sales of shares in April.

Sale of Investment Properties in Fiscal Year 2016 (in millions of Ps.)

	FY 2016	FY 2015	FY 2014
Revenues	1,175	2,517	402
Costs	(107)	(1,354)	(166)
Profit	1,068	1,163	236

Partial sales of "Maipú 1300" building

In July and August 2015, 1,761 sqm were sold in the Maipú 1300 building, consisting of four floors, at a gain of Ps.57.1 million. In November and December 2015, 1,690 additional sqm were sold in this building, consisting of four additional floors, generating a profit of Ps.52.9 million.

Sale of Isla Sirgadero Land Reserve (Santa Fe)

On September 3, 2015, this 8,262,600 sqm parcel of land was sold for a total amount of US$4 million, for a gain of Ps.32.3 million.

Partial Sale of Intercontinental Plaza (through IRSA Propiedades Comerciales)

On September 10, 2015, our subsidiary IRSA CP sold 5,963 sqm consisting of seven office floors, 56 parking spaces and 3 storage units, for a total amount of Ps.324.5 million, at a gain of Ps.300 million. Moreover, on February 4, 2016, our subsidiary IRSA CP sold 851 sqm consisting of one office floor and 8 parking spaces, at a gain of Ps.39.2 million.

Sale of "Dique IV" building

On December 10, 2015, we sold to a non-related party the "Juana Manso 295" office building located in the "Puerto Madero" area of the City of Buenos Aires, consisting of 8 office floors and 116 parking spaces for Ps.649 million, which has been fully paid as of the date of this annual report. The gross profit from this sale was approximately Ps.586.8 million.

Partial sale of the building to be developed in Catalinas (no impact on results for this fiscal year)

On December 4, 2015, the company sold to Globant S.A. 4,896 sqm corresponding to four office floors of a building to be developed in the "Catalinas" area in the City of Buenos Aires and 44 parking spaces located in the same building. Surrender of possession is expected within 48 months and the execution of the title deed within 60 months, in both

cases counted as from even date. The transaction amount was Ps.180.3 million and US$12.3 million payable as follows: (i) Ps.180.3 million paid on even date, (ii) US$8.6 million payable in 12 quarterly installments during a period of 3 years beginning in June 2016; and (iii) the remaining US$3.7 million upon execution of the title deed.

Partial sale of the building to be developed in "Catalinas" (no impact on results for this fiscal year)

On April 7, 2016, the company sold to its subsidiary IRSA Propiedades Comerciales S.A. ("IRSA CP"), controlled by a 94.61% interest, 16,012 square meters, consisting of 14 floors (from 13 to 16 and from 21 to 30) intended for long term lease and 142 parking spaces of the building to be built in the "Catalinas" area, City of Buenos Aires. The building to be built will have a gross leaseable area of 35,468 square meters distributed over 30 office floors and 316 parking spaces in 4 underground levels. Surrender of possession is expected to take place in December 2019, and the deed of conveyance is planned to be executed in December 2020.

The transaction price was set considering two components: a "Fixed" portion, relating to the incidence of the land over the square meters purchased by IRSA CP, for a total amount of Ps.455.7 million (approximately US$1,600 + VAT per square meter), which was paid on that date, and a "Determinable" portion, as to which IRSA will pass through to IRSA CP only the actual cost of the works per square meter.

The remaining 14,820 sqm of gross leaseable area corresponding to the first 12 floors of the building are held the company since no decision has been made between development intended for rent and/or sale.

Estimated Capital Expenditures

	Developments		
	Greenfields		Expansions
	Polo Dot (First Stage)	Catalinas(1)	Alto Palermo
Beginning of Works	FY 2017	FY 2017	FY 2017
Estimated opening date	FY 2019	FY 2020	FY 2018
Total GLA (sqm)	31,635	35,468	3,884
Investment amount at 100% (million US$)(2)	54	101	28.5
Investment amount at 100% (million Ps.)(3)	812.16	1, 519.04	428.64
Work progress (%)	0%	0%	0%

(1) 45% of the development corresponds to our subsidiary IRSA Propiedades Comerciales S.A.
(2)
The amount corresponds to the expected total amount of the project, not only for the Fiscal Year 17.
(3)
We have translated U.S. dollars into Pesos at the offer exchange rate quoted by Banco de la Nación Argentina for June 30, 2016, which was Ps.15.04=U.S.$1.00.

Alto Palermo Expansion

The expansion project for the Alto Palermo shopping center adds approximately 4,000 square meters of GLA to the shopping center, which has the highest sales per square meter and consists of moving the food court to a third level using the area of an adjacent building acquired in 2015. Construction works are estimated to be completed in between 18 and 24 months.

First stage of Polo Dot

The project called “Polo Dot”, located in the commercial complex adjacent to our Dot Baires shopping center, has experienced significant growth since our first investments in the area. The total project will consist of three new office buildings (one of them could include a hotel) in land reserves we own and the expansion of the shopping center by approximately 15,000 square meters of gross leaseable area. In the first phase of the project, we will develop an 11-floor office building with an area of approximately 30,000 square meters on an existing building, in respect of which we have already executed a lease agreement for approximately half the available square footage, before starting the works. Construction will begin during the next fiscal period and is estimated to last between 18 and 24 months before the building is operational. The second phase of the project will include two office/hotel buildings that will add 38,400 square meters of gross leaseable area to the complex. We have seen a significant demand for Premium office space in our new commercial complex and we believe that we will be able to open these buildings with attractive rent levels and full occupancy. As of June 30, 2016, 75% of the building has already leased.

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 gross leaseable area in 30 office floors and 316 parking spaces. Construction is scheduled to begin towards the end of the current calendar year and will take approximately

three years to be completed.

	Company	Interest	Date of Acquisition	Surface area sqm	Area intended for sale sqm (1)	Area intended for construction	Sold (2)	Location	Accumulated Income as of June 2016	Accumulated Income as of June 2015	Book Value (ARS MM)
Residential properties											
Available-for-sale											
Condominios del Alto I	IRSA CP	100%	04/30/1999	-	2,082	-	100%	Santa Fe	-	7	1
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	-	2	-
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	-	1	-
Abril Club de Campo – Manor House (3)	IRSA	100%	01/03/1995	31,224	34,605	-	100%	Buenos Aires	-	-	2
Torres Jardín	IRSA	100%	07/18/1996	-	-		-	CABA	-	-	-
Departamento Entre Ríos 465/9	IRSA CP	100%	-	-	-		100%	Buenos Aires	1	-	-
Horizons	IRSA	50%	01/16/2007	-	60,232	-	100%	Buenos Aires	5	5	1
Intangible – Receivable units				-				-	-	-	
Beruti (Astor Palermo) (4)	IRSA CP	100%	06/24/2008	-	2,170	-	-	CABA	-	-	33
Caballito Manzana 35	IRSA	100%	10/22/1998	-	6,952	-	-	CABA	-	-	52
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	-	-	5
Canteras Natal Crespo (2 commercial parcels)	IRSA	-	-	40,333	-	-	-	Buenos Aires	-	-	-
Isla Sirgadero(10)	IRSA	100%	02/16/2007	826,276	-	-	-	Santa Fe	-	-	-
Pereiraola (Greenville)	IRSA	100%	04/21/2010	-	39,634	-	-	Buenos Aires	-	-	8
Subtotal Residential properties				899,222	292,835	5,994			6	15	102
Land Reserves											

Pilar R8 Km 53	IRSA	100%	05/29/1997	74,828	-	-	-	Buenos Aires	-	-	1
Pontevedra	IRSA	100%	02/28/1998	730,994	-	-	-	Buenos Aires	-	-	1
Mariano Acosta	IRSA	100%	02/28/1998	967,290	-	-	-	Buenos Aires	-	-	1
Merlo	IRSA	100%	02/28/1998	1,004,987	-	-	-	Buenos Aires	-	-	1
San Luis Plot	IRSA	50%	03/31/2008	3,250,523	-	-	-	San Luis	-	-	1
Subtotal Land reserves				6,028,622	-	-			-	-	5
Future Developments											
Mixed Use											
UOM Luján (5)	IRSA CP	100%	05/31/2008	1,160,000	-	-	N/A	Buenos Aires		-	42
La Adela	IRSA	100%	08/01/2014	10,580,000	-	-	N/A	Buenos Aires	-	-	215
Predio San Martin (Ex Nobleza Piccardo) (6)	IRSA CP	50%	05/31/2011	159,995	-	127,996	N/A	Buenos Aires	-	-	60
Puerto Retiro	IRSA	50%	05/18/1997	82,051	-	-	N/A	CABA	-	-	22

	Company	Interest	Date of Acquisition	Surface area sqm	Area intended for sale sqm (1)	Area intended for construction	Sold (2)	Location	Accumulated Income as of June 2016	Accumulated Income as of June 2015	Book Value (ARS MM)
Santa María del Plata(7)	IRSA	100%	07/10/1997	716,058	-	-	N/A	CABA	-	-	159
Residential						-		-	-	-	
Coto Abasto Air Space	IRSA CP	100%	09/24/1997	-	-	21,536	N/A	CABA	-	-	9
Neuquén – Residential parcel	IRSA CP	100%	07/06/1999	13,000	-	18,000	N/A	Neuquén	-	-	1
Uruguay Zetol	IRSA	90%	06/01/2009	152,977	62,756	-	N/A	Uruguay	-	-	92
Uruguay Vista al Muelle	IRSA	90%	06/01/2009	102,216	62,737	-	N/A	Uruguay	-	-	64
									-		
Retail											
Caballito Shopping plot (8)	IRSA CP	100%	-	23,791	-	no data	N/A	CABA	1	-	46
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	-	-	25
Baicom	IRSA	50%	12/23/2009	6,905	-	34,500	N/A	CABA	-	-	4
Intercontinental Plaza II (9)	IRSA CP	100%	02/28/1998	6,135	-	19,598	N/A	CABA	-	-	2
Catalinas Norte Plot	IRSA	100%	12/17/2009	3,649	-	35,468	13%	CABA	-	-	48
Córdoba Plot	IRSA CP	100%	-	-	-	-	N/A	Córdoba	-	-	7
PH Office Park	IRSA CP	100%	-	-	-	-	N/A	CABA	-	-	7
Subtotal Future Developments				13,035,458	125,493	343,141				-	883
Total Land Reserves				19,963,302	418,328	349,135			7	15	990

(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 (not including 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)
127,996 sqm arise from current laws, a draft project is being made for 479,415 buildable square meters (pending approval).
(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.
(10)
On September 3, 2015, the entire property was sold for US$ 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.

Residential Apartments and Lofts.

In the residential market, we acquire undeveloped properties strategically located in densely populated areas mainly in the City of Buenos Aires, particularly properties located near shopping centers and hypermarkets or those to be developed. 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 areas with a significant middle and upper-income population. 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 II –City of Rosario, Province of Santa Fe (IRSA CP)

As of June 30, 2016, works in parcel H have been completed and all the units subject to the barter agreement have been received, with 13 parking spaces 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, 2016, the project is completed and there are 2 parking spaces yet to be sold.

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 center were concluded in 1999. The project is highly consolidated, and as of June 30, 2016, there are no lots pending execution of the relevant title deed.

"La Casona Abril" is located in the heart of the project. It is the antique manor of "Estancia Pereyra Iraola," which was built in the 1930s by architect José Mille. This French-style palace of the XIX century has 4,700 sqm distributed over four floors and a manicured garden of approximately 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, the "Parque" complex, encompassing 59,000 square meters of saleable area distributed over 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, community center with spa, sauna, gym, children's 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, 2016, the project was fully built and two apartments and two parking spaces are pending execution of the title deed. The stock available for sale consists of two parking spaces and 40 storage spaces.

Intangibles - Units to be received under barter agreements

Beruti Plot – City of Buenos Aires (IRSA CP)

On October 13, 2010, through our subsidiary IRSA CP, and TGLT S.A. ("TGLT"), we entered into an exchange 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 on the plot. In addition, TGLT will deliver 32 residential parking spaces and 171 commercial parking spaces to us.

Caballito Plot – City of Buenos Aires

On June 29, 2011, we and TGLT, a residential developer, entered into a barter agreement for a plot of land located on Mendez 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. The transaction was agreed upon at US$12.8 million. TGLT plans to construct an apartment building with parking spaces. As consideration, TGLT paid US$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 developed; (ii) a number of parking spaces to be determined representing 21.10% of total square meters of parking spaces; and (iii) if TGLT builds complementary storage rooms, such number of storage rooms representing 21.10% of square meters of storage spaces developed. 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 developed 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. Both first and second instance, ruled against TGLT´s arguments. In consequence, the permission granted to TGLT in order to build in the area was declared null and void. TGLT and the Government of the City of Buenos Aires filed a federal appeal on The Supreme Court of Buenos Aires. Up to the date, the Court has not reached a decision yet.

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

These plots face Alto Avellaneda shopping center, totaling 2,398 sqm distributed in two opposite corners and according to urban planning standards, approximately 6,000 sqm may be built. Its intended use, either through an owned 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 to carry out a residential project and as consideration, we will receive 1,365 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 consideration corresponding to block 99 is scheduled for September 2018. The barter was valued at US$0.7 million.

Pereiraola (Greenville), Hudson – Province of Buenos Aires

In April 2010, we sold Pereiraola S.A., which owns certain lands adjacent to the Abril Club de Campo that comprises 130 hectares, for US$11.7 million. The purchaser would develop a project that would include the fractioning into lots, a condo-hotel, two polo fields, and apartment buildings. The delivery to us of 39,634 square meters of lots with a value of approximately US$3 million was included in the sale price. At present the project is at an advanced stage, and the 52 lots are expected to be received by the end of 2016.

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 US$4,215,000 according to the following payment schedule: US$3,815,000 in cash and US$400,000 through the transfer of approximately 40,000 sqm for business purposes within the project to be developed on the site known as Laguna Azul. Delivery of the non-monetary consideration is expected in March 2017.

Land Reserves and development properties

Other Land Reserves – Pilar, Pontevedra, Mariano Acosta, Merlo and San Luis Plot

We grouped 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 approximately 14 million sqm.

Isla Sirgadero

On September 3, 2015, this property was sold to several companies for US$3.9 million, payable in 16 quarterly installments, plus an installment in kind, consisting of land resulting from the final blueprint, equivalent to 10% of the surface area of the property.

Future Developments

Mixed Uses

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

This 116-hectare plot is located at kilometer 62 of the West Highway, at the intersection with Route 5 and was originally purchased by Cresud on May 31, 2008. In May 2012, we acquired the property through a purchase and sale agreement entered with a related party. Our current intention is to carry out a mixed-use project, taking advantage of the environment consolidation and the strategic location of the plot. At present, negotiations are underway to change the zoning parameters, which would potentially make the project feasible.

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

On March 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 intended for industrial purposes and suitable in terms of characteristics and scales for mixed-use developments. The price for the property was US$33 million, 30% of which was paid at signing. A promissory note and a first-priority mortgage was issued for the balance of the purchase price of the property, in favor of Nobleza. The balance plus interest at a nominal annual rate of 7.5% on the outstanding balance was paid in full–principal plus interest–in March 2013.

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 eight to month fourteen after the date of execution thereof. Prior to expiration, an extension was executed for two to six months which expired in December 2012, and Quality Invest S.A. obtained usufructary rights over half the plot. The return of the remaining area set forth in the lease agreement, set forth 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 was terminated.

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 purposes, which considerably expands the uses and potential buildable square meters through new urban indicators. On January 5, 2016, a Provincial Decree was published in the Official Gazette, through which zoning parameters and the rezoning permit previously 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 execution of the above mentioned agreement.

Moreover, on June 27, 2016, the subdivision of the property was submitted to the Municipality, in compliance with another relevant aspect of the Zoning Agreement.

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 2000, we submitted 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 consideration. In 2002, the Government of the City of Buenos Aires issued a notice of public hearing and in July 2006, the COPUA made recommendations. In response to these recommendations, on December 13, 2006, we filed an amendment to satisfy these recommendations, making material amendments to our development plan, which

amendments included the donation of 50% of the site to the City of Buenos Aires for public use and a pedestrian walkway along the entire site on the banks of the river.

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 General Treasury 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 authorities 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, as a result of objections lodged 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 with the Government of the City of Buenos Aires, which was 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 prior arrangements, whereby new obligations were agreed. 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. 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. In order to secure the desired rules, a new Agreement must be executed with the Government of the City of Buenos Aires, to be subsequently confirmed by the Legislature; currently we have resumed conversations with the Executive Branch through the Transportation and Urban Development Ministry in order to discuss the subscription of a new Agreement (which will also append the Bill of Law).

Puerto Retiro – City of Buenos Aires

Puerto Retiro is an 8.2 hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the Retiro railway station to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in the City of Buenos Aires, Puerto Retiro may currently be utilized only for port activities. Consequently, we have initiated negotiations with municipal authorities in order to rezone the area. We own a 50% interest in Puerto Retiro, S.A.

On April 18, 2000, Puerto Retiro S.A. was served with notice of a filing made by the National Government, through the Ministry of Defense, to extend the petition in bankruptcy of Inversora Dársena Norte S.A. (Indarsa) to the Company. Upon request of petitioner, the court hearing the bankruptcy case issued an injunction preventing us from selling or otherwise disposing of the Puerto Retiro land.

Indarsa had acquired 90% of the capital stock in Tandanor from the National Government in 1991. Tandanor's main business involved ship repairs performed in a 19-hectare property located in the vicinity of La Boca neighborhood and where the Syncrolift is installed. As Indarsa failed to comply with its payment obligation for acquisition of the shares of stock in Tandanor, the Ministry of Defense filed a bankruptcy petition against Indarsa, seeking to extend it to us.

The evidentiary stage of the legal proceedings has concluded. We lodged an appeal from the injunction order, and such order was confirmed by the Court of Appeals on December 14, 2000. The parties filed the arguments in due time and proper manner. After the case was set for judgment, the judge ordered the suspension of the judicial order requesting the case records for issuance of a decision based on the alleged existence of pre-judgmental status in relation to the criminal case against former officials of the Ministry of Defense and our former executive officers, for which reason the case will not be adjudicated until a final judgment is entered in respect of the criminal case.

It has been made known to the commercial court that the expiration of the statute of limitations has been declared in the criminal action and the criminal defendants have been acquitted. However, this decision was reversed by the Criminal Court (Cámara de Casación Penal). An extraordinary appeal was filed and rejected, therefore an appeal was directly lodged with the Argentine Supreme Court for improper refusal to permit the appeal, and a decision is still pending.

Our Management and external legal counsel to Puerto Retiro believe that there are sufficient legal and technical arguments to consider that the petition for an extension of the bankruptcy will be dismissed by the court. However, in view of the current status of the case, its result cannot be predicted.

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.

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- 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 disputed in the case.

The answer to the civil action was filed in due time, which contained a number of defenses. Tandanor requested the intervention of the National Government as third party co-litigant in this case, which petition was granted by the Court. In March 2015 both the National Government and the criminal complainant answered the asserted defenses.

On July 12, 2016, Puerto Retiro S.A. was served with notice of the decision issued by the Federal Court (Tribunal Oral Federal) No. 5 on the defenses asserted by all codefendants in the civil action. As regards the defenses asserted by Puerto Retiro S.A., the court rejected the defenses of legal defect and lack of legal standing to be sued, while with regard to the defenses of lack of legal standing to sue and the expiration of the statute of limitations, it decided to postpone discussion thereof to the time of entering judgment on the merits of the case. It should be pointed out that the defense of legal defect so dismissed is a dilatory defense, i.e. it does not determine a substantive matter but refers to procedural issues and may be cured. On the contrary, the defense of lack of legal standing to be sued, if accepted, determines the outcome of the dispute, because such admission would establish that Puerto Retiro S.A. should not be a party to these proceedings. Puerto Retiro S.A. has filed an appeal (recurso de reposición) from such decision –reserving the right to file a new appeal (recurso de casación) against dismissal of both defenses. As regards the defenses of lack of legal standing to sue and the statute of limitations, they are central to the defense strategy, and because they were not dismissed by the court, a possible consideration of the merits of the case in our favor could be determinative.

Residential

Coto Residential Project (IRSA CP)

We own approximately 23,000 sqm of air space above the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. We and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997, whereby we acquired the rights to receive parking units and the rights to build above the premises located in the block formed by Agüero, Lavalle, Guardia Vieja and Gallo streets, 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 executed. The project will be a residential development and, as consideration, we expect to receive 3,621 square meters in apartments plus a cash payment of US$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 US$7.5 million.

Córdoba Shopping Center Project (IRSA CP)

We own a few plots adjacent to the Córdoba Shopping Center 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 of the total construction capacity, subject to certain conditions, for a term of one year, at the end of which the deed will be executed. It will be a mixed residential and office project and, as part of the consideration, we will receive 2,160 square meters in apartments, parking spaces, plus the management of permits, unifications and subdivisions in three 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 US$4 million.

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

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

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

In the course of fiscal year 2009, we acquired 100% of the equity of Liveck S.A., a company organized under the laws of Uruguay. In June 2009, Liveck had acquired a 90% stake of the capital stock of Vista al Muelle S.A. and Zetol S.A., two companies incorporated under the laws of Uruguay, for US$7.8 million. The remaining 10% interest in both companies is owned by 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 of the development and commercialization of 13 apartment buildings. This 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 US$8 million as well as delivery of a 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 US$7 million; of which US$2 million have been 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.

In addition, Vista al Muelle S.A. owned since September 2008 a plot of land purchased for US$0.83 million. In February 2010, other plots were acquired for US$1 million, the balance of which was US$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 US$2.66 million, of which US$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, we sold a 50% stake in Liveck S.A. to Cyrela Brazil Realty S.A. for US$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 US$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 we purchased in November 1997. This plot would allow to develop up to 71,000 sqm distributed in several uses including a shopping center , a hypermarket, a cinema complex, and several recreation and entertainment activity areas. At present, the Legislature of the City of Buenos Aires has received from the Executive Branch a legislative bill project to approve the zoning parameters corresponding to this property, currently the project is being reviewed by several committees within the Legislature in order to be submitted to approval through voting.

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: two parcels of approximately 6,400 sqm each and a parcel adjoining DOT Shopping of 15,900 sqm intended for the future extension of the shopping center in 47,000 sqm.

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 theses parcels will conclude the consolidation of this area.

Baicom Plot - City of Buenos Aires

On December 23, 2009, we acquired 50% of a parcel located in the surroundings of the Buenos Aires Port, for a purchase price of Ps.4.5 million. The property's total surface area is 6,905 square meters and there is a construction

permit associated for 34,500 square meters in accordance with the City of Buenos Aires urban construction rules and regulations.

On December 21, 2015, a purchase option was executed in favor of Argencons amounting to US$0.5 million, plus maintenance expenses, for a term of 12 months. The real property price at the time of execution amounted to US$14 million.

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 consists of 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 stories, that would supplement the one already erected in the intersection of Moreno and Tacuarí streets.

Hotels

According to the Hotel Vacancy Survey (EOH) prepared by INDEC, at June 2016, stays at hotel and parahotel establishments were estimated at 2.7 million, 6.8% lower than the same month the previous year. Stays by resident and nonresident travelers decreased by 11.2% and 8.0%, respectively. Total travelers who stayed at hotels during June were 1.2 million. The number of resident and nonresident travelers increased by 1.1% and deceased by 4.6%, respectively. Out of the total number of travelers who stayed at hotels, 81.4% were residents, reaching 1.0 million. The Room Occupancy Rate in June was 34.5%, showing a slight decline compared to the same month the previous year, and, as shown in the following chart, our Hotel's occupancy was over this rate. Moreover, the Bed Occupancy Rate for the same period was 24.8%, which represents a slight decrease compared to June 2015.

During fiscal year 2016, we kept our 76.34% interest in Intercontinental hotel, 80.00% interest in Sheraton Libertador hotel and 50.00% interest in Llao Llao. We observed a decrease in the occupancy of our hotels due to a lower inflow of foreign and corporate tourists.

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,			Book Value
						2016	2015	2014	
Intercontinental (3)	11/01/1997	76.34%	309	70.58%	1,694	195	143	124	51
Sheraton Libertador (4)	03/01/1998	80.00%	200	73.42%	1,506	119	94	74	28
Llao Llao (5)	06/01/1997	50.00%	205	51.15%	3,784	220	159	134	77
Total	-	-	714	65.79%	2,102	534	396	332	156

(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 San Carlos de Bariloche, 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.

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 US$7 million, of which US$4.2 million were paid in cash and the balance of US$2.8 million was financed by means of a mortgage to be paid in 36 monthly, equal and consecutive installments of US$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.

Hotel Intercontinental, City of Buenos Aires

In November 1997, we acquired 51% of the Hotel Intercontinental from Pérez Companc S.A. 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 Hotel Sheraton Libertador from Citicorp Equity Investment for an aggregate purchase price of US$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 US$4.7 million to Hoteles Sheraton de Argentina. The hotel is currently managed by Sheraton Overseas Management Corporation, a United States corporation.

International Segment

Lipstick Building, New York, United States

The Lipstick Building is a landmark building in the City of New York, located on Third Avenue and 53rd Street, in Midtown Manhattan, New York. It was designed by architects John Burgee and Philip Johnson (Glass House and Seagram Buildings among other remarkable works) and it has been named for its original elliptic form and the reddish color of its façade. Its gross leaseable area is approximately 57,500 sqm distributed over 34 stories.

As of June 30, 2016, this building had an occupancy rate of 97.33% generating average revenues of US$66.67 per sqm.

Lipstick Building	Jun-16	Jun-15	YoY Var
Gross Leasable Area (sqm)	58,094	58,094	-
Occupancy	97.33%	91.86%	5.47 pp
Rent (US$/sqm)	66.67	64.74	2.98%

In March 2016, two lease agreements were executed: one for the lease of the entire Floor 28 and another for a portion of the basement floor, at an average rental price of US$85 per square meter. This caused occupancy to rise to over 97% of the total surface area.

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 successfully achieved a certification that certifies compliance with 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 hold our investment in the Condor Hospitality Trust hotel REIT (NASDAQ:CDOR) through our subsidiary Real Estate Strategies, L.P. ("RES"), in which we hold a 66.3% interest. Condor is a REIT listed on Nasdaq and is focused on middle-class and long-stay hotels, in various states throughout the United States, which are operated by various operators and franchises such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn, Sleep Inn and Super 8, among others.

During recent months, Condor's results have shown an improvement in operating levels and it has continued to deploy its strategy of selectively disposing of lower-class hotels at very attractive prices and replacing them with higher-class hotels.

In March 2016, Condor exchanged its Class C preferred shares for newly issued Class D preferred shares. In this new issue, "Stepstone Real Estate" joined as new partner to the investment by contributing US$30 million, which were used to retire the Class A and B Preferred shares and to acquire new hotels. The new Class D preferred shares accrue interest at an annual rate of 6.25% and will be convertible into common shares at a price of US$1.60 per share at any time upon the occurrence of an event of capitalization with respect to Condor.

Condor's board of directors will be composed of four directors nominated by the Company, three by Stepstone and two independent directors. Moreover, our voting rights in Condor represent 49% of its total voting rights as of the date of

this annual report.

Financial Operations and Others

Our interest in Banco Hipotecario

As of June 30, 2016, 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 62 branches in the 23 Argentine provinces and the City of Buenos Aires, and 15 additional sales offices. 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 June 30, 2016, Banco Hipotecario ranked fifteenth in the Argentine financial system in terms of shareholders' equity and in terms of total assets. As of June 30, 2016, Banco Hipotecario's shareholders' equity was Ps.5,816.2 million, its consolidated assets were Ps.40,527.3 million, and its net income for the twelve-month period ended June 30, 2016 was Ps.1,115.3 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 to deploy its business strategy of diversifying its loan portfolio. As a result, non-mortgage loans increased from Ps.10,708 million as of December 31, 2013 to Ps.14,845.9 million as of December 31, 2014, Ps.17,944.7 million as of December 31, 2015 and Ps.19,339.6 million as of June 30, 2016, increasing the composition of its aggregate loan portfolio to the non-financial private sector from 82.8% as of December 31, 2013 to 88.7% as of June 30, 2016. Non-performing loans represented 2.1% of its total portfolio as of June 30, 2016.

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 35.2% of the total financing as of June 30, 2016.

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

Acquisition of Control of IDBD

On May 7, 2014, the Company, acting indirectly through Dolphin, acquired, jointly with E.T.H.M.B.M. Extra Holdings Ltd. ("ETH", company incorporated under the laws of the State of Israel) controlled by Mordechay Ben Moshé, entered into a transaction to acquire an aggregate of 106.6 million common shares in IDBD representing 53.30% of its stock capital, in the context of a debt restructuring transaction related to IDBD's holding company, IDBH. Under the terms of the agreement, Dolphin and ETH executed a Shareholders' Agreement and Dolphin and ETH each acquired a 50% interest in IDBD. The initial amount invested by each Company was NIS 950 million, equivalent to approximately US$272 million at the exchange rate prevailing on that date. On October 11, 2015, IFISA (a company indirectly controlled by Eduardo S. Elsztain) acquired ETH, and the directors appointed by ETH in IDBD tendered their irrevocable resignation from the Board of Directors and Dolphin became entitled to appoint new board members. Since that date, we started to consolidate IDBD into our results of operations As of the date of this annual report, the investment made from IRSA in IDBD is US$515 million, and IRSA's indirect equity interest reached 68.3% of IDBD's undiluted stock capital.

Tender Offers

On March 31, 2016, Dolphin satisfied its commitments under the amendment to the debt restructuring agreement of IDBD's controlling company, IDBH, with its creditors (the "Arrangement"). Such amendment was approved by 95% of IDBD's minority shareholders on March 2, 2016 and by the competent court on March 10, 2016. As a result, as of March 3, 2016: (i) Dolphin purchased all the shares held by IDBD's minority shareholders; (ii) all the warrants held by IDBD's minority shareholders expired; and (iii) Dolphin made additional contributions to IDBD in the form of a subordinated loan, as described below.

The price paid for each IDBD share to holders of record as of March 29, 2016 was: (i) NIS 1.25 million in cash, resulting in a total payment of NIS 159.6 million (US$42.2 million); (ii) NIS 1.20 per share through the subscription and delivery of IDBD's Series 9 bonds ("IDBD Bonds") that was paid by Dolphin at par; therefore, it subscribed bonds for NIS 166.5 million, including the payments due to warrant holders (as detailed below); and (iii) the commitment to pay NIS 1.05 million (subject to adjustment) in cash if Dolphin receives authorization to assume control of Clal

Insurance Company Ltd. and Clal Insurance Business Holdings Ltd. or IDBD sells its interest in Clal for a sale price per Clal share in excess of 75% of its book value Dolphin being would be required to pay approximately NIS 155.8 million (approximately US$40.8 million) in aggregate.

Any warrants held by minority shareholders that were not exercised as of March 28, 2016, would be convertible at a price equal to the difference (if positive) between NIS 2.45 and the warrant exercise price, and payable in IDBD Bonds. In addition, Dolphin made a capital contribution of NIS 348.4 million into IDBD, in exchange for a subordinated loan, convertible into shares.

As security for payment of each cash due to Clal shareholders, on March 31, 2016, Dolphin gave a pledge over 28% of the stock capital in IDBD it owns and its rights under a NIS 210 million subordinated loan made on December 1, 2015 due from IDBD. If IDBD issues new shares, additional shares shall be pledged until reaching 28% of IDBD's total stock capital.

Dolphin has committed to abstain from exercising its right to convert the subordinated loan into IDBD shares until the above mentioned pledge is released. However, if the pledge is enforced, the representatives of IDBH's creditors will be entitled to convert the subordinated debt into IDBD shares, up to a maximum of 35% of all IDBD shares outstanding.

On April 3, 2016, IDBD's shares were delisted from the TASE and all the minority warrants were cancelled. IDBD continues to be listed on TASE as a "Debentures Company" pursuant to Israeli law, as it has bonds listed on such exchange.

Within the Operations Center in Israel, the Company operates in the following segments.

Real Estate

Includes the assets and operating income generated by PBC and its subsidiaries. PBC is mainly engaged in the operation of income producing properties and in residential construction primarily in Israel and other parts of the world. In rental properties, PBC is the exclusive owner of the HSBC building located on Fifth Avenue in Manhattan. The building has an area of approximately 80,000 square meters. At present, the building is fully occupied by renowned tenants who have lease agreements in place for periods ranging from 10 to 15 years. In addition, PBC has partnered with IDBD in two projects based in Las Vegas (through IDBG Ltd.), including a commercial and office project known as Tivoli.

The PBC group is one of the largest and most experienced real estate developers in Israel. Most of its activities involve income generating assets and residential entrepreneurship in Israel and overseas, with additional activity in the agriculture sector, through its subsidiary Mehadrin. In this regard, PBC engages in: (i) income producing properties, consisting of development, construction, rental and management of hi-tech parks, business and industrial parks, office buildings, commercial centers and industrial buildings, storage facilities and parking lots in high demand areas throughout Israel; and (ii) residential entrepreneurship, consisting of the development, planning, construction and sale of quality residential projects and neighborhoods in high demand areas throughout Israel. PBC also has reserves of land for construction. Our Real Estate segment generated operating income of Ps.617 million for the fiscal year ended June 30, 2016, representing 86% of our consolidated operating income for the Operations Center in Israel for such year.

PBC owns approximately 1.13 million square meters of income-producing properties in Israel, with an occupancy rate of 97%, with most tenants being quality tenants with long-term leases that provide PBC with a strong and steady cash flow. In addition, PBC owns land reserves of approximately 700,000 square meters with building rights for the construction of income-producing properies in Israel. In the Residential Construction Segment in Israel, PBC operates, as of June 30, 2016 (in some of the projects together with partners) in 9 sites around the country, on which 1,320 residential units are in various stages of marketing and construction and 820 have been sold.

PBC owns several subsidiaries, the largest of which are: Gav-Yam, Nave-Gad, Ispro and the joint venture Mehadrin.

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Gav-Yam (approximately 69% ownership stake) is one of Israel's largest and longest-standing real estate companies. Gav-Yam, itself and through its subsidiaries, deals in income-producing property, initiating, planning, developing, building, marketing, leasing, maintaining and managing hi-tech parks, commercial and industrial parks, office buildings, retail areas, storage buildings, and parking lots in high-demand locations throughout Israel.

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Nave-Gad (wholly-owned) is engaged in the planning, development and construction of quality residential neighborhoods. All neighborhoods are developed as unique all-inclusive "residential parks" that include various

components of full environmental development and associated community services (public parks, trails, pavements and parking lots).

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Ispro (wholly-owned) is engaged in the management, maintenance and development of commercial centers and malls, primarily power centers in areas of high demand. Ispro initiates various commercial projects on land it owns.

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Mehadrin (approximately 45% ownership stake) is Israel's largest exporter of citrus fruit. In addition, Mehadrin is engaged in a wide range of agriculture-related activities including planting, cultivating, packing and processing fruits and vegetables, refrigeration services, storage and marketing.

PBC's foreign operations consist of income generating assets and residential properties in the United States, India and England. In India, it develops and markets residential neighborhoods, together with partners, in the Indian city of Chennai. In addition, PBC is a partner in three Hilton hotels in the cities of London, Birmingham and Cardiff, England, together totaling 2,050 hotel rooms and conference facilities. All foreign operations are executed in cooperation with local partners in such a manner that allows efficient utilization of PBC's extensive experience and capabilities, combined with the familiarity with relevant markets and advantages of the local partners.

As at June 30, 2016, PBC engages in marketing, construction and planning income producing properties in Israel of which the main projects are the following:

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MATAM-Yam. MATAM, a subsidiary of Gav Yam, is developing a new project with an above-ground space of 10,000 sqm, on a lot acquired in 2015, at the south-western edge of the MATAM Haifa Park. In addition, MATAM is expanding the above-ground parking lot. This expansion, which will add 22,000 square meters of space, will accommodate 815 parking spaces. After completion of this phase, the above-ground parking structure in MATAM Park will accommodate 2,100 parking spaces, with a total area of 56,000 sqm.

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Gav Yam Park, Rehovot. Gav Yam and the Weizmann Institute are the joint owners Gav Yam Park in Rehovot (PBC 72% and the Weizmann Institute 28%). In light of the existing demand in the park, in the first quarter of 2016 Gav Yam started marketing and construction of an additional building in the park (the fourth building), with an above ground area of 15,000 sqm and 13,000 sqm of underground parking area.

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Ispro Planet. This is an entertainment and retail project in Beer-Sheva being built in two phases. The first phase includes a Cinema Multiplex and a large entertainment facility, restaurants and retail shops and the second phase consists of a Power Center. During the first half of 2016, the leasing and the construction of Stage A of the project continued. This stage consists of 18 cinema halls for the Yes Planet chain, with 3,400 seats and an IMAX screen, as well as commercial areas and Big Boxes, with total GLA of approximately 28,000 sqm of which approximately 86% have been leased up and was opened to the public at the end of June 2016.

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Modi'in – logistics building. In July 2016, Gav-Yam completed the construction of a logistics building with an area of approximately 7,000 sqm above ground, which is fully rented.

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Totzeret Ha'Aretz – Tel-Aviv. Gav Yam and Amot Investments Ltd. ("Amot"), jointly own the rights (in equal shares) in adjacent plots of land with an overall area of approximately 17 dunams (approximately 15,000 sqm) on Totzeret Ha'Aretz, Yigal Alon and Derech Shalom Streets in Tel-Aviv, which include existing rights for the construction of a project with approximately 53,000 sqm of constructed floor space. During the second quarter of 2016, construction and marketing of the Phase A building with an above ground area of 53,000 sqm. started and the construction of the underground parking area, with an overall area of approximately 31,600 sqm, providing approximately 950 parking places, continued. At the same time, and according to an agreement that was signed with the Tel Aviv Municipality, Gav-Yam and Amot filed a building plan under district committee jurisdiction for the addition of rights for 130,000 square meters (gross) above-ground on 70 floors, the addition of 2,000 parking spaces and approval of the designation of offices, commercial space and hotel areas.

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Gav-Yam Negev Park – The third building. Gav-Yam is developing the third building in the park with an above ground area of 15,000 sqm. The two first buildings in the park, with an area of 33,000 sqm are completed and rented.

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Second office tower at the Kiryat Ono Mall. In the first half of 2016, PBC and Amot (in joint venture) continued the construction of a second office tower above the Kiryat Ono Mall, with an area of approximately 7,400 sqm of office space and 1,500 sqm of commercial space. The construction is expected to be completed during the third quarter of

2016.

The following are the main overseas activities in which PBC is involved:

HSBC Tower in New York. The HSBC tower, with an area of 80,000 square meters, is located on Fifth Avenue in Manhattan, New York. The tower is leased to quality tenants, such as HSBC, the law firm Baker Mckenzie and various financial entities, for long periods. The tower is 100% leased. HSBC Bank is considering alternative leasing possibilities, including extending its lease in the Tower. At the end of 2015, we presented a proposal for the extension of HSBC Bank's lease agreement, which is being reviewed by the parties.

GW project ("Tivoli") in Las Vegas. A commercial and office project (we own a 50% interest through IDBG) that is divided into three stages – the first stage (Triad A) of the Tivoli project includes about 19,000 square meters of commercial areas and about 15,000 square meters of offices. As at June 30, 2016, the occupation rate was 84%. The second part of the project (Triad B) is under construction and marketing and it is planned to include 14,000 square meters of commercial areas and 14,000 square meters of offices. To date, lease agreements have been signed in Triad B with an anchor lessee and other lessees with respect to 11,000 square meters of available area. The opening of triad B is expected in November 2016. The construction of Triad B is currently financed by US$50 million credit facility granted at December 2015 by the company to IDBG, based on the approval in September 2015 at the General Meeting of the Shareholders of the Company. As of the date of their annual report, US$38 million of the said facility has been disbursed.

India. PBC's activity in India is conducted together with partners (PBC's share is 45%). The activity presently focuses on a residential project in Chennai, being built in stages. As of the date of their annual report, three buildings were offered for sale – two buildings including 390 units, of which 340 units were sold, are to be delivered in the second half of 2017 and the third building, which includes 160 units, of which 40 units were sold, is expected to be delivered during 2018. In the first half of 2016, 65 units had been sold in the project in Chennai compared with 50 units in the corresponding period in 2015. In January 2016, the remaining rights in the Hyderabad project were sold for a consideration of US$34 million.

The following are the main Investment Properties of PBC as of June 30, 2016:

Name	Encum-brances	Initial costs		Subsequent costs	Costs at end of the year							
		Plot of land	Buildings, facilities and improvement	Improve-ments / Additions	Plot of land	Buildings, facilities and improvements	Total	Accumu-lated depreciation	Net book amount	Date of construction	Date of acquisition	Useful life as of 06.30.16
Tivoli	Mortgage	171	1,241	-	124	1,969	2,093	(46)	2,047	apr-2013	oct-2015	[illegible]
Kiryat Ono Mall	Mortgage	316	696	8	502	1,115	1,617	(19)	1,598	nov-2007	oct-2015	[illegible]
Shopping Center Modi'in A	Mortgage	223	289	-	354	459	813	(8)	805	aug-2009	oct-2015	[illegible]
HSBC	Mortgage	5,471	1,778	-	8,337	2,962	11,299	(74)	11,225	[illegible]	oct-2015	[illegible]
Matam park - Haifa	Mortgage	544	2,685	480	910	4,842	5,752	(90)	5,662	[illegible]	oct-2015	[illegible]
Caesarea - Maichaley Carmel	-	142	230	-	226	365	591	(8)	583	[illegible]	oct-2015	[illegible]
Herzeliya North	-	777	1,025	856	1,498	2,662	4,160	(35)	4,125	[illegible]	oct-2015	[illegible]
Gav-Yam Center - Herzeliya	Mortgage	748	817	-	1,187	1,297	2,484	(35)	2,449	[illegible]	oct-2015	[illegible]
Neyar Hadera Modi'in	-	186	248	-	295	393	688	(8)	680	[illegible]	oct-2015	[illegible]
Gav yam park - Beer Sheva	Mortgage	34	402	16	54	658	712	(12)	700	[illegible]	oct-2015	[illegible]
Hazomet Kfar Saba	-	-	74	-	-	117	117	-	117	[illegible]	oct-2015	[illegible]
Bilu	-	-	54	-	-	86	86	-	86	[illegible]	oct-2015	[illegible]
Mazkeret Batia	-	-	69	-	-	109	109	-	109	[illegible]	oct-2015	[illegible]
Netania	-	-	525	23	-	861	861	(12)	849	[illegible]	oct-2015	[illegible]
Rishon Le Zion	-	-	44	-	-	70	70	-	70	[illegible]	oct-2015	[illegible]
Rehovot	-	-	69	13	-	125	125	-	125	[illegible]	oct-2015	[illegible]
Mizpe Sapir	-	-	78	-	-	128	128	(4)	124	[illegible]	oct-2015	[illegible]
Holon	-	191	15	-	303	24	327	-	327	[illegible]	oct-2015	[illegible]
Haifa	-	15	-	-	24	-	24	-	24	[illegible]	oct-2015	[illegible]
Others	-	1,781	3,938	195	3,018	5,830	8,848	(89)	8,759	N/A	oct-2015	N/A
Total Rental properties		10,599	14,277	1,591	16,832	24,072	40,904	(440)	40,464			
Undeveloped parcels of land												
Tivoli	-	15	-	-	24	-	24	-	24	apr-2012	oct-2015	
Queensridge Towers	-	223	-	-	266	-	266	-	266	apr-2012	oct-2015	

Zarchini Raanana	-	-	49	-	-	78	78	-	78	-	oct-2015	-
Kurdani	-	-	-	-	-	-	-	-	-	-	oct-2015	-
Others	-	1,056	5	-	1,785	-	1,785	(8)	1,777	N/A	oct-2015	N/A
Total undeveloped parcels of land		1,294	54		2,075	78	2,153	(8)	2,145			
Tivoli	-	-	1,170	103	-	1,981	1,981	-	1,981	in progress	oct-2015	-
Ispro Planet – Beer Sheva – Phase 1	-	154	294	296	245	817	1,062	-	1,062	in progress	oct-2015	-
Others	-	149	245	-	191	689	880	-	880	in progress	oct-2015	N/A
Total properties under development		303	1,709	399	436	3,487	3,923		3,923			

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Supermarkets

This division includes the assets and operating income of Shufersal. Shufersal, established in 1958, is Israel's largest retail chain and the owner of the largest supermarket chain in Israel in terms of sales volume, operating 270 supermarkets nationwide, within an approximate aggregate area of 503,000 square meters. Shufersal employs approximately 12,300 employees. In recent years, Shufersal has introduced and continues developing strategic processes and structural changes seeking to optimize profitability, strengthen its market leading position, and address the challenges of the business and regulatory environment where it operates. Shufersal separated its real estate business from its retail business, and formed Shufersal Real Estate Ltd., a wholly-owned subsidiary whose assets include branches that are leased to Shufersal and real estate property leased to third parties.

Our Supermarkets segment generated operating income of Ps.424 million for the fiscal year ended June 30, 2016, representing 59% of our consolidated operating income for the Operations Center in Israel for such year.

Shufersal operates five different retail formats throughout Israel:

(i)
Shufersal Sheli: a chain of 107 neighborhood stores providing customer shopping needs, while vigilantly maintaining convenience, availability, freshness and service;

(ii)
Shufersal Deal: a chain of 74 discount stores that offers low-priced products throughout the year;

(iii)
Yesh: a chain of 54 competitive discount stores addressing different populations by matching products to customers, and by offering special kashruth;

(iv)
Shufersal Express: a chain of 13 convenience stores; and

(v)
Shufersal Online (former Shufersal Yashir): a service that markets products directly to the customer's home or office, with orders taken via the internet, phone or fax.

Shufersal puts great effort into producing its private label to provide customers with a brand that meets high quality standards, is competitively priced and is adapted to Israeli consumer tastes. The brand currently includes about 1,400 products. Shufersal's Loyalty Club is the leading loyalty club in Israel with 1.4 million members. Club members enjoy cash coupons, accumulated bonuses, discounts and special offers.

As part of its strategic plan, Shufersal, together with Leumi card and Paz, launched the Shufersal credit card in October 2006. The card provides customers with a non-banking credit framework, as well as special offers and benefits. "Yesh" Credit Card for "Yesh" customers was launched in August 2009 and offers the same benefits.

Shufersal also owns a 40,000 sqm logistics center in Rishon Lezion in addition to distribution centers in Kfar Vitkin, Ramle, and Kadima.

Shufersal engages in income-generating real estate, leasing commercial centers and other properties through several subsidiaries: Shufersal Bailsol Investments Ltd. (50% owned); Merkaz Hakirya (Ashdod 1995) Ltd. (50%); and Lev Hamifratz Ltd. (37%).

Although Shufersal's main operations is retail, as mentioned above, it also operates in two other sectors: real estate and credit card customer's club management. In income-generating real estate activity, Shufersal engages in leasing commercial centers and other properties. As part of its strategic plan, Shufersal is also active in managing a customer credit club through which it offers credit cards to the public that provide a non-bank credit framework, as well as special offers and benefits to customers.

During 2016, Shufersal continued to carry out its business plan, which is intended to create a growth-oriented commercial and operational infrastructure for the years to come, to reinforce its competitiveness, to improve value offered to customers, and to improve service. As its main distribution center, Shufersal owns a sophisticated 40,000 m2 logistics center in Rishon Lezion in addition to distribution centers in Kfar Vitkin, Ramle, and Kadima.

In recent years, Shufersal has performed, and continues performing, strategic processes and structural changes, with the aim of optimizing its operations, strengthening its market leadership, and dealing with challenges it faces in its business and regulatory environment. As part of its strategies, Shufersal is focused in the development of its digital market platforms, of which the main one is Shufersal Online. During 2016, there was a significant increase in Shufersal's sales through Shufersal Online.

During 2015, Shufersal continued to implement its business plan, as approved by its Board of Directors in July 2014, as follows:

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The developments in the Mega chain led, in addition to the sale of Mega stores that operated in the discount format to various third parties, the closing of its online platform and a one-off closing of all of its branches by Mega's employees, led to the loss of consumers. Shufersal adapted its operations to these changes at the Mega chain, and the impact of the competitive landscape. Shufersal continues to monitor the effects on Mega's results, and is preparing to address multiple scenarios, including increased competition in the discount market and a potential purchase of Mega's stores in city centers by chains that operate in the discount market, which may lead to greater competition. In the first half of 2016, Shufersal continued to monitor and prepare various scenarios regarding the change in ownership of Mega city center stores.

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The continued expansion and strengthening of Shufersal's private label brand as a part of its strategy, including the launch of new products in leading categories, such as the milk and meat. Sales of Shufersal's own branded products in 2015 were approximately 15% of all retail sales, an increase of 11.5% compared with sales in 2014.

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The continued development of Shufersal's digital platforms, of which the main one is "Shufersal Online" and the cellular application, and the streamlining of the operating processes with regard to the distribution system of "Shufersal Online." There has been a significant increase in Shufersal's sales through Shufersal Online, and they constituted approximately 6% of total sales in 2015 (compared with approximately 4% in 2014). During the first half of 2016, Shufersal continued to accelerate the development of its digital platform and to open special warehouses to support those sales. In the first half of 2016, Shufersal Online sales accounted for approximately 8.6% of Shufersal's total sales.

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The continued streamlining of real estate in accordance with the business plan, which includes the closing and downsizing of retail stores.

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In 2015, Shufersal continued its efforts to complete the change in the supply chain system, and during the first quarter of 2016 it began the gradual operation of its new logistics center in Shoham, that began operating on February 2016.

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Various regulatory developments, such as an increase in the minimum wage, the first installment of which came into effect in April 2015.

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Shufersal performed a renewed evaluation of branches with operational and cash flow losses, and concluded that 15 stores out of all evaluated branches (which are mainly leased through operational leases) no longer contribute or make a viable contribution, either in operational and/or strategic terms, to the geographical region (the cash generating unit) with which they are associated. Shufersal decided to close 14 stores, and to reduce the size of the store network it owns.

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For the purpose of the impairment test, Shufersal branches are combined into geographical regions which constitute separate cash generating units. Based on Shufersal's strategy, the closure of stores may result in a reduction in profitability of other stores located in the same geographical area. In light of the foregoing, the impairment test for retail activity is performed on a regional level, and the recoverable amount is calculated for the cash generating unit.

Agrochemicals

Includes income from the associate of IDBD, Adama. Adama is a worldwide leader in active ingredients used in agricultural production. Adama became a private company owned by ChemChina (60%) and Koor (40%).

Adama is one of the leading generic brand crop protection companies in the world. Adama has a heritage dating back 70 years and strives to develop products to simplify and optimize agricultural production, offering farmers products and services that optimize crop yields. Adama has a comprehensive range of high-quality, innovative and effective crop protection products, including herbicides, insecticides, fungicides, plant growth regulators and seed treatments, designed to improve the quality and quantity of crop yields by preventing or controlling harmful, insects and disease. Adamas' comprehensive product portfolio includes more than 270 active ingredients and more than 1,000 end-use

products. Our Agrochemicals segment generated an income of Ps.334 million from the investment in Adama for the fiscal year ended June 30, 2016.

Adama's 4,900 employees reach farmers in more than 120 countries with its main customers in Europe, North America, Latin America, Asia-Pacific, India, the Middle East and Africa. As of the date of this annual report, Adama is ranked as the leading company in the world focusing on non-patent protected active materials used crop protection products. Adama has 19 production facilities for synthesis and formulation of its product and seven global products development centers.

Adamas' range of products include crop protection solutions and other related products that leverage its core expertise, including dietary supplements and food additives, aromatic products and industrial products. Accordingly, Adama organizes and manages its business in two segments: crop protection and other operations. The crop protection business focuses on the research, development, production and marketing of products that enhance crop yields by protecting against the damaging and destructive effects of a variety of weeds, pests and disease. Adama markets (mostly directly and through third parties) the products it develops and produces, as well as other crop protection products it sources from third parties. Crop protection products in the global market are divided into
(i) patent-protected and legacy, branded off-patent products, most of which were originally developed by leading companies in the field; and (ii) newly introduced, branded off-patent products, such as our products, which are similar to patent-expired products (in terms of composition) and are produced by off-patent focused companies.

Adama manufactures and sells a broad range of crop protection products that are divided into three main categories based on their uses: (i) herbicides, (ii) insecticides and (iii) fungicides. These solutions offer protection for all sorts of crops including corn, cotton, oil seed rape, soybean and cereal, and are developed and adapted for use in seed treatment as well as for non-crop uses such as protection against weeds, pests and disease in roadsides, forests, lawns, parks, institutions, the wood and paint industry, animal health and private facilities, homes and gardens. Adama has a unique positioning and access to the Chinese markets, principally through ChemChina.

In August, 2016, DIC reported that it had accepted ChemChina's offer to acquire 40% of Adama Agricultural Solutions Ltd.'s shares, indirectly controlled by IDBD through DIC. For more information see "Recent Developments".

Telecommunications

This division includes the assets and operating income derived from Cellcom. Cellcom is Israel's leading mobile communications operator. Cellcom has more than 2.8 million subscribers, with an estimated market share of 27%. Through its independent transmission network, Cellcom provides services to its customers with a broad range of value added services including cellular and landline telephony, roaming services for tourists in Israel and for its customers abroad, and additional services including music, video, mobile office etc. With a technologically advanced infrastructure, Cellcom provides internet connectivity services and international calling services, as well as landline telephone communication, cloud, hosting services and information security in Israel, in addition to data communication services. Our Telecommunications segment generated operating losses of Ps.71 million for the fiscal year ended June 30, 2016, representing 10% of our consolidated operating income for the Operations Center in Israel for such year.

Cellcom has launched television services over the internet ("over-the-top" TV or OTT TV) which currently has 87,000 subscribers representing a 5.7% market share. IDBD believes that there is an opportunity for further penetration in television services over the internet and thus it plans to expand its activities in this business, as part of its strategies. Cellcom provides a "triple play package", which combines television services, internet infrastructure and supplier services and home telephone services. Cellcom operates powerful generation networks (LTE 4 and HSPA 3.5) enabling advanced high speed broadband multimedia services, in addition to the regular networks (GSM/GPRS/EDGE).

On November 2015, Cellcom entered into an agreement with Golan Telecom Ltd. ("Golan") to purchase all of the shares of Golan, one of the four cell phone carriers in Israel, in addition to Cellcom, for a consideration of NIS 1,170 million. If Golan's acquisition is approved, Cellcom's market share and revenues will increase and Cellcom will be able to offer additional bundled and separate services and products which will result in opportunities for leveraging cost-synergies.

The following table presents our number of cellular subscribers and revenues for each of the last five years:

	Year Ended December 31,				
	2011	2012	2013	2014	2015
Cellular subscribers (end of period)(1) (in thousands)	3,349	3,199	3,092	2,967	2,835

(1)
Subscriber data refers to active cellular subscribers. Cellcom uses a six-month method to calculate cellular subscriber base, which means that Cellcom deducts subscribers from its cellular subscriber base after six months of no revenue generation and activity on its network by or in relation to the post-paid subscriber, no revenue generating calls or SMS

for pre-paid subscriber and no data usage or less than NIS 1 of accumulated revenues for M2M (machine to machine) subscribers. The six-month method is, to the best of our knowledge, consistent with the methodology used by other cellular providers in Israel. During the fourth quarter of 2011, Cellcom removed approximately 52,000 subscribers from our subscribers base, which included its subscribers using its TDMA network who had not requested a transfer to its other networks following the shutdown of its TDMA network as of December 31, 2011, and subscribers who ceased using services following a change to Cellcom's policy which previously allowed subscribers to change from post to prepaid subscription as a result of the reduction of Early Termination Fees in the cellular market in early 2011. These changes affected other key performance indicators. In the fourth quarter of 2012, Cellcom removed approximately 138,000 M2M subscribers from its subscriber base, following the addition of the above revenue generation criterion for M2M subscribers. This change had an immaterial effect on Cellcom's ARPU for 2012. In the fourth quarter of 2013 we removed approximately 64,000 subscribers from our subscribers base, following a change to our prepaid subscribers counting mechanism. As a result of such change, we add a prepaid subscriber to our subscribers base only upon charging a prepaid card and remove them from our subscribers base after six months of no revenue generating calls or SMS. Following each of these changes, we have not restated prior subscriber data to conform to such changes.

We present bellow a detailed description about each of the segments in telecommunications operated by IDBD's subsidiary Cellcom:

Television Market

Our offer to the Israeli Market includes:

- Linear channels including the Israeli Digital terrestrial broadcasting
- Video on Demand library
- Live and catch up sports channels
- Access to internet video content from selected internet sites
- Music streaming service
- An improved and advanced user experience
- Highly competitive pricing

Cellular Services and Products

Cellcom offers its cellular subscribers a variety of usage and sector pricing plans and bundles combining cellular services with other communications services that the group offers, such as Internet infrastructure and ISP, landline, ILD and OTT TV services for home and IP switchboard, Internet infrastructure and ISP landline and ILD services for the office. Cellcom offers two methods of payment: pre-paid and post-paid. Pre-paid services are offered to subscribers who pay for its services prior to obtaining them, usually by purchasing their "Talkman" pre-paid cards or "virtual" Talkman cards. Post-paid services are offered to subscribers willing to pay for their services through banking and credit arrangements, such as credit cards and direct debits. Price erosion and the marketing of unlimited packages, have resulted to a decline in our pre-paid subscriber base. In line with regulation, our pricing plans do not include a commitment to purchase their services for a predefined period, other than in large business agreements.

Basic cellular services

Its principal cellular service is basic cellular telephony and data transfer, upload and download (in supporting handsets). Both are included in the "unlimited packages". In addition, Cellcom offers many other services with enhancements and additional features to their basic cellular telephony service, including voice mail, cellular fax, call waiting, call forwarding, caller identification and conference calling. Data services can be used with handsets (in supporting models), cellular modems, laptops and tablets. Cellcom provides their customers with a variety of "internet surfing packages" for that purpose. Cellcom also offers both an outbound roaming service to subscribers traveling

outside of Israel and an inbound roaming service to visitors to Israel who can "roam" into their network.

Value-added services

In addition to basic cellular telephony and data services, Cellcom offers many value-added services, such as SMS and MMS, cloud backup content services such as music downloads and "Cellcom TV" application. SMS is included in the "unlimited packages". Cellcom offers services that are likely to be popular with subscribers and complement Cellcom's business. Some of these value-added services are available only to subscribers who have supporting handset models and some are offered only to business subscribers.

Business subscribers, also may receive multi SMS, M2M, "Double Net" services allowing combined usage of cellular and landline networks in order to ensure uninterrupted service, work force management and vehicles management applications.

Handsets

Cellcom sells a wide selection of handsets (which for purposes of this report may include other types of communications end-user equipment, such as tablets) designed to meet individual preferences. Prices of handsets vary based on handset features and special promotions. Cellcom offers a variety of installment plans for handsets and discounts for short term installment plans. In most cases, handsets are to be paid in 36 monthly installments. Cellcom offers a variety of handsets from world-leading brands such as Apple, LG, Nokia, Samsung, Sony, HTC, ZTE and Alcatel. The vast majority of handset sales in 2015 have been of Apple and Samsung models. The handset models Cellcom sells offer Hebrew language displays in addition to English, Arabic and Russian (in most of the models). Cellcom is also required to provide cellular services to subscribers who did not purchase their handsets from us, provided that the handset model complies with the standards set by the Ministry of Communications. Cellcom offers subscribers repair services for most handsets, in approximately 28 locations, including through their wholly owned dealer, as well as by dispatch service. See also "Customer Care" below.

Cellcom also sells modems, tablets and smart watches to promote data services. In addition, it sells added value products to its customers, such as smart watches. Samsung International Co. Ltd. provides us Samsung products and spare parts for such products, under terms, including price of products, agreed between us and Samsung from time to time.

In 2013, Cellcom entered into an agreement with Apple Sales International for the purchase and distribution of iPhone products in Israel. Under the terms of the agreement, Cellcom has committed to purchase a minimum quantity of iPhone products over a period of three years, which have represented a significant portion of total cellular handset sales over that period.

Landline services

In addition to cellular services, Cellcom provides landline telephony, transmission and data services, using approximately 1,780 kilometers of inland fiber-optic infrastructure and complementary microwave links. Cellcom has offered transmission and data services since 2001, landline telephone service since July 2006, and advanced, voice and data landline services since 2008, both to selected business customers. Since May 2015 Cellcom (and Netvision) have offered internet infrastructure services through the landline wholesale market, using Bezeq's VDSL infrastructure. Netvision also offers landline services to both private and business customers, focusing on the private sector.

As of December 2014, Cellcom offers OTT-TV services, branded "Cellcom tv" to private customers using Netvision's systems. Cellcom tv is a hybrid OTT-DTT TV service provided to the Israeli market. The service includes a set-top box that enables linear channels, including channels based on the Israeli Digital terrestrial television (DTT) broadcasting, Video on Demand library subscription (SVoD) that can be accessed from smartphones and tablets (TV anywhere), access to internet video content from selected internet sites, music streaming service and additional advanced features such as personal video recorder, VoD playlist channels and connection to social networks, at highly competitive prices. Cellcom's VoD catalogue and linear channels offer international and local content from top content suppliers.

Network and Technology

Cellcom's cellular network has developed over the years since it commenced operations in 1994, and we now have dual cellular and wireline capabilities.

The "fourth generation" LTE, or Long Term Evolution technology, was launched in August 2014 and offers data throughput of up to 112 Mbps on the downlink path and up to 37 Mbps on the uplink path (voice services are provided through our 3G network). The LTE network covers most of the population of Israel and in 2016 it continued to deploy this network and allocate additional spectrum in the 1800 band (where possible) in order to enable higher data throughput rate.

The "third generation" UMTS/HSPA+, or high-speed packet data access, technology, offers full interactive multimedia capabilities with current data rates of up to 42 Mbps on the downlink path and up to 5 Mbps on the uplink path. In 2016, Cellcom intends to continue to support the increasing demand for data traffic, while maintaining its quality of services. This network, considered to be a "3.9" technology, uses the same core as Cellcom's GSM/GPRS/EDGE network and covers substantially all of the populated territory in Israel. Moreover, Cellcom's UMTS/HSPA+ network supports types of services that require higher throughput and lower delay, such as video conferencing and provides an adequate fallback for our LTE network by means of smart features and network load sharing.

Cellcom's "second generation" GSM/GPRS/EDGE 1800MHz network allows for voice calls, data transmission and multimedia services, although at slower speeds than the LTE and UMTS/HSPA+ networks. Cellcom's GSM/GPRS/EDGE technology is an advanced second-generation technology considered to be a "2.75G" technology. It enables Cellcom to deliver multimedia and services at speeds that are higher than the rates offered through regular "second generation" digital cellular technology. Packet data rates vary from 50 Kbps to 200 Kbps, depending mainly on handset capabilities. In addition, in the case of coverage gaps and for voice services supported by their GSM/GPRS/EDGE technology, the network provides an adequate voice fallback for their LTE and UMTS networks. Most of Cellcom's traffic uses the UMTS/HSPA+ network with a continuous growth of data using Cellcom's LTE network.

Cellcom's transmission network is comprised of approximately 1,780 kilometers of inland advanced fiber-optic cables that, together with Cellcom's microwave infrastructure, enable them to provide their customers with telephony and high speed and high quality transmission and data services. Cellcom's transmission network is strategically deployed in order to cover the major portion of Israel's business parks and permits them to provide their own backhaul services while reducing their need to lease capacity from Bezeq, the incumbent landline operator in Israel.

Cellcom's system for the provision of advanced centrex services based on cloud solutions to our business landline customers, is by Broadsoft Ltd.

Netvision's platform by LM Ericsson, allows the provision of our OTT TV services, together with the Israeli DTT infrastructure.

Infrastructure

Cellcom has built an extensive, durable and advanced cellular network system, enabling them to offer high-quality services to substantially the entire Israeli populated territory. They seek to satisfy quality standards that are important to their subscribers, such as high voice quality, high data rate packet sessions, low "blocked call" rate (average rate of call attempts that fail due to insufficient network resources), low "dropped call" rate (average rate of calls that are terminated not in the ordinary course) and deep indoor coverage. Therefore, they have made substantial capital expenditures and expect to continue to make substantial capital expenditures on their network system.

Cellcom's LTE network is covering most of the population of Israel and they cover substantially all of the populated areas of Israel with both our UMTS/HSPA+ network and our GSM/GPRS/EDGE network. Our LTE and UMTS/HSPA+ networks are mostly co-located with our GSM/GPRS/EDGE network.

Cellular Network design

Cellcom has designed the GSM/GPRS/EDGE, UMTS/HSPA+ and LTE networks in order to provide high quality and reliability in-line with the requirements set forth in their license while using a cost-effective design, utilizing shared components for the networks, where applicable.

Cellcom has a DRP for its engineering systems, aimed at increasing its network's survivability in case of damage to any of its component systems. The DRP also provides the network with additional advantages, including increased capacity and advanced qualities in line with our license requirements.

Cellcom's primary goal is to continue deploying its LTE network while allocating a smaller amount of our 1800MGz frequencies to our 2G network, where possible, through advanced and modern equipment and software features, and to continue to support the increasing demand for data traffic of their high speed UMTS/HSPA+ network. At the same time they intend to continue to perform extensive optimization work to provide their subscribers with maximum capability to support video and other broad-bandwidth content.

Cellular Network performance

Cellcom continually seeks to optimize its entire network in order to meet the key performance indicators for its services, including dropped calls, voice quality, accessibility, availability and packet success rate. Cellcom uses advanced planning, monitoring and analyzing tools and introduced advanced and modern equipment and software features in order to achieve performance goals efficiently and with minimal faults.

The main indicators use to measure network performance for voice and packet data are the "blocked call" rate, the "dropped call" rate and average throughput. The average rates of blocked and dropped calls meet those required by Cellcom's operating license. The average throughput indicator is not a license requirement.

Spectrum allocation

Spectrum availability in Israel is limited and is allocated by the Ministry of Communications through a licensing process. Cellcom has been allocated 2x10 MHz in the 850 MHz frequency band previously used by their TDMA network and currently by their UMTS/HSPA base stations, 2x20 MHz in the 1800 MHz frequency band, 5 - 15 MHz (varying dependent on usage required in different areas) of which are used by our LTE network and the remaining is used by their GSM/GPRS/EDGE network (again varying dependent on usage required in different areas) and 2 x 10 MHz 2100 MHz frequency band used by their UMTS/HSPA network. Cellcom believes that its available spectrum is sufficient for its current needs.

Of the 20 1800 MHz spectra, three were allocated to Cellcom in August 2015 by the Israeli Ministry of Communications, for 4G technologies (such as LTE, LTE Advanced) . Unlike Cellcom's other frequencies, these frequencies were awarded for a period of just ten years.

Cell site construction and licensing

Cellcom develops cell sites based on a strategy to expand the geographical coverage and improve the quality of its network and as necessary to replace cell sites as needed. Cellcom's acquisition teams survey the area in order to identify optimal locations for a cell site. In urban areas, this would normally be building rooftops. In rural areas, masts are usually constructed. The transmission teams also identify the best means of connecting the base station to our network, based on Cellcom's independent transmission network, either by physical optical fiber, microwave link or Bezeq landlines. Once a preferred site has been identified and the exact equipment configuration for that site decided, Cellcom begins the process of obtaining all necessary consents and permits. The construction of cell sites requires building permits from local or regional authorities, or an applicable exemption, as well as a number of additional permits from governmental and regulatory authorities, such as construction and operating permits from the Ministry of Environmental Protection in all cases, permits from the Civil Aviation Authority in most cases and permits from the Israeli Defense Forces in some cases. In special circumstances, additional licenses are required.

Transmission network

Cellcom's transmission network provides them with wireline connectivity for their cellular and landline network in substantially all of the populated territory of Israel. It is based on their fiber-optic network and complementary microwave infrastructure. Cellcom's transmission network includes links to their internal cellular network and to their landline and transmission subscribers.

Cellcom's optical transmission network is deployed from Nahariya in the north to Beer Sheva in the south and Afula and Jerusalem in the east, consisting of approximately 1,780 kilometers. The fiber-optic network reaches most of the business parks in the country and is monitored by a fault-management system that performs real-time monitoring in order to enable them to provide our subscribers with high quality service. In order to efficiently complete their transmission network's coverage to substantially the entire country, they use a microwave network as a complementary solution in those areas that are not served by their fiber-optic network.

Information technology

Cellcom maintains a variety of information systems that enable it to deliver superior customer service while enhancing our internal processes.

Sales

As part of Cellcom's strategy to fully penetrate every part of the Israeli market, it seeks to make the purchase of its services and products as easy and accessible as possible, while seeks to optimize costs. These efforts to adapt sales operations to market conditions include optimizing points of sale and transferring operations more cost effective channels. Cellcom offer pricing plans, value-added services, handsets, accessories and related services through a broad network of direct and indirect sales personnel. Cellcom designs pricing plans and promotional campaigns aimed at attracting new subscribers and enhancing customer retention strategies. Cellcom pays independent dealers commissions on sales, while employee sales personnel receive base salaries plus performance-based incentives. All sales and other customer-facing staff go through extensive training prior to commencing their work. Cellcom's distribution and sales efforts for subscribers are conducted primarily through four channels:

Points of sale. Cellcom distribute products and services through a broad network of physical points of sale providing them with nationwide coverage of their existing and potential subscriber base. Cellcom operate directly approximately 28 physical points of sale and service located in central and other frequently visited locations. In 2015, Cellcom reduced the space of several additional points of sale, in line with its operating strategy, which continued in 2016 on a selective basis.

Cellcom also distributes products and services indirectly through a chain of dozens of dealers (including its wholly-owned dealer, Dynamica) which operates at approximately 150 points of sale throughout Israel. These dealers are compensated for each sale based on qualitative and quantitative measures. Cellcom closely monitors the quality of service provided to their subscribers by Cellcom's dealers. In Cellcom's efforts to penetrate certain sectors of their potential subscriber base, Cellcom selects dealers with proven expertise in marketing to such sectors.

Telephonic sales. Telephonic sales efforts target existing and potential subscribers who are interested in buying or upgrading handsets and services. Cellcom's sales representatives (both in-house and outsourced) offer customers a variety of products and services, tailored to their needs.

Account managers. Cellcom's direct sales force for business customers maintains regular contact with mid-sized and large accounts, focusing on sales of cellular and wireline services, customer retention and tailor-made solutions for the

specific needs of such customers. Cellcom provides small- and mid-sized business customers one point for both sales and services by phone. Cellcom's account managers are aided by various back office experts in determining customers' needs and making suitable offers. Sales to larger business customers or governmental and local authorities sometimes involves participation in requests for proposals.

Online sales. Cellcom offers customers the ability to purchase products and services through Cellcom's internet site and Cellcom's smartphone application and invest efforts in directing customers toward self-service channels. Cellcom has established a dedicated internet site for the marketing and sales their OTT TV service.

Cellcom Fixed Line Opportunities

Key advantages of Cellcom which are expected to facilitate expansion in the landline business:

.

Triple play package – the first of its kind in Israel providing Cellcom television, Internet access and infrastructure and telephony at a highly competitive pricing

.

Large subscriber base: approximately 2.8 million cellular subscribers, representing a 27% market share in the ISP market and approximately 138,000 VOB subscribers

.

Leveraging the fiber network infrastructure (approximately 1,780 KM of fiber optic infrastructure) together with the wholesale market aiming to increase market share in the business sector

Insurance

This division includes the assets from Clal Insurance Business Holdings. Clal is one of the largest insurance groups in Israel, whose businesses mainly comprise pension and social security insurance and other insurance lines. Clal, through its subsidiaries, primarily issues insurance policies, provides pension fund management services, including provident funds, and holds assets and other businesses (including holdings in insurance agencies). In 2015, Clal was one of the largest insurance groups operating in Israel. Clal Insurance Enterprises' offers (1) long-term savings plans; (2) non-life insurance products; and (3) health insurance. Clal Insurance Enterprises' other operations are carried out principally through holdings of its Clal Insurance Company Ltd. subsidiary ("Clal Insurance"). We refer to Clal Credit Insurance Ltd. ("Clal Credit Insurance") and the management companies that manage the pension funds and insurance agencies (Clal Insurance Business Holdings Ltd., and the companies held by it), as "Clal Insurance Business Holdings Group"). 51% of Clal's controlling shares are held in trust be managed by a trustee in compliance with the order issued by the Capital Markets Commission of Israel requiring that Clal's controlling stake; therefore, Clal's results are not fully consolidated on a line-by-line basis in IDBD's financial statements, but under a single line as a financial instrument at fair value, as required under IFRS when no control is exercised.

Diagram of holdings

Presented below is a diagram illustrating the structure of the company's primary holdings, as of March 6, 2016:

Clal Holdings Insurance Enterprises is one of the leading insurance and pension companies in Israel. As of June 30, 2016, Clal held a 20% market share in the insurance market and managed over US$43 billion in assets. Clal offers a wide range of services and products to private and corporate customers, such as non-life insurance, health insurance, travel insurance, education funds, provident funds, pension funds, among others. Clal employs over 4,000 people and markets its products through 2,000 insurance agents, to provide service and professional support to their customers. Our Insurance segment had total assets of Ps.4,602 million as of June 30, 2016, representing 3% of our operating assets for the Operations Center in Israel at such date.

Clal's operations consist of three main insurance divisions:

(i) non-life insurance: the general insurance domain in Clal is among the largest in Israel. The division holds a 15% market share in this segment and offers coverage to private and corporate customers. The non-life insurance division offers a wide range of insurance plans: automotive, property, liability, marine insurance, personal accidents, guarantees and additional services. The division's strategy is to grow their private customer base - automotive, private residences and small businesses, while professionally understanding the unique needs of its diverse customers. Its vision is to provide professional and high-level service to company's agents and customers, through constant improvements and new product development;

(ii) life insurance and long-term savings: this division holds a 15% market share of the long-term savings market, as defined by the Commissioner of Insurance. The division manages long-term assets, including life insurance, pension and provident funds. The division also provides comprehensive solutions to private and corporate customers in all sectors of the Israeli economy. Among the division's customers are large corporations and many residents of the State of Israel. Its objectives are to support the company's distribution channels and become a professional benchmark, helping to improve company business results, profitability and value, while emphasizing quality of service. The division offers a variety of savings options, enabling its customers to maintain a strong, solid economic foundation in the event of death, accident or loss of earning capacity. It also offers a variety of pension funds designed to guarantee a monthly income for life in the event of retirement, disability, or death, enabling economic stability for the future even in difficult times. Clal takes full responsibility for managing its member's. Members enjoy high returns, among the highest in the Israeli market, as well as peace of mind, knowing a large, professional, industry-leading corporation manages their money; and

(iii) health insurance: The health insurance division offers a wide range of products for individuals, families and groups, specializing in comprehensive solutions for specific market segments such as women and children. Clal holds a 21% market share of the health insurance market in Israel and offers health insurance products such as surgeries in Israel and overseas, transplants, medications, critical illness, long-term care, personal accidents, travel and more. Health insurance division vision is to establish Clal as a leading, innovative and professional company in the field of health and nursing care insurance, while providing a professional and timely service to its agents and customers. The division focuses on technological innovation as well as on developing a range of innovative health insurance products, enabling flexibility in creating health insurance packages tailored for each client, based on his needs and financial status. Each package is either derived from existing packages, or custom-built for each customer. The division is constantly growing, and is proud to provide quality service to 400,000 members insured under private insurance plans as well as an additional 2,000,000 members insured under group insurance plans.

In addition, Clal operates in the investments business through its wholly owned subsidiary Canaf, which manages assets worth more than US$ 44,256 million, including members' pension funds, provident funds, insurance executives and also Clal's balance sheet assets and insurance reserves. The size of assets managed by Canaf provides a significant competitive advantage. This is reflected in its accessibility to companies and their executives, information on special transactions, cooperation with relevant independent bodies inside and outside of Israel and the development of mutual strategic relationships with international bodies that specialize in long-term financial management. Canaf has a staff of approximately 80 employees, of whom about 30 are professional investment managers specializing in various aspects of asset and investment management.

The following is a description of the Products and Services offered by Clal:

Description of the Areas of Activity and Insurance Coverages

Products in this sector mainly consist of retirement solutions for salaried and self-employed individuals, private investment solutions and life insurance, and disability insurance.

· Life insurance products. Consist of contractual obligations between insurer and policyholder, and include insurance plans that allow accumulation of savings and insurance plans and/or combinations in insurance plans that include coverage for death, work disability and disability. A policyholder who reaches the end of the insurance period is entitled to insurance benefits (the amounts accrued in the savings component of the policy) in accordance with the policy terms. The policyholder may receive these amounts as a one-time amount ("Capital Payment"), in lifetime installments ("Annuity") or a combination of the two, according to the terms of the policy; in some of the annuity products the policyholder benefits from an annuity coefficient protected against extended life expectancy, which is established on the purchasing date of the policy or on the commencement date of the annuity payment to the policyholder, or which can be purchased once the policyholder reaches the age of at least 60.

· Pension funds. Constitute mutual insurance funds, and operate according to regulations which may change from time to time. From the date of retirement, a pension fund member is entitled to receive lifetime annuity payments based on annuity coefficients that do not guarantee life expectancy, and the annuity is likely to change from time to time according to the actuarial balance of the fund.

· Comprehensive pension funds. Allow pension savings for an annuity and death and disability insurance coverage; benefit from designated bonds; and deposits can be made into them up to the maximum set out in law; general (supplementary) pension funds do not benefit from designated bonds, but allow pension savings for an annuity, and deposits may be made into them beyond the maximum stipulated by law. In some general funds, there is no insurance coverage beyond an old age annuity; provident funds provide savings solutions for the long term (such as provident funds for severance pay and compensation to salaried employees) and medium term (study funds), without insurance coverage. A provident fund member is entitled to withdraw the amounts accumulated in his favor in the capital based provident funds, with respect to deposits made until December 31, 2007, in a one-time amount, whereas the amounts accumulated in his favor which were deposited as from January 1, 2008 may be withdrawn by means of an annuity or annuity capitalization. Until the Control of Financial Services (Provident Funds) (Amendment No. 13) Law, 2015 ("Amendment 13 to the Provident Fund Law") entered into effect, withdrawal by means of an annuity could have been made from an annuity paying provident fund only (currently known as "a provident fund for annuities"), subject to determined exceptions. In this amendment, the option is given to withdraw directly from a provident fund for savings (that was a non-annuity paying provident fund).

How Savings Funds are Invested. Pension savings products differ from each other in the way in which the savings funds are invested. Some of the savings funds are invested in market securities, while others are backed by designated bonds, according to legislation, as set out below:

(a) Life insurance: Life policies issued through the end of 1990 offered policyholders a guaranteed savings component ("Guaranteed Return Policies"). The rate varied according to the type of policy and date of issue. The obligation to pay the guaranteed return was generally backed by designated bonds, whereas the balance of assets was invested according to the restrictions imposed by the Control of Financial Services Regulations (Provident Funds) (Investment Regulations Applicable for Management Companies and Insurers), 2012 (the "Investment Regulations"). As of December 31, 2015, the holding of designated bonds by Clal Insurance constituted 76% of the total assets held against liabilities for Guaranteed Return Policies. Over the years, Clal Insurance Enterprises Holdings Group has redeemed designated bonds, upon approval of the Ministry of Finance, as a means of achieving excess returns. The proceeds were invested in other investments. Clal Insurance Enterprises Holdings Group could not buy back designated bonds for some of the reserves that it redeemed and as a result its exposure to free investments increased. According to the accounting mechanism established with the Ministry of Finance, the designated bonds held will be reduced gradually to a rate of 50% of total revenue held against liabilities for guaranteed return policies.

Policies issued since the early 1990s include mainly investment-linked policies in which savings are invested by the insurance companies in free investments, mainly in capital market instruments, while the return less applicable expenses are applied for the benefit of the policyholder based on the returns achieved by the investment portfolio, less management fees;

(b) pension funds: As of the date of this Annual Report, legacy and new comprehensive pension funds benefit from guaranteed returns on the fund's assets that are backed by designated bonds, up to a maximum rate of 30% of total assets. However, the rate of designated bonds relative to members in the new comprehensive pension funds who, prior to January 1, 2004 were eligible to receive a pension, must represent 70% of the total assets. Also, the government provides "compensation" to the old balanced pension funds in order to reduce the issuance of designated bonds, which was carried out over the years;

(c) provident funds: Since the mid-1980s, designated bonds have not been issued for provident funds (other than a small number of guaranteed return provident funds) and the assets were invested in accordance with the restrictions set out in the Investment Regulations;

(d) Task force to increase certainty in pension savings: In December 2015, the task force to increase certainty in pension savings published a report that, among other things, recommended an increase in the allocation of designated bonds to pensioners and to senior savers approaching retirement age. At the same time, it proposes gradually decreasing the allocation of designated bonds intended for young savers, due to their longer investment horizon. The recommendations of the task force did include an increase in the proportion of designated bonds to total funds under management.

Regulation - the provisions of the Insurance Law, the Supervision of Financial Services (Provident Funds) Law, 5765-2005 (the "Provident Fund Law"), the Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 5724-1964 (the "Provident Fund Regulations"), the Supervision of Financial Services Law (Financial, Consultation, Marketing and Clearing Systems), 5765-2005 ("The Financial Consultation Law") and the pronouncements and interpretations issued by the Commissioner from time to time, apply to pension fund activities. The Insurance Law and the Provident Fund Law require appropriate licensing for any insurer or pension fund and provident fund management company, including those in the Clal Holdings Group, and each is supervised by the Capital Markets Department.

In January 2016, rules were issued setting for the protocol for the issuance of an additional control permit to a company that manages pension funds or provident funds ("Managing Company") for any entity that controls other pension or provident funds. In accordance with applicable regulation, an entity may control multiple Managing Companies without needing to merge the two companies, where one of the Managing Companies. Accordingly, Clal Insurance is not required to merge the managing companies which it currently controls.

Others

Includes the assets and income from other miscellaneous businesses, such as technological developments, tourism, oil and gas assets, electronics, and other sundry activities. Our Others segment had operating assets of Ps.25,405 million as of June 30, 2016, representing 17% of our operating assets for the Operations Center in Israel at such date. Our Others segment generated operating losses of Ps.250 million for the fiscal year ended June 30, 2016, representing 35%, of our consolidated operating income for the Operations Center in Israel for such year.

Seasonality

In Israel retail segment business results are subject to seasonal fluctuations as a result of the consumption behavior of the population proximate to the Pesach holidays (March and/or April) and Rosh Hashanah and Sukkoth holidays (September and/or October). This also affects the balance sheet values of inventory, customers and suppliers. Our revenues from cellular services are usually affected by seasonality with the third quarter of the year characterized by higher roaming revenues due to increased incoming and outgoing tourism.

In 2016, the Passover holiday fell at the end of April, compared to 2015 when it was at the beginning of April. The timing of the holiday affects Shufersal's sales and special offers in the second quarter of 2016, compared to last year.

The Passover holiday in the second quarter of 2016 had a greater effect on Shufersal's results than in the corresponding quarter in 2015, therefore analysis of the results for the first half of the year compared to the corresponding period in 2015 better represents the changes between the periods.

Legal Framework

Operations Center in Argentina

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 center lease agreements. Since our shopping center leases generally differ from ordinary commercial leases, we have created provisions which govern the relationship with our shopping center tenants.

Leases

Argentine law imposes certain restrictions on property owners, including:

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a prohibition to include automatic price adjustment clauses based on inflation increases in lease agreements; and

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the imposition of a two-year minimum lease term 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 Increases

In addition, there are contradictory court rulings regarding whether rent may be increased during the term of the lease agreement. For example, Section 10 of the Public Emergency Law prohibits the adjustment of rent under leases subject to official inflation rates, such as the consumer price index or the wholesale price index. Most of our leases provide for incremental rent increases that are not based on any official index. As of the date of this annual report no tenant has filed any legal action against us challenging incremental rent increases, but we cannot ensure 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 us.

Lease Terms Limits

Under the Argentine Civil and Commercial Code lease terms may not exceed fifty years. Generally, our leases are for terms of three to ten years.

Rescission Rights

The Argentine Civil and Commercial Code provides that tenants may terminate leases earlier 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 payable. If the tenant terminates the lease during the first year of the lease the penalty is one and a half month's rent and if termination occurs after the first year of lease the penalty is one month's rent.

Other

The Argentine Civil and Commercial Code requires a tenant to give at least 60 days' prior notice of termination. There are no court rulings related to: (i) the tenants' unilateral right to terminate; or (ii) the possibility of establishing a penalty different from that prescribed by law.

While current Argentine government discourages government regulation of leases, there can be no assurance that additional regulations will not be imposed in the future, including regulations similar to those previously in place. Furthermore, most of our leases provide that the tenants pay all costs and taxes related to the property in proportion to their respective leaseable areas. If a significant increase in the amount of such costs and taxes occurs, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby increasing our costs.

Argentine law enables lessors to pursue an "executory proceeding" if lessees' fail to pay rent when due. In executory proceedings, debtors have fewer defenses available to prevent foreclosure, making these proceedings substantially shorter than in normal proceedings. In executory proceedings the origin of the debt is not under discussion; the trial focuses on the formalities of debt instrument itself. The 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 notice be given to a tenant demanding payment of amounts due in the event of breach prior to eviction, of no less than ten days for residential leases, and establishes no limitation or minimum notice for other leases. However, historically, backlogs in 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.

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 superseded by the 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 build units or condo units under construction, the owner or developer must purchase insurance in favor of prospective purchasers against the risk of frustration of the contract. 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 the owner fully complies with its 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 developed before the Law came into effect must be retrofitted to provide access, transit pathways and adequate facilities for mobility-impaired individuals. Those pre-existing buildings, which due to their architectural design may not be so retrofitted, are exempted from compliance. 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.

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Preliminary registration with the Real Estate Registry of the deed of transfer within 30 days of execution of the sales contract.

Once the property is registered, the installment sale must be consistent with the requirements of the Real Estate Installment Sales Act, unless seller affirms that it will not provide for the sale in installments. If a title dispute arises, the installment purchaser who has duly registered the purchase instrument with the Real Estate Registry will be entitled to the deed. 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 value of the property, the Real Estate Installment Sales Act prohibits termination 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, provides protection of consumers and end users in a consumer relationship, in the arrangement and execution of contracts.

The Consumer Protection Law, and the applicable provisions of the Argentine Civil and Commercial Code regulate the rights conferred under the Constitution focused on the weakest party in the consumer relationship as a means to prevent potential abuses by vendors of goods and services in a mass-market economy where standard contracts are the norm.

As a result, contractual provisions included in consumer contracts are voided and unenforceable if they:

.
Are inconsistent with the essence of the service to be provided or limit liability for damages;

.
imply a waiver or restriction of consumer rights and an extension of seller rights; or

.
shift the burden of proof to consumers.

In addition, the Consumer Protection Law imposes penalties ranging from warnings to the forfeiture of concession rights, privileges, tax regimes or special credits to which the sanctioned party may be entitled, including closing down of establishments for a term of up to 30 days.

The Argentine Civil and Commercial Code defines a consumer agreement as are entered into between a consumer or end user and an individual or legal entity that provides professional services or a private or public company that manufactures goods or offers services to consumers in the stream of commerce.

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 good or service is liable. The Consumer Protection Law excludes professional services that require a college degree and that are provided by members of professional organizations or those provided by a governmental authority. However, this law regulates professional advertisements.

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 Mercorsur'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. It created a two-tiered administrative system: the Preliminary Reconciliation Agency 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 conflicts between consumers and producers (Fuero Judicial Nacional de Consumo). A claim may not exceed a fixed amount equivalent to 55 adjustable minimum living wages, as determined by the Ministry of Labor, Employment and Social Security. The claim must be filed with the administrative agency. If an agreement is not reached between the parties, the claimant may file the claim in court. The COPREC is currently in full force and effect. However, the court system is not in force yet, therefore, any court claims currently must filed with existing courts. A considerable volume of claims filed against us are expected to be settled pursuant to the system.

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) condition the transaction to satisfaction of certain conditions, or (iii) reject the application.

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 are exempted from the law. Notwithstanding the foregoing, when the transactions consummated by the companies involved in 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.

Environmental Law. 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 Argentine Civil and Commercial Code introduced as a novel feature the acknowledgement of collective rights, including the right to a healthy and balanced environment 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 collective rights in general. For additional information see "Item 3 (d). Risk Factors - Risk relating to our Business - Our business is subject to extensive regulation and additional regulations may be imposed in the future."

Control Systems

IRSA Commercial Properties owns computer systems to monitor tenants' sales (except stands) in all of its shopping centers. IRSA CP also conducts regular manual audits of its tenants accounting sales records in all of its shopping centers. Almost every store in those shopping centers has a point of sale that is linked to a main computer server in the administrative office of such shopping center. IRSA CP uses the information generated from the computer monitoring system for statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes and as a reference for the processes of internal audit. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, Alcorta Shopping, Patio Bullrich, Buenos Aires Design, Abasto, Alto Rosario, Alto NOA, Dot Baires Shopping, Córdoba Shopping, Soleil Premium Outlet, La Ribera Shopping, Mendoza Plaza, Distrito Arcos and Alto Comahue contain a clause requiring tenants to be linked to the computer monitoring system, there being certain exceptions to this requirement.

Insurance

We carry all-risk insurance for the shopping centers and other buildings covering property damage caused by fire, explosion, gas leak, hail, storms and wind, earthquakes, vandalism, theft and business interruption. In addition, we carry liability insurance covering any potential damage to third parties or property caused by the conduct of our business throughout Argentina. We are in compliance with all legal requirements related to mandatory insurance, including insurance required by the Occupational Risk Law (Ley de Riesgos del Trabajo), life insurance required under collective bargaining agreements and other insurance required by laws and executive orders. Our history of damages is limited to one single claim resulting from a fire in Alto Avellaneda Shopping in March 2006, a loss which was substantially recovered from our insurers. These insurance policies contain specifications, limits and deductibles which we believe are adequate to the risks to which we are exposed in our daily operations. We further maintain liability insurance covering our directors' and corporate officers' liability.

Operations Center in Israel

IDBD is a holding company that invests, either directly or through its subsidiaries, associates and joint ventures 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 IDBD and IDBD's subsidiaries."

General regulations applicable to our business in Israel

Proper Conduct of Banking Business

IDBD and certain of its affiliates are subject to supervision by the Israeli Supervisor of Banks relating to "Proper Conduct of Banking Business" which impose, among others limits on the aggregate principal amount of loans a financial institution can have outstanding to a single borrower, a group of related borrowers, and to the largest borrowers and groups of related borrowers of a banking entity (as these terms are defined in the aforesaid directives). IDBD, its controlling shareholders and its affiliates are considered a single group of borrowers for purposes of this regulation. These restrictions limit the ability of IDBD and its affiliates to borrow from a single bank in Israel, their ability to make investments where they require bank lines of credit, to invest in companies that have loans outstanding from banks in Israel, and to make business transactions together with groups that have such credit outstanding. In the period from 2013 and until the date of publication of the report, the concentration of credit risk of IDBD and its affiliates decreased as a result of a reduction in the amount of utilized credit for the group that includes IDBD, including as a result of a change of control that resulted in a re-characterization of the group for purposes of applicable regulation.

Reduced Centralization Act

In December 2013, the official "Reshumot" published in Israel the Promotion of Competition and Reduction of Centralization Law, N° 5774-2013 (the "Reduced Centralization Act ") pursuant to which a pyramidal structure (or multiholding companies) of control in "reporting entities" (principally entities whose securities are held by public shareholders) is limited to two layers of reporting entities (with the holding company in the first layer not including a reporting entity that has no controlling shareholder). For this purpose, on the date of publication of the law in Reshumot, IDBD was considered a second-tier company and Discount Investments was considered a third-tier company, and as such, Discount Investments would not have been permitted to continue to control the operating companies after December 2019. As a result of the change in control of IDBD, IDBD and Discount Investments are no longer considered as second and third-tier companies, respectively, for the purpose of the Law. If Discount Investments is considered a second-tier company, it would be required by December 2019 at the latest, to cease controlling entities with publicly held securities.

In connection with evaluating the application of the Law, in August 2014, IDBD's Board of Directors appointed an advisory committee to examine various alternatives to address the implications of the Law to comply with the provisions that apply to control in a pyramid o multiholding company structure in order to enable continued control of IDBD and/or Discount Investments in "other tier companies" (currently held directly by Discount Investments) as of December 2019. The advisory committee has recommended the following alternatives:

(a)
Taking either IDBD or Discount Investments private thereby removing the requirement that they be reporting entities (and as a result not a "tier company"); and

(b)
Merge IDBD and Discount Investments.

The Board of Directors of Discount Investments has appointed an advisory committee with a similar function. As of the date of this Annual Report, no specific alternatives have been identified. The implementation of an alternative that would be adopted is likely to take several years.

Based on these analyses, IDBD considers it more likely that the completion of one of the specified alternatives will be adopted to comply with the restrictions of the Law regarding pyramidal holdings, while allowing IDBD to continue to control Discount Investments, and Discount Investments to continue to control Cellcom after December 2019. PBC, which currently is a third-tier company that controls each of Gav-Yam, Ispro and Mehadrin, has preliminarily evaluated application of the Law on its holding structure and determined that it will be able to maintain said control, as it has concluded that the Law has no effect over its financial statements.

IDBD, as a first-tier company, and Discount Investments, as a second-tier company, are not required to designate independent directors to their respective boards of directors or to appoint outside directors as required by the Law.

Pursuant to the provisions of the Law, the boards of directors of Cellcom, PBC, Elron, Gav-Yam, Ispro and Mehadrin, include a majority of independent outside directors. In June 2014, the Promotion of Competition and Reduction of Centralization (Classification of a Company as a Tier Company) Regulations, N° 5774-2014, came into effect, as part of which exemptions were provided for certain "third-tier" entities from changing the composition of their boards of directors to comply with the Reduced Centralization Act. Pursuant to this law and the Promotion of Competition and Reduction of Centralization (Concessions Regarding the Number of Outside directors) Regulations, N° 5774-2014,

and in view of the number of directors who may be appointed with the consent of the Bronfman-Fisher Group (per the terms of the shareholders' agreement between it and Discount Investments), the Board of Directors of Shufersal includes a majority of independent outside directors. In this context, in August 2014, Discount Investments entered into an agreement with an affiliate of the Bronfman-Fisher (which at the time held approximately 19% of the share capital of Shufersal), pursuant to which Discount Investments will vote in favor of the four directors designated by Bronfman-Fisher at the meeting of shareholders of Shufersal (out of a board of fifteen members), for so long as it holds the minimum defined percentage of the share capital of Shufersal, although Discount Investments reserves the right to object to any candidate on reasonable grounds.

These arrangements will be in effect so long as the restrictions of section 25(d) to the Reduced Centralization Act apply to Shufersal. Accordingly, Discount Investments, which as of December 31, 2015, owned approximately 53% of Shufersal's share capital, is effectively able to appoint the majority of the members of Shufersal's Board of Directors.

The Reduced Centralization Act includes provisions relating to a separation between significant affiliates and significant financial institutions. Consequently, so long as IDBD will be a significant operating entity, after December 11, 2019, IDBD will not be able to control Clal Insurance and additional financial affiliates within the Clal Holdings Insurance Enterprise Group or to hold more than 10% of the equity of any such entity (or more than a 5% stake in such an entity if it is regarded as an insurer without a controlling shareholder).

In May 2015, updated lists were published on the website of the Ministry of Finance and the official gazette in connection with the Reduced Centralization Act, which includes a list of the centralization factors, the list of the significant corporations and a list of the significant financial institutions. In accordance with the provisions of the Reduced Centralization Act, a substantial financial institution or a significant real corporation will be deemed as a centralization factor that subjects these entities to the provisions of the Reduced Centralization Act, as well as any entity that is part of a business group that includes a significant financial entity or a significant real corporation. IDBD and its controlling shareholders (Eduardo Elsztain and entities through which he holds his interest in IDBD) and the companies of the IDBD Group (including Discount Investments, Cellcom, PBC, Shufersal, Adama, Clal Holdings Insurance Enterprises, IDB Tourism, Noya Oil and Gas Explorations Ltd. and companies under the control of these companies) were included in the list of centralization factors, and these entities, except for Adama (excluding Eduardo Elsztain himself), were also included in the list of significant corporations. In addition, companies of Clal Holdings Insurance Enterprises, including Clal Insurance (except Clal Holdings Insurance Enterprises) and Epsilon Investment House Ltd. (held by Discount Investments) were also included in the list of the significant financial institutions.

Insofar as Clal Holdings Insurance Enterprises will continue to be considered a significant real entity, this may affect its ability to retain control of Clal Insurance, directly or indirectly after December 2019, which may adversely affect its ability to appoint joint directors in both of the companies (Clal Holdings Insurance Enterprises and Clal Insurance).

In light of the directives issued by the Commissioner in connection with the appointment of a trustee for holding control in Clal Holdings Insurance Enterprises, which currently are held by IDBD and considering the letter issued by the Commissioner on December 30, 2014 pursuant to which IDBD is required to sell its control shares in Clal Holdings Insurance Enterprises, Clal Holdings Insurance Enterprises has appealed to the Concentration Committee in connection with its classification as a significant real entity.

In November 2014, IDBD's Board of Directors resolved, subject to requisite corporate approvals, to promote a consolidation of management functions at IDBD and Discount Investments, in order to achieving costs savings. In this regard, on March 29, 2016, IDBD's Board of Directors approved the terms of office and of employment of Mr. Shalom Lapidot to be chief executive officer of both IDBD and Discount Investments, which was subsequently approved by the compensation committee of Discount Investments. The term of office of Mr. Lapidot is subject to approval of a general meeting of shareholders of Discount Investments.

Regulations applicable to each of the businesses in Israel

Real Estate

In recent years, there has been continued shortage in manpower in the construction and agricultural industries which typically are labor intensive and depend on foreign workers, including in the areas of Judea and Samaria. The security situation in Israel, as well as the shutdown of Judea and Samaria during certain periods of the year, have resulted in continued shortage in the workforce, driven by lower numbers of foreign workers from Judea and Samaria. In July 2015, the Minister of Finance increased the quota of foreign work permits to approximately 20,000 through the end of 2016, as a means to achieving the goal of increasing new construction projects by 70,000 during the year and to promote new housing starts to alleviate the housing crisis. Given the shortage of skilled workers, wages increased in general and in particular those of foreign construction workers. The shortage and unavailability of a skilled workforce, increased construction costs and resulted in longer timetables for the execution of new projects.

Supermarkets

Labor Law

The retail sector activities of Shufersal are subject to labor laws including the Employment of Workers by Human Resources Subcontractors Law, 5756-1996, the Extension Order in the Matter of Contract Workers in the Cleaning Branch in the Private Sector, the Minimum Wage Law, 5747-1987 and the Increased Enforcement of Labor Laws Law, 5772-2011. As of December 31, 2015, Shufersal employed approximately 1,000 workers, all of which are subject to minimum wage requirements. The majority of Shufersal's employees are parties to a collective bargaining agreement.

The provisions of the Minimum Wage Law (Increase of Minimum Wage - Emergency Provision), 5772 - 2015 and the amendment of the Minimum Wage Law, 5747 – 1987, resulted in an increase in the minimum wage effective as of April 2015 and led to an increase of NIS 43 million in Shufersal's wage expense in 2015 (compared with 2014). In Shufersal's evaluation the increase of the minimum wage in Israel, changes to labor laws in Israel and the increased possibility of organized workers may detrimentally affect the business results of Shufersal and result in higher wage expenses of Shufersal.

Retail and Production

The activities of Shufersal are also subject to consumer protection laws, including the Food Law, the Defective Products Liability Law, 5740-1980, the Consumer Protection Law, 5741-1981, and the Consumer Product and Service Price Supervision Law, 5756-1996 that allows a consumer to institute a class action suit for damages caused to consumers as a whole based on the causes of action set out in that law.

The Public Health Protection (Food) Law, 5776-2015, sets forth quality standards and food safety measures and provides the relevant regulator supervisory and criminal and administrative enforcement powers. The provisions of the Food Protection Law affect production activities of Shufersal, including importation and food marketing activities. Shufersal is continuing the process of implementing procedures to comply with the provisions of the Food Protection Law that apply to its activities. Shufersal also operates pharmacies in certain of its stores, and is therefore subject to the provisions of the Pharmacists Ordinance (New Version), 5741-1981.

Shufersal is involved in manufacturing activities at three owned facilities where it produces principally private-branded baked goods which are subject to compliance with applicable production and quality assurance standards. Shufersal is continuously evaluating compliance of these facilities with the provisions of the Food Protection Law and as of the date of this Annual Report, Shufersal believes its operations comply in all material respects with the applicable provisions of this law.

The retail activities of each Shufersal store requires compliance with the Business License Order (Businesses Requiring a License), 5773-2013, principally providing that they obtain a business operating license for each unit. As of the date of this Annual Report, there are two units that are subject to legal proceedings regarding business licenses that are pending against Shufersal and its directors. Shufersal's operating units are also subject to land development approvals and licensing, substantially all of which are in compliance.

The Food Law and the Anti Trusts Law

The Antitrust Law affects the activities of Shufersal, especially with respect of the possibility of carrying out future acquisitions for which approval is required from the Antitrust Commissioner (the "Commissioner") and the influence on the trade arrangements of Shufersal with its suppliers. The Food Law regulates Shufersal's trade arrangements with its suppliers which are regulated in detail which are designed to promote competition in the food supply industry. As of the date of this Annual Report, Shufersal believes that growth through acquisitions of a significant entity in the retail market would be limited. Moreover, provisions of the Food Law relating to geographical competition of retailers may influence the ability of Shufersal to expand organically through opening new stores in certain areas and under certain circumstances Shufersal may be required to close active branches under certain circumstances.

The Food Law includes the following three systems:

(a) with respect to activities of suppliers and retail trade, the Food Law prohibits:

i. a supplier interfering with the retail price of the products of another supplier;

ii. a retailer interfering with a supplier in the matter of the consumer price imposed by another retailer;

iii. a large supplier imposing its market position to influence the ordering or presentation of retail products within stores of a large retailer (Shufersal is included in the list of large retailers);

iv. a large supplier interfering with the price a retailer charges consumers for the products of that supplier, in the allocation of sales areas at any rate for the products of the supplier, for the acquisition of a product from the supplier in any scope from the total retail purchases of the product and of competing products, and for the purchase or sale of products which another supplier supplies to the retailer, including purchase quantities and goals, the sale area allocated to them in a store and any other commercial condition sought to be imposed;

v. a large retailer and a large supplier agreeing to set the pricing of a basket of products at a price that is lower than the marginal cost of production of the related product or that would require a consumer to purchase a minimum amount of

the related product to achieve the reduces price;

vi. a large supplier conditioning the sale of its product to a retailer on the purchase of another product of that large supplier; and

vii. a supplier forwarding payments to the large retailer, unless by way of a price reduction of the product units.

(b) Restrictions on geographical competition of retailers have adversely affected Shufersal's expansion through organic growth and acquisitions. On September 28, 2014 Shufersal received a notification from the Antitrust Authority regarding demand areas of Shufersal's large stores ("Notice of Demand Areas"). The stores that were the subject of the Commissioner's request under the Law are 14 stores located in Haifa, 3 stores in Carmiel, 4 stores in Hadera, and 3 stores in Safed. As of the date of this Annual Report, Shufersal has not been required to close or dispose of any of its stores.

(c) Provisions designed to increase transparency of consumer prices, inter alia, by requiring a large retailer to publish on the internet and without cost to consumers, various data on prices of consumer goods it sells in its stores to allow consumers to compare prices with those of other retailers.

(d) Provisions regarding the contemporaneous application of the Food Law and the Antitrust law - In December 2015, the Commissioner published a statement on the parallel application of the Antitrust Law and the Food Law listing cases in which only the provisions of the Food Law will apply and no additional regulation will be required under the Antitrust Law. As of the date of the notice Shufersal's operations comply with the Food Law. As of December 31, 2015 the implementation of the Food Law has had no significant impact on Shufersal's business.

Shufersal's acquisition of Clubmarket was approved by the Commissioner in 2005, and within this framework the Commissioner imposed a number of limitations on Shufersal's activities including: prohibiting Shufersal from pricing products that result in a loss that is not proportionate to its business activities and are aimed to affect the operations of competitors from the market; prohibiting Shufersal from entering into agreements with suppliers that impose restrictions on those suppliers from doing business with competitors of Shufersal; and prohibiting Shufersal from attempting to influence commercial conditions between its suppliers and competitors.

Shufersal obtained an exemption from the Commissioner, available until October 14, 2018, regarding the operation of the Fourth Chain, which is a label company owned by a number of supermarket chains that was established to develop consumer goods. The Commissioner's decision took into account the fact that Fourth Chain contracted with a third party that develops products for it under a private brand and the stipulated exemption exclusively permits these joint activities for the development of the private brand. Shufersal believes the Fourth Chain private label increases competition by establishing a cost-effective alternative to dominant branded consumer products.

The findings of the Commissioner in the matter of the rules of conduct among the largest store chains and the dominant suppliers in the food supply market, including under the provisions of the Food Law, and in the matter of the merger of Shufersal with Clubmarket, may have a detrimental effect on Shufersal's business, its financial condition and operating results.

Agriculture

a. Operations Development and Licensing. ADAMA manufactures generic crop protection products which require production processes and licensing of existing molecules or processes. The primary development and licensing operation focuses on chemical-engineering development of production processes for new active ingredients and generic products, biological and agricultural testing intended for obtaining licenses, development of licensing information for the active ingredients and solutions that form licensing portfolios for the various regions, development of compounds, streamlining of production processes and development of new and specialized formulations of existing products. Moreover, ADAMA also engages in scientific-technological backup of existing production processes with emphasis on improving quality, efficiency, safety, environmental protection and reducing production costs. Furthermore, ADAMA develops several innovative substances, based on molecules acquired after a screening process, in which their effectiveness is proven. As of the date of this annual report, ADAMA operates research and development (R&D) facilities in Israel, India and Brazil and has started operating on R&D facility in China. In addition to chemical development, ADAMA develops licensed products through third party producers. At times, such development incorporates proprietary know-how and processes owned by ADAMA, as well as those developed jointly with subcontractors, in addition to processes and know-how of Adama's suppliers.

Licensing - at various stages of manufacture and marketing, the substances and products marketed by ADAMA require licensing in each country in which it operates (ADAMA products that are manufactured and sold in Israel require licensing under the Crop Protection Law, 956). ADAMA has seven development and licensing centers in Europe, Israel, Latin America (Brazil), the United States and Asia, and licensing expertise in more than 100 countries. For its foregoing operations, ADAMA employs 170 employees around the world and also works with external

contractors. Crop protection products are sold under the control of government authorities in each country (usually ministries of agriculture, health and the environment). The licensing requirements vary from time to time and in general have become more stringent over the years throughout the world, resulting in increased licensing costs and time commitments. The most demanding licensing standards are in the United States, Brazil, Japan and the EU. The rest of the world generally is adapting their requirements to the standards of the more advanced countries. In some countries, the license is not limited in time, but further development of licensing information is required every few years. Some of the countries grant licenses for 7-15 years and renew them at the end of that period subject additional testing Licensing costs and procedures differ from one state to another and may take several years. ADAMA is also required to make modifications to fully adapt any product in a certain country to the specific licensing requirements of that country. ADAMA regularly reviews the compliance of its products with the licensing requirements in the various countries in which they are sold, and adjusts them as needed. Licensing costs usually amount to hundreds of thousands of dollars per product and in some countries, such as the United States, the European Union and Japan, the costs can reach millions of dollars per product. In 2015, ADAMA received 276 new licenses for marketing its products (excluding expansion of labels of permitted products for new crops).

In 2015, ADAMA's licensing expenses amounted to US$93.1 million, with the addition of depreciation the gross amount constitutes 3% of ADAMA's revenue for 2015.

b. Labor Laws. Labor Relations in Israel. Labor relations of most of the employees of ADAMA's subsidiaries are regulated under special collective agreements for limited periods. In addition, some of the employees of ADAMA's subsidiaries in Israel are employed under personal agreements. As part of an agreement executed in 2011 between ADAMA and the Histadrut regarding employees in Israel, ADAMA undertook to carry on production, at the scope and on certain production lines, at the plants of the subsidiaries in Israel through June 1, 2017. In 2015, in addition to the provisions set aside by ADAMA in preceding years with regard to these understandings, ADAMA set aside a provision of US$12 million which is recorded in its financial statements under other expenses.

Labor Relations in Brazil. At two of ADAMA's plants in Brazil, labor relations are subject to a collective bargaining agreement that is renewed every two years, and to the best of ADAMA's knowledge, there has been no major labor unrest in recent years.

As of the date of this annual report, ADAMA believes that it is not dependent upon any of its employees.

c. Environmental Risks and Environmental Regulation

General. ADAMA is exposed to various environmental risks and its operations are subject to extensive environmental regulation, that varies by country where ADAMA operates. In recent years environmental legislation (or in stages of legislation) applicable to ADAMA's operations have become much stricter as supervision and enforcement of these environmental requirements has tightened. ADAMA believes that this trend is expected to continue in the future.

ADAMA holds, as required by law, various permits and licenses such as business licenses, toxins permits and permits for pumping effluents into the sea. To the best of ADAMA's knowledge, of the date of this annual report the permits and licenses applicable to ADAMA with regard to environmental issues are valid.

ADAMA's environmental risk management policy: ADAMA attaches great importance to protecting the environment by accepting social and environmental responsibility and takes necessary measures to comply with the requirements of the law, and seeks to exceed compliance, through continuous dialogue with affected parties, including the authorities and the community.

Environmental Regulation. The key environmental law applicable to ADAMA's operations are, inter alia, the Law for the Prevention of Nuisances, 1961; the Job Safety Ordinance (New Version), 1970; Business Licensing Law, 1968; Water Law, 1959; Law for the Prevention of Sea Pollution from Land-Based Sources, 1988 "Prevention of Sea Pollution"); Hazardous Materials Law, 1993 "Hazardous Materials Law"); Israel Clean Air Law, 2008 ("Clean Air Law") and their regulations.

ADAMA continuously reviews the impact of environmental regulation on its business, acts to prevent or minimize environmental risks and to reduce environmental impacts that could be caused by its operations and invests considerable resources in ensuring compliance with the provisions of the environmental laws and those that may apply to it.

In September 2015, the Ministry of Environmental Protection issued for public comment a memorandum of the Integrated Environmental Licensing Law, 2015. The Memorandum of Law sets out one licensing procedure for businesses that have a substantial impact on the environment, at the end of which the business is granted an integrated environmental license in substitution of various environmental permits and licenses. The Memorandum of Law seeks to update and strengthen legal requirements applicable to, among other things, the use of hazardous substances, treatment of waste, compliance with building and construction laws, sanctions for license violation, etc. In view of the early stage of this legislation, ADAMA is unable to assess whether these obligations will apply to it or as to the scope

thereof.

Air Quality. ADAMA's plants are subject to regulation relating to air emissions under the Clean Air Law. ADAMA's plants have duly filed applications for emission permits and some plants have already received valid emission permits or draft emission permits.

In May 2012, ADAMA signed an arbitration agreement with a group of Nir-Galim residents pursuant to which ADAMA agreed to comply with the recommendations of a certified expert to prevent future potential air and odor nuisances and to invest in facilities such as those mentioned above. In September 2015, the expert appointed pursuant to the mediation agreement announced that the mediation outline will be implemented in full by ADAMA and thereby the mediation proceedings came to an end. ADAMA makes substantial investments to minimize and prevent environmental consequences of its operations on air quality.

Effluents and Pumping into the Sea. The Prevention of Sea Pollution Law requires that the Ministry of Environmental Protection issue a permit for pumping wastewater or effluents into the sea. The ADAMA plant in Ashdod has such permit the terms of which have been made more stringent throughout the permit period as part of the general trend adopted by the Ministry.

Land. There are hazardous materials that are stored and located at Adama's plant, as well as infrastructure and facilities, which contain fuels and hazardous materials. ADAMA is dedicated to preventing and treating the pollution of land and water by these materials.

ADAMA's plant in Ashdod has been requested to conduct various land and well surveys for groundwater by the Ministry of the Environment and by the Water Authority. When the surveys were presented, the plant was required to present a program to mitigate environmental risks in accordance with methodology set by the Ministry of the Environment. The plant presented a detailed program to the Water Authority for the treatment of the ground water, which has been accepted in principle by the Water Authority.

The ADAMA plant in Be'er Sheva has been requested by the Ministry of the Environment to conduct an historical land survey and sample tests on ground gases. Sample tests of the ground gases have been conducted in coordination the Ministry of the Environment, and as of the date hereof, the plant has not been required to take any further action in this connection.

Within the context of the integrated environmental regulation process, ADAMA's plant at Neot Hovav has been required to present a historical land survey. The survey was presented to the Ministry of the Environment at the beginning of 2015. At this stage, ADAMA is unable to evaluate whether additional requirements will be placed upon it in relation to surveys or the treatment of land or ground water at its plant, what their substance might be and whether they would have any significant impact on it.

Pollution of the groundwater was discovered in the Neot Hovav Council in the past, following which the Council took various steps to halt the spreading pollution and to extract it, including the treatment and monitoring of the underground water. As the date hereof, ADAMA is not required to incur expenditures in the treatment of the pollution. The possibility exists that the Neot Hovav Council will require ADAMA to contribute to the costs of remediation in the future. However, ADAMA is unable at present to evaluate whether such a demand will be made and what the size of such a demand may be.

Adama's Investments in the Environment. ADAMA's investments in environmental compliance in 2015, amounted to approximately US$21 million (facilities) and approximately US$41 million (routine costs exclusive of depreciation). ADAMA intends to continue to make investments, insofar as may be required and deemed appropriate to exceed these standards on environmental issues, in order to realize its policy of optimizing compliance. In Adama's assessment, in each of the years 2016 – 2018 the total environmental costs are expected to amount to approximately US$60 million.

Adama's plan in Brazil –ADAMA's Brazilian subsidiary has two main plants, located in the South of Brazil. To the best of ADAMA's knowledge, as at the time of this annual report, all of the permits and the licenses are in full force and effect. The Brazilian subsidiary invests in safety and ecological facilities in its plants, including in the performance of independent environmental testing to ensure compliance with the terms of its licenses, control over water sources located near the plant and the monitoring of emissions into the atmosphere, based on advanced technology. Periodic tests on the volume of the emissions into the atmosphere and the water sources show that the Brazilian plants comply with the requirements of the State's Ministry of the Environment. As part of that company's policy for improving ecological processes, it invests in the correction of deficiencies that have been found, changes in production processes, the building of facilities for purifying wastewater, the storage of by-products and recycling.

d. Legislation, standards, regulation and exposure in the environmental field, in health and in safety.

Adama may bear significant civil (including through class actions) or criminal liability (including high fines and/or payments of high amounts of compensation and/or environmental monitoring and rehabilitation costs) in respect of a breach of environmental regulation and failure to comply with health and safety standards including on the basis of strict liability. Even though Adama makes substantial investments in its facilities and in building special facilities in accordance with environmental requirements, it is unable to verify that those investments will be sufficient to satisfy evolving requirements. In addition, Adama is subject lawsuits alleging physical or property damage as a result of exposures to hazardous materials, which are covered for the most part by Adama's insurance policies.

Telecommunnications

Communications Regulations

Cellcom's operations are subject to general legal provisions regulating the relationships and method of contracting with its customers. These provisions include the Consumer Protection Law, 5721-1981 and regulations promulgated thereunder and other laws detailed below. A substantial part of Cellcom's operations are subject to the Communications Law, regulations enacted by the Ministry of Communications, and the provisions of the licenses granted to Cellcom by the Minister of Communications. Cellcom's actives which include providing cellular service, landline, international telephone services and internet access, and infrastructure services are subject to licensing.

Supervision of Rates. The Communications Regulations (Telecommunications and Broadcasts) (Payments for Interconnect), 5760 - 2000 requires cellular operators to phase in gradual reduction of communications rates (i.e. payments that will be made by an in-country operator, another cellular operator or international operator to complete one minute of call time in the network of a cellular operator or for the sending of an SMS between cellular operators). This reduction has led to a considerable reduction in Cellcom's revenues.

Moreover, in August 2013 the Communications Law was amended to authorize the Minister of Communications to set interconnection prices and regulate the use of networks owned by another operator based not only on the cost incurred to establish the network (according to the calculation method to be determined by the Minister of Communication) plus a reasonable profit, but also on one of the following: (1) flat payment for a service provided by the license holder; (2) reference to tariffs charged for a comparable service; or (3) reference to the cost of these services or with the interconnection costs charged in other countries. The Minister of Communications was also empowered to give instructions on structural separation for the providing various services, including segregating services provided by a license holder from services provided to a subscriber.

In the last few years, contract termination charges for cellular plans have been banned in the cellular and other communications markets, other than for customers who have more than a certain number of cellular lines or whose monthly payments exceed a certain amount for bundled service. The elimination of these charges led to a considerable increase in plan cancellations, increased the costs of retaining and acquiring customers, and accelerated erosion of rates.

Virtual Operators (MVNO). The Communications Law and related pronouncements regulate the activities of virtual operators. Notwithstanding that the MVNO regulations apply only to the activities of a virtual operator which has an operating agreement with a cellular operator, the regulations empower the Ministry of Communications together with the Economic Ministry to impose terms of an agreement including fixing the price to be charged for the services provided.

Other Third Generation Operators (UMTS). In 2012, Golan and Hot Mobile began to offer UMTS services. The conditions of the tender according to which Golan and Hot Mobile were granted those licenses included a number of benefits and concessions, including minimally low license fees and a mechanism to reduce the royalties they undertook to pay for the frequencies based on the operator's market share in the private sector and setting long timetables to meet the geographical coverage requirements of the network and the right to use in-country migration services via other cellular operators' networks. The Communications Law obliges the other cellular operators to provide in-country migration services to Golan and Hot Mobile for a period ranging from seven to ten years subject to certain conditions. In 2011, Cellcom entered into a contract with Golan to provide in-country migration services. Hot Mobile entered into a similar in-country migration agreement with Pelephone and later with Partner (which was subsequently replaced by a joint networks agreement with Partner) without intervention from the Ministry of Communications.

Regulation of Multi-Channel Television Services

As at the date of this Annual Report, television program streaming via the Internet is not subject to regulation in Israel. Should the recommendations of the committee for the examination of the arrangement of commercial broadcasts be adopted and the committee requires Cellcom to make additional investments or regulation is imposed that is not beneficial for Cellcom's streaming services or for its ability to use the DTT infrastructures, the results of Cellcom's streaming services may be adversely affected.

Cellcom's Communications Licenses

Cellcom holds a general license for providing cellular services, valid until January 31, 2022, setting out conditions (including duties and restrictions) applicable to its activities, officers and shareholders holding certain percentages of Cellcom's shares. The license may be extended by the Ministry of Communications for consecutive periods of six years, if Cellcom is in compliance with the provisions of the license and law, and makes requisite investments to its service and network. The Ministry of Communications has amended the license conditions in the past, and may amend them in the future, without Cellcom's consent and in a manner that may limit its ability to conduct business. The license provides that Cellcom does not have exclusivity for providing services.

The cellular license can be revoked, suspended or limited in the following cases: total holdings of the founding shareholders or their successors (as defined in the license) is less than 26% of the control shares of Cellcom; total holdings of Israeli parties (as defined in the license), who are among the founding shareholders or their successors, is less than 20% of the total issued share capital and control shares of Cellcom; a majority of directors are not Israeli citizens or residents of Israel; fewer than 20% of the directors of Cellcom were appointed by Israeli parties; an act or omission of Cellcom that adversely affects or restricts competition in the cellular sector; the aggregate equity of Cellcom, together with the aggregate equity of shareholders each holding 10% or more of the share capital, is less than US$ 200 million.

In light of the 2015 change in the control structure of IDBD, the Cellcom control structure has also changed, and requires the approval of the Ministry of Communications, including with regard to Israeli holding requirements included in the licenses of Cellcom, as Mr. Eduardo Elsztain is not a citizen of Israel. IDBD and Cellcom formally applied to the Ministry of Communications to approve these changes and amend the telecommunications licenses of Cellcom accordingly. If the request is not approved and another arrangement is not offered by the Ministry of Communications, Cellcom may face sanctions, which under the terms of its license, can include suspension or cancellation of its licenses.

According to Telecommunications Law, the Ministry of Communications may impose on telecommunication companies, including Cellcom, financial sanctions for breach of license and law. The amount of the sanction is calculated as a percentage of the revenue of the operator, and according to the degree of severity and extent of the breach, said may be significant.

In July 2015, Cellcom received (through a wholly owned entity) a uniform and general license for the provision of landline telephony services (which replaced the previous license for providing this service), for the period ending April 2026. A uniform and general license was also awarded to Netvision and replaced its general license for providing internet access services, international carriers, and a network access point for the period ending February 2022. In addition, an entity, fully controlled by Cellcom received a uniform and general license which replaced the landline telephony service license, for the period ending March 2026. These licenses can be extended for an additional period of 10 years, under terms similar to the terms of extension of the general cellular license.

The Ministry of Communications has issued rules providing for unification of all uniform licenses. The uniform license allows providers to also offer virtual operator services. The process of unifying the uniform licenses and the timetable have not yet been determined and it is possible that this process will have a legal, financial, tax and accounting effect on Cellcom's and Netvision's businesses. The provision of a number of services by one entity will require limitations also on discrimination between operators.

Cellcom holds other communications licenses: a special license for the provision of data transmission and communication services in Israel, a license to provide internet services, and licenses to provide cellular services, landline telecommunication services and internet services in the West Bank, for periods ending 2016-2018. These licenses include conditions similar to those of the general license for the provision of cellular services, as noted above.

According to regulations that apply to the uniform license, there are certain limitations on cross ownership among license holders.

2. Further Regulation Applicable to Communications Services

In July 2014, the Ministry of Communications announced a public hearing on the coverage and quality requirements for second-generation and third generation networks. The proposed requirements are stricter than those currently existing and if adopted, could have an adverse effect on the results of Cellcom. Cellcom is unable to assess whether the proposed changes will be adopted, and what the impact of these changes will have in practice on Cellcom's operating results.

In addition, in August 2014, the Ministry of Communications announced a public hearing to consider call centers owned by communications operators. In addition, the Ministry of Communications proposed to amend the Communications Law (Telecommunications and Broadcasting), 1982, providing that a customer may claim pre-set financial compensation if the telephone call center does not reply within an average response time or if there is an overcharge error. Cellcom believes that adoption of these proposed changes could have a material adverse effect on

Cellcom’s business.

3. Permits for Setting Up Base Sites

a. Cellcom’s cellular services generlly are provided through base sites across Israel, their construction and licensing are included in TAMA 36 (District Zoning Plan) – Part A - National Master Plan for Communications - Small and Micro Broadcasting Facilities (“TAMA 36”), and Radiation Law. Regulating the deployment of wireless access devices, which are base sites with smaller dimensions, are, for the most part, regulated by Communications Law and Radiation Law. The construction of base sites requires a permit as per Planning and Building Law, 1965 (“Planning and Building Law”), and is subject to other approvals from multiple regulators.

Legal proceedings (civil, criminal and administrative) are pending against Cellcom, under which a number of arguments were raised concerning the legal compliance of some of Cellcom’s sites, alleging failure to obtain permits under Planning and Building Law, or based on development of sites in contravention of a permit.

Cellcom did not apply for a building permit for approximately 33% of its base sites on the basis of the exemptions for wireless access facilities provided by law. In 2010, the Supreme Court issued a Temporary Order at the request of the Government’s Attorney General, enjoining Cellcom, Partner, and Pelephone from proceeding with construction of these facilities on the basis of the exemption. A final determination of the regulatory authorities regarding applications for exemptions is pending as of the date of this Annual Report.

In addition, Cellcom provides in-building repeaters and micro-sites (“femtocells”) for its subscribers seeking a solution to poor indoor reception. Based on an opinion Cellcom received from legal counsel, Cellcom did not request building permits for the repeaters that were installed on roof tops, which are a small fraction of all repeaters installed. It is not clear whether the installation of a different type of in-building repeaters and micro-sites requires a building permit. Some require a specific permit while others require a permit from the Ministry of Environmental Protection, depending on their radiation levels. Cellcom also builds and operates microwave facilities as part of its transmission network. The different types of microwave facilities receive permits from the Ministry of Environmental Protection regarding their radiation levels. Based on an opinion of legal counsel, Cellcom believes that building permits are not required for the installation of microwave facilities on rooftops.

b. Indemnification obligation - under Planning and Construction Law, local planning and building committees may demand and receive, as a condition for granting a building permit for a site, a letter of indemnity for claims under Section 197 of Planning and Construction Law. By December 31, 2015, Cellcom had executed approximately 400 letters of indemnity as a condition for receiving permits. In some cases, Cellcom has not yet been built any sites. As at December 31, 2015, two requests for indemnification were received from one local committee on the basis of a letter of indemnity as noted, in an immaterial amount.

As a result of the requirement to deposit letters of indemnity, Cellcom may decide to dismantle or move some sites to less advantageous locations, or build certain sites, if it concludes that the risk of granting letters of indemnity exceeds the benefit derived from those sites, which may result in a deterioration of cellular services and damage network coverage.

c. Radiation Law, Regulations and Permits Thereunder - Radiation Law, Regulations and Principles thereunder included provisions relating to all aspects related to regulating the issue of non-ionizing radiation, including, inter alia, levels of exposure that are permissible.

In May 2012, the Ministries of Communications, Health and Environmental Protection, based on their assessment of the potential health consequences of fourth-generation telecommunications services in Israel, including increased exposure to non-ionizing radiation, issued a memorandum advising that deployment of the fourth-generation network should be based on existing base stations, other smaller base sites both internal and external, and if possible, using the wired infrastructure so that data traffic will be carried mainly through fixed communication lines and not through any cellular infrastructure. In August 2014, the Ministry of Communications allowed the use of fourth-generation infrastructures, and in January 2015 fourth-generation frequencies were awarded to cellular operators. The recommendations of May 2012, as noted, were not included in the tender documents or in said approval.

4.
The Reduced Centralization Act

Given the holding structure of the IDBD Group, Cellcom is considered in the “third layer”. Cellcom is included in the list of centralized parties, and in the list of significant non-financial corporations under said Law. According to said Law, DIC and IDBD must take steps to have Cellcom cease to be a “third layer” by December 2019. DIC and IDBD have announced that they are considering steps to achieve this goal without giving up control of Cellcom, by taking DIC or IDBD private (in the sense that it will no longer have securities listed for trade and thus will no longerbe a "reporting corpopration") or implementing a merger of DIC and IDBD. As of the date of this Annual Report, there is no certainty regarding the implementation of these strategies. The provisions of the Reduced Centralization Act regarding the allocation of rights over public assets could adversely affect the ability of Cellcom to renew its cellular licenses and to receive new frequencies, which may adversely affect Cellcom’s ability to issue debt or adversely affect its business.

a. Changes in legislation and high regulatory intervention - legislative changes and active regulatory enforcement may have an adverse influence especially if material financial sanctions are imposed on Cellcom, on the ability of Cellcom to plan its management and on its operating results, if any of the following occurs: the cancelation or relief for the obligation for structural separation applicable to Bezeq and Hot, especially if the said cancelation or easing is given prior to the establishment of the effective wholesale market in landline communications, if tariffs do not encourage competition or if other regulation is set out in the wholesale landline market which adversely affects Cellcom's operations; the granting of relief and benefits to competitors compared with Cellcom; the authorization of other operators to provide services to Cellcom subscribers which were previously provided only by Cellcom; the non-renewal of licenses and/or frequencies available to Cellcom or the increased use thereof, and the non-location of additional frequencies, where required; the imposition of additional requirements in respect of public safety or health, including with respect to base sites; imposition of additional restrictions or requirements for providing services and products and/or intervening in market conditions; imposition of a higher standard of service; imposition of stricter privacy policies; the imposition of regulation on streaming services, the imposition of conditions which are not beneficial for the users of DTT broadcasts, or the imposition of conditions that impact Cellcom and do not apply to other operators of streaming services over the internet.

b. Labor Law. In February 2015, a collective bargaining agreement was signed with the workers representative body and with the Histadrut for a period of three years (form 2015 to 2017) which applies to all employees of Cellcom and Netvision, except members of senior management. This agreements limits the right of Cellcom to make organizational and personal changes and makes such changes more expensive as reflected in the voluntary retirement plans executed in 2014 and 2015 and may also require greater management attention to administer.

Insurance

Areas of Activity of Clal Insurance Business Holdings

Clal Holdings offers general insurance such as car insurance, homeowners' insurance, and credit and foreign trade risk insurance, among others, as well as health insurance. The activities of Clal Holdings and its subsidiaries are subject to the provisions of laws applicable insurance companies and to regulatory supervision. Clal Holdings' subsidiaries are supervised by the Capital Markets, Insurance and Savings Commissioner (the "Insurance Commissioner"). Clal Insurance and its subsidiary, Clalbit Financing, are supervised by the Israel Securities Authority. Subsidiaries of the Clal Holdings Insurance Group have been subject to administrative enforcement proceedings and the imposition of fines. Clal Insurance is not in breach of any material regulatory provision applicable to its operations.

Capital Requirements of Insurance Companies

Minimum Capital – The Supervision of Financial Services (Insurance) (Minimum Equity Required of an Insurer), Regulations, 1998 ("Capital Regulations") law prescribes minimum capital requirements for insurance companies. The capital required for insurance activities consists of a first layer of capital, based the greater of the initial capital and capital derived from the volume of activity in general insurance, the higher of the calculation based on premiums and the calculation based on outstanding claims, as well as other capital requirements. Failure to comply with the Capital Regulations will require the insurer to increase its equity up to the amount stated in the Capital Regulations or reduce the scope of its business accordingly, no later than the date of publication of the report, except in exceptional circumstances as approved by the Insurance Commissioner, that will then determine any supplementary capital requirements.

Breakdown of an Insurer's Capital – The Insurance Commissioner issued a circular in August 2011 ("Circular") that provides a framework for determining the composition of an insurer's equity, in conjunction with the adoption in Israel of the Solvency II Directive ("Directive" or "Solvency II"), as amended and updated.

· Initial (core) capital (basic tier 1), equals the components included in capital attributable to shareholders of Clal Insurance. The overall capital ratio must be at least 60% of the total equity of the insurer.

· Secondary (tier 2) capital includes complex secondary capital instruments (excluding periodic accrued interest payments), subordinate secondary capital instruments (as defined by the Circular) and any other component or instrument approved by the Insurance Commissioner. A complex secondary capital instruments is one that is subordinated to any other instrument, except for initial capital, including financial instruments available to absorb losses by postponing payment of principal and interest. The first repayment date of secondary capital instruments will be after the end of the period that reflects the weighted average maturity of insurance liabilities, plus two years, or after 20 years, whichever is first, but no earlier than eight years from the date an instrument is issued. If the complex secondary capital instrument includes an incentive for early redemption, the first incentive payment date may not be earlier than five years from the date of issue of the instrument.

· Tertiary (tier 3) capital includes complex tertiary capital instruments (excluding periodic accrued interest payments) and any other component or instrument approved by the Insurance Commissioner. A tertiary capital instrument is subordinate to any other instrument, except for primary and secondary capital, and includes financial instruments available to absorb the insurer's losses by postponing the payment of principal. Tertiary capital will must be junior to secondary capital and equal in the order of credit repayments. The first repayment date on tertiary capital instruments may not be earlier than five years from the date of issuance. If the complex tertiary capital instrument includes an incentive for early redemption, the first indentive payment date may not be earlier than five years from the date of issue of the instrument. Tertiary capital may not exceed 15% of the total capital of the insurer.

Insurance liabilities include liabilities that are not yield dependent but excludes any liability fully backed by lifetime indexed bonds and net of any reinsurance costs. Approval of the Insurance Commissioner is required for inclusion of hybrid capital instruments (primary, secondary or tertiary) in equity. The Circular includes a Temporary Order regarding the breakdown of an insurer's equity ("Temporary Order"), which will apply until full implementation of the Directive in Israel, when announced by the Insurance Commissioner. The Temporary Order defines the secondary capital issued according to Capital Regulations, before amendment, as subordinate secondary capital and imposes a limit equal to 50% of basic capital.

Distribution of dividends – In accordance with rules promulgated by the Insurance Commissioner, a dividend distribution may not be approved, unless, after giving pro forma effect to the proposed distribution, the insurer has a ratio of recognized equity to required equity of at least 105%, as confirmed in filings with the Insurance Commissioner. Prior approval of the Insurance Commissioner is not required for any distribution of dividends if the total equity of the insurance company, as defined by Supervision of Financial Services (Insurance) (Minimum Equity Required of an Insurer), Regulations, 1998 ("Minimum Capital Regulations"), after giving effect to the distribution of the proposed dividend, exceeds 115% of the required equity.

In November 2014, the Insurance Commissioner outlined solvency rules ("rules" or "regime", as applicable) based on Solvency II, in Israel, in a letter addressed to managers of the insurance companies ("Letter"). In the Letter, the Insurance Commissioner outlined a plan to adopt the 2016 European model for calculating capital and capital requirements for the local market, effective as of the annual reports for 2016 ("First Adoption Date"). During a period to be determined by the Insurance Commissioner and as conditions require, insurance companies will also be required to comply with capital requirements under existing regulations. The Letter stated that until final adoption, insurance companies must prepare additional quantitative assessment exercises (IQIS) for the 2014-2015 period. These requirements are intended to assess the quantitative effects of adopting the model, as well as providing data for calibrating and adjusting the model. In addition, the Letter addressed an initiative to develop a framework for quarterly reporting of insurance companies' solvency ratio. The Letter also referred to the Commissioner's intention to publish provisions for managing capital and targets for internal capital, to address a gap survey that insurers will undertake with respect to their risk management systems, controls and corporate governance and a consultation paper to promote the process of self-assessment of risks and solvency (ORSA).

In April 2015, the Insurance Commissioner published a second letter titled "Plan for the Adoption of Rules for Solvency, based on Solvency II" and provisions for the IQIS4 exercises to be undertaken regarding the 2014 historical financial statements. The letter emphasized that the exercise reflects the decision of the Insurance Commissioner to impose adjustments required for the Israeli insurance market. The Letter further stated in connection with the proposed adoption of IQIS5 that the Insurance Commissioner would continue to monitor developments in the European markets and would consider adjustments relevant for Israel.

In July 2015, the Insurance Commissioner issued a letter concerning "transitional provisions regarding the application of solvency rules, based on Solvency II" (the "Letter on Transitional Provisions"). The transitional provisions were provided by reference to certain solvency rules set forth in the European Directive relating to, inter alia, a gradual adoption of capital requirements in respect of holdings of equity shares which may a component to be included in the calculation of core capital. In addition, the letter included transitional provisions regarding submission of a plan to improve the capital ratios of insurance companies whose ratios are negatively affected following adoption of the new solvency rules beginning with the financial statements for 2018. Adoption of the solvency rules are expected to change both the recognized regulatory and required regulatory capital and according to indications existing today, is expected to result in a significant decline in the ratio between recognized capital and required capital of Clal Insurance compared to capital ratios calculated according to capital ratio requirements currently in effect, and is expected to

adversely affect the ability of Clal Insurance and Clal Insurance Enterprises to distribute dividends upon such adoption. However, as a rule, the capital requirements under the solvency rule are intended to serve as a capital cushion against more serious events, with a lower loss probability than the capital requirements under current rules.

In May 2015, the Board of Directors of Clal Insurance Enterprises and the Board of Directors of Clal Insurance directed its management team and the Risk Management Committee, which also functions as the Solvency Committee ("Committee"), to examine measures Clal Insurance may be able to employ to improve its capital ratio, in accordance with the new solvency rules and to recommend a course of action to the Board, including in relation to business adjustments and/or financial transactions related to Clal Insurance's capital, its breakdown, and/or its responsibilities. The Committee and Management have begun this examination, and during the first stage, recommended that the Board issue secondary capital instruments. The Committee will continue to examine other measures in an effort to prepare the company for possible adoption of these proposed capital requirements, and related measures.

Clal Insurance has calculated its capital ratio using results as of December 31, 2014 ("Calculation Date") and based on the IQIS4 rules and has determined that it would be in compliance, as of the Calculation Date, with the proposed capital requirements, in the context of the transitional provisions, even before taking pro forma account of the positive impact on the capital ratio provided by the subsequent issuance of subordinated notes. The related calculations were submitted to the Insurance Commissioner on August 31, 2015. The Insurance Commissioner has not yet published binding provisions for adoption, and there is uncertainty regarding the details of the final provisions. Clal Insurance will continue to monitor the quantitative aspects of the proposed solvency rules towards final adoption, in an effort to anticipate requisite controls and capital requirements.

On March 14, 2016, "IQIS Provisions for 2015" ("Draft") was published in preparation for the adoption of Solvency II. Insurance companies are required to submit an additional quantitative evaluation survey on the basis of December 2015 results ("IQIS5"), by June 30, 2016. The Draft was issued by reference to the European legislation adapted for requirements of the local market and that goes beyond provisions for quantitative evaluation surveys previously issued. The main changes relate to establishing risk-free interest curves, through extrapolation to the ultimate forward rate point, the components of recognized capital, capital requirements less investments in infrastructure (capital and debt), adjusting capital requirements for management companies, and updating the formula for calculating capital requirements for risk premiums and reserves for general insurance. Clal Insurance is unable to assess the overall impact of the changes based on the provisions in the Draft to carry out a further quantitative evaluation survey, and will carry out an assessment of the current capital status, when the binding provisions will be finalized. According to the Draft, the IQIS5 calculation will be a factor in assessing preparedness of insurance companies and to the implementation and scope of the final provisions to be adopted.

Capital requirements under the Capital Regulations are based on the separate individual financial statements of an insurance company. For purposes of calculating recognized capital, an investment by an insurance company in an insurance company or a controlled management company, and in other investee companies will be calculated on the equity basis, according to a holding rate, which includes indirect holdings.

The minimum capital required of Clal Insurance has been reduced, with approval of the Insurance Commissioner, by 35% of the original difference attributed to the managing companies and provident funds under its control. However, when calculating the amount of dividends permitted for distribution, this difference will be added at level of the capital structure, as detailed in Paragraph 13.7.3 (C). In September 2013, the Insurance Commissioner notified Clal Insurance that the deducted amount to be added back to the minimum capital required, will be after a deduction for a tax reserve accrued by Clal Insurance following the acquisition of provident fund operations. The approval of the Insurance Commissioner, as noted above, will be canceled with adoption of capital requirements under the Directive (see Paragraph 13.7.3 (C)) that will replace the Capital Regulations.

In March 2013, Clal Insurance received a letter from the Insurance Commissioner regarding the determination of credit ratings according to an internal model used by Clal Insurance ("internal model"), to be applied as a risk rating methodology for a subject insured, according to conditions of the relevant sector. The Insurance Commissioner authorized Clal Insurance to allocate capital for adjusted loans, ranked according to its internal model and with reference to the rates specified in the Capital Regulations. If there is an external rating available, the capital allocation will be made using the lower of the available ratings. The letter also requires Clal Insurance to submit immediate and periodic reports as specified regarding these activities that make the specified transactions subject to review by the Commissioner of Insurance. As a result of its compliance with the provisions of the letter, Clal Insurance's capital requirements were reduced by NIS 69 million, as at the end of the reporting period.

Permit Issued by the Insurance Commissioner to the Former Controlling Shareholders of IDB Holdings to Retain Control of Clal Insurance Enterprises and Consolidated Institutional Entities

On May 8, 2014, legal counsel for the former controlling shareholders of IDB Development (Ganden, Manor, and Livnat Groups) was notified by the Commissioner that in the context of arrangements among the creditors of IDB Holdings ("IDBH"), and given that they no longer controlled the Clal Insurance Enterprises Group, the authorization previously issued by the Insurance Commissioner for control of these entities was terminated, including, with respect to Clal Insurance, Clal Credit Insurance and Clal Pension and Provident Funds. IDB Holdings undertook to supplement (or to cause its controlled affiliates to supplement) the required equity of the insurers in compliance with the Capital Regulations, subject to the a cap of 50% of the required capital of an insurer, and that the obligation will take effect only if the insurer's equity is determined to be negative, and such funding amount will then be equal to the amount of negative capital, up to the 50% cap.

In addition, IDB Holdings undertook to contribute to the equity of Clal Pension and Provident Funds up to the amount prescribed by the Provident Fund Regulations, for as long as IDB Holdings is the controlling shareholder of the institutional entities. The authorization specifies conditions and imposes restrictions on the ability of a holding entity to impose liens on the equity of IDBD's institutional entities it holds. The former controlling shareholders were also required, as long as any liens existed on their equity interest of IDB Holdings, to ensure that Clal Insurance Enterprises complied with applicable capital requirements, such that the equity of Clal Insurance Enterprises at no time was less than the product of the holding rate of Clal Insurance Enterprises in Clal Insurance and 140% of the required minimum equity of Clal Insurance, calculated according to the Capital Regulations on September 30, 2005 (as the holding rate was linked to the CPI of September 2005).

At the end of the reporting period, the required minimum capital of Clal Insurance Enterprises was NIS 2.9 billion, greater that the amount required based on the foregoing calculation. The capital requirement is calculated on the basis of the financial statements of Clal Insurance Enterprises. Following termination of the control authorization, the former controlling shareholders have questioned whether the capital requirements applicable to Clal Insurance Enterprises thereunder continue to apply.

Clal Insurance is committed to finding a strategy to supplement its required equity in compliance with the Capital Regulations if the equity of Clal Credit Insurance becomes negative, and as long as Clal Insurance is the controlling shareholder of Clal Credit Insurance. Clal Insurance is committed to supplement the equity of Clal Pension and Provident Funds as necessary to ensure it complies with the minimum amount required by Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964 ("Income Tax Regulations"). This commitment is valid as long as Clal Insurance controls, directly or indirectly, Clal Pension and Provident Funds.

In February 2012, Supervision of Financial Services Regulations (Provident Funds) (Minimum Capital Required of a Management Company of a Provident Fund or Pension Fund), 2012, was published along with Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment 2), 2012 ("new regulations").

Pursuant to the new regulations, the capital requirements for management companies were expanded to include capital requirements based on the volume of assets under management and applicable annual expenses, but not less than the initial capital of NIS 10 million. In addition, liquidity requirements were also prescribed. A fund management company may distribute dividends only to the extent of any excess above the minimum amount of equity required by said regulations. In addition, a fund management company must provide additional capital in respect of controlled management companies. As at the end of the reporting period, the management companies controlled by Clal Insurance have capital balances in excess of the minimum capital required by the capital regulations for management companies. In light of capital regulations for management companies and in order to finance the expansion of operating and investing activities of Clal Pension and Provident Funds, the Boards of Directors of Clal Insurance and Clal Pension and Provident Funds in 2015 and 2014 approved an subscribed shares of Clal Pension and Provident Funds in consideration for NIS 100 million and NIS 80 million, respectively.

Anti-Money Laundering. In September 2015, a draft Anti-Money Laundering Order was proposed which seeks to expand its application to certain provident funds, and reduced the amounts of accumulations, deposits and withdrawals subject to reporting. Furthermore, the draft order specifies a 'know your customer' process that must be undertaken before issuing a life insurance policy or opening a provident fund. In October 2015, a draft addendum to the Anti-Money Laundering Law, 5776-2015 was published to provide for changes to existing law that set forth stricter criminal penalties under the Anti-Money Laundering Law and set forth provisions for sharing of information between the Anti-Money Laundering Authority and the insurance commissioner. In the evaluation of Clal Insurance, the draft order and draft bill may adversely affect the sale of its products.

C. Organizational Structure

The following table presents information relating to our ownership interest and the percentage of our consolidated total net revenues represented by our subsidiaries as of June 30, 2016:

Name of the entity	Country	Main activity	% of ownership interest held by the Company (4)	% of ownership interest held by the non-controlling interest
Direct interest of IRSA:				
IRSA CP (3)	Argentina	Real estate	94.61%	5.39%

E-Commerce Latina S.A. (3)	Argentina	Investment	100.00%	-
Efanur S.A.	Uruguay	Investment	100.00%	-
Hoteles Argentinos S.A.	Argentina	Hotel	80.00%	20.00%
Inversora Bolívar S.A.	Argentina	Investment	100.00%	-
Llao Llao Resorts S.A. (1)	Argentina	Hotel	50.00%	50.00%
Nuevas Fronteras S.A.	Argentina	Hotel	76.34%	23.66%
Palermo Invest S.A.	Argentina	Investment	100.00%	-
Ritelco S.A.	Uruguay	Investment	100.00%	-
Solares de Santa María S.A. (8)	Argentina	Real estate	-	-

Name of the entity	Country	Main activity	% of ownership interest held by the Company (4)	% of ownership interest held by the non-controlling interest
Tyrus S.A.	Uruguay	Investment	100.00%	-
Unicity S.A. (8)	Argentina	Investment	-	-
Interest indirectly held through IRSA CP:				
Arcos del Gourmet S.A.	Argentina	Real estate	90.00%	10.00%
Emprendimiento Recoleta S.A.	Argentina	Real estate	53.68%	46.32%
Fibesa S.A.	Argentina	Real estate	100.00%	-
Panamerican Mall S.A.	Argentina	Real estate	80.00%	20.00%
Shopping Neuquén S.A.	Argentina	Real estate	99.14%	0.86%
Torodur S.A.	Uruguay	Investment	100.00%	-
Interest indirectly held through Tyrus S.A.:				
Dolphin Fund Ltd. (2)	Bermuda	Investment	91.57%	8.43%
I Madison LLC	United States	Investment	100.00%	-
IRSA Development LP	United States	Investment	100.00%	-
IRSA International LLC	United States	Investment	100.00%	-
Jiwin S.A.	Uruguay	Investment	100.00%	-
Liveck S.A.	Uruguay	Investment	100.00%	-
Real Estate Investment Group IV LP (REIG IV)	Bermuda	Investment	100.00%	-
Real Estate Investment Group V LP	Bermuda	Investment	100.00%	-
Real Estate Strategies LLC	United States	Investment	100.00%	-
Interest indirectly held through Efanur S.A.:				
Real Estate Strategies LP	Bermuda	Investment	66.83%	33.17%
Interest indirectly held through Dolphin Fund Ltd.				
IDB Development Corporation Ltd. (7)	Israel	Investment	68.28%	31.72%
Interest indirectly held through IDBD:				
Discount Investment Corporation Ltd.	Israel	Investment	76.43%	23.57%
IDB Tourism (2009) Ltd.	Israel	Holding company in the tourism services sector	100.00%	-
IDB Group Investment Inc.	Israel	Investment	100.00%	-
Interest indirectly held through Discount Investment Corporation Ltd:				
	Israel	Real estate	76.45%	23.55%

Property and Building Corporation Ltd.				
Gav Yam Land Ltd.	Israel	Real estate	52.80%	47.20%
Israel Property Rental Corporation Ltd. (ISPRO)	Israel	Real estate	76.45%	23.55%
MATAM - Haifa Science Industries Center	Israel	Real estate	38.30%	61.70%
Neveh-Gad Building & Development Ltd.	Israel	Real estate	76.45%	23.55%
Hadarim Properties Ltd.	Israel	Real estate	76.45%	23.55%
PBC USA Investment Inc.	United States	Real estate	76.45%	23.55%
Shufersal Ltd.	Israel	Supermarket	52.95%	47.05%
Shufersal Real Estate Ltd.	Israel	Supermarket	52.95%	47.05%
Koor Industries Ltd.(5)	Israel	Holding company in the agrochemical sector	100.00%	-
Cellcom Israel Ltd. (6)	Israel	Communication services	41.77%	58.23%
Netvision Ltd.	Israel	Communication services	41.77%	58.23%
Elron Electronic Industries Ltd.	Israel	Technology development – Holding	50.32%	49.68%
Bartan Holdings and Investments Ltd.	Israel	Investment	55.68%	44.32%
Epsilon Investment House Ltd.	Israel	Investment	68.75%	31.25%

(1)
The Company has consolidated the investment in Llao Llao Resorts S.A. considering its equity interest and a shareholder agreement that confers it majority of votes in the decision making process.
(2)
Includes interest indirectly held through Ritelco S.A..
(3)
Includes interest indirectly held through Tyrus S.A..
(4)
Corresponds to the interest directly held in each company.
(5)
Owns a 40% equity interest of Adama.
(6)
The Company has consolidated the interest in Cellcom taking into consideration its equity interest and decision-making power given the fact that the remaining interests are too disperse.
(7)
Until takeover was secured, IDBD was valued at fair value in accordance with IAS 28 exception.
(8)
Were merged on July 1, 2015.

D. Property, Plant and Equipment

In the ordinary course of business, the leases property or spaces for administrative or commercial use both in Argentina and Israel under operating lease arrangements. The agreements entered into include several clauses, including but not limited, to fixed, variable or adjustable payments.

The following table sets forth certain information about our properties for the Operation Center in Argentina as of June 30, 2016:

Property (6)	Date of Acquisition	Leasable/ Sale m2 (1)	Location	Net Book Value Ps.(2)	Use	Occupancy rate (7)
Edificio República	Apr-08	19,885	City of Buenos Aires	189	Office Rental	100.0%
Torre Bankboston	Aug-07	14,873	City of Buenos Aires	134	Office Rental	100.0%
Bouchard 551	Mar-07	-	City of Buenos Aires	8	Office Rental	-
Intercontinental Plaza	Nov-97	6,569	City of Buenos Aires	10	Office Rental	100.0%
Bouchard 710	Jun-05	15,014	City of Buenos Aires	60	Office Rental	100.0%
Dique IV	Dec-97	-	City of Buenos Aires	-	Office Rental	-
Maipú 1300	Sep-95	1,353	City of Buenos Aires	5	Office Rental	100.0%
Libertador 498	Dec-95	620	City of Buenos Aires	3	Office Rental	100.0%
Suipacha 652/64	Nov-91	11,465	City of Buenos Aires	8	Office Rental	90.7%
Dot Building	Nov-06	11,242	City of Buenos Aires	122	Office Rental	100.0%
Santa María del Plata	Oct-97	106,610	City of Buenos Aires	13	Other Rentals	100.0%
Nobleza Picardo	May-11	109,610	City of Buenos Aires	7	Office Rental	74.8%
Other Properties(5)	N/A	38,646	N/A	266	Other Rentals	42.8%
Abasto(3)	Jul-94	36,737.6	City of Buenos Aires, Argentina	245	Shopping Center	99.8%
Alto Palermo(3)	Nov-97	18,966.0	City of Buenos Aires, Argentina	208	Shopping Center	99.6%
Alto Avellaneda(3)	Dec-97	35,887.0	Province of Buenos Aires, Argentina	127	Shopping Center	100.0%
Alcorta Shopping(3)	Jun-97	15,876.7	City of Buenos Aires, Argentina	116	Shopping Center	89.1%
Patio Bullrich(3)	Oct-98	11,782.7	City of Buenos Aires, Argentina	109	Shopping Center	99.1%
Alto Noa(3)	Mar-95	19,039.9		32		100.0%

			City of Salta, Argentina		Shopping Center	
Buenos Aires Design(3)	Nov-97	13,903.1	City of Buenos Aires, Argentina	7	Shopping Center	95.7%
Mendoza Plaza(3)	Dec-94	42,043.0	Mendoza, Argentina	92	Shopping Center	95.2%
Alto Rosario (3)	Nov-04	28,795.5	Santa Fe, Argentina	127	Shopping Center	100.0%
Córdoba Shopping –Villa Cabrera(3)(11)	Dec-06	15,581.7	Córdoba, Argentina	53	Shopping Center	99.2%
Dot Baires Shopping(3)	May-09	49,640.7	City of Buenos Aires, Argentina	368	Shopping Center	100.0%
Soleil Premium Outlet(3)	Jul-10	13,991.1	Province of Buenos Aires, Argentina	80	Shopping Center	100.0%
La Ribera Shopping(3)	Aug-11	9,850.6	Santa Fe, Argentina	24	Shopping Center	99.3%
Distrito Arcos (3)	Dec-14	11,170.1	City of Buenos Aires, Argentina	280	Shopping Center	97.0%
Alto Comahue(3)	Mar-15	9,889.6	Neuquén, Argentina	318	Shopping Center	96.6%
Patio Olmos(3)	-	-	-	26	Shopping Center	-
Caballito Plot of Land	Nov-97	23,791	City of Buenos Aires	45,812	Land Reserve	N/A
Other Land Reserves (4)	N/A	6,126,022	City and Province of Buenos Aires.	5,508	Land Reserve	N/A
Luján (3)	May-12	1,160,000	Province of Buenos Aires.	41,861	Land Reserve	N/A
Intercontinental(8)	Nov-97	24,000	City of Buenos Aires	51	Hotel	70.58%
Sheraton Libertador(9)	Mar-98	37,600	City of Buenos Aires	28	Hotel	73.42%
Llao Llao(10)	Jun-97	17,463	City of Bariloche	77	Hotel	51.15%

(1)
Total leasable area for each property. Excludes common areas and parking spaces.
(2)
Cost of acquisition or development plus improvements, less accumulated depreciation, less allowances.
(3)
Through IRSA Commercial Properties.
(4)
Includes the following land reserves: Pontevedra plot; Mariano Acosta, San Luis and Merlo (through IRSA) and Intercontinental Plot (through IRSA Commercial Properties) .
(5)
Includes the following properties: Anchorena 665, Zelaya 3102, 3103 y 3105, Rivadavia 2768, Constitución 1111, Santa Maria del Plata, Puerto Retiro Plots 50%, Rio Parcel 50%, Libertador Parcel 50%.
(6)
All assets are owned by us or through any our subsidiary.

(7)
Percentage of occupation of each property. The land reserves are assets that the company remains in the portfolio for future development.
(8)
Through Nuevas Fronteras S.A.
(9)
Through Hoteles Argentinos S.A.
(10)
Includes Ps.21,900,000 of book value that corresponds to "Terreno Bariloche."
(11)
Included in Investment Properties is the cinema building located at Córdoba Shopping – Villa Cabrera, which is encumbered by a right of antichresis (right of possesion but not title) as a result of a financial debt held by Empalme (merged with SAPSA. as of January 1, 2009) with NAI INTERNACIONAL II Inc. The total amount of the debt was Ps.17.7 million as of June 30, 2016.

The following table sets forth certain information about our properties for the Operation Center in Israel as of June 30, 2016:

Property	Date of acquisition	Location	Net book amount	Use
Tivoli	Oct-2015	United States	2,047	Rental properties
Kiryat Ono Mall	Oct-2015	Israel	1,598	Rental properties
Shopping Center Modi'in A	Oct-2015	Israel	805	Rental properties
HSBC	Oct-2015	United States	11,225	Rental properties
Matam park - Haifa	Oct-2015	Israel	5,662	Rental properties
Caesarea - Maichaley Carmel	Oct-2015	Israel	583	Rental properties
Herzeliya North	Oct-2015	Israel	4,125	Rental properties
Gav-Yam Center - Herzeliya	Oct-2015	Israel	2,449	Rental properties
Neyar Hadera Modi'in	Oct-2015	Israel	680	Rental properties
Gav yam park - Beer Sheva	Oct-2015	Israel	700	Rental properties
Hazomet Kfar Saba	Oct-2015	Israel	117	Rental properties
Bilu	Oct-2015	Israel	86	Rental properties
Mazkeret Batia	Oct-2015	Israel	109	Rental properties
Netania	Oct-2015	Israel	849	Rental properties
Rishon Le Zion	Oct-2015	Israel	70	Rental properties
Rehovot	Oct-2015	Israel	125	Rental properties
Mizpe Sapir	Oct-2015	Israel	124	Rental properties
Holon	Oct-2015	Israel	327	Rental properties
Haifa	Oct-2015	Israel	24	Rental properties
Others	Oct-2015	Israel	8,759	Rental properties
Tivoli	Oct-2015	United States	24	Undeveloped parcels of land
Queensridge Towers	Oct-2015	Israel	266	Undeveloped parcels of land
Zarchini Raanana	Oct-2015	Israel	78	Undeveloped parcels of land
Kurdani	Oct-2015	Israel	-	Undeveloped parcels of land
Others	Oct-2015	Israel	1,777	Undeveloped parcels of land
Tivoli	Oct-2015	United States	1,981	Properties under development

Ispro Planet – Beer Sheva – Phase 1	Oct-2015	Israel	1,062	Properties under development
Others	Oct-2015	Israel	880	Properties under development
Shufersal´s Stores	Oct-2015	Israel	10,478	Supermarkets
Total			57,010	

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ITEM 4A. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

The following management's discussion and analysis of our financial condition and results of operations should be read together with "Selected Consolidated Financial Data" and our audited consolidated financial statements and related notes appearing elsewhere in this annual report. This discussion and analysis of our financial condition and results of operations contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include such words as, "expects", "anticipates", "intends", "believes" and similar language. Our actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including without limitation those set forth elsewhere in this annual report. See Item 3 "Key Information – D. Risk Factors" for a more complete discussion of the economic and industry-wide factors relevant to us.

For purposes of the following discussion and analysis, unless otherwise specified, references to fiscal years 2016 and 2015 relate to the fiscal years ended June 30, 2016 and 2015, respectively.

A. OPERATING RESULTS

Evolution of our Business Segments

Operations Center in Argentina

Shopping Centers

Our main purpose is to maximize our shareholders' profitability. By using our know-how in the shopping center 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 seek to take advantage of unsatisfied demand for retail offerings and residential properties in urban centers throughout Argentina, catering to our customers' tastes and requirements. Therefore, we seek to develop new shopping centers that offer attractive prospects for growth, including the Buenos Aires Metropolitan area and other cities throughout Argentina and selectively in, other places abroad. To achieve this strategy, relationships with more than 1,000 retailers and brands that make up our select tenant portfolio that helps enhance our customer experience.

During fiscal years 2014, 2015 and 2016, our Shopping Centers segment generated revenues of Ps.1,383 million, Ps.1,778 million and Ps.2,406 million, respectively.

Offices and Others

We seek to purchase and develop premium office buildings in strategically-located business districts in Buenos Aires and other strategic locations that we believe enhance returns and maximize potential for long-term capital gain. We expect to continue focusing on attracting premium corporate tenants to our office buildings. Furthermore, we intend to consider new opportunities on a selective basis to acquire or develop rental office buildings.

During fiscal years 2014, 2015 and 2016, our Offices and Others segment had revenues of Ps.271 million, Ps.333 million and Ps.340 million, respectively.

Sales and Developments

We seek to purchase undeveloped properties in densely-populated areas and build apartment complexes that offer green spaces for recreational activities. We also seek to develop residential communities by acquiring properties that offer convenient access to Buenos Aires. We develop roads and other basic infrastructure such as electric power and water, and then sell individual lots for residential construction by individual owners. The historical scarcity of mortgage financing restricted growth in middle class home purchases, and as a result, we have focused on developing 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 plots that are conveniently located inside and outside Buenos Aires for subsequent sale. We believe this land portfolio enhances our ability to make strategic long-term investments and affords us a valuable pipeline for future development.

During fiscal years 2014, 2015 and 2016, our Sales and Developments segment generated revenues of Ps.85 million, Ps.15.4 million and Ps.8 million, respectively, and recognized net gains from the sale of investment properties (primarily offices and parking spaces) for Ps.236 million, Ps.1,163 million and Ps.1,068 million, respectively.

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.

During fiscal years 2014, 2015 and 2016, our Hotels segment had revenues of Ps.332 million, Ps.396 million and Ps.534 million, respectively.

International

In this segment, we seek investments that present capital appreciation potential in the long term. After the international financial crisis in 2008, we took the opportunity in the real estate sector in the United States to invest in two office buildings in New York City. In 2015, we sold the Madison building. We retained our 49.9% equity interest in a US entity that owns the "Lipstick" office building located in the City of New York. In addition, jointly with subsidiaries, we hold 49.0% 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.

During fiscal years 2014, 2015 and 2016, our International segment generated revenues of Ps.84 million, Ps.26 million and Ps.0 million, respectively.

Financial Operations and Others

We have maintained our investment in Banco Hipotecario, the principal 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. For the fiscal years ended June 30, 2014, 2015 and 2016, our investment in Banco Hipotecario generated a gain of Ps.184 million, Ps.143 million and Ps.257 million, respectively.

Operations Center in Israel

Real Estate

IDBD holds, together with PBC, two projects in Las Vegas (through IDBG Ltd.), including a commercial and office project known as Tivoli Mall, the first part of which was built in its entirety, and as of the end of 2015, has a blended occupancy rate of approximately 84%. The second part of the project is currently under construction and is in the marketing stage. It will include commercial areas with an area of approximately 16,000 square meters, and office space consisting of approximately 12,000 square meters. At present, we have signed leases with an anchor tenant and additional lessees, covering approximately 66% of the commercial area in the second phase of the project and for approximately 8% of available office space; and an additional project, involving two residential towers, in which the remainder of the residential units were sold in their entirety during the reporting year.

Supermarkets

Shufersal continued deploying its strategic plan, focusing on building a commercial and operating platform to enable growth in the coming years; strengthening its competitive edge; offering more value to customers and improving its service. Under its business plan, Shufersal continues expanding and strengthening its brand; boosting the development of its digital platforms, through Shufersal Online; fostering complementary services in the sectors in which it currently operates; and streamlining its real property, including the closure and downsizing of existing branches and the opening

of new ones.

Agrochemicals

As a part of Adama's long-term strategy, in December 2015 Adama entered into a commercial cooperation agreement, according to which Adama will gradually become the sole distributor of formulated agrochemical products in China of several agrochemical companies controlled by ChemChina. This venture is expected to strengthen Adama's position in the Chinese market, by combining Adama's product offerings with ChemChina's and leveraging a significant distribution platform in China. On July 17, 2016, DIC, reported that it had accepted ChemChina's offer to purchase 40% of Adama Agricultural Solutions Ltd.'s shares, indirectly controlled by IDBD through DIC. For more information see "Recent Developments".

Telecommunications

Cellcom operates in a highly competitive environment. Cellcom's business strategy focuses on: offering comprehensive solutions to expand landline and mobile communication services and optimization of costs and expenses, including by means of carrying out streamlining measures.

Insurance

The investment managers in IDBD's insurance business make use of an advanced research department and effective trading execution, to ensure a competitive advantage in order to achieve a fair long-term yield for policy holders, maximizing income from investments in accordance with the company's risk appetite and the structure of liabilities in the portfolios.

Others

Other activities undertaken by IDBD through its subsidiaries include the assets and income from technological developments, tourism, oil and gas assets, electronics, and other activities.

Variability of Results

Income derived from the lease of office space and retail stores and sales of properties are the two core sources of our income. The historical results of our operations have varied over time based on the available opportunities to acquire and sell properties. No assurance can be given that our results will not continue to be influenced by fluctuations in values of properties.

For additional information, see "Comparability of information".

Critical Accounting Policies and Estimates

Our significant accounting policies are stated in Note 2 to our Audited Consolidates Financial Statements, "Summary of significant accounting policies". The discussion below should be read in conjunction with the referred note. Not all of these significant accounting policies require management to make subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the level of complexity, judgment or estimations involved in their application and their impact on our Audited Consolidated Financial Statements. These judgments involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

Estimation	Main assumptions	Potential implications
Business combination - Allocation of acquisition prices	Assumptions regarding timing, amount of future revenues and expenses, revenue growth, expected rate of return, economic conditions, discount rate, among other. The discount rate and the expected growth rate before taxes in connection with cash-generating units. The discount rate and the expected growth rate after taxes in connection with associates.	Should the assumptions made be inaccurate, the recognized combination may not be correct.
Recoverable amounts of cash-generating units (even those including goodwill), associates and assets.	Cash flows are determined based on past experiences with the asset or with similar assets and in accordance with the Group's best factual assumption relative to the economic conditions expected to prevail. Business continuity and share market value of the public companies in connection with cash-generating units. Appraisals made by external appraisers and valuators with relation to the assets' fair value, net of realization costs (including real estate assets).	Should any of the assumptions made be inaccurate, this could lead to differences in the recoverable values of cash-generating units.

Control, joint control or significant influence	Judgment relative to the determination that the Group holds an interest in the shares of investees (considering the existence and influence of significant potential voting rights), its right to designate members in the executive management of such companies (usually the Board of directors) based on the investees' bylaws; the composition and the rights of other shareholders of such investees and their capacity to establish operating and financial policies for investees or to take part in the establishment thereof.	Accounting treatment of investments as subsidiaries (consolidation) or associates (equity method)
Estimated useful life of intangible assets, investment properties and property, plant and equipment	Estimated useful life of assets based on their conditions.	Recognition of accelerated or decelerated depreciation by comparison against final actual earnings (losses).
Fair value valuation of investment properties	Fair value valuation made by external appraisers and valuators.	Incorrect exposure of investment property values
Income tax	The Group estimates the income tax amount payable for transactions where the Treasury's Claim cannot be clearly determined. Additionally, the Group evaluates the recoverability of assets due to deferred taxes considering whether some or all of the assets will not be recoverable.	Upon the improper determination of the provision for income tax, the Group will be bound to pay additional taxes, including fines and compensatory and punitive interest.
Allowance for doubtful accounts	A periodic review is conducted of receivables risks in the Group's clients' portfolios. Bad debts based on the expiration of account receivables and account receivables' specific conditions.	Improper recognition of charges / reimbursements of the allowance for bad debt.
Hybrid financial instrument related to the non-recourse loan from Koor (Adama).	· The value of Adama's shares. · Unobserved data underlying the binomial model applied to the determination of the embedded derivative instruments' value.	Changes in losses or profits resulting from the variation in the fair value of the embedded derivative, and variations in the book amount of the primary contract recognized as revenues or expenses from financing.

Level 2 and 3 financial instruments	Main assumptions used by the Group are: · Discounted projected income by interest rate. · Values determined in accordance with the company's shares in equity funds on the basis of its financial statements, based on fair value or investment assessments. · Comparable market multiple (EV/GMV ratio). · Underlying asset price (Market price); share price volatility (historical) and money market interest-rate curve (Libor rate).	Wrong recognition of a charge to income / (loss).
Probability estimate of contingent liabilities.	Whether more economic resources may be spent in relation to litigation against the Group; such estimate is based on legal advisors' opinions.	Charge / reversal of provision in relation to a claim.

Overview

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

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

ii.
the acquisition and development of office and other non-shopping center 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 mostly in Argentina, United States and Israel.

Effects of the Global Macroeconomic Environment

Most of our assets are located in Argentina, where we conduct our operations, and in Israel. Therefore, our financial condition and the results of our operations are significantly dependent upon the economic conditions prevailing in both countries.

The table below shows Argentina's GDP growth, inflation, Dollar exchange rates and the appreciation (depreciation) of the Peso against the U.S. Dollar for the indicated periods.

	As of June 30,		
	2016	2015	2014
GDP growth	(3.4%)	1.2%	0.0%

Inflation (IPIM)(1)	26.7%	13.6%	27.7%
Inflation (CPI)(2)	47.1%	14.0%	15.0%
Appreciation (depreciation) of the Peso against the U.S. Dollar(3)	(65.9%)	(11.8%)	(50.6%)
Average exchange rate per US$1.00(4)	Ps.14.9900	Ps.9.0340	Ps.8.083
Appreciation (depreciation) of the NIS against the U.S. Dollar	(1.1%)	(10.0%)	5.6%

(1)
IPIM is the wholesale price index as measured by the Argentine Ministry of Economy and Production. Given the modifications to the system that INDEC uses to measure IPIM, there is no data for any price variations from July 1, 2015 to June 30, 2016. For that reason, we show accumulated prices from January 1, 2016 to June 30, 2016, published by INDEC.
(2)
CPI is the consumer price index as measured by the Argentine Ministry of Economy and Production. Since January 2014, the Argentine government established IPCNu, which more broadly reflects consumer prices by considering price information from the 23 Argentine provinces and the City of Buenos Aires. Therefore, the consumer price index for our fiscal 2014 only takes into account the six-month period after the new consumer price index was introduced. Given the modifications to the system that INDEC uses to measure CPI, there is no data for any price variations for the fiscal year ended at June 30, 2016, yet. For that reason, we show the interanual inflation published by "Dirección General de Estadísticas y Censos de la Ciudad de Buenos Aires, Ministerio de Hacienda". It differs from inflation reported for 2015 and 2014 because of the change of government and changes in the systems of measure of the INDEC. See Item 3.(a) Risk Factors —Risks Relating to Argentina - There are concerns about the accuracy of Argentina's official inflation statistics.
(3)
Depreciation corresponding to fiscal year 2016 is mostly due to the devaluation that took place on December 17, 2015.
(4)
Represents average of the selling and buying exchange rate.

Sources: INDEC, Argentine Ministry of Economy and Production, City of Buenos Aires Ministry of Treasury, Banco de la Nación Argentina, Bloomberg

According to the IMF estimates, Argentina's GDP for 2016 is expected to contract by 1.8% compared to 2015 due to a slight adjustment recession during the year, primarily due to the correction of macroeconomic and microeconomic distortions. However, growth is expected to strengthen to 2.7% in 2017 on the back of moderating inflation and more supportive monetary and fiscal policy policies by the Central Bank. According to the Organization for Economic Co-operation and Development ("OECD") Israel's economic growth is projected to remain at 2.5% in 2016, before rising to 3% in 2017.

Argentine GDP decreased 3.4% during our fiscal 2016, compared to GDP growth of 1.2% in our fiscal 2015. Consumption was the primary driver of economic activity, as shopping center sales grew 41.4% as of June 30, 2016, compared to June 30, 2016, driven by the increase in nominal salaries. As of June 30, 2016, the unemployment rate was at 9.3% of the country's economically active population, compared to 6.6% as of June 30, 2015. For the year ended at December 31, 2015, Israel's growth reached 2.5% and remained at the same level for 2016.

Argentina's country risk, measured by the Emerging Market Bond Index, decreased 97 basis points for the 12 months ended June 30, 2016, maintaining a high spread vis-à-vis other countries in the region. The debt premium paid by Argentina was at 518 points in June 2016, compared to 352 paid by Brazil, and 213 paid by Mexico.

In regard to the Argentine economy, changes in short and long-term interest rates, unemployment and inflation may reduce the availability of consumer credit and the purchasing power of individuals who frequent shopping centers. These factors, combined with low GDP growth, may reduce general consumption rates in our shopping centers. Since leases agreements in our shopping centers for most of our revenue, require tenants to pay a percentage of their total sales as rent, a general reduction in consumption may reduce our revenue. A reduction in the number of shoppers in our shopping centers and consequently, in the demand for parking, may also reduce our revenues from services rendered.

Regarding Israel's economy, and based on information published by OECD, domestic demand is expected to remain the main driver of growth, while external demand is projected to recover slowly due to the high exchange rates that hold back exports. In this context, unemployment is expected to remain low, and inflation is projected to increase at very low levels.

Effects of inflation

The following are annual inflation rates during our fiscal years indicated, based on information published by the INDEC, which is dependent on the Argentine Ministry of Economy and Production:

Year ended June 30,	Consumer Price Index(1)	Wholesale Price Index
2011	9.7%	12.5%
2012	9.9%	12.8%
2013	10.5%	13.5%
2014	15.0%	27.7%
2015	15.0%	13.4%
2016	47.1%	26.7%(2)

(1)
In January 2014 the Argentine government established IPCNu, which more broadly reflects consumer prices by considering price information from the 23 provinces of Argentina and the City of Buenos Aires. Therefore, the consumer price index for the fiscal year ended June 30, 2014 only takes into account the six month period starting on January 1, 2014.

(2)
Given the modifications to the system that INDEC uses to measure IPIM, there is no data for any price variations from July 1, 2015 to June 30, 2016. For that reason, we show accumulated prices from January 1, 2016 to June 30, 2016, published by INDEC.

Continuing inflation will likely have an adverse effect on our operations. Additionally, minimum lease payments from tenants in our shopping centers are generally adjusted in accordance with the CER, an inflation index published by the Central Bank. Although higher inflation may increase lease payments, given that tenants tend to pass on increased expenses to consumers, this trend could lead to higher prices charged on goods sold which could result in lower sales volumes and therefore reduce the component of rent we receive based on sales revenue.

Since the INDEC modified the methodology it uses to calculate the consumer price index in January 2007, there have been concerns about the accuracy of Argentina's official inflation statistics, which led to the creation of the IPCNu in February 2014 in order to address the quality of official data.

Regarding rates of inflation in Israel, the Consumer Price Index, according to OECD was 0.5% increase in the prices for 2014, and deflation of 0.6% in 2015. Likewise, inflation projected for 2016 and 2017 is (0.2)% and 0.8%, respectively.

Seasonality

Our shopping centers business is directly affected by seasonality, as if results in fluctuations in the level of our tenants' sales. During Argentine summer holidays (January and February) our tenants' sales are generally at their lowest level, whereas during winter holidays (July) and in December (Christmas) they reach their highest level. Clothing retailers generally change their collections in spring and autumn, positively affecting our shopping center sales. Sales at discount prices at the end of each season are also one of the main sources revenue.

Also, in the Israeli retail segment business results are subject to seasonal fluctuations as a result of the consumption behavior of the population proximate to the Pesach holidays (March and/or April) and Rosh Hashanah and Sukkoth holidays (September and/or October). This also affects the balance sheet values of inventory, customers and suppliers. Our revenues from cellular services are usually affected by seasonality, with the third calendar quarter of each year characterized by higher roaming revenues due to increased incoming and outgoing tourism.

In 2016, the Passover holiday fell at the end of April, compared to 2015 when it was at the beginning of April. The timing of the holiday affects Shufersal's sales and special offers in the second quarter of 2016, compared to last year. The Passover holiday in the second quarter of 2016 had a greater effect on Shufersal's results than in the corresponding quarter in 2015, therefore analysis of the results for the first half of the year compared to the corresponding period in 2015 better represents the changes between the periods.

Effects of interest rate fluctuations

Most of our U.S. dollar-denominated debt accrues interest at a fixed rate. An increase in interest rates will not necessary result in a significant increase in our financial costs and may not materially affect our financial condition or our results of operations.

Effects of foreign currency fluctuations

A significant portion of our financial debt is denominated in U.S. dollars. Therefore, a depreciation or devaluation of the Argentine Peso against the U.S. dollar would increase our indebtedness measured in Pesos and materially affect our results of operations. Foreign currency exchange rate fluctuations significantly increase the risk of default on our mortgages and lease receivables. Foreign currency exchange restrictions that may be imposed by the Argentine Government could prevent or restrict our access to U.S. dollars, affecting our ability to service our U.S. dollar-denominated liabilities.

During fiscal year 2016 and 2015 the Peso depreciated against the U.S. dollar and other currencies by approximately 66% and 12%, respectively, which caused an impact on the comparability of our results of operations for the year ended June 30, 2016 to our results of operations for the year ended June 30, 2015, primarily in our revenues from office rentals and our net assets and liabilities denominated in foreign currency. The devaluation affected assets and liabilities denominated in foreign currency, and this effect is shown in the line "financial results, net" of our income statement.

As a result of the devaluation of the Peso and the discontinuation of the official exchange rate by the newly elected Argentine government that took office in December 2015, the exchange rate was Ps.13.0400 per US$1.00 on December 31, 2015 and Ps.15.5100 per US$1.00 on September 30, 2016.

During fiscal year 2016 and 2015, the Israeli New Shekel depreciated against the U.S. dollar and other currencies by approximately 2.2% and 10%, respectively, which caused an impact on the comparability of our results of IDBD´s operations for the year ended June 30, 2016 to IDBD´s results of operations for the year ended June 30, 2015. As of June 30 2016, the offer exchange rate for June 30, 2016 was NIS 3.8575=U.S.$1.00, and NIS 3.7464 per US$1.00 on September 30, 2016. According to information published in the Monetary Policy Report in July 2016 by the Bank of Israel, various models of the equilibrium exchange rate indicate that the Shekel could be overvalued. For more information about the exchange rates, see "Local Exchange Market and Exchange Rates."

Factors Affecting Comparability of our Results

Business Segment Reporting

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the CODM. According to IFRS 8, the CODM represents a function whereby strategic decisions are made and resources are assigned. The CODM function is carried out by the President of the Company, Mr. Eduardo S. Elsztain. In addition, and due to the acquisition of IDBD, two responsibility levels have been established for resource allocation and assessment of results of the two operations centers, through executive committees in Argentina and Israel.

Following its acquisition of control of IDBD, the Company reports its financial and equity performance based on the new segment structure for the year-end 2016.

Segment information is now reported from two perspectives: geographic presence and products and services. From the geographic point of view, the Company has established two Operations Centers to manage its global interests: Argentina and Israel. Within each operations center, the Company considers separately the various activities being developed, which represent reporting operating segments given the nature of its products, services, operations and risks. Management believes the operating segment clustering in each operations center reflects similar economic characteristics in each region, as well as similar products and services offered, types of clients and regulatory environments.

Below is the segment information prepared as follows:

Operations center in Argentina

Within this center, the Company operates in the following segments:

.
The "Shopping Centers" segment includes the assets and operating results of the activity of shopping centers portfolio, principally comprised of lease and service revenues related to rental of commercial space and other spaces in the shopping centers of the Company.

.
The "Offices and others" segment includes the assets and operating results from lease revenues of offices and others rental space and other service revenues related to the office activities.

.
The "Sales and Developments" segment includes the assets and operating results of the sales of undeveloped parcels of land and/or trading properties, as the results related with its development and maintenance. Also included in this segment are the results of the sale of real property intended for rent, sales of hotels and other properties included in the international segment.

.
The "Hotels" segment includes the operating results of hotels mainly comprised of room, catering and restaurant revenues.

.
The "International" segment includes assets and operating profit or loss from business related to associates Condor and Lipstick. Through these associates, the Company derives revenue from hotels and an office building in United States, respectively. Until September 30, 2014, this segment included revenue from a subsidiary that owned the building located at 183 Madison Ave in New York, United States, which was sold on September 29, 2014. Additionally, until October 11, 2015, this international segment only included results from the investment in IDBD carried at fair value.

.
The "Financial operations and others" segment primarily includes the financial activities carried out by BHSA and Tarshop and other residual financial operations.

The CODM periodically reviews the results and certain asset categories and assesses performance of operating segments of this operations center based on a measure of profit or loss of the segment composed by the operating income plus the equity in earnings of joint ventures and associates. The valuation criteria used in preparing this information are consistent with IFRS standards used for the preparation of the Audited Consolidated Financial Statements, except for the following:

Operating results from joint ventures: Cyrsa, NPSF, Puerto Retiro, Baicom and Quality are evaluated by the CODM applying proportional consolidation method. Under this method the income/loss generated and assets, are reported in the income statement line-by-line based on the percentage held in joint ventures rather than in a single item as required by IFRS. Management believes that the proportional consolidation method provides more useful information to understand the business return. Moreover, operating results of EHSA joint venture is accounted for under the equity method. Management believes that, in this case, this method provides more adequate information for this type of

investment, given its low materiality and considering it is a company without direct trade operations, where the main asset consists of an indirect interest of 25% of LRSA.

Operating results from the Shopping Centers and Offices segments do not include amounts attributable to building arrangement expenses and collective promotion funds ("FPC", as per its Spanish acronym) as well as total recovered costs, whether by way of expenses or other concepts included under financial results (for example default interest and other concepts). The CODM examines the net amount from these items (total surplus or deficit between building administration expenses and FPC and recoverable expenses).

The asset categories examined by the CODM are: investment properties, property, plant and equipment, trading properties, inventories, right to receive future units under barter agreements, investment in associates and goodwill. The sum of these assets, classified by business segment, is reported under "assets by segment". Assets are allocated to each segment based on the operations and/or their physical location.

Within the operations center in Argentina, most revenue from its operating segments is derived from, and their assets are located in, Argentina, except for earnings of associates included in the "International" segment located in United States.

Revenues for each reporting segments derive from a large and diverse client base and, therefore, there is no revenue concentration in any particular segment.

Operations center in Israel

Within this center, the Company operates in the following segments:

- The "Real Estate" segment includes assets and operating income derived from business related to the subsidiary PBC. Through PBC, we operate rental properties and residential properties in Israel, United States and other parts of the world and carries out commercial projects in Las Vegas.

- The "Supermarkets" segment includes assets and operating income derived from the business of Shufersal which operates a supermarket chain in Israel.

- The "Agrochemicals" segment includes income derived from the activities of Adama which is accounted for as an associate using the equity method of accounting Adama is specialized in agrochemicals, particularly for the production of crops for consumption.

- The "Telecommunications" segment includes assets and operating income from the business of Cellcom which is telecommunication service provider that offers mobile phone services, fixed line phone services, data and Internet, among others.

- The "Insurance" segment includes the operations of Clal which is one of the most important insurance groups in Israel, and is mainly engaged in pension and social security insurance, among others. As indicated in Note 16 to our Audited Consolidated Financial Statements, 51% of the controlling shares of Clal are held in trust as specified in a judicial order of the Israel Securities Commission in order to comply with the requirement that the controlling shares of Clal be offered for sale to a third party; as a result, the Company is not fully consolidated on a line-by-line basis but rather in a single line as a financial instrument at fair value, as required by IFRS.

- The "Others" segment includes the assets and income derived from other diverse business activities, such as technological developments, tourism, oil and gas assets, electronics, and others.

The CODM periodically reviews the results and certain asset categories and assesses performance of operating segments of this operations center based on a measure of profit or loss of the segment composed by the operating income plus the equity in earnings of joint ventures and associates. The valuation criteria used in preparing this information are consistent with IFRS standards used for the preparation of the Audited Consolidated Financial Statements.

As indicated under Note 2 of our Audited Consolidated Financial Statements, the Company decided to consolidate income derived from its operations center in Israel with a three month lag, as adjusted for the effects of significant transactions; hence, operating results of IDBD for the period extending from October 11, 2015 (the date of acquisition of control) through March 31, 2016, are included under comprehensive income of the Company for the fiscal year ended June 30, 2016.

Furthermore, comparative information has not been modified for as of that date the Company did not exercise control over IDBD. The assessment of this investment was part of the international segment of the operations center in Argentina.

Goods and services exchanged between segments are calculated on the basis of market prices. Intercompany transactions between segments, if any, are eliminated.

Business segments involving the operations center in Argentina where assets are reported under the proportional consolidation method, each reported asset includes the proportional share of the Company in the same class of assets of the associates and/or joint ventures. Only as an example, the amount of investment properties reported includes (i) the balance of investment properties as stated in the statement of financial position, plus (ii) the Company's share in the balances of investment properties of joint ventures.

Within the operations center in Israel, most revenue from its operating segments are derived from, and their assets are located in, Israel, except for part of earnings from the Real Estate segment, which are generated from activities outside Israel, mainly in United States.

Business Segment Reporting

Operations Center in Argentina

	Fiscal Year ended June 30, 2016						
	Shopping Centers	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Total Urban Properties and Investment
	(in millions of Ps.)						
Revenues (i)	2,406	340	8	534	-	1	3,289
Costs	(402)	(51)	(20)	(361)	-	-	(834)
Gross Profit/ (loss)	2,004	289	(12)	173	-	1	2,455
Gain from disposal of investment properties	-	-	1,068	-	-	-	1,068
General and administrative expenses	(179)	(50)	(131)	(103)	(91)	-	(554)
Selling expenses	(145)	(12)	(36)	(69)	-	(2)	(264)
Other operating results, net	(42)	(6)	(8)	(2)	88	1	31
Profit / (loss) from operations	1,638	221	881	(1)	(3)	-	2,736
Share of profit / (loss) of associates and joint ventures	-	14	5	-	(151)	231	99
Segment Profit / (loss)	1,638	235	886	(1)	(154)	231	2,835
Investment properties	2,262	853	335	-	-	-	3,450
Property, plant and equipment	49	23	2	156	2	-	232
Trading properties	-	-	252	-	-	-	252
Goodwill	7	4	-	-	-	-	11
Right to receive future units under barter agreements	-	-	90	-	-	-	90
Inventories	19	-	1	8	-	-	28
Investments in associates and joint ventures	-	31	62	-	(832)	1,703	964
Operating assets (ii)	2,337	911	742	164	(830)	1,703	5,027

(i)
From all the revenues corresponding to the Operations Center in Argentina, the 100% are originated mainly in Argentina. No external client represents 10% or more of revenue of any of the reportable segments.
(ii)
From all of the assets corresponding to the Operations Center in Argentina included in the segment, Ps.5,701 million are located in Argentina and Ps.(674) million in other countries, principally in United States for Ps.(832) million and Uruguay for Ps.158 million, respectively.

	Fiscal Year ended June 30, 2015						
	Shopping Centers	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Total Urban Properties and Investment
	(in millions of Ps.)						
Revenues (i)	1,778	333	15	396	26	-	2,548
Costs	(290)	(34)	(19)	(278)	(7)	-	(628)
Gross Profit	1,488	299	(4)	118	19	-	1,920
Gain from disposal of investment properties	-	-	1,163	-	-	-	1,163
General and administrative expenses	(136)	(58)	(50)	(78)	(56)	-	(378)
Selling expenses	(113)	(22)	(9)	(52)	-	-	(196)
Other operating results, net	(49)	(117)	13	-	183	(2)	28
Profit / (loss) from operations	1,190	102	1,113	(12)	146	(2)	2,537
Share of profit / (loss) of associates and joint ventures	-	(3)	1	1	(1,189)	155	(1,035)
Segment Profit / (loss)	1,190	99	1,114	(11)	(1,043)	153	1,502
Investment properties	2,300	939	339	-	-	-	3,578
Property, plant and equipment	48	28	1	165	1	-	243
Trading properties	-	-	135	-	-	-	135
Goodwill	7	4	-	-	-	-	11
Right to receive future units under barter agreements	-	-	90	-	-	-	90
Inventories	16	-	-	7	-	-	23
Investments in associates and joint ventures	-	21	47	-	911	1,404	2,383
Operating assets (ii)	2,371	992	612	172	912	1,404	6,463

(i)
From all revenues corresponding to the Operations Center in Argentina Ps.2,522 million are generated in Argentina and Ps.26 million in the United States. No external client represents 10% or more of revenue of any of the reportable segments.
(ii)
From all assets corresponding to the Operations Center in Argentina included in the segment, Ps.5,445 million are located in Argentina and Ps.1,639 million in other countries, principally in United States for Ps.1,533 million and Uruguay for Ps.106 million, respectively.

	Fiscal Year ended June 30, 2014						
	Shopping Centers	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Total Urban Properties and Investment
	(in million of Ps.)						
Revenues (i)	1,383	271	85	332	84	1	2,156
Costs	(293)	(43)	(33)	(216)	(54)	-	(639)
Gross Profit	1,090	228	52	116	30	1	1,517
Gain from disposal of investment property	-	-	236	-	-	-	236
General and administrative expenses	(102)	(42)	(37)	(60)	(59)	-	(300)
Selling expenses	(73)	(21)	(14)	(42)	-	-	(150)
Other operating results, net	(47)	(3)	8	(3)	(1)	(3)	(49)
Profit / (loss) from operations	868	162	245	11	(30)	(2)	1,254
Share of profit / (loss) of associates and joint ventures	-	(1)	6	1	(616)	170	(440)
Segment Profit / (loss)	868	161	251	12	(646)	168	814
Investment properties	2,253	784	370	-	-	-	3,407
Property, plant and equipment	20	30	4	164	2	-	220
Trading properties	-	-	141	-	-	-	141
Goodwill	2	9	-	-	-	-	11
Right to receive future units under barter agreements	-	-	85	-	-	-	85
Assets classified as held for sale (iii)	-	-	-	-	1,358	-	1,358
Inventories	11	-	1	6	-	-	18
Investments in associates and joint ventures	-	23	38	22	629	1,255	1,967
Operating assets (ii)	2,286	846	639	192	1,989	1,255	7,207

(i)
From all revenues corresponding to the Operations Center in Argentina Ps.2,072 million are generated in Argentina and Ps.84 million in the United States. No external client represents 10% or more of revenue of any of the reportable segments.
(ii)
From all of the assets corresponding to the Operations Center in Argentina included in the segment, Ps.5,108 million are located in Argentina and Ps.2,099 million in other countries, principally in United States for Ps.1,988 million and Uruguay for Ps.111 million, respectively.

Operations Center in Israel

	June 30, 2016						
	Real Estate	Supermarkets	Agrochemicals	Telecommunications	Insurances	Others	Total
	(in millions of Ps.)						
Revenues (i)	1,538	18,610	-	6,655	-	1,426	28,229
Costs	(837)	(13,925)	-	(4,525)	-	(1,194)	(20,481)
Gross profit	701	4,685	-	2,130	-	232	7,748
Gain from disposal of investment properties	45	-	-	-	-	-	45
General and administrative expenses	(100)	(203)	-	(708)	-	(376)	(1,387)
Selling expenses	(29)	(4,058)	-	(1,493)	-	(106)	(5,686)
Profit / (Loss) from operations	617	424	-	(71)	-	(250)	720
Share of profit / (loss) of joint ventures and associates	97	-	334	-	-	(93)	338
Segment profit / (loss)	714	424	334	(71)	-	(343)	1,058
Operating assets (ii)	60,197	29,440	-	27,345	4,602	25,405	146,989
Operating liabilities	(49,452)	(23,614)	-	(21,657)	-	(38,142)	(132,865)
Operating assets (liabilities), net	10,745	5,826	-	5,688	4,602	(12,737)	14,124

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The following tables present a reconciliation between the total results of operations by segment information and the results of operations as per the statements of income. The adjustments relate to the presentation of the results of operations of joint ventures from operations center in Argentina accounted for under the equity method under IFRS and the non-elimination of the inter-segment transactions.

	Fiscal Year ended June 30, 2016				
	Total as per segment information	Adjustment for share of profit / (loss) of joint ventures	Expenses and collective promotion funds	Adjustment to income for elimination of inter-segment transactions	Total as per Statement of income
	(in millions of Ps.)				
Revenues	31,518	(29)	1,194	(8)	32,675
Costs	(21,315)	17	(1,207)	6	(22,499)
Gross profit / (loss)	10,203	(12)	(13)	(2)	10,176
Gain from disposal of investment properties	1,113	-	-	-	1,113
General and administrative expenses	(1,941)	1	-	7	(1,933)
Selling expenses	(5,950)	2	-	-	(5,948)
Other operating results, net	31	(2)	-	(5)	24
Profit / (loss) from operations	3,456	(11)	(13)	-	3,432
Share of (loss) / profit of joint ventures and associates	437	10	-	-	447
Net segment profit / (loss) before financing and taxation	3,893	(1)	(13)	-	3,879

	Fiscal Year ended June 30, 2015				
	Total as per segment information	Adjustment for share of profit / (loss) of joint ventures	Expenses and collective promotion funds	Adjustment to income for elimination of inter-segment transactions	Total as per Statement of income
	(in millions of Ps.)				
Revenues	2,548	(27)	887	(5)	3,403
Costs	(628)	14	(901)	4	(1,511)
Gross profit / (loss)	1,920	(13)	(14)	(1)	1,892
Gain from disposal of investment properties	1,163	-	-	-	1,163
General and administrative expenses	(378)	1	-	3	(374)
Selling expenses	(196)	2	-	-	(194)
Other operating results, net	28	2	-	(2)	28
Profit / (loss) from operations	2,537	(8)	(14)	-	2,515

Share of (loss) / profit of associates	(1,035)	12	-	-	(1,023)
Net segment profit / (loss) before financing and taxation	1,502	4	(14)	-	1,492

	Fiscal Year ended June 30, 2014				
	Total as per segment information	Adjustment for share of profit / (loss) of joint ventures	Expenses and collective promotion funds	Adjustment to income for elimination of inter-segment transactions	Total as per Statement of income
	(in millions of Ps.)				
Revenues	2,156	(41)	736	(6)	2,845
Costs	(639)	24	(744)	5	(1,354)
Gross profit / (loss)	1,517	(17)	(8)	(1)	1,491
Gain from disposal of investment properties	236	-	-	-	236
General and administrative expenses	(300)	1	-	2	(297)
Selling expenses	(150)	4	-	-	(146)
Other operating results, net	(49)	4	-	(1)	(46)
Profit / (loss) from operations	1,254	(8)	(8)	-	1,238
Share of (loss) / profit of associates	(440)	26	-	-	(414)
Net segment profit / (loss) before financing and taxation	814	18	(8)	-	824

The following tables present a reconciliation between the total results of operations as per segment information and the results of operations as per the statements of income. The adjustments relate to the presentation of the results of operations
of joint ventures from operations center in Argentina accounted for under the equity method under IFRS and the non-elimination of the inter-segment transactions.

	June 30, 2016			2015	2014
	Operations center in Argentina (in millions of Ps.)	Operations center in Israel	Total	Operations center in Argentina	Operations Center in Argentina
Total assets per segment based on segment information	5,027	146,989	152,016	6,463	7,207
Less:					
Proportionate share in assets per segment of joint ventures(3)	(118)	-	(118)	(97)	(150)
Plus:					
Investment in joint ventures (1)	203	-	203	169	294
Other non-reportable assets(2)	6,899	-	6,899	3,087	2,459
Total assets per segment as per statement of financial position	12,011	146,989	159,000	9,622	9,810

(1)
Represents the equity value of joint ventures that were proportionately consolidated for information by segment purposes.
(2)
Includes deferred income tax, income tax credit, trade and other receivables investments in financial assets, cash and cash equivalents and intangible assets except for goodwill and right to receive units.
(3)
Below is a detail of the proportionate share in assets by segment of joint ventures of the operations center in Argentina, included in the information reported by segment:

	June 30, 2016	2015	2014
	(in millions of Ps.)		
Investment properties	111	88	137
Property, plant and equipment	1	1	-
Trading properties	1	3	8
Goodwill	5	5	5
Total proportionate share in assets per segment of joint ventures	118	97	150

June 30, 2016			June 30, 2015	June 30, 2014
Operations center in Argentina	Operations center in Israel	Total	Operations center in Argentina	Operations center in Argentina
-	132,865	132,865	-	-

Total liabilities per segment based on segment information					
Plus/Less:					
Other non-reportable liabilities	12,634	-	12,634	7,364	7,254
Total liabilities per segment as per statement of financial position	12,634	132,865	145,499	7,364	7,254

Share of profit/(loss) of joint ventures of Argentina's Operating Center:

As stated in Note 2.3(e) to the Audited Consolidated Financial Statements as of June 30, 2016, 2015 and 2014 and for the fiscal years then ended, 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. and Entertainment Holding 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 Audited Consolidated Financial Statements as of June 30, 2016, 2015 and 2014 and for the years then ended, 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 Company made an investment in IDBD, through Dolphin, initially acquiring an equity interest of 26.65%. IDBD is one of the largest and most diversified business groups in Israel. Through its subsidiaries and other investments in several markets and sectors, such as real estate, retail, agribusiness, insurance, and telecommunications, among others, IDBD has controlling or minority interests in leading companies such as Clal Holding Insurance Enterprises (Insurance Company), Cellcom, Adama, Shufersal, and PBC among others.

On October 11, 2015, the Company obtained control of IDBD. In conformity with IFRS 3, IDBD's results of operations is included in the Company's financial statements since the acquisition date, without affecting the information from previous years. See Note 4 to our Audited Consolidated Financial Statements. Therefore, the consolidated financial information for periods before the acquisition is not comparable to 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 operating centers, through executive committees based in Argentina and Israel. Consequently, the Company reports 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 operating centers to handle its global interests, one in Argentina and the other in Israel. The Company considers the activities developed by each operating 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 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. For more information about our acquisition of control of IDBD see "Significant acquisitions, dispositions and development of business - Control obtainment of IDB Development"

On the other hand, during the fiscal years ended June 30, 2016, 2015 and 2014, the Argentine Peso depreciated against the US dollar and other currencies by approximately 66%, 12% and 51%, respectively, with the ensuing impact on the comparability of the figures disclosed in the Audited Consolidated 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 (mainly those of the Operations Center in Israel) denominated in foreign currency.

Operations Center in Argentina

Shopping Centers

For the fiscal years ended June 30, 2016 and 2015

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

As it concerns the new shopping centers inaugurated in fiscal year 2015, "Distrito Arcos" and "Alto Comahue", the periods during which operating income (loss) 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.

For the fiscal years ended June 30, 2015 and 2014

During fiscal year 2015, we inaugurated two new shopping centers: “Distrito Arcos,” located in the area of Palermo, City of Buenos Aires, in December 2014 and “Alto Comahue,” located in the City of Neuquén, Argentine Patagonian region, in March 2015. Income from these new developments, both in the income statement and the information by segment was not significant against the total figures of this segment, for the indicated years. For this reason, there were no significant effects on information comparability.

Offices and others

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 buildings Maipú 1300, Intercontinental Plaza, Bouchard 551 and Dique IV in its entirety (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.

For the fiscal years ended June 30, 2015 and 2014

During fiscal year 2015, the revenues and costs from our Offices and Others segment saw their comparability affected by partial sales of properties intended for lease allocated to that segment. In this respect, during fiscal years 2015 and 2014, 10,792 sqm of leasable surface area was sold (approximately 8.8% of total leasable area at the beginning of the fiscal year), and 8,744 sqm of leasable surface area (approximately 6.2% of total leasable area at the beginning of the fiscal year), respectively.

Additionally, in December 2014, the Company transferred 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, did not have accounting effects because it was a related party transaction, was considered a business combination, and therefore, costs related to this transaction of 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 Company throughout the time.

Hotels

For the fiscal years ended June 30, 2016, 2015 and 2014

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, the operating income (loss) 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.

For the fiscal years ended June 30, 2015 and 2014

Revenues and costs from the international segment were mainly affected by the only 3-month consolidation in fiscal 2015, compared to the 12-month consolidation in fiscal 2014, of the results of Rigby 183 LLC ("Rigby 183"), which owns the Madison 183 building, located in the City of New York, that was sold on September 2014, and to a lesser extent, by the effect of devaluation described above.

Financial Operations 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 operating income (loss) was accounted for during 2016 in relation to this investment, as compared to fiscal year 2015 when operating income (loss) was recorded for the first three months of the year.

For the fiscal years ended June 30, 2015 and 2014

During fiscal year 2015, the results of this segment were affected by different transactions performed by the Company in relation to the investment in Avenida, including the exercise of warrants, the dilution of part of our interest in this company in view of the entry of a new investor and the sale of 5% of our shareholding. As a result of all these transactions, as from the second quarter of fiscal year 2015, we ceased to have significant influence on Avenida and therefore, we ceased to recognize it as an investment in an associate, accounted for under the equity method, and we started to recognize it as a financial asset valued at fair value through profit or loss, which are recognized in financial and holding results, net and are excluded in the segment reporting.

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

Revenues

Revenues	Year ended on June 30, 2015				
	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Operations Center in Argentina					
Shopping Centers	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 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
Agrochemicals	-	-	-	-	-
Telecommunications	6,655	-	-	-	6,655
Insurance	-	-	-	-	-
Other	1,426	-	-	-	1,426
Total Operations Center in Israel	28,229	-	-	-	28,229
Total Revenues	32,675	29	(1,194)	8	31,518
Operations Center in Argentina					
Shopping Centers	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 and Others	-	-	-	-	-
Total Revenues	3,403	27	(887)	5	2,548

Revenues from sales, leases and services, increased Ps.29,272 million, from Ps.3,403 million during fiscal year 2015 to Ps.32,675 million during fiscal year 2016 (Ps.28,229 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%.

Revenues from common maintenance expenses and common advertising fund increased by 34.6%, from Ps.887 million (of which Ps.806 million are allocated to the Shopping Centers 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 Centers 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 increased 7.4%, from Ps.27 million during fiscal year 2015 (of which Ps.13 million are allocated to the Shopping Centers 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 Centers 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 business Nuevo Puerto Santa Fe S.A, and partially offset by a decline in revenues from our joint business 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 businesses and without considering the revenues from common maintenance expenses and common advertising fund or inter-segment revenues), revenues grew by Ps.28,970 million from Ps.2,548 million during fiscal year 2015 to Ps.31,518 million during fiscal year 2016 (of which Ps.28,229 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 Centers. Revenues from the Shopping Centers segment increased by 35.3%, 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.465 million increase in the revenues from base and percentage rents stemming from a 34.4% increase in our tenants' total sales, from Ps.21,509 million during fiscal year 2015 to Ps.28,905 million during fiscal year 2016, (ii) a Ps.52 million increase in revenues from admission fees, (iii) a Ps.41 million increase in revenues from parking lot, and (iv) a Ps.34 million increase in revenues from commissions, among other items.

Offices and Others. Revenues from the Offices and Others segment rose by 2.1% 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 area, rose by 34.0%, 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 depreciation of the Peso while rental revenues associated with properties whose leasable area had sustained a reduction, 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 US$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%, 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 pesos) of our hotel portfolio.

International. Revenues from the International segment dropped by 100.0% 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 Company in fiscal year 2015.

Financial Operations and Others. Revenues from the Financial Operations 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.1,426 million.

Costs

Costs	Year ended on June 30, 2016 Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Centers	(1,505)	(4)	1,113	(6)	(402)
Offices and Others	(137)	(8)	94	-	(51)
Sales and Developments	(15)	(5)	-	-	(20)
Hotels	(361)	-	-	-	(361)
International	-	-	-	-	-
Financial Operations and Others	-	-	-	-	-

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Costs	Year ended on June 30, 2016 Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Total Operations Center in Argentina	(2,018)	(17)	1,207	(6)	(834)
Operations Center in Israel					
Real Estate	(837)	-	-	-	(837)
Supermarkets	(13,925)	-	-	-	(13,925)
Agrochemicals	-	-	-	-	-
Telecommunications	(4,525)	-	-	-	(4,525)
Insurance	-	-	-	-	-
Other	(1,194)	-	-	-	(1,194)
Total Operations Center in Israel	(20,481)	-	-	-	(20,481)
Total Costs	(22,499)	(17)	1,207	(6)	(21,315)
Operations Center in Argentina					
Shopping Centers	(1,102)	(4)	820	(4)	(290)
Offices and Others	(108)	(5)	79	-	(34)
Sales and Developments	(14)	(5)	-	-	(19)
Hotels	(278)	-	-	-	(278)
International	(9)	-	2	-	(7)
Financial Operations and Others	-	-	-	-	-
Total Costs	(1,511)	(14)	901	(4)	(628)

Costs	Year ended on June 30, 2015 Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Centers	(1,102)	(4)	820	(4)	(290)
Offices and Others	(108)	(5)	79	-	(34)
Sales and Developments	(14)	(5)	-	-	(19)
Hotels	(278)	-	-	-	(278)
International	(9)	-	2	-	(7)
Financial Operations and Others	-	-	-	-	-
Total Costs	(1,511)	(14)	901	(4)	(628)

Total consolidated costs, pursuant to the income statement, increased by Ps.20,988 million, from Ps.1,511 million during fiscal year 2015 to Ps.22,499 million during fiscal year 2016 (of which Ps.20,481 million are derived from the Operations Center in Israel and Ps.2,018 million from the Operations Center in Argentina). Without considering the costs from the Operations Center in Israel, costs rose by 33.6%. Total consolidated costs as a percentage of total consolidated revenues also increased by 44.4% during fiscal year 2015 to 68.9% 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 44.4% during fiscal year 2015 to 45.4% during fiscal year 2016.

In turn, costs from common maintenance expenses and the common advertising fund increased by 34.0%, from Ps.901 million during fiscal year 2015 (of which Ps.820 million are allocated to the Shopping Centers 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 Centers 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 Centers, 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 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 million (to cover the deficit in the common advertising fund and common maintenance expenses). Such change was also attributable to: a Ps.54.1 million increase 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, common maintenance andother 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 21.4%, from Ps.14 million during fiscal year 2015 (of which Ps.4 million are allocated to the Shopping Centers 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.17 million during fiscal year 2016 (of which Ps.4 million are allocated to the Shopping Centers segment, Ps.8 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 Centers segment within the Operations Center in Argentina).

Therefore, based on business segment reporting (taking into consideration the costs from our joint businesses and without considering the costs from common maintenance expenses and common advertising fund or costs from inter-segment operations), costs rose by Ps.20,687 million from Ps.628 million during fiscal year 2015 to Ps.21,315 million during fiscal year 2016 (of which Ps.20,481 million are attributable to the Operations Center in Israel and Ps.834 million to the Operations Center in Argentina). Without considering the costs from the Operations Center in Israel, costs rose by 32.8%. Furthermore, total costs as a percentage of total revenues, pursuant to business segment reporting, increased from 24.6% during fiscal year 2015 to 67.6% during fiscal year 2016, and such increase is mainly attributable to the Operating 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 24.6% during fiscal year 2015 to 25.4% during fiscal year 2016.

Operations Center in Argentina

Shopping Centers. Costs from the Shopping Centers segment increased by 38.6%, from Ps.290 million during fiscal year 2015 to Ps.402 million during fiscal year 2016. This increase is mainly due to: (i) higher depreciation and amortization costs of Ps.56 million; (ii) increased lease and common maintenance expenses of Ps.30 million; (iii) a Ps.10 million increase in maintenance, security, cleaning, repair and other expenses (caused mainly by higher security and cleaning services expenses and increased public utilities costs); and (iv) a Ps.10 million increase in salaries, social security charges and other personnel expenses, among other items. Costs from the Shopping Centers segment, as a percentage of revenues derived from this segment, increased slightly from 16.3% during the fiscal year ended June 30, 2015 to 16.7% during fiscal year 2016.

Offices and Others. Costs in the Offices and Others segment increased by 50.0%, from Ps.34 million during fiscal year 2015 to Ps.51 million during fiscal year 2016, mainly as a consequence of: (i) a Ps.7 million increase in maintenance, security, cleaning, repair and other expenses; (ii) an increase in lease and common maintenance expenses of Ps.6 million and (iii) an increase in amortization and depreciation expense of Ps.5 million. This variance is affected by the partial sales of investment properties available for lease during fiscal year 2016. Costs associated to non-comparable properties increased by 4.0%, from Ps.9 million to Ps.10 million. In addition, costs, costs associated with comparable properties in both fiscal years when there were no partial sales, increased by 76.8%, from Ps.24 million to Ps.42 million, primarily owing to increased maintenance costs. Total costs in the Offices and Others segment, as a percentage of this segment's revenues, rose from 10.2% during fiscal year 2015 to 15.0% during fiscal year 2016.

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 by the Company over time. The costs associated to our Sales and Developments segment increased 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 segment revenues, decreased 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.837 million. Costs, as a percentage of segment revenues amounted to 54.4%.

Supermarkets. During fiscal year 2016, costs from the Supermarkets segment totaled Ps.13,925 million. Costs, as a percentage of segment revenues, amounted to 74.8%.

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

Others. During fiscal year 2016, costs from the Others segment totaled Ps.1,194 million. Costs, as a percentage of segment revenue amounted to 83.7%.

Gross profit

	Year ended on June 30, 2016				
Gross profit	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Operations Center in Argentina					
Shopping Centers	1,982	16	12	(6)	2,004
Offices and Others	285	(4)	1	7	289
Sales and Developments	(12)	-	-	-	(12)
Hotels	172	-	-	1	173
International	-	-	-	-	-
Financial Operations and Others	1	-	-	-	1
Total Operations Center in Argentina	2,428	12	13	2	2,455
Operations Center in Israel					
Real Estate	701	-	-	-	701
Supermarkets	4,685	-	-	-	4,685
Agrochemicals	-	-	-	-	-
Telecommunications	2,130	-	-	-	2,130
Insurance	-	-	-	-	-
Other	232	-	-	-	232
Total Operations Center in Israel	7,748	-	-	-	7,748
Total Gross profit	10,176	12	13	2	10,203

	Year ended on June 30, 2015				
Gross profit	Income statement	Interest in joint	Expenses and	Inter-segment eliminations	Segment-reporting

		ventures	Collective Promotion Fund		
	(in millions of Ps.)				
Operations Center in Argentina					
Shopping Centers	1,469	9	14	(4)	1,488
Offices and Others	290	4	-	5	299
Sales and Developments	(4)	-	-	-	(4)
Hotels	118	-	-	-	118
International	19	-	-	-	19
Financial Operations and Others	-	-	-	-	-
Total Gross profit	1,892	13	14	1	1,920

Total consolidated gross profit increased by Ps.8,284 million, from Ps.1,892 million during fiscal year 2015 to Ps.10,176 million during fiscal year 2016 (of which Ps.7,748 million was derived from the Operations Center in Israel and Ps.2,428 million from the Operations Center in Argentina). Excluding the results 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, decreased 55.6% during fiscal year 2015 to 31.1% during fiscal year 2016. Excluding the results of the Operations Center in Israel, total consolidated gross profit experienced a slight decline from 55.6% during fiscal year 2015 to 54.6% during fiscal year 2016.

Total gross profit from common maintenance expenses and the common advertising fund did not experience significant changes and remained at approximately Ps.14 million in both fiscal years (mostly allocated to the Shopping Centers segment).

Furthermore, gross profit from our joint businesses decreased by 7.7% from Ps.13 million in fiscal year 2015 to Ps.12 million in fiscal year 2016.

Therefore, based on business segment reporting (taking into consideration the gross profit from our joint businesses and without considering the gross profit from common maintenance expenses and common advertising fund or inter-segment gross profits), gross profit rose by Ps.8,283 million from Ps.1,920 million during fiscal year 2015 to Ps.10,203 million during fiscal year 2016 (of which Ps.7,748 million was attributable to the Operations Center in Israel and Ps.2,455 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, decreased from 75.4% during fiscal year 2015 to 32.4% during fiscal year 2016. Excluding the results of the Operations Center in Israel, gross profit as a percentage of total revenues experienced a slight decline from 75.4% during fiscal year 2015 to 74.6% during fiscal year 2016.

Operations Center in Argentina

Shopping Centers. Gross profit at the Shopping Centers segment increased by 34.7%, from Ps.1,488 million during fiscal year 2015 to Ps.2,004 million during fiscal year 2016, mainly due to an increase in our tenants’ total sales, resulting in higher lease payments as a percentage of volume sales. Gross profit from the Shopping Centers segment as a percentage of this segment’s revenues experienced a slight decline from 83.7% during fiscal year 2015 to 83.3% during fiscal year 2016.

Offices and Others. Gross profit at the Offices and Others segment fell by 3.3%, from Ps.299 million during fiscal year 2015 to Ps.289 million during fiscal year 2016. Gross profit for the Offices and Others segment as a percentage of this segment’s revenues decreased from 89.8% during fiscal year 2015 to 85.0% during fiscal year 2016.

Sales and Developments. Gross profit (loss) at the Sales and Developments segment increased by Ps.8 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%, 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 and Others. Gross profit at the Financial Operations 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.701 million. Gross profit, as a percentage of segment revenues amounted to 45.6%.

Supermarkets. During fiscal year 2016, gross profit from the Supermarkets segment totaled Ps.4,685 million. Gross profit, as a percentage of segment revenues amounted to 25.2%.

Shufersal's results in the first half of calendar year 2016 were affected by the following key factors:

.
Continued increased efficiency with respect to its real estate assets.

.
Shufersal is continuing to prepare strategies for various scenarios in connection with the change in ownership of the Mega chain in the city centers.

.
Continued acceleration of the development of Shufersal's digital platform, which primarily included the Shufersal Online, including the opening of designated warehouses.

.
Continued building of its private brand.

Telecommunications. During fiscal year 2016, gross profit from the Telecommunications segment totaled Ps.2,130 million. Gross profit, as a percentage of segment revenues amounted to 32.0%.

Others. During fiscal year 2016, gross profit from the Others segment totaled Ps.232 million. Gross profit, as a percentage of segment revenues amounted to 16.3%.

Gain from disposal of investment properties

Total gain from disposal of investment properties, based on business segment reporting, fell by 4.3%, from Ps.1,163 million during fiscal year 2015 (allocated to the Operations Center in Argentina) to Ps.1,113 million during fiscal year 2016 (of which Ps.1,068 million are attributable to the Operations Center in Argentina and Ps.45 million to Operations Center in Israel). Without considering the effect of the Operations Center in Israel, total gain from the disposal of investment properties decreased by 8.2%. Total gain from disposal of investment properties, as a percentage of revenues from sales, leases and services, declined by 34.2% during fiscal year 2015 to 3.3% during fiscal year 2016. Excluding the effect of the gain from the disposal of investment properties attributable to the Operations Center in Israel, gain from disposal of investment properties as a percentage of total revenues declined from 34.2% in fiscal year 2015 to 24.0% in fiscal year 2016.

Operations Center in Argentina

Sales and Developments. Gain from disposal of investment properties from our Sales and Developments segment fell by 8.2%, from Ps.1,163 million during fiscal year 2015 to Ps.1,068 million during fiscal year 2016, due primarily to the lower level of sales of functional units at Bouchard 551 (Ps.459 million) and Madison Ave. (Ps.297 million), partially offset by the sale of all units at Dique IV (Ps.587 million) and functional units at Intercontinental Plaza (Ps.300 million), Maipú 1300 (Ps.110 million) and Isla Sirgadero (Ps.33 million), among others.

Operations Center in Israel

Real Estate. During fiscal year 2016, the gain from disposal of investment properties from the Real Estate segment was Ps.45 million.

General & administrative expenses

General & administrative expenses	Year ended on June 30, 2016				
	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Operations Center in Argentina					
Shopping Centers	(178)	-	-	(1)	(179)
Offices and Others	(50)	-	-	-	(50)
Sales and Developments	(126)	(1)	-	(4)	(131)
Hotels	(101)	-	-	(2)	(103)
International	(91)	-	-	-	(91)
Financial Operations and Others	-	-	-	-	-
Total Operations Center in Argentina	(546)	(1)	-	(7)	(554)
Operations Center in Israel					
Real Estate	(100)	-	-	-	(100)
Supermarkets	(203)	-	-	-	(203)
Agrochemicals	-	-	-	-	-
Telecommunications	(708)	-	-	-	(708)

Insurance	-	-	-	-	-
Other	(376)	-	-	-	(376)
Total Operations Center in Israel	(1,387)	-	-	-	(1,387)
Total General & administrative expenses	(1,933)	(1)	-	(7)	(1,941)

General & administrative expenses	Year ended on June 30, 2015 Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Centers	(136)	-	-	-	(136)
Offices and Others	(57)	-	-	(1)	(58)
Sales and Developments	(49)	(1)	-	-	(50)
Hotels	(76)	-	-	(2)	(78)
International	(56)	-	-	-	(56)
Financial Operations and Others	-	-	-	-	-
Total General & administrative expenses	(374)	(1)	-	(3)	(378)

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Total general & administrative expenses increased by Ps.1,559 million, from Ps.374 million during fiscal year 2015 to Ps.1,933 million during fiscal year 2016 (of which Ps.1,387 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 & administrative expenses rose by 46.0%. Total general & 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 & 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 & administrative expenses from our joint ventures did not experience significant changes during the reported periods.

General & 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 mainly allocated to the Sales and Developments and Hotels segments within the Operations Center in Argentina in 2016 and to Hotels in 2015).

Therefore, based on business segment reporting (taking into consideration the general & administrative expenses from our joint businesses and without considering common maintenance expenses and the common advertising fund and expenses related to inter-segment operations), general & administrative expenses rose by Ps.1,563 million from Ps.378 million during fiscal year 2015 to Ps.1,941 million during fiscal year 2016 (of which Ps.1,387 million are attributable to the Operations Center in Israel and Ps.554 million to the Operations Center in Argentina). Without considering the general & administrative expenses from the Operations Center in Israel, general & administrative expenses pursuant to business segment reporting rose by 46.6%. Furthermore, general & administrative expenses as a percentage of revenues, pursuant to business segment reporting, declined from 14.8% during fiscal year 2015 to 6.2% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, total general & 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 Centers. General & administrative expenses in the Shopping Centers segment increased by 31.6%, 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 reasons. General & administrative expenses of Shopping Centers, 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 & administrative expenses in our Offices and Others segment declined by 13.8%, from Ps.58 million during fiscal year 2015 to Ps.50 million during fiscal year 2016, primarily due to: (i) a Ps.12 million decrease in salaries, social security charges and other personnel expenses; partially offset by (ii) a Ps.6 million increase in Directors' fees, among other reasons. The segment's general & administrative expenses, as a percentage of this segment's revenues, fell from 17.4% during fiscal year 2015 to 14.7% during fiscal year 2016.

Sales and Developments. General & administrative expenses associated to our Sales and Developments segment increased by Ps.81 million, from Ps.50 million during fiscal year 2015 to Ps.131 million during fiscal year 2016, primarily owing to: (i) a Ps.26 million increase in salaries, social security charges and other personnel expenses, (ii) a Ps.24 million increase in fees and payment for services, and (iii) a Ps.21 million increase in Director's fees, among other reasons.

Hotels. General & 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 & administrative expenses associated with the Hotels segment as a percentage of this segment's revenues rose from 19.7% during fiscal year ended 2015 to 19.3% during fiscal year 2016.

International. General & 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 Operation and Others. General & administrative expenses associated to our Financial Operations and Others segment did not show significant changes for the fiscal years under discussion.

Operations Center in Israel

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

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

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

Others. During fiscal year 2016, general & administrative expenses associated to the Others segment totaled Ps.376 million. General & administrative expenses as a percentage of segment revenues amounted to 26.4%.

Selling expenses

	Year ended on June 30, 2016				
Selling expenses	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Operations Center in Argentina					
Shopping Centers	(144)	(1)	-	-	(145)
Offices and Others	(12)	-	-	-	(12)
Sales and Developments	(35)	(1)	-	-	(36)
Hotels	(69)	-	-	-	(69)
International	-	-	-	-	-
Financial Operations and Others	(2)	-	-	-	(2)
Total Operations Center in Argentina	(262)	(2)	-	-	(264)
Operations Center in Israel					
Real Estate	(29)	-	-	-	(29)
Supermarkets	(4,058)	-	-	-	(4,058)
Agrochemicals	-	-	-	-	-
Telecommunications	(1,493)	-	-	-	(1,493)
Insurance	-	-	-	-	-
Other	(106)	-	-	-	(106)
Total Operations Center in Israel	(5,686)	-	-	-	(5,686)
Total Selling expenses	(5,948)	(2)	-	-	(5,950)

	Year ended on June 30, 2015	
Selling expenses		Segment-reporting

	Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	
Operations Center in Argentina					
Shopping Centers	(112)	(1)	-	-	(113)
Offices and Others	(22)	-	-	-	(22)
Sales and Developments	(8)	(1)	-	-	(9)
Hotels	(52)	-	-	-	(52)
International	-	-	-	-	-
Financial Operations and Others	-	-	-	-	-
Total Selling expenses	(194)	(2)	-	-	(196)

Total consolidated selling expenses, increased by Ps.5,754 million, from Ps.194 million during fiscal year 2015 to Ps.5,948 million during fiscal year 2016 (of which Ps.5,686 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 increased by 35.1%. Total consolidated selling expenses, as a percentage of revenues from sales, leases and services, increased from 5.7% during fiscal year 2015 to 18.2% 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 businesses did not experience significant changes during the reported periods.

Business segment reporting (taking into consideration the selling expenses from our joint businesses and without considering those related to common maintenance expenses and common advertising fund or inter-segment expenses), selling expenses increased by Ps.5,754 million from Ps.196 million during fiscal year 2015 to Ps.5,950 million during fiscal year 2016 (of which Ps.5,686 million are attributable to the Operations Center in Israel and Ps.264 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, selling expenses increased 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 Centers. Selling expenses in the Shopping Centers segment rose by 28.3%, 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 factors. Selling expenses, as a percentage of the Shopping Centers 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 45.5%, from Ps.22 million during fiscal year 2015 to Ps.12 million during fiscal year 2016. Such variation was mainly due to a recovery of Ps.6 million from the loan loss charges, among other factors. The selling expenses associated to our Offices and Others segment, as a percentage of segment revenues, decreased from 6.6% during fiscal year 2015 to 3.5% during fiscal year 2016.

Sales and Developments. Selling expenses for the Sales and Developments segment increased by Ps.27 million, from Ps.9 million during fiscal year 2015 to Ps.36 million during fiscal year 2016, mainly as a result of an increase in taxes, rates and contributions of Ps.21 million, mostly attributable 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 segment revenues experienced a slight decline from 13.1% during fiscal year 2015 to 12.9% during fiscal year 2016.

Financial Operations and Others. Selling expenses in the Financial Operations and Others segment did not experience significant changes during the reported years.

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.4,058 million. Selling expenses as a percentage of the revenues derived from this segment amounted to 21.8%.

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 22.4%.

Others. During fiscal year 2016, selling expenses associated to the Others segment totaled Ps.106 million. Selling expenses as a percentage of the revenues derived from this segment amounted to 7.4%.

Other operating results, net

Other operating results, net	Year ended on June 30, 2016 Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Centers	(40)	(2)	-	-	(42)
Offices and Others	(7)	-	-	1	(6)
Sales and Developments	(17)	4	-	4	(8)
Hotels	(2)	-	-	-	(2)
International	89	-	-	-	88

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Other operating results, net	Year ended on June 30, 2016 Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Financial Operations and Others	1	-	-	-	1
Total Operations Center in Argentina	24		-	5	31
Operations Center in Israel					
Real Estate	-	-	-	-	-
Supermarkets	-	-	-	-	-
Agrochemicals	-	-	-	-	-
Telecommunications	-	-	-	-	-
Insurance	-	-	-	-	-
Other	-	-	-	-	-
Total Operations Center in Israel	-	-	-	-	-
Total Other operating results, net	24	2	-	5	31

Other operating results, net	Year ended on June 30, 2015 Income statement	Interest in joint ventures (in millions of Ps.)	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Operations Center in Argentina					
Shopping Centers	(48)	(2)	-	-	(49)
Offices and Others	(118)	-	-	1	(117)
Sales and Developments	13	-	-	1	13
Hotels	-	-	-	-	-
International	183	-	-	-	183
Financial Operations and Others	(2)	-	-	-	(2)
Total Other operating results, net	28	(2)	-	2	28

Other operating results, net, declined by Ps.4 million, from a net gain of Ps.28 million during fiscal year 2015 to a net gain of Ps.24 million during fiscal year 2016 (attributable to the Operations Center in Argentina). Such decline was mostly attributable to non-recurring expenses in connection with the transfer of assets from IRSA to IRSA PC (Ps.110 million) and the proceeds from the sale of our equity interest in Bitania (Ps.16 million) accounted for in 2015; partially offset by lower profits due to partially realized exchange gains during the period (Ps.92 million).

Other operating results, net from our joint ventures increased by Ps.4 million, from a loss of Ps.2 million during fiscal year 2015 (allocated to the Shopping Centers 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 Centers segment within the Operations Center in Argentina).

Other operating results from inter-segment operations increased by Ps.3 million, from Ps.2 million during fiscal year 2015 (allocated to the Offices and Others and Sales and Developments segments 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 businesses and without considering those related to inter-segment operations), Other operating results, net rose by Ps.3 million from a net gain of Ps.28 million during fiscal year 2015 to a net gain of Ps.31 million during fiscal year 2016 (allocated to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, Other operating results, net rose by Ps.3 million.

Operations Center in Argentina

Shopping Centers. Other operating losses, net for the Shopping Centers segment declined by 14.3%, from Ps.49 million during fiscal year 2015 to Ps.42 million during fiscal year 2016, mainly as a consequence of 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 Centers segment, shrank from 2.0% during fiscal year 2015 to 1.7% 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, mainly due to non-recurring expenses in connection with the transfer of assets from IRSA to IRSA CP for Ps.110 million accounted for in fiscal year 2015, among other factors.

Sales and Developments. Other operating income, net in connection with our Sales and Developments segment declined by Ps.21 million, from a gain of Ps.13 million during fiscal year 2015 to a loss of Ps.8 million during fiscal year 2016, mainly due to Ps.16 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 other contingencies.

International. Other operating results, net in this segment declined by 51.9% from a net gain of Ps.183 million during fiscal year 2015 to a net gain of Ps.88 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 the Rigby, following the partial repayment of the company's capital stock.

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

Operating income/(loss)

	Year ended on June 30, 2016				
Operating income/(loss)	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Operations Center in Argentina					
Shopping Centers	1,620	13	12	(7)	1,638
Offices and Others	216	(4)	1	8	221
Sales and Developments	878	3	-	-	881
Hotels	-	-	-	(1)	(1)
International	(3)	-	-	-	(3)
Financial Operations and Others	-	-	-	-	-
Total Operations Center in Argentina	2,711	12	13	-	2,736

Operations Center in Israel					
Real Estate	617	-	-	-	617
Supermarkets	424	-	-	-	424
Agrochemicals	-	-	-	-	-
Telecommunications	(71)	-	-	-	(71)
Insurance	-	-	-	-	-
Other	(250)	-	-	-	(250)
Total Operations Center in Israel	720	-	-	-	720
Total Operating income/(loss)	3,432	12	13	-	3,456

	Year ended on June 30, 2015				
Operating income/(loss)	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Operations Center in Argentina					
Shopping Centers	1,173	7	14	(4)	1,190
Offices and Others	92	3	-	7	102
Sales and Developments	1,115	(2)	-	-	1,113
Hotels	(9)	-	-	(3)	(12)
International	146	-	-	-	146
Financial Operations and Others	(2)	-	-	-	(2)
Total Operating income/(loss)	2,515	8	14	-	2,537

Total consolidated operating income, pursuant to the income statement, increased by 36.5%, from Ps.2,515 million during fiscal year 2015 to Ps.3,432 million during fiscal year 2016 (of which Ps.720 million are attributable to the Operations Center in Israel and Ps.2,711 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, operating income/(loss) rose by 7.8%. Operating income/(loss), as a percentage of revenues from sales, leases and services, declined from 73.9% during fiscal year 2015 to 10.5% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, total consolidated operating income/(loss), as a percentage of total revenues, decreased from 73.9% during fiscal year 2015 to 61.0% during fiscal year 2016.

Operating income/(loss) from our joint ventures increased by 50.0%, from Ps.8 million during fiscal year 2015 (of which a gain of Ps.7 million is allocated to the Shopping Centers segment; a gain of Ps.3 million is allocated to the Offices and Others segment, and a loss of Ps.2 million is allocated to the Sales and Developments segment within the Operations Center in Argentina) to Ps.12 million during fiscal year 2016 (of which a gain of Ps.13 million is allocated to the Shopping Centers segment; a loss of Ps.4 million is allocated to the Offices and Others segment, and a gain of Ps.3 million is allocated to the Sales and Developments segment within the Operations Center in Argentina), mainly as a result of an increase in operating income from Nuevo Puerto Santa Fe S.A. and Baicom, among others, partially offset by a decline in operating income from Quality S.A.

Operating income/(loss) associated to common maintenance expenses and common advertising fund did not experience significant changes and remained at approximately Ps.14 million in both fiscal years (allocated mainly to the Shopping Centers segment).

Operating income/(loss) from inter-segment operations did not experience significant changes during the reported periods.

Based on business segment reporting (taking into consideration the operating income/(loss) from our joint businesses and without considering operating income/(loss) related to common maintenance expenses and common advertising fund or inter-segment operations), operating income/(loss) rose by 36.2% from Ps.2,537 million during fiscal year 2015 to Ps.3,456 million during fiscal year 2016 (of which Ps.720 million are attributable to the Operations Center in Israel and Ps.2,736 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, operating income/(loss) rose by 7.8%. Furthermore, operating income/(loss) as a percentage of revenues, pursuant to business segment reporting, fell from 99.6% during fiscal year 2015 to 11.0% during fiscal year 2016. Without considering the effect of the Operations Center in Israel, total operating income/(loss) as a percentage of total revenues, pursuant to business segment reporting, declined from 99.6% during fiscal year 2015 to 83.2% during fiscal year 2016.

Operations Center in Argentina

Shopping Centers. Operating income in our Shopping Centers segment grew by 37.6%, from Ps.1,190 million in income during fiscal year 2015 to Ps.1,638 million in income during fiscal year 2016. Operating income for our Shopping Centers segment, as a percentage of this segment's revenues, increased from 66.9% during fiscal year 2015 to 68.1% during fiscal year 2016.

Offices and Others. Operating income in our Offices and Others segment rose by 116.7%, from Ps.102 million in income during fiscal year 2015 to Ps.221 million in income during fiscal year 2016. Operating income in our Offices and Others segment measured as percentage of segment revenues increased from 30.9% during fiscal year 2015 to 65.0% during fiscal year 2016.

Sales and Developments. Operating income in our Sales and Developments segment fell by 20.8%, from income for Ps.1,113 million during fiscal year 2015 to income for Ps.881 million during fiscal year 2016.

Hotels. Operating income/(loss) in the Hotels segment grew by 91.7%, from a loss of Ps.12 million during fiscal year 2015 to a loss of Ps.1 million during fiscal year 2016.

International. Operating income/(loss) in our International segment shrank by 149 million from Ps.146 million in income during fiscal year 2015 to Ps.3 million loss during fiscal year 2016.

Financial Operations and Others. Operating income/(loss) for our Financial Operations and Others segment did not experience significant changes during the reported periods.

Operations Center in Israel

Real Estate. During fiscal year 2016, operating income associated to the Real Estate segment totaled Ps.617 million and, as a percentage of the revenues derived from this segment, amounted to 40.1%.

Supermarkets. During fiscal year 2016, operating income associated to the Supermarkets segment totaled Ps.424 million and, as a percentage of the revenues derived from this segment, amounted to 2.3%.

Telecommunications. During fiscal year 2016, operating loss associated to the Telecommunications segment totaled Ps.71 million.

Others. During fiscal year 2016, operating loss associated to the Others segment totaled Ps.250 million.

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

Share of profit / (loss) of associates and joint ventures	Year ended on June 30, 2016				
	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Operations Center in Argentina					
Shopping Centers	7	(7)	-	-	-
Offices and Others	6	8	-	-	14
Sales and Developments	16	(11)	-	-	5
Hotels	-	-	-	-	-
International	(151)	-	-	-	(151)
Financial Operations and Others	231	-	-	-	231
Total Operations Center in Argentina	109	(10)	-	-	99
Operations Center in Israel					
Real Estate	97	-	-	-	97
Supermarkets	-	-	-	-	-
Agrochemicals	334	-	-	-	334
Telecommunications	-	-	-	-	-
Insurance	-	-	-	-	-
Other	(93)	-	-	-	(93)
Total Operations Center in Israel	338	-	-	-	338
Total Share of profit / (loss) of associates and joint ventures	447	(10)	-	-	437

Share of profit / (loss) of associates and joint ventures	Year ended on June 30, 2015				
	Income statement	Interest in joint ventures	Expenses and Collective Promotion	Inter-segment eliminations	Segment-reporting

			Fund		
	(in millions of Ps.)				
Shopping Centers	5	(5)	-	-	-
Offices and Others	(1)	(2)	-	-	(3)
Sales and Developments	7	(6)	-	-	1
Hotels	1	-	-	-	1
International	(1,189)	-	-	-	(1,189)
Financial Operations and Others	155	-	-	-	155
Total Share of profit / (loss) of associates and joint ventures	(1,023)	(12)	-	-	(1,035)

Our share of income of associates and joint ventures, pursuant to the income statement, increased by 143.7%, from a loss of Ps.1,023 million during fiscal year 2015 to an income of Ps.447 million during fiscal year 2016 (of which a gain of Ps.338 million is attributable to the Operations Center in Israel and an income of Ps.107 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, our share of loss of associates and joint ventures rose by 110.5%, mainly as a result of the losses derived from our International segment, partially offset by an increase in income from our Financial Operations and Others segment.

Furthermore, our net share of profit (loss) of associates and joint ventures from Nuevo Puerto Santa Fe S.A. (Shopping Centers 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 16.7%, from a loss of Ps.12 million during fiscal year 2015 to a loss of Ps.10 million during fiscal year 2016, mostly due to the results of Quality S.A., following a decline in that company's revenues.

Operations Center in Argentina

Shopping Centers. 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 from a loss of Ps.3 million during fiscal year 2015 to Ps.14 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 declined by 87.3%, from Ps.1,189 million in loss during fiscal year 2015 to Ps.151 million in loss during fiscal year 2016, mainly due to: (i) the non-recurrence of losses from our investment in IDBD, from a loss of Ps.1,001 million during fiscal year 2015 to an income of Ps.79 million during fiscal year 2016 (the income (loss) derived from changes in the fair value of such investment was disclosed within the International segment until October 11, 2015); and (ii) increased losses derived from our investment in New Lipstick for Ps.55 million, partially offset by increased gains from Condor for Ps.15 million.

Financial Operations and Others. The share of profit of our associates in the Financial Operations 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.97 million.

Agrochemicals. During fiscal year 2016, the share of profit / (loss) of associates and joint ventures associated to the Agrochemicals segment (profit) totaled Ps.334 million.

Others. During fiscal year 2016, the share of profit / (loss) of associates and joint ventures associated to the Others segment (loss) totaled Ps.93 million.

Financial results, net

Net financial loss increased Ps.4,087 million, from a loss of Ps.933 million during fiscal year 2015 to a loss of Ps.5,020 million during fiscal year 2016 (of which Ps.3,167 million are derived from the Operations Center in Israel

and Ps.1,844 million are derived from the Operations Center in Argentina).

Operations Center in Argentina

Net financial loss increased by 98.6%, from Ps.933 million during fiscal year 2015 to Ps.1,853 million during fiscal year 2016, mainly as a result of: (i) an increase of Ps.2,891 million in financial costs (mostly caused by: (a) an increase in currency exchange losses of Ps.2,183 million; (b) an increase in the interest expense on loans and notes for Ps.415 million, and (c) a negative charge in connection with the tender offers associated to IRSA CP Notes Series I and IRSA Notes Series I and II for Ps.187 million); partially offset by: (ii) increased gains from other financial results of Ps.1,406 million (mainly attributable to: (d) the exposure of financial derivatives at fair value for Ps.984 million and (e) other financial assets for Ps.423 million);and (iii) an increase in financial income of Ps.583 million (mainly caused by: (f) increased exchange gains and interest income for Ps.583 million.

Operations Center in Israel

The net financial loss from the Operations Center in Israel amounted to Ps.3,167 million, of which Ps.1,937 million are attributable to the exposure of financial assets and liabilities at fair value, mostly Clal's shares of stock (Ps.1,945 million) and to a charge for impairment of investment properties of Ps.352 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. Income tax expense was Ps.489 million loss during fiscal year 2015 and a Ps.149 million loss during fiscal year 2016, of which a Ps.207 million loss was derived from the Operations Center in Argentina and a Ps.58 million loss was derived from the Operations Center in Israel.

Income/(loss) for the year

As a result of the factors described above, income/(loss) for 2016 decreased from a gain of Ps.70 million during fiscal year 2015 to a loss of Ps.1,290 million during fiscal year 2016, of which a gain of Ps.761 million is attributable to the Operations Center in Argentina and a loss of Ps.2,051 million is attributable to the Operations Center in Israel.

Results of operations for the fiscal years ended on June 30, 2015 and 2014

Revenues

Revenues	Year ended on June 30, 2015 Income statement (*)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Shopping Centers	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 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 common maintenance expenses and common advertising fund (Ps.887 million).

Revenues	Year ended on June 30, 2014 Income statement (*)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Shopping Centers	2,032	9	(659)	1	1,383
Offices and Others	327	9	(70)	5	271
	62	23	-	-	85

Sales and Developments					
Hotels	332	-	-	-	332
International	91	-	(7)	-	84
Financial Operations and Others	1	-	-	-	1
Total Revenues	2,845	41	(736)	6	2,156

(*) Includes revenues from sales, leases and services (Ps.2,109 million) and revenues from common maintenance expenses and common advertising fund (Ps.736 million).

Revenues from sales, leases and services, pursuant to income statement, rose by 19.3%, from Ps.2,109 million during fiscal year 2014 to Ps.2,516 million during fiscal year 2015.

In turn, revenues from common maintenance expenses and common advertising fund increased by 20.5%, from Ps.736 million during fiscal year 2014 (of which Ps.659 million are allocated to the Shopping Centers segment) to Ps.887 million during fiscal year 2015 (of which Ps.806 million are allocated to the Shopping Centers segment).

Furthermore, revenues from interests in our joint ventures showed a 34.1% decrease, from Ps.41 million during fiscal year 2014 to Ps.27 million during fiscal year 2015, mainly due to lower revenues from sales related to the Horizons project, from the CYRSA S.A. joint venture.

Finally, inter-segment revenues decreased by 16.7%, from Ps.6 million during fiscal year 2014 (of which Ps.5 million are allocated to the Offices and Others segment) to Ps.5 million during fiscal year 2015 (allocated to the Offices and Others segment).

Thus, according to business segment reporting, revenues grew by 18.2%, from Ps.2,156 million during fiscal year 2014 to Ps.2,548 million during fiscal year 2015.

Shopping Centers. Revenues from the Shopping Centers segment rose by 28.6%, from Ps.1,383 million during fiscal year 2014 to Ps.1,778 million during fiscal year 2015. This increase arose mainly from: (i) a Ps.318 million increase in the revenues from base and percentage rents stemming from a 33.3% increase in our tenants' total sales, from Ps.16,133 million during fiscal year 2014 to Ps.21,509 million during fiscal year 2015, (ii) a Ps.30 million increase in revenues from admission fees, (iii) a Ps.31 million increase in revenues from parking lot, and (iv) a Ps.17 million increase in revenues from commissions, management fees and others.

Offices and Others. Revenues from the Offices and Others segment rose by 22.9%, from Ps.271 million during fiscal year 2014 to Ps.333 million during fiscal year 2015. They were affected by the partial sales of investment properties that took place during fiscal year 2015 and caused a reduction in the segment's total leasable surface area. Rental revenues, considering properties that are similar for both fiscal years and that did not have any reductions in their leasable area, increased by 30.8%, from Ps.214 million during fiscal year 2014 to Ps.280 million during fiscal year 2015, mainly due to the depreciation of the peso and a higher average rate of occupancy, while rental revenues derived from properties whose leasable area had sustained a reduction, decreased by 45%, from Ps.45 million during fiscal year 2014 to Ps.25 million during fiscal year 2015. At the end of fiscal year 2015, the average occupancy rate for the portfolio of premium offices was 98.1% and the average rental remained close to US$26 per square meter.

Sales and Developments. Without considering our joint ventures, revenues from the Sales and Developments segment decreased by 83.9%, from Ps.62 million during fiscal year 2014 to Ps.10 million during fiscal year 2015. This reduction is mainly due to lower revenues from the sales of units at the Condominios I and II (Ps.45 million) and El Encuentro (Ps.7 million) projects. Revenues from interests in our joint ventures (Horizons), decreased by 78.3%, or Ps.18 million. Therefore, this segment's total revenues decreased by 82.4%, from Ps.85 million during fiscal year 2014 to Ps.15 million during fiscal year 2015.

Hotels. Revenues from our Hotels segment increased by 19.3%, from Ps.332 million during fiscal year 2014 to Ps.396 million during fiscal year 2015, mainly due to a 34.2% increase in the average rate per room (measured in Ps.) of our portfolio of hotels, partially offset by a decrease in average hotel occupancy, from 67.2% during fiscal year 2014 to 65.7% during fiscal year 2015 (mainly in our Llao Llao hotel).

International. Revenues from the International segment decreased by 69.0%, from Ps.84 million during fiscal year 2014 to Ps.26 million during fiscal year 2015, mainly because only 3-months of results were consolidated during fiscal year 2015 compared to 12-months during fiscal year 2014 of the results of Rigby 183 LLC, which owns the Madison 183 building that was sold in September 2014.

Financial Operations and Others. Revenues associated with our Financial Operations and Others segment did not show significant changes for the fiscal years under discussion.

Costs

	Year ended on June 30, 2015	
Costs		Segment-reporting

	Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	
Shopping Centers	(1,102)	(4)	820	(4)	(290)
Offices and Others	(108)	(5)	79	-	(34)
Sales and Developments	(14)	(5)	-	-	(19)
Hotels	(278)	-	-	-	(278)
International	(9)	-	2	-	(7)
Financial Operations and Others	-	-	-	-	-
Total Costs	(1,511)	(14)	901	(4)	(628)

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Costs	Year ended on June 30, 2014 In millions of Ps. Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	(953)	(2)	667	(5)	(293)
Offices and Others	(107)	(6)	70	-	(43)
Sales and Developments	(17)	(16)	-	-	(33)
Hotels	(216)	-	-	-	(216)
International	(61)	-	7	-	(54)
Financial Operations and Others	-	-	-	-	-
Total Costs	(1,354)	(24)	744	(5)	(639)

Total consolidated costs increased by 11.6%, from Ps.1,354 million during fiscal year 2014 to Ps.1,511 million during fiscal year 2015. Total consolidated costs as a percentage of total consolidated revenues, decreased from 47.6% during fiscal year 2014 to 44.4% during fiscal year 2015.

Costs from common maintenance expenses and common advertising fund increased by 21.1%, from Ps.744 million during fiscal year 2014 to Ps.901 million during fiscal year 2015, mainly due to common maintenance expenses and common advertising fund originated by shopping centers, which increased by 22.9%, from Ps.667 million during fiscal year 2014 to Ps.820 million during fiscal year 2015, as a result of: (i) a Ps.60 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), (ii) a Ps.28 million increase in advertising expenses, (iii) a Ps.30 million increase in salaries, social security charges and other personnel expenses, (iv) a Ps.21 million increase in taxes, rates and contributions, and other expenses, and (v) a Ps.14 million increase for other reasons (mainly originated in traveling, transportation and stationery expenses).

Costs from our joint ventures recorded a net decrease of 41.7%, from Ps.24 million during fiscal year 2014 to Ps.14 million during fiscal year 2015, mainly due to lower costs due to a decrease in sales of the Horizons project.

Finally, costs from inter-segment transactions decreased by 20.0%, from Ps.5 million during fiscal year 2014 to Ps.4 million during fiscal year 2015, mainly due to a change in the distribution of costs of our shopping centers.

Business segment reporting, costs decreased by 1.7%, from Ps.639 million during fiscal year 2014 to Ps.628 million during fiscal year 2015. Total costs as a percentage of total revenues, based on business segment reporting, decreased from 29.6% during fiscal year 2014 to 24.6% during fiscal year 2015.

Shopping Centers. Costs from the Shopping Centers segment (without taking into account costs from common maintenance expenses and common advertising fund and inter-segment eliminations and interests in joint ventures) decreased by 1.0%, from Ps.293 million during fiscal year 2014 to Ps.290 million during fiscal year 2015. This decrease is mainly due to: (i) lower costs as a result of the deficit in common maintenance expenses and common advertising fund in our Shopping Centers for Ps.36 million and (ii) decreased depreciation and amortization costs for Ps.4 million, partially offset by higher costs generated by: (iii) a Ps.13 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); (iv) a Ps.10 million increase in salaries, social security charges and other personnel expenses, (v) a Ps.9 million increase in taxes, charges and contributions and other expenses (caused mainly by an increase in provincial taxes on land and municipal rates for utilities, among others); and (vi) a Ps.6 million increase in fees and payments for services. Costs from the Shopping Centers segment, as a percentage of this segment's revenues, decreased by 21.2% during fiscal year 2014 to 16.3% during fiscal year ended June 30, 2015.

Offices and Others. Costs in the Offices and Others segment decreased by 20.9%, from Ps.43 million during fiscal year 2014 to Ps.34 million during fiscal year 2015. This variation is affected by the partial sales of investment properties intended for lease during fiscal year 2015. Costs associated with non-comparable properties decreased by 44.3%, from Ps.5 million to Ps.3 million, mainly due to the referred sales. Besides, costs, considering similar properties in both fiscal years on account of the inexistence of partial sales, decreased by 19.3%, from Ps.37 million to Ps.30 million, mainly due to decreased depreciation and amortization costs. Total costs in the Offices and Others segment, as a percentage of this segment's revenues, fell from 15.9% during fiscal year 2014 to 10.2% during fiscal year 2015.

Sales and Developments. This segment's costs often exhibit significant variations between one period and the other because of the non-recurrence of the sales of properties performed by the Company throughout the time. Without considering our joint ventures, the costs associated with our Sales and Developments segment dropped by 17.6%, from Ps.17 million during fiscal year 2014 to Ps.14 million during fiscal year 2015. This decrease is mainly attributable to lower costs from the sale of units in Condominios I and II (Ps.7 million), partially offset by the increased costs associated with land reserves and properties for sale (Ps.5 million). Costs from our joint ventures (Horizons) decreased by 68.8%, recording a decrease of Ps.11 million. Therefore, total costs from this segment dropped by 42.4%, from Ps.33 million during fiscal year 2014 to Ps.19 million during fiscal year 2015. Costs in the Sales and Developments segment, as a percentage of segment revenues, increased from 38.8% during fiscal year 2014 to 126.7% during fiscal year 2015.

Hotels. Costs in the Hotels segment rose by 28.7%, from Ps.216 million during fiscal year 2014 to Ps.278 million during fiscal year 2015, mainly due to: (i) a Ps.41 million increase in salaries, social security charges and other personnel expenses; (ii) a Ps.11 million increase in the costs of food, beverages and other hotel-related expenses; and (iii) increased charges, amounting to Ps.8 million, as maintenance and repairs, among others. Costs in the Hotels segment, as a percentage of this segment's revenues, increased from 65.1% during fiscal year 2014 to 70.2% during fiscal year 2015.

International. Costs in the International segment dropped by 87.0%, from Ps.54 million during fiscal year 2014 to Ps.7 million during fiscal year 2015 mainly due to the only 3-month consolidation in the year 2015 compared to the 12-month consolidation in the year 2014 of the results of Rigby 183 LLC, owner of the Madison 183 building intended for lease, which was sold in September 2014; in addition, the 3-month period of 2015 does not include amortization and depreciation costs as the property has been classified as available for sale as of June 30, 2014. Costs in the International segment, as a percentage of this segment's revenues, decreased from 64.3% during fiscal year 2014 to 26.9% during fiscal year 2015.

Financial Operations and Others. Costs associated with our Financial Operations and Others segment did not show significant changes for the fiscal years under discussion.

Gross profit

Gross profit	Year ended on June 30, 2015 Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	1,469	9	14	(4)	1,488
Offices and Others	290	4	-	5	299
Sales and Developments	(4)	-	-	-	(4)
Hotels	118	-	-	-	118
International	19	-	-	-	19
Financial Operations and Others	-	-	-	-	-
Total Gross Profit	1,892	13	14	1	1,920

Gross profit	Year ended on June 30, 2014 Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	1,079	7	8	(4)	1,090
Offices and Others	220	3	-	5	228
Sales and Developments	45	7	-	-	52
Hotels	116	-	-	-	116
International	30	-	-	-	30
Financial Operations and Others	1	-	-	-	1
Total Gross Profit	1,491	17	8	1	1,517

As a consequence of the events discussed above, total consolidated gross profit, increased by 26.9%, from Ps.1,491 million during fiscal year 2014 to Ps.1,892 million during fiscal year 2015. Total consolidated gross profit, as a percentage of revenues from sales, leases and services, increased from 70.7% during fiscal year 2014 to 75.2% during fiscal year 2015.

Gross profit due to the elimination of common maintenance expenses and the common advertising fund increased by 75.0%, from Ps.8 million during fiscal year 2014 (which are allocated to the Shopping Centers segment) to Ps.14 million during fiscal year 2015 (which are allocated to the Shopping Centers segment).

Gross profit from our joint ventures decreased by 23.5%, from Ps.17 million during fiscal year 2014 to Ps.13 million during fiscal year 2015.

Based on business segment reporting, gross profit increased by 26.6%, from Ps.1,517 million during fiscal year 2014 to Ps.1,920 million during fiscal year 2015. Furthermore, gross profit, as a percentage of revenues, based on business segment reporting, increased from 70.4% during fiscal year 2014 to 75.4% during fiscal year 2015.

Shopping Centers. Gross profit at the Shopping Centers segment increased by 36.5%, from Ps.1,090 million during fiscal year 2014 to Ps.1,488 million during fiscal year 2015, mainly due to an increase in our tenants' total sales, resulting in higher percentage rent under our lease agreements. Gross profit from the Shopping Centers segment as a percentage of this segment's revenues increased from 78.8% during fiscal year 2014 to 83.7% during fiscal year 2015.

Offices and Others. Gross profit at the Offices and Others segment rose by 31.1%, from Ps.228 million during fiscal year 2014 to Ps.299 million during fiscal year 2015. Gross profit for the Offices and Others segment, as a percentage of this segment's revenues, rose from 84.1% during fiscal year 2014 to 89.8% during fiscal year 2015.

Sales and Developments. Gross profit at the Sales and Developments segment decreased by 107.7%, from a profit of Ps.52 million during fiscal year 2014 to a loss of Ps.4 million during fiscal year 2015, mainly due to lower sales during fiscal year 2015 and an increase in maintenance and repair costs in these properties. Gross profit for the Sales and Developments segment, as a percentage of this segment's revenues, went from a profit of 61.2% during fiscal year 2014 to a loss of 26.7% during fiscal year 2015.

Hotels. Gross profit at the Hotels segment rose by 1.7%, from Ps.116 million during fiscal year 2014 to Ps.118 million during fiscal year 2015. Gross profit for the Hotels segment, as a percentage of this segment's revenues, dropped from 34.9% during fiscal year 2014 to 29.8% during fiscal year 2015.

International. Gross profit at the International segment dropped by 36.7%, from Ps.30 million during fiscal year 2014 to Ps.19 million during fiscal year 2015. Gross profit at the International segment, as a percentage of this segment's revenues, rose from 35.7% during fiscal year 2014 to 73.1% during fiscal year 2015, mainly because no amortizations were recorded during that period.

Financial Operations and Others. Gross profit associated with our Financial Operations and Others segment did not show significant changes for the fiscal years under discussion.

Gain from disposal of investment properties

Gain from disposal of investment properties from our Sales and Developments segment increased by 392.8%, from Ps.236 million during fiscal year 2014 to Ps.1,163 million during fiscal year 2015, mainly due to the sales of functional units at: Intercontinental Plaza (Ps.338 million), Madison Ave. office building (Ps.296 million), higher gain from disposal of Bouchard 551 (Ps.308 million) and Maipú 1300 (Ps.25 million), partially offset by a reduced gain from disposal of Av. de Mayo 595 (Ps.19 million), Constitución 1159 (Ps.13 million) and Costeros Dique IV (Ps.11 million), among others.

General & administrative expenses

	Year ended on June 30, 2015				
General & administrative expenses	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				

Shopping Centers	(136)	-	-	-	(136)
Offices and Others	(57)	-	-	(1)	(58)
Sales and Developments	(49)	(1)	-	-	(50)
Hotels	(76)	-	-	(2)	(78)
International	(56)	-	-	-	(56)
Financial Operations and Others	-	-	-	-	-
Total General & Administrative Expenses	(374)	(1)	-	(3)	(378)

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General & administrative expenses	Year ended on June 30, 2014				
	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Shopping Centers	(102)	-	-	-	(102)
Offices and Others	(41)	-	-	(1)	(42)
Sales and Developments	(36)	(1)	-	-	(37)
Hotels	(59)	-	-	(1)	(60)
International	(59)	-	-	-	(59)
Financial Operations and Others	-	-	-	-	-
Total General & Administrative Expenses	(297)	(1)	-	(2)	(300)

Total administrative expenses, increased by 25.9%, from Ps.297 million during fiscal year 2014 to Ps.374 million during fiscal year 2015. Total administrative expenses as a percentage of revenues from sales, leases and services slightly increased from 14.1% during fiscal year 2014 to 14.9% during fiscal year 2015.

In turn, administrative expenses from our joint ventures did not show significant changes for the fiscal years under discussion.

Based on business segment reporting, and considering both our joint ventures and the inter-segment eliminations, administrative expenses increased by 26.0%, from Ps.300 million during fiscal year 2014 to Ps.378 million during fiscal year 2015. Administrative expenses as a percentage of revenues, based on business segment reporting, increased from 13.9% during fiscal year 2014 to 14.8% during fiscal year 2015.

Shopping Centers. Administrative expenses in the Shopping Centers segment rose by 33.3%, from Ps.102 million during fiscal year 2014 to Ps.136 million during fiscal year 2015, mainly due to: (i) a Ps.26 million increase in the charge associated with Directors' fees; (ii) a Ps.3 million increase in fees and payment for services, (iii) a Ps.2 million increase in amortizations and depreciations, and (iv) a Ps.4 million increase for other reasons, such as maintenance, security, cleaning, repair and other expenses and taxes, rates and contributions. Administrative expenses of Shopping Centers, as a percentage of segment revenues, increased from 7.4% during fiscal year 2014 to 7.6% during fiscal year 2015.

Offices and Others. General & administrative expenses in our Offices and Others segment rose by 38.1%, from Ps.42 million during fiscal year 2014 to Ps.58 million during fiscal year 2015, mainly due to: (i) a Ps.5 million increase in fees and payments for services; (ii) a Ps.5 million increase in salaries, social security charges and other personnel expenses; (iii) a Ps.2 million increase in the charge associated with Directors' fees; (iv) a Ps.2 million increase in traveling, transportation and stationery expenses; and (v) a Ps.1 million increase in bank expenses. The segment's general & administrative expenses, as a percentage of segment revenues, increased from 15.5% during fiscal year 2014 to 17.4% during fiscal year 2015.

Sales and Developments. General & administrative expenses associated with our Sales and Developments segment increased by 35.1%, from Ps.37 million during fiscal year 2014 to Ps.50 million during fiscal year 2015, mainly due to: (i) a Ps.4 million increase in fees and payments for services; (ii) a Ps.2 million increase in salaries, social security charges and other personnel expenses; (iii) a Ps.2 million increase in the charge associated with Directors' fees; (iv) a

Ps.2 million increase in traveling, transportation and stationery expenses; and (v) a Ps.1 million increase in bank expenses. General & administrative expenses associated with the Sales and Developments segment, as a percentage of segment revenues, increased from 43.5% during fiscal year 2014 to 333.3% during fiscal year 2015. Considering the gain from the disposal of investment properties, such percentages decreased by 15.7% during fiscal year 2014 to 4.3% during fiscal year 2015.

Hotels. General & administrative expenses associated with our Hotels segment increased by 30.0%, from Ps.60 million during fiscal year 2014 to Ps.78 million during fiscal year 2015, mainly due to: (i) a Ps.9 million increase in salaries, social security charges and other personnel expenses; (ii) a Ps.3 million increase in the charge of maintenance and repairs; (iii) a Ps.2 million increase in fees for services and a Ps.1 million increase in the charge of food, beverages and other hotel-related expenses, among others. General & administrative expenses associated with the Hotels segment, as a percentage of this segment's revenues, increased from 18.1% during fiscal year ended 2014 to 19.7% during fiscal year 2015.

International. General & administrative expenses associated with our International segment decreased by 5.1%, from Ps.59 million during fiscal year 2014 to Ps.56 million during fiscal year 2015, mainly because the results of Rigby 183 LLC, which owned the Madison 183 building intended for lease, which was sold in September 2014 was consolidated for only three months in 2015 compared to 12 months in 2014 and due to lower expenses incurred in connection with our investment in IDBD. General & administrative expenses associated with the International segment as a percentage of segment revenues rose from 70.2% during fiscal year 2014 to 215.4% during fiscal year 2015.

Financial Operation and Others. General & administrative expenses associated with our Financial Operations and Others segment did not show significant changes for the fiscal years under discussion.

Selling expenses

Selling expenses	Year ended on June 30, 2015 Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	(112)	(1)	-	-	(113)
Offices and Others	(22)	-	-	-	(22)
Sales and Developments	(8)	(1)	-	-	(9)
Hotels	(52)	-	-	-	(52)
International	-	-	-	-	-
Financial Operations and Others	-	-	-	-	-
Total Selling Expenses	(194)	(2)	-	-	(196)

Selling expenses	Year ended on June 30, 2014 Income statement (in millions of Ps.)	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	(71)	(2)	-	-	(73)
Offices and Others	(21)	-	-	-	(21)
Sales and Developments	(12)	(2)	-	-	(14)
Hotels	(42)	-	-	-	(42)
International	-	-	-	-	-
Financial Operations and Others	-	-	-	-	-
Total Selling Expenses	(146)	(4)	-	-	(150)

Total consolidated selling expenses, pursuant to income statement, increased by 32.9%, from Ps.146 million during fiscal year 2014 to Ps.194 million during fiscal year 2015. Total consolidated selling expenses as a percentage of revenues from sales, leases and services, slightly increased from 6.9% during fiscal year 2014 to 7.7% during fiscal year 2015.

In turn, selling expenses of our joint ventures decreased by 50.0%, from Ps.4 million during fiscal year 2014 (out of this figure, Ps.2 million are allocated to the Sales and Developments segment and Ps.2 million are allocated to the Shopping Centers segment) to Ps.2 million during fiscal year 2015 (out of this figure, Ps.1 million are allocated to the Sales and Developments segment and Ps.1 million are allocated to the Shopping Centers segment). This decrease is mainly due to lower expenses from our Cyrsa S.A. joint venture in connection with a reduction in the sales of the Horizons project recognized during fiscal year 2015.

Thus, according to business segment reporting, selling expenses grew by 30.7%, from Ps.150 million during fiscal year 2014 to Ps.196 million during fiscal year 2015. Selling expenses as a percentage of revenues, according to business segment reporting, slightly increased from 7.0% during fiscal year 2014 to 7.7% during fiscal year 2015.

Shopping Centers. Selling expenses in the Shopping Centers segment increased by 54.8%, from Ps.73 million during fiscal year 2014 to Ps.113 million during fiscal year 2015 mainly due to: (i) a Ps.18 million increase in the charge associated with taxes, rates and contributions; mainly due to a higher charged associated with turnover tax; (ii) a Ps.8 million increase in advertising expenses; (iii) a Ps.5 million increase in loan loss charges; and (iv) a Ps.6 million increase in salaries, social security charges and other personnel expenses. Selling expenses, as a percentage of the Shopping Centers segment's revenues, increased from 5.3% during fiscal year 2014 to 6.4% during fiscal year 2015.

Offices and Others. Selling expenses associated with our Offices and Others segment rose by 4.8%, from Ps.21 million during fiscal year 2014 to Ps.22 million during fiscal year 2015. Such variation was due to an increase in the turnover tax generated by the transfer of buildings, offset by lower loan loss charges. The selling expenses associated with our Offices and Others segment, as a percentage of this segment's revenues dropped from 7.7% during fiscal year 2014 to 6.6% during fiscal year 2015.

Sales and Developments. Selling expenses for the Sales and Developments segment decreased by 35.7%, from Ps.14 million during fiscal year 2014 to Ps.9 million during fiscal year 2015, mainly as a result of a decrease in expenses directly related to the volume of sale transactions: (i) taxes, rates and contributions for Ps.3 million and commissions for sales for Ps.1 million. The selling expenses associated with our Sales and Developments segment, as a percentage of this segment's revenues, increased from 16.5% during fiscal year 2014 to 60.0% during fiscal year 2015.

Hotels. The selling expenses associated with our Hotels segment increased by 23.8%, from Ps.42 million during fiscal year 2014 to Ps.52 million during fiscal year 2015, mainly due to: (i) a Ps.3 million increase in advertising expenses and other selling expenses,; (ii) a Ps.3 million increase in taxes, rates and contributions; and (iii) a Ps.3 million increase in salaries, social security charges and other personnel expenses, among others. Selling expenses associated with our Hotels segment as a percentage of this segment's revenues remained stable at 13% in both fiscal years.

Financial Operations and Others. Selling expenses associated with our Financial Operations and Others segment did not show significant changes for the fiscal years under discussion.

Other operating results, net

	Year ended on June 30, 2015				
Other operating results, net	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Shopping Centers	(48)	(2)	-	-	(49)
Offices and Others	(118)	-	-	1	(117)
Sales and Developments	13	-	-	1	13
Hotels	-	-	-	-	-
International	183	-	-	-	183
Financial Operations and Others	(2)	-	-	-	(2)
Total Other operating results, net	28	(2)	-	2	28

	Year ended on June 30, 2014				
Other operating results, net	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Shopping Centers	(45)	(1)	-	-	(47)
Offices and Others	(2)	(2)	-	1	(3)
Sales and Developments	8	-	-	-	8
Hotels	(3)	-	-	-	(3)
International	(1)	-	-	-	(1)
Financial Operations and Others	(3)	-	-	-	(3)
Total Other operating results, net	(46)	(3)	-	1	(49)

Other operating results, net went from a net loss of Ps.46 million during fiscal year 2014 to net income of Ps.28 million during fiscal year 2015, mainly due to income from the realization of the conversion difference related to the partial settlement of Rigby 193 LLC (Ps.188 million), partially offset by expenses related to the transfer of assets from IRSA to IRSA PC (Ps.110 million). Total consolidated other operating results, net, as a percentage of revenues from sales, leases and services, was 2.2% during fiscal year 2014 and 1.1% during fiscal year 2015.

Other operating results, net from our joint ventures decreased from a Ps.3 million loss during fiscal year 2014 (Ps.2 million were allocated to the Offices and Others segment) to a Ps.2 million loss during fiscal year 2015 (which were allocated to the Shopping Centers segment).

Based on business segment reporting, other operating results, net was a net loss of Ps.49 million in fiscal year 2014 and net income of Ps.28 million in fiscal 2015.

Shopping Centers. Other operating losses, net for the Shopping Centers segment increased by 4.3%, from Ps.47 million during fiscal year 2014 to Ps.49 million during fiscal year 2015, mainly as a consequence of a Ps.3 million increase in donations. Other operating losses, net, as a percentage of revenues in the Shopping Centers segment, decreased from 3.4% during fiscal year 2014 to 2.8% during fiscal year 2015.

Offices and Others. Other operating losses, net associated with our Offices and Others segment increased by Ps.114 million, from Ps.3 million during fiscal year 2014 to Ps.117 million during fiscal year 2015, mainly due to the expenses related to the transfer of assets from IRSA to IRSA CP for Ps.110 million. Other operating losses, net associated with our Offices and Others segment, as a percentage of this segment's revenues, increased from 1.1% during fiscal year 2014 to 35.1% during fiscal year 2015.

Sales and Developments. Other operating income, net associated with our Sales and Developments segment increased by 62.5%, from Ps.8 million during fiscal year 2014 to Ps.13 million during fiscal year 2015, mainly due to: (i) Ps.16 million in income during fiscal year 2015 related to the sale of our interest in Bitania and (ii) a decrease in provisions for lawsuits and other contingencies of Ps.2 million; partially offset by (iii) the non-recurrence, during fiscal year 2015, of a fee charged as “fee for admission to the undertaking” in connection with the sale of the Neuquén lot for development of a hotel that took place in fiscal year 2014.

Hotels. Other operating losses, net associated with the Hotels segment dropped by Ps.3 million, mainly due to an increase in provisions for lawsuits and other contingencies. Other operating losses, net associated with the Hotels segment, as a percentage of this segment’s revenues, was 0.9% during fiscal year 2014.

International. Other operating results, net in this segment went from Ps.1 million in net loss during fiscal year 2014 to Ps.183 million in net income during fiscal year 2015, mainly due to income from the partial reversal of the accumulated conversion differences, as a result of the partial settlement of Rigby 183 LLC.

Financial Operations and Others. Other operating losses, net associated with our Financial Operations and Others segment decreased from Ps.3 million during fiscal year 2014 to Ps.2 million during fiscal year 2015, mainly due to the fact that Banco Hipotecario S.A. has deducted a lower amount as tax on dividends than it distributed to our subsidiaries Ritelco and Tyrus during fiscal year 2015.

Operating income/(loss)

	Year ended on June 30, 2015				
Operating income/(loss)	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Shopping Centers	1,173	7	14	(4)	1,190
Offices and Others	92	3	-	7	102
Sales and Developments	1,115	(2)	-	-	1,113
Hotels	(9)	-	-	(3)	(12)
International	146	-	-	-	146
Financial Operations and Others	(2)	-	-	-	(2)
Total Operating income/(loss)	2,515	8	14	-	2,537

	Year ended on June 30, 2014				
Operating income/(loss)	Income statement	Interest in joint ventures	Expenses and Collective Promotion Fund	Inter-segment eliminations	Segment-reporting
	(in millions of Ps.)				
Shopping Centers	861	3	8	(4)	868
Offices and Others	156	1	-	5	162
Sales and Developments	241	4	-	-	245
Hotels	12	-	-	(1)	11

International	(30)	-	-	-	(30)
Financial Operations and Others	(2)	-	-	-	(2)
Total Operating income/(loss)	1,238	8	8	-	1,254

As a consequence of the events discussed above, total consolidated operating income increased by 103.2%, from Ps.1,238 million during fiscal year 2014 to Ps.2,515 million during fiscal year 2015. Total consolidated operating income, as a percentage of revenues from sales, leases and services, increased from 58.7% during fiscal year 2014 to approximately 100.0% during fiscal year 2015.

Operating income/(loss) of our joint ventures did not show significant changes for the fiscal years under discussion.

Based on business segment reporting, operating income increased by 102.3%, from Ps.1,254 million during fiscal year 2014 to Ps.2,537 million during fiscal year 2015. Operating income, as a percentage of revenues based on business segment reporting, increased from 58.2% during fiscal year 2014 to 99.6% during fiscal year 2015.

Shopping Centers. Operating income in our Shopping Centers segment increased by 37.1%, from Ps.868 million in income during fiscal year 2014 to Ps.1,190 million in income during fiscal year 2015. Operating income for our Shopping Centers segment, as a percentage of this segment’s revenues, increased from 62.8% during fiscal year 2014 to 66.9% during fiscal year 2015.

Offices and Others. Operating income in our Offices and Others segment decreased by 37.0%, from income of Ps.162 million during fiscal year 2014 to income of Ps.102 million during fiscal year 2015. Operating income in our Offices and Others segment, as a percentage of segment revenues, decreased from 59.8% during fiscal year 2014 to 30.6% during fiscal year 2015.

Sales and Developments. Operating income in our Sales and Developments segment increased by 354.3%, from income of Ps.245 million during fiscal year 2014 to income of Ps.1,113 million during fiscal year 2015. Operating income in our Sales and Developments segment as a percentage of segment revenues, considering the gain from disposal of investment properties, decreased from 76.3% during fiscal year 2014 to 94.5% during fiscal year 2015.

Hotels. Operating income/(loss) in the Hotels segment showed a significant decrease, from income of Ps.11 million during fiscal year 2014 to a loss of Ps.12 million during fiscal year 2015, mainly due to increased operating expenses as compared to the operating income of this segment.

International. Operating income/(loss) in our International segment increased from Ps.30 million in loss during fiscal year 2014 to Ps.146 million in income during fiscal year 2015.

Financial Operations and Others. Operating income/(loss) for our Financial Operations and Others segment remained at Ps.2 million loss during both fiscal years.

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

	Year ended on June 30, 2015				
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
	(in millions of Ps.)				
Shopping Centers	5	(5)	-	-	-
Offices and Others	(1)	(2)	-	-	(3)
Sales and Developments	7	(6)	-	-	1
Hotels	1	-	-	-	1
International	(1,189)	-	-	-	(1,189)
Financial Operations and Others	155	-	-	-	155
Total share of profit / (loss) of associates and joint ventures	(1,023)	(12)	-	-	(1,035)

	Year ended on June 30, 2014				
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
	(in millions of Ps.)				
Shopping Centers	5	(5)	-	-	-
Offices and Others	-	(1)	-	-	(1)
Sales and Developments	26	(20)	-	-	6

Hotels	1	-	-	-	1
International	(616)	-	-	-	(616)
Financial Operations and Others	170	-	-	-	170
Total share of profit / (loss) of associates and joint ventures	(414)	(26)	-	-	(440)

The share of loss of associates and joint ventures, pursuant to income statement, increased by 147.1%, from Ps.414 million during fiscal year 2014 to Ps.1,023 million during fiscal year 2015, mainly due to the investments from the International segment, partially offset by the investments from the Financial Operations and Others segment.

The share of profit (loss) of associates and joint ventures mainly arising from Nuevo Puerto Santa Fe S.A. (Shopping Centers segment), Quality Invest S.A. (Offices segment) and Cyrsa S.A., Puerto Retiro S.A. and Baicom Networks S.A. (Sales and Developments segment) dropped by 53.8%, from Ps.26 million during fiscal year 2014 to Ps.12 million during fiscal year 2015, mainly due to lower results from the Cyrsa S.A. joint venture.

Shopping Centers. 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 equity 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 from Ps.1 million in loss during fiscal year 2014 to Ps.3 million in loss during fiscal year 2015.

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, decreased by 83.3%, from Ps.6 million during fiscal year 2014 to Ps.1 million during fiscal year 2015, as a result of reduced net profit from such associate.

Hotels. The share of profit / (loss) associated with our Hotels segment did not show significant changes for the fiscal years under discussion.

International. The share of loss of our associates in this segment, dropped by 93.0%, from a loss of Ps.616 million during fiscal year 2014 to a loss of Ps.1,189 million during fiscal year 2015, mainly due to lower results from our investment in IDBD of Ps.105 million mainly due to a recovery in the market trading price of IDBD's shares, partially offset by higher losses in pesos related to the Lipstick building investment of Ps.25 million, mainly due to the fluctuation in the exchange rate used in the conversion, and Ps.66 million at Condor, mainly due to the increase in financial liabilities measured at fair value.

Financial Operations and Others. The share of profit of our associates in the Financial Operations and Others segment decreased by 8.8%, from Ps.170 million during fiscal year 2014 to Ps.155 million during fiscal year 2015, mainly due to lower profits from our investment in BHSA of Ps.41.2 million and Banco de Crédito y Securitización of Ps.1 million, partially offset by higher profits related to our investment in Tarshop of Ps.8 million and Avenida for Ps.21 million.

Financial results, net

The net financial loss decreased by 45.7%, from Ps.1,719 million during fiscal year 2014 to Ps.933 million during fiscal year 2015, mainly due to: (i) lower foreign exchange losses of Ps.795 million and (ii) lower income from the valuation at fair value of derivate financial instruments of Ps.301 million, mainly due to Ps.296 million associated with IDBD-related instruments, partially offset by (iii) lower income from the valuation of financial assets at fair value of Ps.173 million, mainly due to a financial loss owing to the valuation public and private securities, shares and common funds of Ps.255 million, partially offset by higher results generated by the valuation of shares in Avenida of Ps.72 million and preferred shares in Condor Hospitality Trust Inc. of Ps.66 million and (iv) an increased charge for interest paid for loans and notes taken by the Company of Ps.148 million.

During fiscal year 2015, Argentina's peso depreciated by approximately 12%, from Ps.8.133 per US$1.06 at June 30, 2014 to Ps.9.088 per US$1.06 at June 30, 2015, while during fiscal year 2014 the variation had been 51%, from Ps.5.388 per US$1.06 at June 30, 2013 to Ps.8.133 per US$1.06 at June 30, 2014. This situation materially affects our financial results because of the exposure of our indebtedness to the variations in the exchange rate between the Peso and the US Dollar.

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. Income tax expense during fiscal year was Ps.64 million during fiscal year 2014 and a loss of Ps.489 million during fiscal year 2015, in line with income before tax, which was a loss of Ps.895 million during fiscal year 2014 and income of Ps.559 million during fiscal year 2015.

Income/(loss) for the year

As a result of the factors described above, income/(loss) for the year went from a loss of Ps.831 million during fiscal year 2014 to a loss of Ps.70 million during fiscal year 2015.

Income attributable to the controlling shareholders went from a loss of Ps.786 million during fiscal year 2014 to a loss of Ps.41 million during fiscal year 2015.

Income/(loss) attributable to the non-controlling interest went from a loss of Ps.45 million during fiscal year 2014 to income of Ps.111 million during fiscal year 2015, mainly as a result of increased profit from: (i) Rigby 183 LLC of Ps.104 million resulting from the sale of the office building it owned; (ii) Real Estate Strategies LP (Condor) of Ps.13 million; (iii) IRSA PC of Ps.8 million and lower losses from Dolphin (IDBD) of Ps.29 million.

B. Liquidity and Capital Resources

Our principal sources of liquidity have historically been:

- Cash generated by operations;
- Cash generated by issuance of debt securities;
- Cash from borrowing and financing arrangements; and
- Cash proceeds from the sale of real estate assets.

Our principal cash requirements or uses (other than in connection with our operating activities) have historically been:

- capital expenditures for acquisition or construction of investment properties and property, plant and equipment;
- interest payments and repayments of debt;
- acquisition of shares in companies;
- payments of dividends; and
- acquisitions or purchases of real estate.

Our liquidity and capital resources include our cash and cash equivalents, proceeds from bank borrowings and long-term debt, capital financing and sales of real estate investments.

As of June 30, 2016, our Operation Center in Argentina had positive working capital of Ps.51 million while our Operations Center in Israel had negative working capital of Ps.888 million, resulting in a consolidated negative working capital of Ps.837 million (calculated as current assets less current liabilities as of such date). At the same date, our Operations Center in Argentina had cash and cash equivalents of Ps.95 million while our Operations Center in Israel had cash and cash equivalents of Ps.13,771 million, totaling consolidated cash and cash equivalents for Ps.13,866 million.

IDBD has diverse debts containing certain covenants which have been successively negotiated, resulting in several waivers expiring in December 2016. IDBD estimates that if the original covenants of such loans were to become effective again, it would not be able to honor them. Non-compliance could have the effect of creditors requiring immediate repayment of the debt. As a holding company, IDBD's main sources of funds derive from the dividends distributed by its subsidiaries, which have experienced a reduction in recent years. Yet, there are restrictions as to the

payment of dividends based on the indebtedness level in some subsidiaries. IDBD has projected future cash flows and expects to have the required liquidity to meet its commitments by issuing new debt in Israel, selling financial assets such as Clal and dividend payouts by Clal. IDBD could also secure additional financing through the private issuance of equity securities. All factors mentioned above, mainly (i) IDBD's current financial position and need of financing to honor its financial debt and other commitments, (ii) the renegotiation underway with financial creditors, and (iii) the term set by Israel's governmental authorities to sell the equity interest in Clal and the potential effects of such sale, in particular, on its market value, raise significant uncertainties as to IDBD's capacity to continue as a going-concern.

The financial position of IDBD and its subsidiaries at the Operations Center in Israel does not affect the financial position of IRSA and its subsidiaries at the Operations Center in Argentina. The Operation Center in Argentina is not facing financial constraints and is compliant with their financial commitments. We believe our working capital and our cash from operating activities are adequate for our present and future requirements. If cash generated from our operations is at any time insufficient to finance our working capital, we would seek to finance such working capital needs through debt financing or equity issuances or through the sale of selective assets.

In addition, the commitments and other covenants resulting from IDBD's debt do not have impact on IRSA since such debt has no recourse against IRSA and it is not granted by IRSA's assets. We do not have significant uncertainties as to the capacity as a group to operate as a going-concern perspective, with such uncertainties being limited to the operation center in Israel. For more information about our liquidity see "Item 3(d) Risk Factors" and "Recent Developments".

On September 8, 2016, we issued Series VII and VIII Notes in an aggregate principal amount of Ps.384.2 million and US$184.5 million, respectively. Series VII and VIII Notes have a maturity of 36 months from its issue date. For more information, please see "Recent Developments".

On August 2, 2016, IDBD issued a new Series of Notes in the Israeli market for NIS 325 million, bearing an adjustable interest rate and maturing in 2019. Furthermore, DIC expended it issuance of Notes due 2025 for an additional NIS 360 million. For more information, please see "Recent Developments".

The table below shows our cash flow for the fiscal years ended June 30, 2016, 2015 and 2014:

	Year ended June 30,		
	2016	2015	2014
	(in millions of Ps.)		
Net cash flow generated by operations	4,139	834	1,022
Net cash flow generated by investment activities	8,210	261	(917)
Net cash flow used in financing activities	(3,968)	(1,390)	(597)
Net increase/ (decrease) in cash and cash equivalents	8,381	(295)	(492)

Cash Flow Information

Operating activities

Fiscal year ended June 30, 2016

Our operating activities generated net cash inflows of Ps.4,139 million, mainly due to operating income of Ps.5,326 million, a decrease in trading properties of Ps.229 million and an increase in salaries and social security charges of Ps.23 million, partially offset by a decrease in provisions of Ps.43 million, increased trade and other receivables of Ps.319 million and Ps.807 million related to income tax paid.

Fiscal Year ended June 30, 2015

Our operating activities generated net cash inflows of Ps.834 million, mainly due to operating income of Ps.1,418 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 million and Ps.429 million related to income tax paid.

Fiscal Year ended June 30, 2014

Our operating activities resulted in net cash inflows of Ps.1,022 million for the fiscal year ended June 30, 2014, mainly as a result of operating income of Ps.1,362 million, an increase in salaries and social security charges of Ps.51 million and a decrease in trading properties of Ps.6 million. These were partially offset by an increase in trade and other receivables of Ps.14 million, a decrease in provisions of Ps.2 million, a decrease in trade and other account payables of Ps.104 million and Ps.276 million related to income tax paid.

Investment activities

Fiscal Year ended June 30, 2016

Without considering Ps.9,193 million cash added from business combination with IDBD, our investing activities resulted in net cash outflows of Ps.983 million for the fiscal year ended June 30, 2016, of which (i) Ps.888 million and Ps.1,056 million were related to the acquisition of investment properties and property, plant and equipment, respectively, (ii) Ps.134 million were related to the acquisition of intangible assets, (iii) Ps.207 million were related to

capital contributions in associates and joint ventures, and (iv) Ps.852 million were related to loans granted to related parties; partly offset by (v) Ps.1,393 million related to collection from the sale of investment properties, (vi) Ps.591 million related to collection of dividends, and (vii) Ps.12,069 million related to the acquisition of investments in financial assets.

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 the sale of investment properties and (ii) Ps.56 million were related to the sale of interests in companies: Ps.16 million were related to the sale of Avenida Inc. and Ps.39 million were related to the sale of Bitania 26 S.A., partially offset by (iii) Ps.1,231 million representing a 25% increase in IDBD's share interest over its stock capital, (iv) Ps.407 million related to the acquisition of investment properties and (v) Ps.595 million net related to the acquisition of investments in financial assets.

Fiscal Year ended June 30, 2014

Our investing activities resulted in net cash outflows of Ps.917 million for the fiscal year ended June 30, 2014, of which (i) Ps.1,103 million were related to the purchase of a 53.33% equity interest in IDB Development Corporation Ltd.'s capital stock, representing 107 million common shares, (ii) Ps.13 million were related to the acquisition of a 24.79% equity interest in Avenida Inc.'s capital stock, (iii) Ps.16 million were related to the acquisition of 1,250,000 common shares of Condor Hospitality Trust, (iv) Ps.318 million were related to the purchase of fixed assets and land reserves (for further information see "Capital Expenditures"), (v) Ps.1,533 million were related to the acquisition of investments in financial assets, (vi) Ps.2 million were related to loans granted, (vii) Ps.20 million were related to capital contributions in associates and joint ventures and (viii) Ps.10 million were related to interest received; partially offset by (i) Ps.17 million related to collection of dividends, (ii) Ps.1,648 million related to proceeds from sale of investments in financial assets, (iii) Ps.402 million related to the sale of investment properties and (iv) Ps.23 million related to collection from the sale of Canteras Natal S.A's shareholding, representing 50% of such company's capital stock.

Financing activities

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 payment of loans of Ps.9,634 million; (ii) the payment of interest on short-term and long-term debt of Ps.3,774 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.4,132 million, partially offset by (v) borrowings for Ps.6,011 million; (vi) Ps.7,622 million related to the issuance of non-convertible notes and (vii) Ps.1,331 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 payment of loans of Ps.964 million, (ii) the payment of loans for the purchase of companies of Ps.106 million, (iii) the payment of interest on short-term and long-term debt of Ps.547 million, (vi) capital distributions of Ps.228 million, (vii) Ps.111 million related to the acquisition of derivative financial instruments, (viii) Ps.69 million related to dividend distributions; partially offset by (ix) borrowings for Ps.606 million, (x) payment of borrowings from associates and joint ventures of Ps.22 million.

Fiscal Year ended June 30, 2014

Our financing activities for the fiscal year ended June 30, 2014 resulted in net cash outflows of Ps.597 million, mainly due to (i) the payment of interest on short-term and long-term debt of Ps.415 million, (ii) the payment of loans of Ps.446 million, (iii) dividend payments of Ps.113 million, (iv) the payment of financed purchases of Ps.2 million, (v) capital distributions of Ps.4 million, (vi) the acquisition of non-controlling interest in subsidiaries of Ps.1 million, (vii) payment of loans from associates and joint ventures of Ps.189 million, (viii) the payment of principal on notes of Ps.287 million, (ix) the acquisition of derivative financial instruments of Ps.38 million and (x) the repurchase of common shares and GDS issued by the group of Ps.38 million, partially offset by (i) borrowings of Ps.502 million, (ii) capital contributions by non-controlling interest of Ps.139 million, (iii) Ps.17 million related to borrowings from associates and joint ventures, (iv) Ps.62 million related to derivative financial instruments and (v) Ps.218 million related to the issuance of non-convertible notes.

Capital Expenditures

Fiscal Year 2016

During the fiscal year ended June 30, 2016, we invested Ps.2,369 million (without considering Ps.44,690 million related to addition of assets due to the business combination with IDBD), as follows: (a) acquisitions and improvements of property, plant and equipment of Ps.1,172 million, primarily i) Ps.378 million in buildings and facilities, mainly in supermarkets in Israel, ii) Ps.310 million in communication networks, and iii) Ps.291 million in machinery and equipment; (b) improvements in our rental properties of Ps.260 million, primarily in our operation center in Argentina’s shopping centers; and (c) the development of properties for Ps.919 million, mainly in our operation center in Israel.

Fiscal Year 2015

During the fiscal year ended June 30, 2015, we invested Ps.532 million, as follows: (a) improvements at our Sheraton Libertador, Intercontinental and Llao Llao hotels (Ps.1.2 million, Ps.9 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 centers, (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.

Fiscal Year 2014

During the fiscal year ended June 30, 2014, we invested Ps.319 million, as follows: (a) improvements at our Sheraton Libertador, Intercontinental and Llao Llao hotels (Ps.5.6 million, Ps.2.1 million and Ps.2.3 million, respectively), (b) Ps.9.5 million related to the acquisition of furniture and fixtures, machinery, equipment and facilities, (c) improvements in our shopping centers for Ps.61.1 million, (d) Ps.179.3 million allocated to the development of properties, corresponding Ps.99.9 million to "Distrito Arcos" project and Ps.79.4 million to "Shopping Neuquén" project, (e) Ps.29.6 million allocated to advances for the acquisition of investments in general, (f) Ps.24 million allocated to improvements of our offices and other rental properties, and (g) Ps.0.5 million related to the acquisition of land reserves.

Indebtedness

The following table sets forth the scheduled maturities of our outstanding debt as of June 30, 2016:

	Operations Center in Argentina	Operations Center in Israel	Total
Less than 1 year	2,813	19,437	22,250
More than 1 and up to 2 years	19	16,826	16,845
More than 2 and up to 3 years	1	19,535	19,536
More than 3 and up to 4 years	17	4,643	4,660
More than 4 and up to 5 years	1,063	7,092	8,155
More than 5 years	5,312	36,169	41,481
	9,225	103,702	112,927

	Currency	Annual Average Interest Rate	Nominal value	Book Value
Operations Center in Argentina				
IRSA Commercial Properties' 2017 Notes	$	Badlar + 4 BPs	407	409
IRSA Commercial Properties' 2023 Notes	US$	8.75%	360	5,390
IRSA Commercial Properties' 2017 Notes	US$	7.88%	-	-
IRSA's 2017 Notes(1)	US$	8.50%	75	1,159
IRSA's 2017 Notes	$	Badlar + 450 BPs	11	11
IRSA's 2020 Notes	US$	11.50%	75	1,118

Financial Leases	US$	3.2% al 14.3%	1	1
Related Party	$	Badlar	15	14
Bank loans	$	15.25%	1	1
Bank loans	$	26.50%	7	7
Bank loans	$	23.00%	36	36
Related Party	$	Badlar / 8.50%	6	6
Related Party	$	15.25%	6	6
Related Party	$	24,00%	6	5
Seller financing	US$	N/A	2	34
Seller financing	US$	3.50%	5	84
Bank overdrafts	$	from 22% to 39%	-	944
Operations Center in Israel				
Non -convertible Notes IDBD Series G	NIS	4.50%	802	3,534
Non -convertible Notes IDBD Series I	NIS	4.95%	1,013	3,164
Non -convertible Notes IDBD Series J	NIS	6.60%	309	1,109
Non -convertible Notes DIC Series D	NIS	5.00%	103	510
Non -convertible Notes DIC Series F	NIS	4.95%	2,719	9,427
Non -convertible Notes DIC Series G	NIS	6.35%	8	31
Non -convertible Notes DIC Series H	NIS	4.45%	124	541
Non -convertible Notes DIC Series I	NIS	6.70%	513	1,927

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	Currency	Annual Average Interest Rate	Nominal value	Book Value
Non -convertible Notes Shufersal Series B	NIS	5.20%	1,024	5,161
Non -convertible Notes Shufersal Series C	NIS	5.45%	114	459
Non -convertible Notes Shufersal Series D	NIS	2.99%	413	1,584
Non -convertible Notes Shufersal Series E	NIS	5.09%	392	1,580
Non -convertible Notes Shufersal Series F	NIS	4.30%	317	1,253
Non -convertible Notes Cellcom Series B	NIS	5.30%	185	880
Non -convertible Notes Cellcom Series D	NIS	5.19%	599	2,865
Non -convertible Notes Cellcom Series E	NIS	6.25%	164	673
Non -convertible Notes Cellcom Series F	NIS	4.60%	715	3,032
Non -convertible Notes Cellcom Series G	NIS	6.99%	285	1,230
Non -convertible Notes Cellcom Series H	NIS	1.98%	950	3,483
Non -convertible Notes Cellcom Series I	NIS	4.14%	804	3,114
Non -convertible Notes PBC Series C	NIS	5.00%	550	2,666
Non -convertible Notes PBC Series D	NIS	4.95%	1,317	6,641
Non -convertible Notes PBC Series E	NIS	4.95%	974	4,195
Non -convertible Notes PBC Series F	NIS	7.05%	669	3,054
Non -convertible Notes PBC Gav-Yam Series E	NIS	4.55%	283	1,375
Non -convertible Notes PBC Gav-Yam Series F	NIS	4.75%	1,226	8,535
Non -convertible Notes PBC Gav-Yam Series G	NIS	6.41%	215	907
Non -convertible Notes PBC Ispro Series B	NIS	5.40%	255	1,293
Bank loans and others	NIS	Prime + 1.3%	333	1,117
Bank loans and others	NIS	Prime + 1%	80	265
Bank loans and others	NIS	Prime + 0.65%	63	198
Bank loans and others	NIS	6.90%	150	634
Bank loans and others	NIS	4.95%	1	4
Bank loans and others	NIS	4.95%	1	3
Bank loans and others	NIS	3.25%	1	5
Bank loans and others	US$	5.66%	13	51
Bank loans and others	US$	5.21%	197	767
Bank loans and others	US$	Libor + 5%	223	869
Bank loans and others	NIS	4.60%	200	778

(1)
On September 9, 2016, we announced our intention to redeem all outstanding Series I Notes in an aggregate principal amount of US$74,554,000. The redemption took place on October 11, 2016. For more information see "Recent

Development”

Operations Center in Argentina

On March 3, 2016, IRSA and IRSA CP announced that they would launch offers to buy in cash: (i) 11.50% Class II Notes due 2020 and issued by IRSA for principal amount up to US$76.5 million, (ii) any and 8.50% Class 1 Notes due 2017 and issued by IRSA, and (iii) any and 7.875% Class 1 Notes due 2017 and issued by IRSA CP.

On March 23, 2016, IRSA CP issued Notes in an aggregate principal amount of US$360 million under its Global Notes Program. Class II Notes accrue interest semi-annually, at an annual fixed rate of 8.75% and mature on March 23, 2023. The issue price was 98.722% of nominal value.

IRSA CP’s Notes due 2023 are subject to certain covenants, events of default and limitations, such as the limitation on incurrence of additional indebtedness, limitation on restricted payments, limitation on transactions with affiliates, and limitation on merger, consolidation and sale of all or substantially all assets.

To incur additional indebtedness, IRSA CP is required to meet a minimum 2.00 to 1.00 Consolidated Interest Coverage Ratio. The Consolidated Interest Coverage Ratio is defined as Consolidated EBITDA divided by consolidated interest expense. Consolidated EBITDA is defined as operating income plus depreciation and amortization and other consolidated non-cash charges.

The Class II Notes contain financial covenants limiting IRSA CP's ability to declare or pay dividends in cash or in kind, unless the following conditions are met at the time of payment:

a)
no Event of Default shall have occurred and be continuing;

b)
IRSA CP may incur at least US$1.00 worth of additional debt pursuant to the "Restriction on Additional Indebtedness";

c)
and the aggregate amount of such dividend exceeds the sum of:

i.
100% of cumulative EBITDA for the period (treated as one accounting period) from July 1, 2015 through the last day of the last fiscal quarter ended prior to the date of such Restricted Payment minus an amount equal to 150% of consolidated interest expense for such period; and

ii.
any reductions of Indebtedness of IRSA on a consolidated basis after the Issue Date any reductions of Indebtedness of after the Issue Date exchanged for to Capital Stock of the IRSA or its Subsidiaries.

On April 7, 2016, the Meeting of IRSA's Notes holders by majority vote approved the proposed amendments to IRSA's 2017 Trust Indenture, which included basically the elimination of all restrictive covenants on such class effective as of April 8, 2016.

During the months of March, April and May of 2016, the Company acquired all IRSA CP's 7.875% Notes Class I due 2017 for a total amount US$120 million and US$75.4 million of IRSA Notes. On October 11, 2016 the Company acquired the remaining US$74.6 million of IRSA's 8.50% Notes due 2017, so the following notes remains outstanding:

.
IRSA's Notes Class II at 11.50% maturing in 2020 US$71.4 million.

Such payments were accounted for as a cancellation of debt.

In relation to financial covenants under 11.50% Notes due in 2020 issued by IRSA, the Meeting of Noteholders held on March 23, 2016 approved:

i)
to modify the covenant on Limitation on Restricted Payments, so that the original covenant was replaced so as to take into consideration IRSA's capability to make any restricted payment provided that (a) no Event of Default has occurred and persisted, and (b) IRSA may incur at least US$1.00 of additional debt pursuant to the Limitation on Additional Indebtedness; and
ii)
the exclusion of IDBD or any of its subsidiaries for purposes of the definition of "Subsidiary" or any of the definitions or commitments under the Trust Indenture of Notes due in 2020 and issued by IRSA (regardless of whether the financial statements of any of these companies has any time been consolidated into IRSA's financial statements).
iii)

a Supplementary Trust Indenture reflecting all the amendments approved, entered into with the Bank of New York Mellon on March 28, 2016.

Operations Center in Israel

IDBD has certain financial restrictions and covenants in connection with its financial debt, included in its debentures and loans from banks and financial institutions.

As of June 30, 2016, IDBD reported that the application of the "Liquidity Covenant" and the "Economic Equity Covenant" (as described below) is currently suspended.

Note that, it was agreed between IDBD and the relevant lending corporations that the parties would work to formulate an arrangement, to replace or amend the current financial covenants by December 31, 2016.

If such arrangement is not reached, then with respect to the results for IDBDs first quarter of 2017 and thereafter, the previous financial covenants will re-apply, in which case IDBD estimates that it will not be able to comply with the thresholds which were determined in the past with respect to the Liquidity Covenant and the Economic Equity Covenant with respect to IDBD's results for the first quarter of 2017 and thereafter. IDBD estimates it will not be able to fulfill the covenant which stipulates that the balance of cash and marketable securities will not fall below the scope of forecasted current maturities for the two quarters subsequent to the reporting quarter (the "Liquidity Covenant"). Regarding the Economic Equity Covenant, it is noted that the economic equity as of June 30, 2016, amounted to a positive balance of NIS 247 million, significantly lower than the thresholds which were determined in the past as part of the Economic Equity Covenant.

In view of and due to the decrease in Mr. Ben Moshe's ownership of IDBD, effective as of February 2015 and thereafter, in March 2016 IDBD reached understandings with its lending corporations with regard to an amendment of the control covenant and additional amendments relating to restrictions on the sale of main holdings.

As per IDBD's position, as of June 30, 2016, there were no conditions that established grounds for calling IDBD's obligations to its financial creditors for immediate payment. Without derogating from the IDBD's position, it is noted that the decision of the bondholders (Series I) dated April 21, 2016, to call the full balance of IDBD's debt due to bondholders for immediate repayment and the decision to take steps for dissolution are liable to raise grounds for the financial creditors. According to an opinion that IDBD received, the conditions required for it to call the bonds were not fulfilled. On July 18, 2016, the Court handed down its judgment and accepted the consensus motion filed by the trustee to dismiss the claim.

As of June 30, 2016, IDBD's loans which are subject to the aforementioned financial covenants, were classified under current liabilities, in consideration of the fact that IDBD has reached agreement with its principal lenders to extend the arrangements as specified in the financial covenants of the loan agreements until March 31, 2017 for a period shorter than twelve months.

On August 2, 2016 IDBD issued a new Series of Debentures in the Israeli market for an amount of NIS 325 million due November 2019 at an annual interest rate adjustable by CPI plus 4.25%. The notes are pledged by shares of Clal Insurance Enterprise Holdings Ltd, subject to the approval of the Commissioner of Capital Markets, Insurance and Savings. IDBD worked to get the authorization to constitute the guarantee through the filing of an application to the Supreme Court asking for such approval. In case IDBD does not get the required approval, funds must be repaid with interest plus a penalty. on September 15, 2016, the High Court of Justice gave a partial judgment and decision, according to which it was decided, to reject the petition for the most part and to grant an order which instructs the Commissioner to appear and show a reason for her opposition to the request of the company to pledge up to 5% of the shares of Clal Holdings, subject to an outline agreed to at the time by the company. Furthermore, the company maintains the right to accede to a proposal for compromise which was raised in the context of the discussion. A hearing date was set for January 2017.

Likewise, on August 4, 2016, DIC reopened its Series of Debentures due 2025 an additional amount of NIS 360 million. The placement was made at an IRR of 5.70%.

Pursuant to the decision of the Supreme Court sitting as the High Court of Justice in connection with the petition that the company submitted in connection with the pledge of the shares of Clal Holdings in September 2016, on October 13, 2016, the Board of Directors of IDBD decided to execute a partial early redemption of the debentures of the company, that is to be carried out on November 1, 2016, as follows:

• The company will carry out a partial early redemption of the debentures in an amount of approximately NIS 239 million of par value ("the redeemed portion") and in a total of approximately NIS 244 million with respect to principal, interest and compensation for the redeemed portion.

• The determining date for the eligibility to receive the early redemption of the principal of the debentures is 25.10.2016.

• The early redemption represents 73.7% of the unpaid balance of the principal of the debentures, which is also the original balance of the series of the debentures.

• The rate of interest (including the compensation for carrying out the early redemption as an increment of 3% with respect to the period from August 3, 2016 through October 21, 2016) that will be paid upon the partial early redemption of the redeemed portion of the principal is approximately 1.8%.

• The rate of interest (including the compensation for carrying out the early redemption as an increment of 3% with respect to the period from August 3, 2016 through October 31, 2016) that will be paid in the context of the early redemption, which is calculated out of the balance of the unpaid balance of the principal on the date of the early redemption (NIS 325 million linked to the CPI) is approximately 1.3%.

• Pursuant to the "known" CPI (index with respect to the month of September 2016, which was published on 14.10.2016) as compared with the base index published with respect to the month of June 2016, no linkage increments will apply with respect to the redeemed portion upon early redemption.

• The unpaid balance of the principal of the debentures after executing the early redemption (without linkage) will stand at an amount of approximately NIS 86 million par value, which represents approximately 26.3%, of the original balance of the principal of the debentures. The company will act to pledge the shares of Clal Holdings against the balance of the unpaid principal of the debentures (after carrying out the early redemption. As is required according to the trust indenture.

• Pursuant to what is stated in the trust indenture, the redeemed portion will be paid in relation to all of the holders of the debentures, pro- rata according to the par value of the held debentures.

IDBD is continuing to act in order to reach consents with the relevant financing corporations in order to arrange over time the calculated financial covenants that were determined in the provisions of its loan agreements, and additional contractual issues that exist in the loan agreements.

Agreements not included in the Balance Sheet

We currently have no agreement that is not included in the balance sheet or significant transactions with non-consolidated entities that are not reflected in our Audited Consolidated Financial Statements. All of our interests and/or relationships with our subsidiaries or controlled entities on a joint basis are recorded in our Audited Consolidated Financial Statements.

C. Research and Development, Patents and Licenses, Etc.

We have several trademarks registered with the Instituto Nacional de la Propiedad Industrial, the Argentine institute for industrial property. We do not own any patents nor benefit from licenses from third parties.

A substantial part of Cellcom's operations are subject to the Communications Law, regulations enacted by the Ministry of Communications, and the provisions of the licenses granted to Cellcom by the Minister of Communications. Cellcom's activities which include providing cellular service, landline, international telephone services and internet access, and infrastructure services are subject to licensing. For more information, please see "Legal framework – Operations Center in Israel"

D. Trend Information

International Macroeconomic Outlook

As reported in the IMF's "World Economic Outlook", global GDP expanded by 3.1% in 2015, slightly below the projections mainly as a result of a strong decline in activity during the last quarter in the year. World growth is expected to reach 3.2% in 2016 and 3.5% in 2017. In 2016 and 2017, growth in developed economies is expected to remain steady at about 2%, driven by the growth in the United States of 2.5%, and in the Euro area, of 1.5%.

As of April 2016, emerging and developing economies have recorded growth rates of 4%, also slightly below the projections. They are expected to grow 4.1% and 4.7% by the end of 2016 and 2017. Emerging economies continue facing challenges as regards the inflow of foreign capital. Countries which are more flexible in terms of foreign exchange responded better to the global flow of capital than in previous decelerations.

During 2014 and 2015, the commodities markets suffered a strong decline. Mainly, oil exhibited a sustained negative trend until reaching a historical low in February 2016. During 2016, the commodities markets exhibited a strong recovery with a 31.6% rise in oil prices. Soybean reversed the decline it had suffered in 2014 and 2015 and rose 33.6%.

IMF's forecasts indicate that inflation in the economies of emerging and developing markets will decrease from 4.7% in 2015 to 4.5% in 2016, due to the decline in the prices of raw materials and the effects of last year's currency depreciations evening out.

Average inflation in advanced economies will remain below the goals set by central banks, mostly as a result of the lower price of oil. As of April 2016, the general level of inflation in advanced economies averaged 0.3%, the lowest

since the global financial crisis.

Argentine macroeconomic context

On October, 2016, IMF published its growth projection for 2016 for 1.8% decline of the GDP. This correction was due to the change in policies implemented by the new government administration aimed at balancing certain macroeconomic distortions. Growth is expected to strengthen to 2.7 percent in 2017 on the back of moderating inflation and more supportive monetary and fiscal policy stances.

Shopping center and supermarket sales reached a total Ps.4,374 million in April 2016, which represents a 41.4% increase as compared to the same period last year. Accumulated sales for the first four months of the year totaled Ps.14,586 million, representing a 29.2% increase as compared to the same period last year.

The INDEC reports that, as of April 2016, industrial activity in Argentina decreased by 6.7% as compared to the same month in 2015. Manufacturing production accumulated a 2.4% decline during the first four months of the year as compared to the same period last year.

Regarding the balance of payments, in the first quarter of 2016 the current account deficit reached US$4,013 million, with US$1,403 million allocated to the goods and services trade balance, and US$2,572 million to the income account, which represents 72% of the foreign direct investment return.

During the first quarter of 2016, the financial account showed a surplus of US$8,510 million resulting from net income from the non-financial public sector and the Argentine Central Bank ("BCRA") for US$6,233 million, from the non-financial private sector for US$1,701 million, and from the financial sector for US$576 million. The stock of international Reserves fell by US$5,844 million in 2015. During the first half of 2016, reserves grew by US$4,944 million. At July, reserves stood at US$25,512 million.

Total gross external debt increased by US$10,605 million during the first quarter of 2016 and stood at US$163,236 million at March 2016. The non-financial public sector and Argentine Central Bank debt was estimated at US$92,469 million, having increased by US$8,593 million during the first quarter of 2016. The Argentine Central Bank's government security and bond outstanding balance increased by US$3,431 million during the first quarter of 2016. At the end of this quarter, the balance was US$43,794 million. The non-financial private debt grew US$2,261 million during the first quarter of 2016. At March 2016, such debt stood at US$67,621 million. The financial sector debt excluding the Argentine Central Bank decreased by US$250 million during the first quarter of 2016, reaching a total of US$3,145 million.

In connection with the fiscal sector, revenues recorded a year-on-year increase of 38.9% as of March 2016, whereas primary expenditure grew by 38.7% during the same period. In local financial markets, the Private Badlar rate in Pesos ranged from 20% to 30% in the period from July 2015 to June 2016, averaging 28% in June 2016 against 20% in June 2015. The Argentine Central Bank discontinued its controlled floating exchange rate policy in December 2015; consequently, the Peso sustained a 63% nominal depreciation in the period from July 2015 to June 2016. At June 2016, the exchange rate stands at Ps.14.50 pesos per US$1.00. In June 2016, Argentina's country risk decreased by 97 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 518 basis points in June 2016, compared to the 352 basis points paid by Brazil and 213 basis points paid by Mexico.

Israeli macroeconomic context

According to the OECD, for the year ended at December 31, 2015, Israel's growth reached 2.5%. Israel's economic growth is projected to remain at 2.5% in 2016, before rising to 3% in 2017.

Since March 2015, the Bank of Israel has kept interest rates at 0.10% and has continued with its policy to intervene in the currency market to support economic policies. For both July and August 2016, the Monetary Committee also decided to leave the interest rate at the same level. Similar to the announcements of the interest rate decisions for November and December of 2015, all announcements in the first half of 2016 included guidance that monetary policy is expected to remain accommodative for a considerable time.

Since March 2015, the Bank of Israel has pursued a policy to intervene in the currency market. It continued to purchase foreign currency, purchasing US$4 billion, about US$0.9 billion of which were purchased as part of the program intended to offset the effects of natural gas production on the exchange rate. The rest were purchased as part of a program designed to moderate excessive fluctuations in the exchange rate.

During the twelve months ending June 30, 2016, the CPI in Israel declined by 0.8%. The energy component continued to contribute to the decline of the CPI, as a result of the sharp decline in global oil prices, even though this trend reversed itself during the first half of the year.

During the first half of 2016, the shekel remained stable in terms of the nominal effective exchange rate (the average in June relative to the average in December), and relative to the U.S. dollar. Relative to the euro, the shekel appreciated by about 3%. Various models of the equilibrium exchange rate indicate that the shekel may be overvalued.

Activity in the housing market remained robust during the reviewed period: Home prices continued to increase, and the volumes of transactions and of new mortgages originated remain high. At the beginning of the first half of 2016, the Research Department presented a forecast in which it projected that inflation would return to within the target range at the beginning of 2017, and that the Bank of Israel interest rate would increase gradually starting in the last quarter of 2016.

In regards to the seasonality, in Israel retail segment business results are subject to seasonal fluctuations as a result of the consumption behavior of the population proximate to the Pesach holidays (March and/or April) and Rosh Hashanah and Sukkoth holidays (September and/or October). This also affects the balance sheet values of inventory, customers and suppliers. Our revenues from cellular services are usually affected by seasonality with the third quarter of the year characterized by higher roaming revenues due to increased incoming and outgoing tourism.

In 2016, the Passover holiday fell at the end of April, compared to 2015 when it was at the beginning of April. The timing of the holiday affects Shufersal's sales and special offers in the second quarter of 2016, compared to last year. The Passover holiday in the second quarter of 2016 had a greater effect on Shufersal's results than in the corresponding quarter in 2015, therefore analysis of the results for the first half of the year compared to the corresponding period in 2015 better represents the changes between the periods.

E. Off-Balance Sheet Arrangements

As of June 30, 2016, we did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of June 30, 2016:

Where the interest payable is not fixed, the amount disclosed has been determined by reference to the existing conditions at the reporting date.

Payments due by period
(in millions of Pesos)

As of June 30, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	More than 4 years	Total (1)
Trade and other payables	13,673	438	562	54	4	14,731
Borrowings	24,232	19,822	29,997	9,926	58,992	142,969
Derivative Financial Instruments	108	47	58	-	-	213
Lease obligations	2,256	2,087	1,803	1,487	3,398	11,031
Purchase obligations	1,089	162	15	-	-	1,266
Total	41,358	22,556	32,435	11,467	62,394	170,210

(1)
Includes accrued and prospective interest, if applicable.

G. Safe Harbor

See the discussion at the beginning of this Item 5 and “Forward Looking Statements” in the introduction of this annual report for the forward looking safe harbor provisions.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Composition of the 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	2013	2016(1)	2001
Fernando A. Elsztain	01/04/1961	Regular Director	2014	2017	1999
Carlos Ricardo Esteves	05/25/1949	Regular Director	2014	2017	2005
Cedric D. Bridger	11/09/1935	Regular Director	2015	2018	2003
Marcos M. Fischman	04/09/1960	Regular Director	2015	2018	2003
Fernando Rubín	06/20/1966	Regular Director	2013	2016(1)	2004
Gary S. Gladstein	07/07/1944	Regular Director	2013	2016(1)	2004
Mario Blejer	06/11/1948	Regular Director	2014	2017	2005
Mauricio Elías Wior	10/23/1956	Regular Director	2015	2018	2006
Gabriel A. G. Reznik	11/18/1958	Regular Director	2014	2017	2008
Ricardo H. Liberman	12/18/1959	Regular Director	2014	2017	2008
Daniel Ricardo Elsztain	12/22/1972	Regular Director	2014	2017	2007
Gastón Armando Lernoud	06/04/1968	Alternate Director	2014	2017	2014
Enrique Antonini	03/16/1950	Alternate Director	2013	2016(1)	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. He has been engaged in the real estate business for more than twenty five years. He is Chairman of the Board of Directors of IRSA Commercial Properties, Cresud, BrasilAgro, Austral Gold Ltd. and Banco Hipotecario SA, among others. He is also Chairman of IDBD Development Corporation Ltd, Discount Investment Corporation. Mr. Elsztain is also member of the World Economic Forum, the Council of the Americas, the Group of 50 and Argentina's Business Association (AEA). He is President of Fundacion IRSA, which promotes education among children and young people; President of TAGLIT - Birthright Argentina; Co-Founder of Endeavor Argentina; and Vice-President of the World Jewish Congress. 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 companies.

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, Emprendimiento 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 Llao Resorts S.A., Palermo Invest S.A. and Nuevas Fronteras S.A. He is also a director of Hoteles Argentinos 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's cousin.

Carlos Ricardo Esteves. He 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.

Marcos Fischman. Mr. Fischman is a pioneer in corporate advisory services in Argentina. He has a degree from the Hebrew University of Jerusalem. Mr. Fischman provides consulting services to businesspeople, students and artists. Since 1993, he has provided consulting services for our Company in communication and development.

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. Since July 2001, he has been the manager of organizational development at Banco Hipotecario. 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 CEO of Banco Hipotecario 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 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 Elías Wior. Mr. Wior obtained a master 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 director of ERSA, and Puerto Retiro S.A., as well as member of the board of directors of Banco Hipotecario S.A., among others.

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 of Mariva Bursátil S.A. since 1997 until today. 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 Fischman 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 of the Operations Center in Argentina 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 Operating Officer	2012
Javier E. Nahmod	11/10/1977	Chief Real Estate Officer	2014
Matías I. Gaivironsky	02/23/1976	Chief Financial and Administrative Officer	2011
Juan José Martinucci	01/31/1972	Commercial Manager	2013

The following is a description of each of our senior managers who are not directors:

Javier E. Nahmod. 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 Center. Afterwards, he became Rental Business Manager (Gerente de Negocios de Renta) within the Real Estate Department, and then Regional Manager of Shopping Centers. He has served as Real Estate Manager within the Real Estate Business of the Company since 2014.

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 early 2016, he was also designated to add the functions of Administrative Officer. 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.

Juan José Martinucci. Juan José Martinucci obtained a degree in business sciences from Fundación de Altos Estudios, where he graduated as Specialized Technician in Strategical Communication. He subsequently, he attended the Management Development Program at IAE Business School. With more than 20 years experience working with us, he has served in different managerial positions, from Center Manager in Alto Palermo Shopping to his latest position as Shopping Center Regional Manager for five years. Since the beginning of 2013, he serves as Chief Commercial Officer.

The following table shows information about our current Senior Management of the Operations Center in Israel:

Name	Date of birth	Position	Current position held since

Sholem Lapidot	10/22/1979	Chief Executive Officer	2016
Gil Kotler	04/10/1966	Chief Financial Officer	2016
Aaron Kaufman	03/03/1970	VP & General Counsel	2015

Sholem Lapidot. Mr. Lapidot has studied Rabbinical Studies and Jewish Philosophy in Argentina, Canada and Israel. He serves as Director in Discount Investment Corp. He has been the chief executive officer of IDB Development since January 2016.
Gil Kotler. Mr. Kotler obtained a bachelors' degree in economics and accounting from Tel Aviv University in Israel in 1993. As well as a GMP at Harvard Business School in 2011. He has been the chief financial officer of IDB Development since April 2016.
Aaron Kaufman. Mr. Kaufman obtained a law degree in Tel Aviv University in 1996. He has been partner in Epstein Law Firm until November 2015, when he joined IDBD as a VP and General Counsel.

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, Alto Palermo Shopping, 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, Alto Palermo Shopping, 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 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 ("COSO Report") to assess the effectiveness of internal control over financial reporting.

The 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 is carried out by the Internal Audit Management, which reports to the CEO and works in coordination with the Audit Committee by issuing periodical reports to it.

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.

B. 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 shall 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.

Our shareholders' meeting held on October 30, 2015, approved compensation to the members of our Board of Directors in an aggregate amount of Ps.18.6 million, for the fiscal year ended June 30, 2015.

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 aggregate compensation paid to our Senior Management of the Operations Center in Argentina for the fiscal year ended June 30, 2016 was Ps.17.8 million.

The aggregate compensation paid to our Senior Management of the Operations Center in Israel since we gained control of IDBD on October 11, 2015 and until June 30, 2016, was Ps.11,36 million. For our CEO and CFO total compensation was considered since they were appointed in January 2016.

Supervisory Committee

The shareholders meeting held on October 30, 2015, approved by majority vote the decision not to pay any compensation to our Supervisory Committee.

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 7.5% 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.

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.

Our CEO of the Operations Centers in Isreal, has a stock option remuneration plan which includes 5,310,000 options, that will be given in five series, and which may be exercised for 5,310,000 ordinary shares, par value NIS 1 per share

of Discount Investments

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.

C. Board Practices

For information about the date of expiration of the current term of office and the period during which each director has served in such office see Item 6. “Directors, Senior Management and employees – A. Directors and Senior Management.”

Benefits upon Termination of Employment

There are no contracts providing for benefits to Directors upon termination of employment., other than those described under the following sections: (i) ITEM 6: Directors, Senior Management and Employees – B. Compensation – Capitalization Plan and (ii) ITEM 6: Directors, Senior Management and Employees – B. Compensation – Incentive Plan for Managers.

Audit Committee

In accordance with the Capital Markets Law and the rules of the CNV, our board of directors has 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 and the external auditors (viii) and 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 applicable rules our Audit Committee must hold sessions at least with the same frequency required to the board of directors (on a three month basis).

Capital Markets Law N° 26,831 and the Rules of the CNV requires that public companies in Argentina as us must have an Audit Committee comprise of three members of the board of directors, the majority of which must be independent. Notwithstanding, our Audit Committee is comprised by three independent directors in compliance with the requirements lead down by the SEC.

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

Compensation of 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.

D. Employees

Operations Center in Argentina

As of June 30, 2016, we had 1,753 employees. Our Development and Sale of Properties and Other Non-Shopping Center Businesses segment had 31 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 Centers segment had 964 employees, including 461 under collective labor agreements. Our Hotels segment had 758 employees, with 622 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,		
	2016	2015	2014
Development and Sale of Properties and Other Non-Shopping Center Businesses (1)	31	34	89
Shopping Centers and Offices(3)	964	973	872
Hotels(2)	758	704	647

Total	1,753	1,711	1,608

(1)
Includes IRSA, Consorcio Libertador S.A. and Consorcio Maipú 1300 S.A.

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.

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Operations Center in Israel

The following table shows the number of employees as of March 31, 2016 of our Israeli operating center divided by company:

IDBD	29
DIC (1)	31
Shufersal	13,726
Cellcom (2)	3,138
PBC (3)	221
Other(4)	1,042
Total	18,187

(1) Includes Elron's employees.
(2) Does not include temporary or external employees.
(3) Includes 106 hotel and cleaning employees.
(4) Includes IDBG, Bartan and IDB Tourism

E. Share Ownership

The following table sets forth the amount and percentage of our common shares beneficially owned by our directors, senior managers and members of the supervisory committee as of June 30, 2016.

Name	Position	Number of Shares	Percentage
Directors			
Eduardo Sergio Elsztain (1)	Chairman	366,789,151	63.4%
Saúl Zang	Vice-Chairman I	8	0.0%
Alejandro Gustavo Elsztain	Vice- Chairman II	622,400	0.1%
Fernando Adrián Elsztain	Regular Director	-	-
Carlos Ricardo Esteves	Regular Director	-	-
Cedric D. Bridger	Regular Director	3400	0,00%
Marcos M. Fischman	Regular Director	-	-
Fernando Rubín	Regular Director	64,226	0.0%
Gary S. Gladstein	Regular Director	210,330	0.0%
Mario Blejer	Regular Director	-	0.0%
Mauricio Elías Wior	Regular Director	-	-
Gabriel Adolfo Gregorio Reznik	Regular Director	-	-
Ricardo Liberman	Regular Director	-	-
Daniel Ricardo Elsztain	Regular Director	146,320	0.0%
Gaston Armando Lernoud	Alternate Director	4,782	0.0%
Enrique Antonini	Alternate Director	-	-
Senior Management			
Matías Ivan Gaivironsky	Chief Financial and Administrative Officer	46,200	0.0%
Javier Ezequiel Nahmod	Chief Real Estate Officer	20,320	0.0%
Supervisory Committee			
José Daniel Abelovich	Member	-	-
Marcelo Héctor Fuxman	Member	-	-
Noemí Ivonne Cohn	Member	-	-

Sergio Leonardo Kolaczyk	Alternate member	-	-
Roberto Daniel Murmis	Alternate member	-	-
Alicia Graciela Rigueira	Alternate member	-	-

(1)
Includes (i) 366,788,251 common shares beneficially owned by Cresud, and (ii) 900 common shares owned directly by Mr. Eduardo S. Elsztain.

(2)
David Alberto Perednik resigned to his position as compliance officer on September 29, 2016.

Option Ownership

No options to purchase common shares have been granted to our Directors, Senior Managers, members of the Supervisory Committee, or Audit Committee.

Employees' Participation in our Capital Stock

There are no arrangements for involving our employees in our capital stock or related to the issuance of options, common shares or securities, other than those described under the following sections: (i) ITEM 6: Directors, Senior Management and Employees – B. Compensation – Capitalization Plan and (ii) ITEM 6: Directors, Senior Management and Employees – B. Compensation – Mid and Long Term Incentive Program.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Information about Major Shareholders

Share Ownership

The following table sets forth information regarding ownership of our capital stock by each person known to us to own beneficially at least 5% of our common shares, ANSES (The Argentine Social Security National Agency) and all our directors and officers as a group. Percentages are expressed on a fully diluted basis.

	Share Ownership as of June 30, 2016	
Shareholder	Number of Shares	Percentage (3)
Cresud (1) (2)	366,789,151	63.8%
Directors and officers (excluding Eduardo Elsztain)	1,130,278	0.2%
ANSES	25,914,834	4.5%
Total	393,834,263	68.5%

1.
Eduardo S. Elsztain is the beneficial owner of 154,993,977, which includes (i) 154,898,780 common shares beneficially owned by IFISA (ii) 880 common shares beneficially owned by Consultores Venture Capital Uruguay S.A., (iii) 752 common shares held by Consultores Asset Management S.A. ; and (iv) 93,565 common shares held directly by him, representing 30.9% of its total share capital. Although Mr. Elsztain does not own a majority of the common shares of Cresud, he is its largest shareholder and exercises substantial influence over Cresud. If Mr. Elsztain is considered to be the beneficial owner of Cresud due to his substantial influence over it, he would be the beneficial owner of 63.4% of our common shares by virtue of his investment in Cresud.
2.
Includes (i) 366,788,251 common shares beneficially owned by Cresud, and (ii) 900 common shares owned directly by Mr. Eduardo S. Elsztain. As a result, Mr. Elsztain's aggregate beneficial ownership of our outstanding common shares may be as high as 366,789,251 common shares, representing 63.4% of our outstanding common shares.
3.
As of June 30, 2016, the number of outstanding common shares was 578,676,460.
4.
Cresud is a leading Argentine producer of basic agricultural products. Cresud's common shares began trading in the MERVAL on December 12, 1960, under the trading symbol "CRES" and on March 1997 its GDSs began trading in the

Nasdaq under the trading symbol "CRESY."

Changes in Share Ownership

Shareholder	June 30,2016 (%)	June 30,2015 (%)	June 30,2014 (%)	June 30, 2013 (%)	June 30, 2012 (%)
Cresud (1)	63.4	64.3	65.5	65.5	64.2
Inversiones Financieras del Sur S.A. (2)	-	-	0.5	0.6	1.7
Directors and officers (3)	0.2	0.3	0.3	0.5	0.8
ANSES	4.5	4.5	4.5	4.5	4.5
Total	68.1	69.1	70.8	71.1	71.2

1.
Eduardo S. Elsztain is the beneficial owner of 154,993,977 common shares of Cresud, representing 30.9% of its total share capital. Although Mr. Elsztain does not own a majority of the common shares of Cresud, he is its largest shareholder and exercises substantial influence over Cresud. If Mr. Elsztain is considered to be the beneficial owner of Cresud due to his substantial influence over it, he would be the beneficial owner of 63.4% of our common shares by virtue of his investment in Cresud.
2.
Eduardo S. Elsztain is the Chairman of the board of directors of IFIS Limited, a corporation organized under the laws of Bermuda and Inversiones Financieras del Sur S.A., a corporation organized under the laws of Uruguay. Mr. Elsztain holds (through companies controlled by him and proxies) a majority of the voting power in IFIS Limited., which owns 100% of IFISA
3.
Includes only direct ownership of our directors and senior management.
4.
As of June 30, 2016, the number of outstanding common shares was 578,676,460.

Differences in Voting Rights

Our major shareholders do not have different voting rights.

Arrangements for change in control

We are not aware of any arrangements that may, when in force, result in a change in control.

Securities held in the host country

As of June 30, 2016, our total issued capital stock outstanding consisted of 578,676,460 common shares. As of June 30, 2016, there were approximately 34,670,001 Global Depositary Shares (representing 346,700,013 of our common shares, or 59.9% of all or our outstanding common shares) held in the United States by approximately 73 registered holders.

B. Related Party Transactions

We enter into transactions with related parties on an arm's-length basis. A related party transaction means any transaction entered into directly or indirectly by us or any of our subsidiaries that is material based on the value of the transaction to (a) any director, officer or member of our management or shareholders (b) any entity in which any such person described in clause (a) is interested or (c) any person who is connected or related to any such person described in clause (a).

Offices and Shopping centers spaces leases

The offices of our president are located at 108 Bolivar, in the Autonomous City of Buenos Aires. The property has been rented to Isaac Elsztain e Hijos S.A., a company controlled by some family members of Eduardo Sergio Elsztain, our president, and to Hamonet S.A., a company controlled by Fernando A. Elsztain, one of our directors, and some of his family members.

· In addition, we, Cresud, Tarshop, BACS, BHN Sociedad de Inversión S.A., BHN Seguros Generales S.A. and BHN Visa S.A. rent offices owned by IRSA CP in different buildings.

· Furthermore, we also let various spaces in our Shopping Centers (stores, stands, storage space or advertising space) to third parties and related parties such us Tarshop S.A. and BHSA.

Lease agreements entered into with associates included similar provisions and amounts to those included in agreements with third parties.

Agreement for the Exchange of Corporate Services with Cresud and IRSA CP

Considering that each of IRSA CP, Cresud and us have operating areas which are somewhat similar, the Board of Directors deemed it advisable to implement alternatives aimed at reducing certain fixed costs of our combined activities and to lessen their impact on operating results while seizing and optimizing the individual efficiencies of each of them in the different areas comprising the management of operations.

To such end, on June 30, 2004, a Master Agreement for the Exchange of Corporate Services ("Frame Agreement") was entered into between IRSA CP, Cresud and us, which was amended several times to bring it in line with evolving requirements. The agreement has a term of 24 months, is renewable automatically for equal periods, unless it is terminated by any of the parties upon prior notice.

This agreement currently provides for the exchange and sharing of services among the following areas: Human Resources, Finance, Institutional Relations, Administration and Control, Insurance, Security, Agreements, Technical Tasks, Infrastructure and Services, Procurement, Architecture and Design, Development and Works, Real Estate, Hotels, Board of Directors, Board of directors of Real Estate Business, General Manager Office, Board Safety, Audit

Committee, Real Estate Business Management, Human Resources of Real Estate Business, Fraud Prevention, Internal Audit and Agricultural Investment Management.

Pursuant to this agreement, the companies hired Deloitte & Co., an external consulting firm, to review and evaluate half-yearly the criteria used in the process of liquidating the corporate services, as well as the basis for distribution and source documentation used in the process indicated above, by means of a half-yearly report.

The operations indicated above allow both IRSA CP and Cresud to keep our strategic and commercial decisions fully independent and confidential, with cost and profit apportionment being allocated on the basis of operating efficiency and equity, without pursuing individual economic benefits for any of the related companies.

Donations granted to Fundación IRSA and Fundación Museo de los Niños

Fundación IRSA is a non-profit charity institution that seeks to support and generate initiatives concerning education, the promotion of corporate social responsibility and the entrepreneurial spirit of the youth. It carries out corporate volunteering programs and fosters donations by the Company’s employees. The main members of Fundación IRSA’s Board of Directors are: Eduardo S. Elsztain (President); Saul Zang (Vice President I), Alejandro Elsztain (Vice President II) and Mariana C. de Elsztain (secretary). It finances its activities with donations from IRSA, IRSA CP, Cresud and others related companies.

On October 31, 1997, IRSA CP entered into an agreement with Fundación IRSA whereby 3,800 square meters of the constructed area at the Abasto shopping center was granted under a gratuitous bailment agreement for a term of 30 years. Subsequently, on October 29, 1999, Fundación IRSA assigned free of cost all the rights of use over such store and its respective obligations to Fundación Museo de los Niños.

On November 29, 2005, IRSA CP signed another agreement with Fundación Museo de los Niños granting under gratuitous bailment 2,670.11 square meters of the constructed area at Alto Rosario shopping center for a term of 30 years.

Fundación Museo de los Niños has used these spaces to set up "Museo de los Niños", Abasto and "Museo de los Niños, Rosario", two interactive learning centers intended for children and adults. Both agreements establish the payment of common expenses and direct expenses related to the services performed by these stores should be borne by Fundación Museo de los Niños.

Legal Services

We hire legal services from Estudio Zang, Bergel & Viñes, in which Saúl Zang is a partner. Mr. Zang is a member of our Board of Directors and that of our related companies. During the fiscal years ended June 30, 2016, 2015 and 2014 we paid Zang, Bergel & Viñes Abogados an aggregate amount of approximately Ps.5.2 million, Ps.3.9 million and Ps.3.5 million, respectively, as payment for legal services.

CRESUD purchase of agrochemicals from Adama

Adama is a company specialized in agrochemicals, particularly used in farming, and is a worldwide leader in active ingredients used in agricultural production. CRESUD, in the normal course of its business, acquires agrochemical products and/or hires services from Adama. On July 17, 2016, DIC reported that it had signed an agreement with ChemChina to sell 40% of Adama Agricultural Solutions Ltd.'s shares, indirectly controlled by IDBD through DIC. For more information see "Recent Developments."

Purchase and sale of goods and/or service hiring

In the normal course of its business and with the aim of making resources more efficient, we, or our related parties, including our parent company, in certain occasions purchases and/or hires services which later sells and/or recovers for companies or other related parties, based upon their actual utilization, without generating any profit to the companies.

Sale of advertising space in media

We and our related parties frequently enter into agreements with third parties whereby we sell/acquire rights of use to advertise in media (TV, radio stations, newspapers, etc.) that will later be used in advertising campaigns. Normally, these spaces are sold and/or recovered to/from other companies or other related parties, based on their actual use , without generating any profit to the companies.

Hospitality Services

We and our related parties hire, in certain occasions, hotel services and lease conference rooms for events to Nuevas Fronteras S.A., Hoteles Argentinos S.A. and Llao Llao Resorts S.A., subsidiaries of IRSA.

Purchase of financial assets

We usually invest excess cash in several instruments that may include those issued by related companies, like Banco Hipotecario or BACS, acquired at issuance or from unrelated third parties through secondary market deals.

Investment in mutual funds of BACS Administradora de Activos S.A. S.G.F.C.I.

We invest from time to time our liquid fund in mutual funds managed by BACS Administradora de Activos S.A. S.G.F.C.I., which is a subsidiary of Banco Hipotecario, among other entities.

Borrowings

In the normal course of its activities, we enter into diverse loan agreements or credit facilities between the related companies and/or other related parties. These loans accrue interest at market rates.

Line of Credit granted to IRSA

On June 25, 2014, IRSA CP increased the existing credit line expiring on June 25, 2015 to US$60 million, which is priced at the one year LIBOR rate plus 3.0%. Under this credit line, IRSA CP and any of their subsidiaries will be lenders and we and/or our subsidiaries (not our subsidiaries) will be the borrowers. In June 2015, the line of credit was renewed for an additional year until June 24, 2016. In addition, on July 5, 2016 the credit line was increased by up to US$120.0 million at an annual rate of 9% and expires on June 24, 2017.

As of the date of this annual report, the total amount granted from IRSA CP to us amounts to US$45 million.

Financial and service operations

We work with several financial entities in Argentina for operations including, but not limited to, credit, investment, purchase and sale of securities and financial derivatives. Such entities include Banco Hipotecario S.A. and its subsidiaries. Furthermore, Banco Hipotecario S.A. and BACS Banco de Crédito y Securitización S.A. usually act as underwriters in Capital Market transactions. In addition, we have entered into agreements with BHSA, who provides collection services for our Shopping Centers.

Property purchase sale

We in the course of business operations may acquire or sell to or from other related parties certain real estate properties used for rental purposes.

Investment Properties transferred to IRSA CP

On December 22, 2014, we transferred to IRSA CP, 83,789 m2 of our premium office portfolio including the buildings República, Bouchard 710, Della Paolera 265, Intercontinental Plaza and Suipacha 652 and the "Intercontinental II" plot of land in order to consolidate a vehicle which main corporate purpose is to develop and operate commercial properties in Argentina. The total purchase price of the transaction was US$308 million, which had been paid as of June 30, 2016.

On April 7, 2016, we sold to IRSA CP, 16,012 m2 covering 14 floors and 142 garages in the building to be developed in the area of "Catalinas", City of Buenos Aires. The purchase price of the transaction was established taking into account two components. On the one hand, the total surface area as measured in square meters to be acquired, settled on the amount of Ps.455.7 million, which were already paid. On the other hand, an amount that will be determined according to the actual cost of the construction by square meters.

Investment in Dolphin

As of the date of this annual report, we have invested approximately US$544 million in Dolphin, through our subsidiaries. Dolphin Fund Ltd, is an investment fund incorporated under the laws of Bermuda, whose investment manager is Consultores Venture Capital Uruguay S.A., a company controlled indirectly by our Chairman, Eduardo S. Elsztain. Dolphin Netherlands is a subsidiary of Dolphin Fund Ltd, incorporated in the Netherlands. Such investments were made in order to carry out the investment in IDB Development Corp. For more information please see Item 4. Information on the Company – A. History and development of the Company – "Investment of IDB Development Corporation Ltd. (IDBD).

Acquisition of DIC shares from IDBD

On September 23, 2016, we acquired from IDBD 8,888,888 shares of DIC for of NIS 99 million (approximately US$26.7 million), equivalent to the 8.8% of its shares outstanding. For more information see "Recent Developments."

Transactions with IFISA

In June 2014, we, through our subsidiary Real Estate Investment Group IV LP, renewed a credit facility granted by IFISA, a company indirectly controlled by Eduardo Sergio Elsztain, for a total amount of 1.4 million shares of Hersha Hospitality Trust. The transaction was agreed upon for a term of 30 days, which could be renewed for up to 360 days; the facility was priced at Libor (3 months) + 50 bps. This credit facility was cancelled after the end of fiscal year 2014 in order to sell the remaining amount of Hersha.

On February 10, 2015, Dolphin, sold 71,388,470 IDBD shares to IFISA, for an amount of US$25.6 million, US$4.0 million of which were paid upon execution and the remaining balance of US$21.6 million were financed for a term of up to 360 days and priced at Libor 1M (one month) + 3%. On May 9, 2016, the parties agreed to extend the expiration date for 30 days as from execution of the addenda, to be automatically renewable every 30 days for a maximum term of 180 days, and increasing the rate to 9% since February 10, 2016.

On May 31, 2015, we, through Dolphin, sold to IFISA 46 million of warrants Series 4 for a total amount of NIS 0.46 million (equivalent to US$0.12 million at the time of the transaction), provided IFISA agreed to exercise them fully when Dolphin were so required by IDBD.

On July 28, 2015, Dolphin granted a loan to IFISA for an amount of US$7.2 million, due in July 2016, which accrues interest at Libor 1M (one month) + 3%. On May 9, the parties agreed to extend the expiration date to June 8, 2016, to be automatically renewable every 30 days for a maximum term of 180 days, and increased the rate to 9%.

On October 9, 2015, we granted a loan in the amount of US$40 million to IFISA. The term of the loan is one year calculated from the disbursement and will bear interest at a rate of 3% + Libor 1M, to be determined monthly. On October 9, 2016, the parties agreed to extend the expiration date to be automatically renewable every 30 days for a maximum term of 180 days and increase the rate to 9%.

In February 2016, DN B.V., a subsidiary of Dolphin, entered into an option contract with IFISA whereby Dolphin is granted the right, but not the obligation to acquire 92,665,925 shares of IDBD held by IFISA at a share price of NIS 1.64 plus an annual interest of 8.5%. The exercise date for the option extends for two years.

Purchase of farmland "La Adela"

In July 2014, we bought from Cresud "La Adela" farmland – an area of approximately 1,058 hectares located in the municipality of Luján, Province of Buenos Aires, for a total amount of Ps.210 million. Given the development and proximity to Buenos Aires, there is a high potential for urbanization of this farmland; therefore, the purpose of the sale is to undertake a new real estate development.

Transfer of tax credits

Sociedad Anónima Carnes Pampeanas S.A. (subsidiary of Cresud) and Cresud, assigned credits to IRSA CP and other related parties corresponding to value added tax export refunds related to such companies' business activity.

C. Interests of Experts and Counsel

This section is not applicable

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Item 18 for our Audited Consolidated Financial Statements.

Legal or Arbitration Proceedings

Legal Proceedings

Operations Center in Argentina

Set forth below is a description of certain material legal proceedings to which we are a party. We are not engaged in any other material litigation or arbitration and no other material litigation or claim is known to us to be pending or threatened against us or our subsidiaries. Nevertheless, we may be involved in other litigation from time to time in the ordinary course of business.

Puerto Retiro

On November 18, 1997, in connection with our acquisition of our subsidiary Inversora Bolívar, we indirectly acquired 35.2% of the capital stock of Puerto Retiro. Inversora Bolívar had purchased such common shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In 1999, we, through Inversora Bolívar, increased our interest in Puerto Retiro to 50.0% of its capital stock. On April 18, 2000, Puerto Retiro was served notice of a filing made by the Argentine government, through the Ministry of Defense, seeking to extend the bankruptcy of Indarsa to the Company. Upon filing of the complaint, the bankruptcy court issued an order restraining the ability of Puerto Retiro to dispose of, in any manner, the real property it had purchased in 1993 from Tandanor. Puerto Retiro appealed the restraining order which was confirmed by the Court on December 14, 2000.

In 1991, Indarsa had purchased 90% of Tandanor, a former government-owned company, which owned a piece of land near Puerto Madero of approximately 8 hectares, divided into two parcels: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993, Tandanor sold "Planta 1" to Puerto Retiro, for a sum of US$18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina. Indarsa failed to pay to the Argentine government the price for its purchase of the stock of Tandanor, and as a result the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend Indarsa's bankruptcy to other companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of Indarsa's bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor.

The deadline for producing evidence in relation to these legal proceedings has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. It should be noticed, regarding the abovementioned criminal procedure, that on February 23, 2011 it was resolved to declare its expiration, and to dismiss certain defendants. However, this resolution is not final because it was appealed. We cannot give you any assurance that we will prevail in this proceeding, and if the plaintiff's claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa's debts and our investment in Puerto Retiro, would be lost. As of June 30, 2016, we had not established any reserve with respect of this contingency.

Tandanor has filed a civil action against Puerto Retiro and the people charged in the referred criminal case looking forward to be reimbursed from all the losses which have arose upon the fraud committed. On March 7, 2015 Puerto Retiro responded filing certain preliminary objections, such as prescription or limitation, lack of information to respond the lawsuit, lack of legitimacy (active and passive). On July 12, 2016 Puerto Retiro was legally notified of the decision adopted by the Tribunal Oral Federal N° 5 related to the preliminary objections above mentioned. Two of them were rejected –lack of information and lack of legitimacy (passive). We filed an appeal with regard to the rejection of these two objections. But, on the other hand, the other two objections will be studied at the moment of deliver the sentence, which is an important step in order to obtain a favorable decision.

Legal issues with the City Hall of Neuquén

In June 2001, Shopping Neuquén requested that the City of Neuquén allow it to transfer certain parcels of land to third parties so that each participant in the commercial development to be constructed would be able to build on its own land. Neuquén's Executive Branch previously rejected this request under Executive Branch Decree N° 1437/2002 which also established the expiration of the rights arising from Ordinance 5178 due to not building the shopping center in time, including the loss of the land and of any improvement and expenses incurred. As a result, Shopping Neuquén had no right to claim indemnity charges and annulled its buy-sell land contracts.

Shopping Neuquén submitted a written appeal to this decision on January 21, 2003. It also sought permission to submit a revised schedule of time terms for the construction of the shopping center, taking into account the economic situation at that time and including reasonable short and medium term projections. Neuquén's Executive Branch rejected this request in their Executive Branch Decree 585/2003. Consequently, on June 25, 2003, Shopping Neuquén filed an "Administrative Procedural Action" with the High Court of Neuquén requesting, among other things, the annulment of Executive Branch Decrees 1,437/2002 and 585/2003 issued by the City Executive Branch. On December 21, 2004, the High Court of Neuquén communicated its decision that the administrative procedural action that Shopping Neuquén had filed against the City of Neuquén had expired. Shopping Neuquén filed an extraordinary appeal for the case to be sent to the Argentine Supreme Court.

On December 13, 2006, while the case was under study in the Argentine Supreme Court, Shopping Neuquén signed an agreement with both the City and the Province of Neuquén that put an end to the lawsuit between them and stipulated a new timetable for construction of the commercial and housing enterprises (the "Agreement"). Also, Shopping Neuquén was permitted to transfer certain parcels to third parties so that each participant in the commercial development to be constructed would be able to build on its own land, with the exception of the land in which the shopping center would be constructed. The Legislative Council of the City of Neuquén duly ratified the Agreement. The City Executive Branch promulgated the ordinance issued on February 12, 2007.

Shopping Neuquén came to an agreement and paid all of the City's lawyers, including pending fees contested in court.

Shopping Neuquén finished the construction and opened the shopping center in March, 2015, obtaining also all necessary provincial and city authorizations for it.

Arcos del Gourmet

In December 2011, IRSA Commercial Properties started to develop, through our subsidiary Arcos, the "Arcos" project located in the neighborhood of Palermo, City of Buenos Aires. On December 10, 2013, Administrative and Tax Contentious Court of Appeal of the City of Buenos Aires ratified an injunction that suspends the opening of the shopping center on the grounds that it has failed to obtain certain government permits. Despite the fact that the construction has all government permits in place, IRSA Commercial Properties has filed an appeal against the decision and have requested that the injunction be lifted. In such sense, on April 10, 2014, the government of the City

of Buenos Aires issued a new environmental compliance certificate. IRSA Commercial Properties obtained a favorable decision on this case based on procedural grounds. Notwithstanding, the plaintiff appealed this decision, and the file was placed on the Court of Appeal on September 23, 2014.

On the other hand, there is another judicial process entitled "Federación de Comercio e Industria de la Ciudad de Buenos Aires y Otros c/ Gobierno de la Ciudad Autónoma de Buenos Aires s/ Amparo". On August 29, 2014 the lower court rendered a decision rejecting the case. This resolution was appealed but afterwards, was confirmed in December, 2014. Therefore, on December 18th, 2014, the "Arcos" Project was opened to the public, operating normally nowadays. Notwithstanding, the plaintiff appeared before the Superior Court of the City of Buenos Aires to request the review of the case based on the constitutional's matters involved. The Court has not rendered a decision yet.

Moreover, on May 18th, 2015 IRSA Commercial Properties was notified of the revocation of the Agreement for the Reorganization for Use and Exploitation Nº AF000261 (“Contrato de Readecuación de Concesión de Uso y Explotación NºAF000261”) issued by the Agency for the Management of the State Assets (“Agencia de Administración de Bienes del Estado” or “AABE”) through Resolution Nº 170/2014. This Resolution was not enacted due to breach of contract by Arcos del Gourmet nor it has implied up to the date of this annual report the interruption of the economic exploitation neither of the functioning of the shopping center that IRSA Commercial Properties operate there. IRSA Commercial Properties has filed the proper administrative and judicial motions to revoke the Resolution and as of the date of this annual report these proceedings are ongoing.

Notwithstanding the aforesaid, the “Federación de Comercio e Industria de la Ciudad de Buenos Aires” has filed a motion opposing of the injuction. On March 17, 2015 this request was rejected. As a consequence, it has filed an appeal, remain pending.

Other Litigation

As of July 5, 2006, the Administración Federal de Ingresos Públicos (“AFIP”) filed a preliminary injunction with the Federal Court for Administrative Proceedings against IRSA Commercial Properties for an aggregate amount of Ps.3.7 million, plus an added amount, provisionally estimated, of Ps.0.9 million for legal fees and interest. The main dispute is about the income tax due for admission rights. In the first instance, AFIP pleaded for a general restraining order. On November 29, 2006, the Federal Court issued an order substituting such restraining order for an attachment on the parcel of land located in Caballito neighborhood, City of Buenos Aires, where IRSA Commercial Properties is planning to develop a shopping center. As of June 30, 2011, under court proceedings, the building was subject to a legal attachment for Ps.36.8 million. On December 12, 2012, the legal attachment was lifted and accredited in the file concerned in February 2013.

After we sold the Edificio Costeros, dique II, on November 20, 2009, we requested an opinion to the Argentine Antitrust Authority as to whether it was necessary to report this transaction. The Argentine Antitrust Authority advise us that it was required to notify the transaction. We challenged this decision, but it was confirmed. On December 5, 2011, we notified the transaction and on April 30, 2013 the transaction was approved by the Argentine Antitrust Authority by Resolution No 38, as a result of that this legal proceeding was concluded.

On January 15, 2007 we were notified of two claims filed against us before the Argentine Antitrust Authority, one by a private individual and the other one by the licensee of the shopping center, both opposing the acquisition from the province of Córdoba of a property known as Ex-Escuela Gobernador Vicente de Olmos. On February 1, 2007 we responded the claims. On June 26, 2007, the Argentine Antitrust Authority notified us that it has initiated a summary proceeding to determine whether the completion of the transaction breaches the Antitrust Law. As of the date of this filing the result of this proceeding has not been determined.

On December 3, 2009, IRSA Commercial Properties filed a request for the Argentine Antitrust Authority’s opinion regarding IRSA Commercial Properties’ acquisition of common shares of Arcos del Gourmet S.A. The Argentine Antitrust Authority advised the parties that the transaction has to be notified. On December, 2010 the transaction was filed with the Argentine Antitrust Authority. As of the date of this annual report, the decision of the Argentine Antitrust Authority is still pending.

On April 11, 2011, Quality Invest requested the Argentine Antitrust Authority opinion regarding Quality’s acquisition Property of a warehouse owned by Nobleza Piccardo S.A.I.C. y F. located in San Martín, Province of Buenos Aires. The Argentine Antitrust Authority stated that there was an obligation to notify the situation, but Quality Invest filed an appeal against this decision. Subsequently, the Court of Appeals confirmed the Argentine Antitrust Authorities’

decision regarding the obligation to notify and, therefore, on February 23, 2012, the transaction was filed. As of the date of this annual report, the Argentine Antitrust Authority is analyzing this decision.

On august 23, 2011, IRSA Commercial Properties notified the Argentine Antitrust Authority the direct and indirect acquisition of common shares of NPSF, the transaction involved the direct acquisition of 33.33% of NPSF and 16.66% through our controlled vehicle Torodur S.A. As of the date of this annual report the transaction is being analyzed by the Argentine Antitrust Authority.

On June 16, 2012, we sold to Cabaña Don Francisco S.A. certain Costeros Dique IV's functional units, to be used for office space, and complementary units to be used for parking. In addition, we assigned upon the purchaser all rights and interests arising from lease agreements involving the conveyed units. As a result, an advisory opinion was requested from the Argentine Antitrust Authority as to the need to report such transaction. The Argentine Antitrust Authority resolved that the transaction was exempt from report on May 21, 2014, so this legal process was finished.

On December 7, 2012, we filed with the Argentine Antitrust Authority the adquisition of EHSA, which has the beneficial ownership of 50% of La Rural S.A That company runs an exposition center known as Predio Ferial de Palermo. As of the date of this annual report, the Argentine Antitrust Authority is analyzing the transaction.

Through the issuance of Resolution N° 16,521 dated February 17, 2011 the CNV commenced a summary proceeding against the members of IRSA's board of directors and its supervisory committee members (all of them at that time, including among others Eduardo S. Elsztain), alleging certain formal errors in the Inventory and Balance Sheet Book, specifically the failure by the Company to comply with certain formalities in the presentation of a table included in the Memoria (annual report); arising from an investigation carried out by the CNV in October 2010. Applicable law requires that the corrections of any errors in the annual report include a legend identifying each error and the way in which it was corrected, including insertion of the holographic signature from the chairman of the board. In this case, we first corrected the mistake and after the request from the CNV included the legend and the holographic signature of the chairman, required by the relevant formalities.

IRSA's response to the CNV's allegations containing the arguments for the defense was filed in March 2011 and the first hearing was held in May 2011. In April, 2013, the CNV imposed (as a result of the aforementioned alleged charge) a fine on the members of IRSA's board of directors and its supervisory committee members. The fine imposed by the CNV amounts to Ps.270,000 equivalent to US$49,632 and it was imposed against IRSA and the members of the board together. The amount of the fine demonstrates the immaterial nature of the alleged violations. Even though the fine was paid, in April 2013, IRSA appealed such resolution, which is still ongoing in Court Room N° IV of the National Chamber of Appeals in Federal Administrative Procedures (Cámara Nacional de Apelaciones en lo Contencioso Administrativo Federal).

For more information see "Item. 3(d) Risk Factors—Risk related to our Business—Our business is subject to extensive regulation and additional regulations may be imposed in the future".

Class actions in the United States

On May 9, 2016, a putative shareholder class action was filed in the United States District Court for the Eastern District of Pennsylvania against IRSA, certain of its officers and directors, and Cresud. The complaint asserts violations of the federal securities laws on behalf of persons that purchased IRSA's American Depositary Receipts between November 3, 2014 and December 30, 2015, and alleges that defendants made materially false and misleading statements and omissions relating to IRSA's investment in IDBD. More specifically, the complaint alleges that IRSA's disclosures during that time period misrepresented and failed to disclose that (1) IDBD's US$6.7 billion net debt should have been consolidated in IRSA's financial statements and (2) as so consolidated, IRSA's debt would violate the covenants specified in IRSA's Global Notes Indenture.

These class actions were transferred to the United States District Court for the Southern District of New York on July 14, 2016, and were referred to Judge Vernon S. Broderick on July 19, 2016. In each action, a putative class representative has filed a motion to be appointed as lead plaintiff and to appoint class counsel. Both such motions remain pending before the Court. Defendants believe that there is no merit to the claims alleged and intend to vigorously defend these actions. Nevertheless, no assurance can be given that we will be successful in defending these claims.

Operations Center in Israel

Litigation against IDB

In recent years there has been an increasing trend of filing derivative and class action claims in the area of corporate and securities laws in Israel. While taking into account such issues and the financial position of IDB and its holding structure, claims in considerable amounts may be filed against IDB, including in connection with its financial position and cash flows, with offerings that it makes, and transactions that were carried out or not completed, including with regards to the contentions and claims of the controlling shareholders that took place in IDB.

Arbitration proceedings relating to the obtainment of control in IDBD.

On May 7, 2014, a transaction was agreed whereby the Company, acting indirectly through Dolphin, acquired jointly with ETH (a non-related company established under the laws of the State of Israel, which was presented to Dolphin as a company controlled by Mordechay Ben Moshé), an aggregate number of 106.6 million common shares in IDBD, representing 53.30% of its stock capital, under the scope of the debt restructuring Arrangement of IDBH, IDBD's parent company, with its creditors.

Under the terms of the agreement entered into between Dolphin and ETH (the “Shareholders’ Agreement”), Dolphin acquired 50% interest in this investment, and ETH acquired the remaining 50%. The initial total investment amount was NIS 950, equivalent to approximately US$272 at the exchange rate prevailing on that date.

On May 28, 2015, ETH launched the BMBY mechanism provided in the Shareholders’ Agreement (clause which establishes that each party of the Shareholders' Agreement may offer to the counterparty to acquire (or sell, as the case may be), the shares it holds in IDBD at a fixed price). In addition, ETH further added that the purchaser thereunder required to assume all obligations of seller.

On June 10 and 11, 2015, Dolphin gave notice to ETH of its intention to buy all the shares of IDBD held by ETH.

After certain aspects of the offer were resolved through an arbitration process brought by Dolphin and ETH, on September 24, 2015, the competent arbitrator resolved that: (i) Dolphin and IFISA (related company to the Company) were entitled to act as buyers in the BMBY process, and ETH had to sell all of the IDBD shares held by it (92,665,925 shares) at a price of NIS 1.64 per share; (ii) The buyer had to fulfill all of the commitments included in the Arrangement, including the commitment to carry out Tender Offers; (iii) The buyer had to pledge in favor of the Arrangement Trustees the shares that were previously pledged in favor of the Arrangement Trustees by the seller.

On October 11, 2015, the BMBY process concluded, and IFISA acquired all IDBD's shares of stock held by ETH. Consequently, the Shareholders' Agreement ceased and members of IDBD's Board of Directors representing ETH submitted their irrevocable resignation to the Board, therefore Dolphin was hence empowered to appoint the new members to the Board. Additionally, on the same date, Dolphin pledged additional shares as collateral to secure compliance with the IDBD stock purchase agreement, thereby increasing the number of pledged shares to 64,067,710. As a consequence, the Company gained control of IDBD and started to consolidate financial statements as from that date.

In addition to the competent arbitrator’s decision issued on September 24, 2015, ETH and Dolphin still have counterclaims of different kinds which are subject to such arbitration proceeding. As of the filing date of this Annual Report, the proceeding is still being heard.

Litigation against Clal Insurance and its subsidiaries

This exposure is especially high in the areas of long-term savings and long-term health insurance in which Clal Insurance operates, inter alia, in view of the fact that in these areas the policies were issued decades ago, while at present, after significant changes in the regulatory environment and against the background of developments in legal precedent and the Israeli authority’s position, the same policies may be interpreted differently, retrospectively, and may be subjected to different interpretation standards than those that were customary at the time that the policies were made. Moreover, in these areas the policies are valid for dozens of years and, therefore, there is a risk that in those cases in which a customer’s claim is accepted and a new interpretation is given to the policy, the future profitability of Clal Insurance in respect of the existing policy portfolio will also be affected. This is in addition to the possible compensation that could be given to the customers due to past activity.

Alongside these aspects, during 2015 amendments were made to reflect a significant reform in the field of approving an insurance program which allows the Israeli authority, under certain conditions, to order the insurer to stop introducing an insurance policy or to order an insurer to make a change to an insurance policy, even with regard to policies that have already been marketed by the insurer. It is not possible to foresee to what extent insurers are exposed to claims in connection with the provisions of the policy, the manner of implementing the Israeli authority’s powers pursuant to the insurance policy reform and its implications, which may be raised, inter alia, by means of the procedural mechanism provided in the Israeli Class Actions Law.

There are claims that have been recognized as class action suits, claims for which there are pending motions to have them certified as class action suits, and other claims which are immaterial. These claims include mainly claims of improper actions, not in accordance with laws, licenses or breaches of agreements with customers or performance of tort damages toward customers (especially misleading a customer, or a negligent misrepresentation), causing damage, either monetary or non-monetary, to customers. A significant amount of these claims also include claims of charging excessive premiums and payment of lower than called for insurance compensation. In addition, there are pending

motions to have claims certified as derivative actions.

Sale of shares of Clal Insurance Enterprises Holdings Ltd

On August 21, 2013, on the background of concerns about the ability of the previous controlling shareholders of IDBD (Dankner group) to meet the requirements to have control over an insurance company, set forth by the Commissioner of Capital Markets, Insurance and Savings (which is a division within the Ministry of Finance of Israel; the "Commissioner"), the Commissioner required that IDBD transfer 51% of the shares in Clal to Mr. Moshe Terry ("the Trustee") and to grant the Trustee an irrevocable power of attorney with regard to the voting of such shares in Clal.

On November 27, 2013, and as part of the debt arrangement In IDB Holdings Corporation Ltd., the Commissioner set forth an outline to enable the change of control in IDBD (as part of the debt arrangement), whereby the Commissioner would not view such change of control as being a breach of the Supervision of Financial Services (Insurance) Law, 1981 (the "Insurance Law"), subject to certain conditions, including terms whereby if until 31.12.2014 a control permit for Clal Insurance will not be obtained for the new controlling shareholders in IDBD, or, that an agreement for the sale of the controlling stake in Clal Insurance will not have been signed, then the Trustee will be authorized to sell the Clal Insurance shares that the Trustee holds. Both groups that had submitted proposals in the debt arrangement process (including the Dolphin group) approved such outline.

On December 30, 2014, the Commissioner sent an additional letter setting a term by which IDBD’s control over and equity interests in Clal were to be sold and giving directions as to the Trustee’s continuity in office, among other aspects.

The sale arrangement outlined in the letter involves IDBD’s and the Trustee’s interests in the sale process under different options and timeframes. As of June 30, 2016, the current sale arrangement involved the sale of the interest, as per the following detail and by the following dates:

a. IDBD would have to sell at least 5% of its equity interest in Clal per each 4 month period beginning as of January 7, 2016.
b. During each of the subsequent four-month periods, IDBD would have to sell at least an additional 5% of its equity interest in Clal.
c. If IDBD sells more than 5% of its equity interest in Clal in any given four-month period, the percentage in excess of the required 5% would be offset against the percentage required in the following 4 month period.

IDBD would be required to continue to sell all of its holdings in Clal apart for such holdings that do not require a permit pursuant to applicable law, or, alternatively, such holdings that IDBD will be permitted to hold pursuant to applicable law.

In case IDBD does not fulfill its obligation in the manner described in the above paragraph the Trustee would be entitled to act upon the specified arrangement in lieu of IDBD, pursuant to all powers that had been vested under the representations of the trust letter. The consideration for the sale would be transferred to IDBD, with the expenses incurred in the sale process to be solely borne by IDBD.

On May 7 ,2016 the Commissioner requested that the Trustee act to sell 5% of the shares of Clal Insurance according to the December 30, 2014 letter. IDBD has objected to such sale, and notified the Trustee that in case the Trustee shall sell shares then IDBD will consider claiming against the Trustee for damages. As a result, on July 13, 2016 the Trustee applied to the Tel Aviv District Court to obtain instruction on whether and how to sell such 5% of Clal Insurance shares.

On May 26, 2016 IDBD's board decided to commence a competitive process for the sale of a control stake in Clal. Following such decision, on July 1, 2016 IDBD entered into an agreement with JP Morgan to serve as an investment bank on behalf of IDBD for the sale of a control stake in Clal.

In addition, in June 2015, an application for a Israeli court to approve the commencement of a class action against IDBD, IDBD's directors (some of which are also our directors), Dolphin Netherlands B.V. and C.A.A Extra Holdings Ltd. was filed by individuals who argue that IDBD's controlling shareholders and board of directors acted in concert to frustrate the sale of shares of Clal Insurance Enterprises Holdings Ltd (or Clal) to JT Capital Fund. The applicants argue that this caused them material damages as under the terms of the debt restructuring of IDBD's holding company, IDB Holdings Corporation Ltd. with its creditors, they would have been entitled to receive a larger payment had the above mentioned sale been consummated. Furthermore, they allege that the 2014 and 2015 rights offerings of IDBD discriminated against the minority shareholders. On March 21, 2016, the respondents filed a motion to dismiss this class action application. On June 2, 2016, the Court partially accepted this motion, and ordered the applicants to file an amended class action application that would include only the arguments and remedies with respect to the said Clal transaction. On August 2, 2016, the respondents filed a motion to appeal (regarding the decision not to dismiss the arguments concerning the Clal transaction) and, on August 14, 2016, the applicants filed an appeal (regarding the decision to dismiss the arguments concerning the rights offering) both before the Israeli Supreme Court. As of the date of this annual report, the Supreme Court has decided that the motion to appeal and the appeal will be heard jointly, and has ordered a stay of the procedings.

Litigation against Cellcom and its subsidiaries

In the normal course of business, claims have been filed against Cellcom by its customers. These are mostly motions for approval of class actions, primarily concerning allegations of illegal collection of funds, unlawful conduct or breach of license, or a breach of agreements with customers, causing monetary and non-monetary damage to them.

In addition, in the normal course of business, claims have been filed against Cellcom in issues related to the environment, including claims regarding non-ionizing radiation from cellular handsets and claims in respect of sites belonging to Cellcom. These are mostly motions for approval of class actions, relating to allegations of unlawful conduct or breach of license causing monetary and non-monetary damage (including claims for future damages).

Litigation against Adama and its subsidiaries

In the normal course of business, Adama is involved in various legal claims involving environmental claims for smell and noise hazards relating to its site. claims by employees, subcontractors, suppliers, authorities and others which concern, inter alia, claims for breaches of provisions of the law regarding termination of employment and obligatory payments to employees, claims for breach of contract and patent infringement, and compulsory payments to authorities.

Litigation against Shufersal

In the normal course of business, legal claims were filed against Shufersal by its customers. These are mostly motions for certification of class actions, which mainly concern claims of charging money unlawfully, acting contrary to the law or a license, or a breach of the agreements with customers, causing financial and non-financial loss to them.

In addition in the normal course of business, legal claims were filed with the courts against Shufersal by employees, subcontractors, suppliers, authorities and others, which relate mainly to claims of breaches of the provisions of the law in relation to the termination of workers' employment and compulsory payments to employees, claims of breaches of contract and compulsory payments to authorities.

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 law and our by-laws, net and realized profits for each fiscal year are allocated as follows:

1.
5% to our legal reserve, up to 20% of our capital stock;

2.
a certain amount determined at a shareholders' meeting is allocated to compensation of our directors and the members of our Supervisory Committee;

3.
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.

Our dividend policy consists in the distribution of an amount not to exceed the higher of a) twenty percent (20%) of the sales, leases and services of "Offices and Others" segment, as recorded in Segment reporting, as of June 30 of each year, or b) 20% of Net income as recorded in the Consolidated Statements of Income as of June 30 of each year. This policy requires that we must at all times comply with the covenants imposed by our financial obligations. Given the recent transfer of office buildings to our subsidiary IRSA Commercial Properties, the company is evaluating to make certain modifications to the policy set forth.

The table below presents the dividend payment ratio and the total amount of dividends paid for, each paid entirely in common shares, for the mentioned years. Figures in Pesos are stated in historical Pesos of their respective payment date.

Year declared	Cash dividends (in millions of Ps.)	Cash dividends(1) (Ps.)	Stock dividends(1) (Ps.)	Total per common 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
2001-2008	—	—	—	—
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	—	—	—	—

(1) Corresponds to payments per common share.

The table below presents the dividend payment ratio to the total amount of dividends paid for by our subsidiary IRSA Commercial Properties, from which we collect dividends in our capacity as shareholders, each fully paid, for the years indicated in the table below.

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

B. Significant Changes.

Annual Shareholders Meeting.

The Ordinary and Extraordinary Shareholders' Meeting has been called for October 31, 2016, at 1:00 p.m., to address the following agenda:

.
Consideration of documents contemplated in Section 234, paragraph 1, of the Argentine Companies Law No. 19,550 for the fiscal year ended June 30, 2016.

.
Consideration of the fiscal year's results, consisting of a Ps.1,254 million. Ratification of the Board of Directors' resolution of May 12, 2016, to fund the legal reserve with funds from the future dividends reserve, in accordance with Art. 5, Chapter III, Title IV of CNV Rules.

.
Consideration of Board of Directors' performance.

.
Consideration of Supervisory Committee's performance.

.
Consideration of compensation payable to the Board of Directors for Ps.24 million for the fiscal year ended June 30, 2016.

.
Consideration of compensation payable to the Supervisory Committee for the fiscal year ended June 30, 2016.

.
Determination of the number and election of Regular Directors and Alternate Directors, as applicable.

.
Appointment of Regular and Alternate Members of the Supervisory Committee.

.
Appointment of Certifying Accountant for the next fiscal year and determination of its compensation. Delegation of powers.

.
Updating of report on Shared Services Agreement.

.
Treatment of amounts paid as personal assets tax levied on the shareholders.

.
Consideration of (i) request for extension of the Global Note Program for up to US$300 million currently outstanding, in accordance with the resolutions adopted at the Shareholders' Meeting dated October 31, 2011, for a further five

years or more, if applicable; (ii) request for extension of the Program for an additional US$200 million.

.

Consideration of (i) delegation on the Board of Directors of powers to implement the time and amount extension requests of the Global Note Program and/or its reduction, and to determine the terms and conditions of the Program not expressly approved by the shareholders' meeting, such as time and currency of issue and further terms and conditions of the notes to be issued under the Global Note Program ; (ii) authorization to Board of Directors to (a) approve, celebrate, enter into and/or subscribe any agreement, contract, document, instrument and/or note related to the time extension of the Program and/or the implementation of the amount increase and/or the issuance of notes and/or series of notes under the Program; (b) request to the Argentine Securities Commission the authorization for the public offering of such notes; (c) request to the applicable stock Exchange, local or foreign, the authorization for the listing of such notes; and (d) undertake any action or take any necessary step in order to the time extension request of the Program and/or its amount increase and/or the issuance of notes and/or series of notes under the Program; and (iii) authorization to the Board of Directors to delegate the powers and authorizations granted in (i) and (ii) to one or many of its members.

.

Consideration of the granting of indemnity to current and former members of the Board of Directors, members of the Supervisory Committee and the Senior Management of the Company, in subsidy of the D&O policies.

.

Consideration of reform of article 24 of the by-laws in order to include distance meetings.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The following summary provides information concerning our share capital.

Stock Exchanges in which our securities are listed

Our common shares are listed in the MERVAL and our GDSs in the NYSE.

The following description of the material terms of our capital stock is subject to our certificate of incorporation and bylaws, which are included as exhibits to this Form 20-F , and the provisions of applicable Argentine Law.

Price history of our stock in the BASE and NYSE

Our common shares are traded in Argentina on the MERVAL, under the trading symbol “IRSA.” Since 1994, our GDSs, each presenting 10 common shares, have been listed in the NYSE under the trading symbol “IRS.” The Bank of New York Mellon is the depositary with respect to the GDSs.

The table below shows the high and low daily closing prices of our common shares in Pesos and the quarterly trading volume of our common shares on the Buenos Aires Stock Exchange for the first quarter of 2012 through October 27, 2016. The table also shows the high and low daily closing prices of our GDSs in U.S. Dollars and the quarterly trading volume of our GDSs on the NYSE. Each GDS represents ten common shares.

	Buenos Aires Stock Exchange			NYSE		
	Share	Ps.per Share		GDS	US$per GDS	
	Volume	High	Low	Volume	High	Low
Fiscal Year 2012						
1st Quarter	1,559,282	5.83	4.00	2,145,035	13.75	8.52
2nd Quarter	980,406	5.20	3.95	1,398,563	11.17	8.60
3rd Quarter	1,338,946	5.50	4.60	2,481,773	11.24	10.01
4th Quarter	1,298,975	5.03	3.87	5,169,653	9.67	6.48
Annual	5,177,609	5.83	3.87	11,195,024	13.75	6.48
Fiscal Year 2013						
1st Quarter	1,583,675	4.90	4.25	2,809,916	7.35	6.55
2nd Quarter	1,299,758	5.65	4.40	2,584,636	8.10	6.88
3rd Quarter	5,457,467	8.00	4.95	3,557,654	9.48	7.26
4th Quarter	2,940,138	8.50	5.80	5,672,720	9.53	7.00
Annual	11,281,038	8.50	4.25	14,624,926	9.53	6.55
Fiscal Year 2014						
1st Quarter	2,288,603	8.15	5.60	3,003,517	8.92	7.28
2nd Quarter	2,143,645	11.50	8.10	3,821,126	12.22	9.06
3rd Quarter	1,044,008	12.00	10.45	1,469,214	12.06	9.41
4th Quarter	1,018,570	18.45	10.70	4,515,032	17.73	10.71
Annual	6,494,826	18.45	5.60	12,808,889	17.73	7.28
Fiscal Year 2015						
1st Quarter	4,637,175	21.00	14.00	3,942,683	17.39	13.76
2nd Quarter	591,870	21.00	16.90	4,186,746	17.72	12.90
3rd Quarter	1,769,874	25.00	17.50	4,887,484	21.10	15.26
4th Quarter	1,268,471	24.00	20,50	3,739,942	19.88	17.61
Annual	8,267,390	25.00	14.00	16,756,855	21.10	12.90
Fiscal Year 2016						
1st Quarter	2,212,746	24.50	18.50	3,058,409	18.54	13.92
2nd Quarter	1,896,649	25.50	16.70	8,991,424	18.15	12.01
3rd Quarter	3,164,802	21.90	11.60	6,577,472	14.96	8.60
4th Quarter	2,039,601	25.10	19.10	4,803,840	16.81	14.03

Annual	9,313,798	25.50	11.60	23,431,145	18.54	8.60
Fiscal Year 2017						
1st Quarter	4,880,744	29.80	24.00	4,387,317	19.49	16.58
As of October 27, 2016	1,333,612	30.80	28.50	1,686,135	20.14	18.50

Source: Bloomberg

B. Plan of Distribution

This section is not applicable.

C. Markets

Argentine Securities Markets

In December 2012 the Argentine government has enacted a new Capital Markets Law, which sets out the rules to govern capital markets, its players, and the securities traded therein subject to the CNV regulation and monitoring.

On September 5, 2013, the CNV has enacted the CNV Rules, by virtue of which it regulates the new provisions of the Capital Markets Law for issuers of securities, in regard to the initial public offering and reporting duties.

Almost all the provisions of the former Decree No.677/2011 (the "Transparency Decree") have been incorporated in the Capital Markets Law and in the CNV Rules. The Capital Markets Law provides rules and provisions guided by the following goals and principles:

Promoting the participation of small investors, union associations, industry groups and trade associations, professional associations and all public savings entities in the capital market, particularly encouraging mechanisms designed to promote domestic savings and channel such funds towards the development of production;

Strengthening mechanisms for the protection of and prevention of abuses against small investors for the protection of consumers' rights;

Promoting access of small and medium-sized companies to the capital market;

Fostering the creation of a federally integrated capital market through mechanisms designed to achieve an interconnection of computer systems from different trading markets, with the use of state-of-the-art technology;

Encouraging simpler trading procedures available to users to attain greater liquidity and competitiveness in order to provide the most favorable conditions for the implementation of transactions.

The CNV is a self-administered agency of the Argentine Government with jurisdiction covering the territory of Argentina, governed by the provisions of the Capital Markets Law, and the CNV Rules among other related statutory regulations. The relationship of the CNV and the Argentine Executive is maintained through the Ministerio de Economía y Finanzas Públicas (Ministry of Economy and Public Finance), which shall hear any appeals filed against decisions made by the CNV, notwithstanding any other legal actions and remedies contemplated in the Capital Markets Law.

The CNV supervises and regulates the authorized markets in which the securities and the collective investment products are traded, the corporations authorized in the public offer regime, and all the other players authorized to operate in the public offer regime, as the registered agents, the trading agents, the financial advisors, the underwriters and distributors, the brokers, the settlement and clearing agents, the managers of collective investment products, the custodians of collective investment products, the collective depositories, and the risk rating agencies, among others. Argentine institutional investors and insurance companies are regulated by separate government agencies, whereas financial institutions are regulated mainly by the Central Bank.

Before offering securities to the public in Argentina, an issuer must meet certain requirements established by the CNV with regard to the issuer's assets, operating history and management. Only securities approved for a public offering by the CNV may be listed on a stock exchange. However, CNV approval does not imply any kind of certification as to the quality of the securities or the solvency of the issuer, even though issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements in accordance with IFRS, as issued by the IASB (excluding financial institutions under the supervision of the Central Bank, insurance companies under the supervision of the Insurance Superintendence and medium and small enterprises) and various other periodic reports with the CNV and the stock exchange on which their securities are listed, as well as to report to the CNV and the relevant stock exchange any event related to the issuer and its shareholders that may affect materially the value of the securities traded.

In Argentina, debt and equity securities traded on an exchange must, unless otherwise instructed by their shareholders, be deposited with a Central Securities Depository, in Argentina. Currently the only depositary authorized to act in accordance with the Capital Markets Law and CNV Rules is Caja de Valores S.A. a corporation owned by the BCBA, the MVBA and certain provincial exchange, and provides central depositary facilities, as well as acting as a clearinghouse for securities trading and as a transfer and paying agent for securities transactions.

Before the enactment of the Capital Markets Law and the CNV Rules there were 12 securities exchanges in Argentina, which were located in the City of Buenos Aires, Bahía Blanca, Chaco, Corrientes, Córdoba, La Plata, La Rioja, Mendoza, Rosario, Salta, Santa Fe, and Tucumán. Six of these exchanges (the BASE, Rosario, Córdoba, La Rioja, Mendoza, and Santa Fe) had affiliated stock markets in accordance with the requirements of Law No.17,811 which was derogated by the Capital Markets Law.

Pursuant to the Capital Markets Law, the CNV has authorized 6 stock markets since September 2014, which are: Mercado Abierto Electrónico S.A. ("MAE"), Mercado a Término de Buenos Aires S.A., Mercado a Término de Rosario S.A., MVBA., Mercado de Valores de Córdoba S.A. y Mercado Argentino de Valores S.A.

The principal exchange for the Argentine securities market under the previous legislation was the BCBA. Under the new Capital Markets Law the BCBA has been authorized to operate as qualified entity, under the appointment of the MVBA. As a result of the foregoing, the MVBA is currently the principal exchange market in Argentina in which the securities are listed.

The MVBA is a corporation consisting of 183 shareholders who used to be the sole and exclusive individuals or entities authorized to trade in the MVBA, either as principals or agents, before Capital Markets Law became into force. Since then, all agents registered and authorized to act as intermediaries by the CNV will be able to trade in any securities exchange, including the BCBA as long as they obtain a membership of such stock exchange, not applying any longer the requirements to be a shareholder of such stock exchange.

The securities that may be listed on the MVBA are: stocks, corporate bonds, convertible corporate bonds, close-ended investment funds, financial trust, indexes, derivatives and public bonds. The MVBA is legally qualified for admission, suspension, and delisting of securities according to its own rules approved by the CNV.

Another relevant exchange of the securities market in Argentina is the MAE, which was recently authorized to operate by the CNV under the new regulations. The MAE works as an electronic platform to process Over the Counter transactions. It is an electronic exchange where both government securities and corporate bonds are traded through spot and forward contracts. MAE brokers/dealers members, include national banks, provincial banks, municipal banks, private national banks, foreign banks, cooperative banks, financial institutions, foreign exchange entities and pure brokers/dealers (exclusively engaged in brokerage activities). Both Argentine or foreign capital banks and financial institutions may be the MAE's brokers/dealers. Securities to be traded must be registered with the pertinent supervising authorities and may be traded in the MAE, in other exchanges or in both of them concurrently.

Argentina's equity markets have historically been composed of individual investors, though in recent years there has been an increase in the level of investment by banks and insurance companies in these markets; however, Argentine mutual funds (fondos comunes de inversión) continue to have very low participation.

Information regarding the BCBA

	As of June 30,	
	2016	2015
Market capitalization (Ps.billion)	3,625	4,025
Average daily trading volume (1) (Ps.million)	310	150
Number of listed companies	100	99

(1) During the month of June.

Although companies may list all of their capital stock on the MVBA, in many cases a controlling block is retained by the principal shareholders resulting in only a relatively small percentage of many companies' stock being available for active trading by the public on the MVBA. As of June 30, 2016, approximately 100 companies had equity securities listed on the MVBA. The Argentine securities markets are substantially more volatile than the securities markets in the United States and certain other developed countries. The Merval Index experienced a 30.1% decrease in 2011, a 15.9% increase in 2012, a 88.9% increase in 2013, a 59.1% increase in 2014, a 36.1% increase in 2015 and a

25.8%increase during the six months of 2016. In order to control price volatility, the MVBA operates a system pursuant to which the negotiation of a particular stock or debt security is suspended for a 15 minute period when the price of the security registers a variation on its price between 10% and 15% and between 15% and 20%. Any additional 5% variation on the price of the security after that results in additional 10 minute successive suspension periods.

The NYSE

Our Global Depositary Shares are listed on the NYSE under the trading symbol “IRS”.

D. Selling Shareholders

This item is not applicable.

E. Dilution

This item is not applicable.

F. Expenses of the Issue

This item is not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

This item is not applicable.

B. Memorandum and Articles of Association

Our corporate purpose

Our legal name is IRSA Inversiones y Representaciones Sociedad Anónima. We were incorporated under the laws of Argentina on April 30, 1943 as a sociedad anónima (stock corporation) and were registered with the Public Registry of Commerce of the City of Buenos Aires (Inspección General de Justicia or "IGJ") on June 23, 1943 under number 284, on page 291, book 46 of volume A. Pursuant to our by-laws, our term of duration expires on April 5, 2043.

Pursuant to article 4 of our by-laws our purpose is to perform the following activities:

- Invest, develop and operate real estate developments;
- Invest, develop and operate personal property, including securities;
- Construct and operate works, services and public property;
- Agency activities;
- Manage real or personal property, whether owned by us or by third parties;
- Build, recycle, or repair real property whether owned by us or by third parties;
- Advise third parties with respect to the aforementioned activities;
- Finance projects, undertakings, works and/or real estate transactions of third parties;
- Finance, create, develop and operate projects related to Internet.

Board of Directors

Voting on proposals in which directors have material interest

- shall not be allowed to make use of any corporate assets or confidential information for his/her own private purposes;
- shall not be allowed to profit or permit a third party to profit, whether by an action or an omission to act, from any business opportunities available to the company;
- shall be required to exercise any powers conferred to them solely for the purposes for which they were conferred under the law or the corporate bylaws or by a shareholders' meeting or the board of directors;
- shall be required to meticulously ensure that no conflict of interest, whether direct or indirect, shall under any circumstances arise between his/her actions and the company's interests.

In case of doubt as to a director's compliance with his/her duty of loyalty, the burden of proof shall be borne by such person.

The Argentine Corporations Law establishes in Section 271 that directors may enter into agreements with the company, that concern the business in which the company engages, always provided that they are entered into under market conditions. The agreements that do not fulfill the requirements mentioned above may only be executed with the prior approval of the board of directors.

Furthermore, the Capital Markets Law (as defined below) in Section 72 states for companies authorized in the public offer regime, that any acts performed or contracts executed between the company and a related party and involving a significant amount shall be performed or executed pursuant to the procedure set forth below:

a) A “related party” shall mean any of the following persons with respect to the issuer:

i.
Directors, members of the supervisory body or surveillance committee, as well as chief executive officers or special managers of the issuing company appointed under section 270 of Argentine Corporation Law;

ii.
Natural persons or legal entities controlling or holding a substantial interest, as determined by the CNV, in the capital stock of the issuer or the issuer’s controlling entity;

iii.
Any other company under the common control of the same controlling entity;

iv.
The ascendants, descendants, spouses or siblings of any of the natural persons referred to in paragraphs i) and ii) above;

v.
Companies in which any of the persons referred to in paragraphs i) to iv) above hold a significant direct or indirect interest. Provided none of the circumstances described above is present, a subsidiary of the issuer shall not be deemed a “related party”.

b) A “significant amount” shall be deemed involved in an act or contract when such amount exceeds 1% of the company’s shareholders’ equity as shown in the most recently approved balance sheet.

The board of directors or any members thereof shall request the audit committee to state whether in its opinion the terms of a transaction may be reasonably deemed adapted to regular and usual market conditions. The audit committee shall issue its pronouncement within 5 business days.

Notwithstanding the above inquiry from the audit committee, a resolution may be adopted by the company on the basis of a report from 2 independent evaluation companies, which shall express their opinion on the same matter and other terms of the transaction.

Nevertheless that, Section 272 of the Argentine Corporations Law provides that when a director has an opposite interest to the one of the company, he or she should notify that situation to the board of directors and the supervisory committee and abstain to vote in that respect. The violation of this provision results in the director being jointly and severally unlimitedly liable.

Approval of compensation of the members of the Board of Directors, Senior Management and Supervisory Committee

Our bylaws do not establish the compensation to be paid to members of the board of directors and the supervisory committee, and therefore pursuant to Section 261 of the Argentine Corporations Law N°19,550, it should be approved by the shareholders. The maximum amount that may be paid as compensation to members of the board of directors and the supervisory committee should not exceed 25% of the realized and net earnings of the company and 5% when there is no distribution of dividends. If the company does not distribute the total earnings, the amount of the compensation should be proportional to that distribution and within the mentioned limits. These limits may only be surpassed by express approval of the shareholders.

Powers of directors

Our bylaws establish, in Section 18, that the board of directors has full and broad powers to organize, manage and direct us to fulfilling the corporate purpose.

Retirement of directors

Our bylaws do not establish any requirements or provisions regarding age limits for director's retirement, nor do they require a number of common shares a director must own to qualify for the position.

Meetings of the Board of Directors

The Board of Directors is allowed to celebrate their meetings using teleconference technology. An absolute majority of the directors will constitute the quorum. Only the directors physically present at the time and those using teleconference technologies will be taken into consideration for the quorum. The resolutions of the Board of Directors will be passed by the vote of the majority present at the meeting.

Rights, preferences and restrictions attaching to the common shares

Dividend rights

The Corporations Law establishes that the distribution and payment of dividends to shareholders is valid only if they result from realized and net earnings of the company pursuant to an annual financial statements approved by the shareholders. The approval, amount and payment of dividends is subject to the approval of our annual ordinary shareholders meeting of the company. That approval requires the affirmative vote of the majority of the present votes with right to vote at the meeting.

Pursuant to the Corporations Law and Section 28 of our bylaws, liquid and realized profits of each fiscal year shall be distributed as follows:

.

allocate 5% of such net profits to legal reserve, until the amount of such reserve equals 20% of the capital stock;

.

the sum established by the shareholders' meeting as remuneration of the of Directors and the supervisory committee;

.

dividends, additional dividends to preferred shares if any, or to optional reserve funds or contingency reserves or to a new account, or for whatever purpose the shareholders' meeting determines.

Dividends are paid pro rata according to the interests held by shareholders within thirty days after approval and the right to collection expires upon the expiration of a term of three years since they were made available to shareholders.

The shareholders' meeting may authorize payment of dividends on a quarterly basis provided no applicable regulations are violated. In that case, all and each of the members of the Board of Directors and the supervisory committee will be jointly and severally liable for the refund of those dividends if, as of the end of the respective fiscal year, the realized and net earnings of the company are not sufficient to allow the payment of dividends.

Voting rights and staggered elections

Our stock capital is composed by book-entry common shares with face value of Ps.1 per share and entitled to one vote each. All directors and alternate directors are elected for a three-year term.

Our by laws do not consider staggered elections.

Rights to share in IRSA's profits

The holders of our common shares have the right to participate in our net and realized profits on a pro rata basis of their respective interests.

Pursuant to the Corporations Law and Section 29 of our bylaws, liquidated and realized profits of each fiscal year shall be distributed as follows:

.

allocate 5% of such net profits to legal reserve, until the amount of such reserve equals 20% of our capital stock;

.

the sum established by the shareholders' meeting as remuneration of the board of Directors and the supervisory committee; and

.

dividends, additional dividends to preferred shares if any, or to optional reserve funds or contingency reserves or to a new account, or for whatever purpose the shareholders determine at the shareholders' meeting.

Rights to share in any surplus in the event of liquidation

In the event of liquidation, dissolution or winding-up of our company, our assets are:

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to be applied to satisfy our liabilities; and

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to be proportionally distributed among holders of preferred stock in accordance with the terms of the preferred stock. If any surplus remains, our shareholders are entitled to receive and share proportionally in all net assets available for distribution to our shareholders, subject to the order of preference established by our by-laws.

Provisions related to a shareholder's ownership of certain amount of common shares

Section 9 of our by-laws provides that the acquisition by any person or group, directly or indirectly of our common shares, convertible securities, rights to receive any of those securities that may grant that person the control of our company or 35% or more of our capital stock may only be done by complying with certain tender offer rules for all of our common shares, except for:

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acquisitions by persons holding or controlling common shares or convertible securities in accordance to Decree N° 677/2001, supersede by Law N° 26,831, notwithstanding the provisions of the Comisión Nacional de Valores ; and

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holdings of more than 35%, which derive from the distribution of common shares or dividends paid in shares approved by the shareholders, or the issuance of common shares as a result of a merger approved by the shareholders; in both cases, the excess holding shall be disposed of within 180 days of its registration in the relevant shareholder's account, or prior to the holding of our shareholders meeting, whatever occurs first.

Our shareholders modified the first of the above exceptions in their shareholder meeting on October 10, 2007, to include the control concept under the Transparency Decree, which provides for the effective control regularly held in addition to the legal control.

Directors, senior managers, executive officers, members of the supervisory committee, and controlling shareholders of an Argentine company whose securities are publicly listed, should notify the CNV on a monthly basis, of their beneficial ownership of common shares, debt securities, and call and put options related to securities of such companies and their controlling, controlled or affiliated companies.

In addition, the CNV must be immediately notified of transactions which cause a person's holdings of capital stock of an Argentine company whose securities are publicly listed to hold 5% or more of the voting power and of every change in the holdings of such person that represents a multiple of 5% of the voting power. Holders of more than 50% of the common shares of a company or who otherwise have voting control of a company, as well as directors, officers and members of the supervisory committee, must provide the CNV with annual reports setting forth their holdings in the capital stock of such companies and monthly reports of any change in their holdings.

Procedure to change the rights of stockholders

The rights of holders of stock are established in the Argentine Corporations Law and in the bylaws. The rights of shareholders provided for by the Argentine Corporations Law may not be diminished by the bylaws. Section 235 of the Argentine Corporations Law establishes that the amendment of the bylaws should be approved by the absolute majority of our shareholders at an extraordinary shareholders meeting.

Ordinary and extraordinary shareholders' meetings

Our by-laws provide that shareholders' meetings may be called by our board of directors or by our Supervisory Committee or at the request of the holders of common shares representing no less than 5% of the common shares. Any meetings called at the request of shareholders must be held within 30 days after the request is made. Any shareholder may appoint any person as its duly authorized representative at a shareholders meeting, by granting a proxy. Co-owners of common shares must have single representation.

In general, the following matters can be considered only at a special shareholders' meeting (asamblea extraordinaria):

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matters that may not be approved at an ordinary shareholders' meeting;

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the amendment of our by-laws;

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reductions in our share capital;

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redemption, reimbursement and amortization of our shares;

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mergers, and other corporate changes, including dissolution and winding-up;

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limitations or suspensions to preemptive rights to the subscription of the new shares; and

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issuance of debentures, convertible negotiable obligations and bonds that not qualify as notes (obligaciones negociables).

In addition, pursuant to the Capital Markets Law, at an ordinary shareholders' meeting, our shareholders must consider (i) the disposition of, or creation of any lien over, our assets as long as such decision has not been performed under the ordinary course of business; (ii) the execution of administration or management agreements; and (iii) whether to approve the payment of any agreement providing assets or services to us as long as such payment is material when measured against the volume of the ordinary course of business and our shareholders' equity.

In accordance with our by-laws, ordinary and special shareholders' meetings (asamblea extraordinaria) are subject to a first and second quorum call, the second to occur upon the failure of the first. The first and second notice of ordinary shareholders' meetings may be made simultaneously. In the event that both are made on the same day, the second must occur at least one hour after the first. If simultaneous notice was not given, the second notice must be given within 30 days after the failure to reach quorum at the first. Such notices must be given in compliance with applicable regulations.

A quorum for an ordinary shareholders' meeting on the first call requires the presence of a number of shareholders holding a majority of the common shares entitled to vote and, on the second call, the quorum consists of the number of shareholders present, whatever that number. Decisions at ordinary shareholders' meetings must be approved by a majority of the votes validly exercised by the shareholders.

A quorum for a special shareholders' meeting (asamblea extraordinaria) on the first call requires the presence of persons holding 60% of the shares entitled to vote and, on the second call, the quorum consists of the number of shareholders present, whatever that number. Decisions at special shareholders' meeting (asamblea extraordinaria) generally must be approved by a majority of the votes validly exercised.

However, pursuant to the Argentine Corporations Law, all shareholders' meetings, whether convened on a first or second quorum call, require the affirmative vote of the majority of shares with right to vote in order to approve the following decisions:

- advanced winding-up of the company;
- transfer of the domicile of the company outside of Argentina;
- fundamental change in the purpose of the company;
- total or partial mandatory repayment by the shareholders of the paid-in capital; and
- a merger or a spin-off, when our company will not be the surviving company.

Holders of common shares are entitled to one vote per share. Owners of common shares represented by GDRs exercise their voting rights through the GDR Depositary, who acts upon instructions received from such shareholders and, in the absence of instructions, votes in accordance with the instructions given to the GDR Depositary by the board of directors as set forth in a written notice delivered to the GDR Depositary prior to the meeting.

The holders of preferred stock are not entitled to voting rights. However, in the event that no dividends are paid to such holders for their preferred stock, the holders of preferred stock are entitled to voting rights. Holders of preferred stock are also entitled to vote on certain special matters, such as a transformation of the corporate type, early dissolution, change to a foreign domicile, fundamental change in the corporate purposes, total or partial replacement of capital losses, mergers in which our company is not the surviving entity, and spin-offs. The same exemption will apply in the event the preferred stock is traded on any stock exchange and such trading is suspended or canceled.

Limitations to own securities by non-resident or foreign shareholders

There are no legal limitations on ownership of securities or exercise of voting rights, by non-resident or foreign shareholders. However, foreign shareholders must fulfill certain requirements with the IGJ in order to assure that they will be able to properly exercise their voting rights. General Resolution N° 7 passed in July 2015 by the IGJ with effects as of November 2015, and other related regulations set forth certain requirements for foreign entities registered with the IGJ. It provides, among other requirements, disclosure of information related to their proprietary interests in assets located outside Argentina to be at least equivalent in value to those located inside Argentina. The entities must comply with these requirements in order to (1) perform activities on a regular basis through their Argentine branches (Section 118 Argentine Corporate Law), or (2) exercise their ownership rights in Argentine Companies (Section 123 Argentine Corporate Law). In cases where the IGJ has concluded that the entities (a) do not have assets outside Argentina; or (b) have non-current assets that are not materially significant compared to those non-current assets which are owned by them and located in Argentina; or (c) the entity's address in Argentina becomes the place where this entity makes a majority of its decisions, corporate or otherwise, the entities may be required to amend and register their by-laws to comply with Argentine law, thereby becoming an Argentine entity subject to Argentine law according to Section 124 of Argentine Corporation Law. In addition, Argentine companies with shareholders consisting of such

entities that fail to comply with these requirements may be subject to the following sanctions: the IGJ may not register corporate decisions adopted by the Argentine Company when its off-shore shareholder votes as a shareholder. Any decisions made pursuant to such vote related to the approval of its annual balance sheet may be declared null and void for administrative purposes.

Ownership threshold above which ownership should be disclosed

The Rules of the CNV require that transactions, which cause a person's holdings of capital stock of a registered Argentine company, to equal or exceed 5% of the voting power, should be immediately notified to the CNV. Thereafter, every change in the holdings that represents a multiple of 5% of the voting power should also be notified.

Directors, senior managers, executive officers, members of the supervisory committee, and controlling shareholders of an Argentine company whose securities are publicly offered, should notify the CNV on a monthly basis, of their beneficial ownership of common shares, debt securities, and call and put options related to securities of such companies and their controlling, controlled or affiliated companies.

Furthermore, the CNV must be immediately notified of transactions which cause a person's holdings of capital stock of an Argentine company whose securities are publicly offered to equal or exceed 5% of the voting power and every change in the holdings that represents a multiple of 5% of the voting power. Holders of more than 50% of the common shares or who otherwise control decision making in shareholders' meetings, as well as directors, officers and members of the supervisory committee must provide the CNV with annual reports of their holdings in the capital stock of such companies and monthly reports of any change in their holdings.

On the shareholders' meeting held on October 25, 2007, our shareholders decided to amend the following sections of the by-laws: (i) Section Twelve in order to adapt the performance bonds granted by directors to current rules and regulations, and (ii) Section Fifteen in order to incorporate the possibility of holding remote board meetings pursuant to the provisions of section 65 of Decree 677/01. Such amendment is attached hereto as Exhibit 1.2.

On October 31, 2012, the annual shareholders meeting passed an amendment to the corporate by-laws which allowed the Board of Directors to celebrate their meetings using teleconference technology. An absolute majority of the directors will constitute the quorum. Only the directors physically present at the time and those using teleconference technologies will be taken into consideration for the quorum. The resolutions of the Board of Directors will be passed by the vote of the majority present at the meeting. Such amendment is attached hereto of Exhibit 1.3 to this annual report.

On November 14, 2014, the shareholder's meeting decided to amend the following sections of the by-laws: (i) Section First in order to comply with the Capital Markets Law No. 26,831, and (ii) Section Twenty-Four in order to incorporate the regulation of the shareholders' meeting held with shareholders present or communicated through teleconference technologies.

C. Material Contracts

We do not have any material contract entered into outside the ordinary course of business other than some of the operations previously described under the sections Related Party Transactions, Recent Developments, and Our Indebtedness.

D. Exchange Controls

Foreign Currency Regulation

Under Decree No.260/2002, the Argentine government had set up an exchange market through which all foreign currency exchange transactions are made. Such transactions were subject to the regulations and requirements imposed by the Argentine Central Bank. Under Communication "A" 3471, as amended, the Central Bank established certain restrictions and requirements applicable to foreign currency exchange transactions.

Under Communication "A" 6037, dated August 8th, 2016, no further authorization is required for residents and non-residents to have access to local exchange market and there is no amount or matter that limits the access thereto.

Outflow and Inflow of Capital

Inflow of capital

Under Argentine Foreign Investment Law N° 21,382, as amended, and the wording restated under Executive Branch Decree N° 1853/1993, the purchase of stock of an Argentine company by an individual or legal entity domiciled abroad or by an Argentine "foreign capital" company (as defined under the Foreign Investment Law) represents a foreign investment.

Under Decree N° 616/2005, as amended by Decree Nº. 3/2015, the Argentine government softened certain restrictions on the inflow and outflow of foreign currency into and from the Argentine exchange market, including that inflowing new indebtedness and debt renewals by persons domiciled abroad must be agreed and cancelled within periods not

shorter than 120 calendar days –instead of the 365.day period as originally established-, irrespective of the method of payment. Additionally, such debt may not be prepaid before the lapse of such period. Such restrictions do not apply to (i) foreign trade financing, or (ii) primary public offering of equity or debt instruments issued under the public offering procedure and listed on self-regulated markets.

Obligation for the settlement of funds through the MULC.

General rules. Exports.

Pursuant to Executive Decree N° 1606/2011 and Communications “A” 3602 and “A” 3493 of the Central Bank any foreign currency derived from foreign trade must be settled through the MULC.

Within 365 running days as of the date of the disbursement of the funds abroad, corresponding to the payment of exportation of goods, advance payments of exports and pre financing loans for exports, such funds must be settled through the MULC. Such funds shall be credited in a local bank account duly opened in favor of the client, which may be either in Pesos or in another currency.

Services

Communication "A" 5264 set forth that the payments in foreign currency received by residents for the export of services and payment of losses for insurance policies hired with nonresidents under the applicable rules must be settled through the MULC within 365 running days as of its collection abroad or locally or its deposit in foreign bank accounts.

Such funds are exempted to be settled through the MULC to the extent such exemption is actually contemplated in the foreign exchange regulations and such amounts are applied for the cancellation of foreign financial indebtedness.

Outflow of capital, including the availability of cash or cash equivalents

Exchange Transactions Inquiry Program

Communication "A" 5850, of December 2015, revoke Communication "A" 5245 that regulated an Exchange Transaction Inquiry Program established on October 28, 2011, by the Federal Administration of Public Revenues (Administración Federal de Ingresos Públicos, or "AFIP") through which the entities authorized by the Central Bank to deal in foreign exchange were supposed to inquire and register through an IT system the total Peso amount of each exchange transaction at the moment it is closed.

Financial Indebtedness

Any transactions arising from financial indebtedness of the financial sector, private non-financial sector and local governments are no longer subject to be settled in the foreign exchange market. However, if settled in the foreign exchange market, then according to Decree No. 616/2005 and 3/2015, these cannot be set off before the minimum term of stay, which is 120 running days (except for bonds listed in the authorized exchange stock markets).

Formation of off-shore assets by residents with and without subsequent allocation to specific purposes

Under Communication "A" 5850, 5899 and 6037 of the Central Bank, residents shall have access to the local exchange market without prior authorization of the Central Bank in order to purchase foreign currency for the formation of off-shore assets.

Outflow of funds for payment to non-residents

According to Communication "A" 5264, amended by Communication "A" 5377 (issued on December 14, 2012) and Communication "A" 6037, there are no limits or restrictions applicable for residents who access the foreign exchange market to pay services, debts and profits to non-residents. The access to the MULC requires the filing of certain documentation by residents demonstrating the validity of transactions in which the funds are purchased for its remittance abroad.

Payment of services

As it was mentioned above, there is no restriction applicable for payments to be made to non-residents for performed services. The regulation covers all types of services without making any specifications. The financial entity shall require the filing of documentation supporting the authenticity of the transaction, the service rendered by the non-resident to the resident and the amount to be transferred abroad.

Should performed services are not related to the activities actually developed by the resident; the financial entity shall require a copy of the contract by which the payment obligation arises from and an auditor report. Such requirements

intend to demonstrate the actual rendering of services to the non-resident and the existence of the debt.

Payment of rents (interest, profits and dividends)

As of January 8, 2003, Communication "A" 3859, item 3, allowed Argentine companies to transfer abroad profits and dividends related to closed financial statements certified by independent accountants without being required to obtain the prior authorization of the Central Bank. Such Communication was replaced by Communication "A" 5264, amended by Communication "A" 5377 and Communication "A" 6037.

The payments of profits and dividends to non-residents or ADR's is authorized, insofar such payments are made according to financial statements duly closed, audited and approved by shareholders' meeting.

Payment of foreign financial indebtedness

Access to the exchange market is allowed for payments of principal amounts due.

In general terms, access to MULC for payment of principal, interest and prepayment of financial indebtedness incurred by Argentine residents in the private non-financial sector and financial sector are allowed subject to regulations set forth by Communications "A" 6037 of August 8th, 2016.

Pursuant to Communication "A" 6037, no settlement in the local exchange market is required for the repayment of principal and interests, as long as it has been verified that the reporting system has been complied with in accordance with Communication "A" 3602. Additionally, the payment may only proceed if the funds disbursed remain in Argentina for at least 120 calendar days, in accordance with Decree No.616/2005.

Direct Investment Reporting System

Direct Investments made in Argentina by nonresidents

Under Communication "A" 4237, the Central Bank established a reporting system in connection with direct investments and real estate investments made by nonresidents in Argentina and by residents abroad.

Nonresidents must comply every semester with the above mentioned reporting system if the amount of the investment in Argentina reaches or exceeds U.S. 500,000. If such amount is not reached, the reporting system is optional.

Direct investments made outside Argentina by Argentine residents

Argentine residents are required to meet the reporting system set forth in Communication "A" 4237 every year if the value of their investments abroad reaches or exceeds US$1.0 million and its under US$5.0 million, and every semester if it reaches or exceeds US$5.0 million. If the value of such investments abroad does not reach US$1.0 million, compliance with the reporting system is optional.

Sales of foreign exchange to nonresidents

Access to local exchange market shall be given as well to non residents for them to transfer to their own foreign accounts the payments collected in the country. Specific documentation that backs up the cause of the payment may be required by the Central Bank.

For further details regarding the exchange regulations applicable in Argentina, investors should consult their professional advisers and read the full text of Decree No.616/2005, and Communication "A" 6037 of the Central Bank. Interested parties may consult such regulations through the website of the Ministry of Economy and Public Finance (http://www.infoleg.gob.ar) or the Central Bank (http://www.bcra.gob.ar).

Money Laundering

Argentine Law N° 25,246, as amended by Laws Nos.26,118, 26,268 and 26,683, categorizes money laundering as a crime, which is defined as the exchange, transfer, management, sale or any other use of money or other assets obtained through a crime, by a person who did not take part in such original crime, with the potential result that such original assets (or new assets resulting from such original assets) have the appearance of having been obtained through legitimate means. In spite of the fact that there is a specific amount for the money laundering category (Ps.300,000), the crimes committed for a lower amount are also punished, but the prison sentence is reduced.

After the enactment of Law N° 26,683, money laundering was included in the Penal Code as an independent crime against economic and financial order and it was split from the title "Concealment" as originally disposed. Therefore, money laundering is a crime which may be prosecuted independently.

The money laundering law created the Financial Information Unit (UIF). UIF is in charge of the analysis, treatment and transmission of information to prevent and impede the money laundering originating from, among others:

a) Crimes related to the traffic and illegal commercialization of drugs (Law N° 23,737)

b) Crimes related to arms traffic (Law N° 22,415);

c) Crimes related to illegal association of terrorist association

d) Crimes committed by illegal associations organized to commit crimes for political or racial purposes;

e) Crimes against Public Administration

f) Crimes of minor's prostitution and child pornography

g) Crimes related to terrorism financing

The UIF analyzes the information received by entities that have the obligation to report suspicious activities or operations and, as the case may be, inform the Public Ministry to carry out the investigations that may be considered relevant or necessary.

The money laundering legal framework in Argentina also assigns information and control duties to certain private sector entities, such as banks, agents, non-profits organizations, stock exchanges, insurance companies, according to the regulations of the Financial Information Unit, and for financial entities, the Central Bank. These regulations apply to many Argentine companies, including us. These obligations consist mainly of: (i) maintaining internal policies and procedures aimed at money laundering prevention and financing of terrorism, especially through the application of the policy "know your client"; (ii) reporting any suspicious activity or operation and (iii) acting according the Money Laundering Law with respect to the confidentiality of the information obtained from the clients. For that purpose, each entity involved must appoint an officer responsible for the monitoring and control under the Money Laundering Law.

On May 8, 2009, and in its capacity as obliged subject under the rules enacted by UIF, the CNV issued Resolution N° 554 which incorporated within the exchange market many provisions aimed at comply with money laundering prevention pursuant to Law N° 25,246, as amended. In that regard, such resolution established that any entity subject to the supervision of CNV could only take part in securities transactions if they were ordered by parties that were registered or domiciled in jurisdictions not included in the list of tax havens detailed in Decree N° 1344/98. Furthermore, the Resolution provided that securities transactions made by parties registered or domiciled in jurisdictions that are not included in such list, but that act as intermediaries of securities' markets under the supervision of an agency similar to the CNV, were allowed only if such agency has signed a memorandum of mutual understanding with the CNV.

On February 2, 2012, Resolution N° 554 was replaced by Resolution N° 602 so as to adapt and complement the instructions issued by UIF applying to the entities under the supervision of CNV, including some payment modalities and control proceedings for the reception and deliver of funds to the clients, fixing amounts and instruments to be used. Moreover, such resolution updated the reference to the Decree which referred to tax havens (N° 1,037).

As part of a more comprehensive modification of the rules that govern the scope of supervision of CNV, derive from the enactment of the Capital Markets Law and the CNV Rules, which stablished a new regime for the public offer of securities, CNV issued a new re-arranged text of its rules. Through the CNV Rules, the CNV incorporates a new chapter of Money Laundering and Terrorist Financing including dispositions related to the fulfillment of duties to be complied by "Agentes de Negociación", "Agentes de Liquidación y Compensación", "Agentes de Distribución y Colocación" and "Agentes de Administración de Productos de Inversión Colectiva", considered as obliged subject under the terms of sections 4, 5 and 22 of article 20 of Law N° 25,246. Such agents are obliged to comply with any provision arising from Law N° 25,246 and its amendments, regulations enacted by UIF, including decrees of National Executive Power with reference to the decisions adopted by the United Nations Security Council, in the fight against terrorism and to comply with the resolutions issued by the Ministry of Foreign Affairs, International Trade and Religion. Furthermore, "Agentes de Custodia de Productos de Inversión Colectiva (Sociedades Depositarias de Fondos Comunes de Inversión"); "Agentes de corretaje", "Agentes de depósito colectivo" and listed companies with respect to contribution, irrevocable contributions or indebtedness made by a shareholder or a third person to become a shareholder in the future, are also reached by the resolution.

Those subjects must send by internet (through the online application of CNV) their tax identification number. Additionally, in case of companies, it must be informed the personal data of the "Compliance Officer" (both regular and alternate).

The CNV Rules provide that the subjects under their jurisdiction, may only take action to transactions in the scope of public offering of securities, stipulated, future or optional contracts of any nature and other instruments and financial products when made or directed by registered, domiciled or domestic subjects or those who reside in dominions, jurisdictions, territories or associated states that appear included in the list of cooperating countries provided in article 2º, subsection b) of Decree N° 589/2013.

When those subjects are not included in the referred list and, in their origin jurisdictions, are only registered intermediates of an entity subject to control and supervision of a body who fulfills similar duties such as the CNV, the transactions shall only have effect provided that the body in their origin jurisdiction has signed a memorandum of understanding, cooperation and exchange of information with the CNV.

With the purpose of strengthen the requirements in order to grant the authorization to operate in the exchange market, some new requisites were established in connection with: (i) competence and capacity; (ii) moral integrity and honesty and (iii) solvency. Such requisites are subject to the appraisal of CNV and must be fulfilled by managers, directors, auditors and any other individual who perform duties or activities within the company.

Pursuant to Decree 360/2016 dated February 16, 2016, the Argentine government created the "National Coordination Program for Combating Money Laundering and Terrorist Financing" within the purview of the Ministry of Justice and Human Rights. Its purpose is to rearrange, coordinate and strengthen the anti-money laundering and anti-terrorist financing system at national level, in light of the actual risks that could impact the Argentine territory and the global requirements to be met under the scope of the obligations and international recommendations of the United Nations and FATF standards.

Moreover, Law No. 27.260, which introduced certain tax modifications and a new regime for residents to disclose undeclared assets, established that the UIF would now be within the purview of the Ministry of Economy and Finances.

Some other measures are set forth related to listed companies or their shareholders or beneficial owners who had been convicted or condemned in connection with money laundering and/or terrorist financing activities or appeared in the list published by the United Nation Security Council.

E. TAXATION

United States Taxation

The following summary describes the material United States federal income tax consequences of the ownership of common shares and GDSs as of the date hereof. The discussion set forth below is applicable to U.S. Holders (as defined below). Except where noted, this discussion deals only with U.S. Holders that hold the common shares or GDSs as capital assets. This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

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a bank;

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a dealer in securities or currencies;

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a financial institution;

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a regulated investment company;

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a real estate investment trust;

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an insurance company;

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a tax exempt organization;

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a person holding the common shares or GDSs as part of a hedging, integrated or conversion transaction, constructive sale or straddle;

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a trader in securities that has elected the mark-to-market method of accounting for your securities;

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a person liable for alternative minimum tax;

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a person who owns or is deemed to own 10% or more of the voting stock of our company;

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a partnership or other pass–through entity for United States federal income tax purposes; or

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a person whose "functional currency" is not the U.S. Dollar.

Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. This summary does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income, or the effects of any state, local or non-United States tax laws. In addition, this summary is based, in part, upon representations made by the GDS depositary to us and assumes that the deposit agreement governing the GDSs, and all other related agreements, will be performed in accordance with their terms.

As used herein, the term "U.S. Holder" means a beneficial owner of common shares or GDSs that is for United States federal income tax purposes:

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an individual citizen or resident of the United States;

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a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

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an estate the income of which is subject to United States federal income taxation regardless of its source; or

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a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership holds common shares or GDSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding common shares or GDSs, you should consult your tax advisors.

IF YOU ARE CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF COMMON SHARES OR GDSS YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO YOU AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.

GDSs

If you hold GDSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying common shares that are represented by such GDSs. Accordingly, deposits or withdrawals of common shares for GDSs by U.S. Holders will not be subject to United States federal income tax.

Distributions on Common Shares or GDSs

Subject to the discussion under "—Passive Foreign Investment Company" below, the gross amount of distributions on our common shares or GDSs (including amounts withheld to reflect Argentinean withholding taxes, if any) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such dividends will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of our common shares, or by the GDS depositary, in the case of our GDSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations.

With respect to United States non-corporate investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on common shares (or GDSs representing such common shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our GDSs (which are listed on the NYSE), but not our common shares, are readily tradable on an established securities market in the United States. Thus, we do not believe that dividends that we pay on our common shares that are not represented by GDSs currently meet the conditions required for these reduced tax rates. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. Non-corporate U.S. Holders should consult their own tax advisors regarding the application of these rules given their particular circumstances.

The amount of any dividend paid in Pesos will equal the U.S. Dollar value of the Pesos received calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by you, in the case of our common shares, or by the GDS depositary, in the case of our GDSs, regardless of whether the Pesos are converted into U.S. Dollars. If the Pesos received as a dividend are not converted into U.S. Dollars on the date of receipt, you will have a tax basis in the Pesos equal to their U.S. Dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Pesos will be treated as United States source ordinary income or loss.

Subject to certain complex conditions and limitations, Argentinean withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on our common shares or GDSs will be treated as income from sources outside the United States and will generally constitute passive category income. If you do not elect to claim a credit for any foreign taxes paid during a taxable year, you may instead claim a deduction in respect of such foreign taxes. Further, in certain circumstances, if you have held our common shares or GDSs for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on our common shares or GDSs. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution (including amounts withheld to reflect Argentinean withholding taxes, if any) exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of our common shares or GDSs, and thereafter as capital gain recognized on a sale or exchange (as discussed below under "—Taxation of Capital Gains"). However, we do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Distributions of our common shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income taxes.

Passive Foreign Investment Company

Based on the current and projected composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company ("PFIC") for United States federal income tax purposes for the taxable year ending June 30, 2016, and we do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina's economic and financial system may substantially affect the composition of our income and assets and the accuracy of our projections. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental income, which regulations are potentially subject to differing interpretation.

In general, we will be a PFIC for any taxable year in which:

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at least 75% of our gross income is passive income; or

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at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, cash is a passive asset and passive income generally includes dividends, interest, royalties, and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% by value of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of that other corporation's assets and receiving our proportionate share of its income. If we are a PFIC for any taxable year during which you hold our common shares or GDSs, unless you make the mark-to-market election discussed below, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our common shares or GDSs, you will be subject to special tax rules with respect to any "excess distributions" received and any gain realized from a sale or other disposition, including a pledge, of such common shares or GDSs. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the common shares or GDSs will be treated as excess distributions. Under these special tax rules:

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the excess distribution or gain will be allocated ratably over your holding period for the common shares or GDSs;

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the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we become a PFIC, will be treated as ordinary income; and

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the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

If we are a PFIC for any taxable year during which you hold our common shares or GDSs and any of our non- United States subsidiaries is also a PFIC, you would be treated as owning a proportionate amount (by value) of the common

shares of the lower tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. You will generally be required to file Internal Revenue Service Form 8621 if you hold our common shares or GDSs in any year in which we are classified as a PFIC.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election is only available for stock traded on certain designated United States exchanges and foreign exchanges which meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable United States Treasury regulations. Our common shares are listed on the Buenos Aires Stock Exchange, which must meet the trading, listing, financial disclosure and other requirements under applicable United States Treasury regulations for purposes of the mark-to-market election, and no assurance can be given that the common shares are or will be “regularly traded” for purposes of the mark-to-market election. Our GDSs are currently listed on the NYSE, which constitutes a qualified exchange under the United States Treasury regulations, although there can be no assurance that the GDSs are or will be “regularly traded.”

If you make an effective mark-to-market election, you will include in ordinary income each year that we are a PFIC the excess of the fair market value of our common shares or GDSs at the end of the year over your adjusted tax basis in our common shares or GDSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in our common shares or GDSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Any gain or loss on the sale of the common shares or GDSs will be ordinary income or loss, except that such loss will be ordinary loss only to the extent of the previously included net mark-to-market gain.

Your adjusted tax basis in our common shares or GDSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless our common shares or GDSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

In some cases, holders of common shares or GDSs in a PFIC may be able to avoid the rules described above by electing to treat the PFIC as a "qualified electing fund" under Section 1295 of the Code. This option will not be available to you because we do not intend to comply with certain calculation and reporting requirements necessary to permit you to make this election.

You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding our common shares or GDSs if we are considered a PFIC in any taxable year.

Taxation of Capital Gains

Subject to the discussion under "—Passive Foreign Investment Company" above, for United States federal income tax purposes, you will generally recognize capital gain or loss on any sale, exchange, redemption or other taxable disposition of our common shares or GDSs in an amount equal to the difference between the U.S. Dollar value of the amount realized for the common shares or GDSs and your tax basis in the common shares or GDSs determined in U.S. Dollars. Capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations under the Code. Any gain or loss recognized by you will generally be treated as United States source gain or loss for United States foreign tax credit purposes. Consequently, you may not be able to use the foreign tax credit arising from any Argentinean tax imposed on the disposition of our common shares or GDSs unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

Argentine Personal Assets Tax

Amounts paid on account of the Argentine personal assets tax, if any, will not be eligible as a credit against your United States federal income tax liability, but may be deductible subject to applicable limitations in the Code.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of our common shares or GDSs and the proceeds from the sale, exchange or redemption of our common shares or GDSs that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a correct taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Argentine Taxation

The following discussion is a summary of certain Argentine tax considerations associated with an investment in, ownership or disposition of, the common shares or the GDSs by (i) an individual holder that is resident in Argentina, (ii) an individual holder that is neither domiciled nor resident in Argentina, (iii) a legal entity organized under the laws of Argentina (iv) a permanent business establishment in Argentina owned by a foreign entity and (v) a legal entity that is not organized under the laws of Argentina, that does not have a permanent establishment in Argentina and is not otherwise doing business in Argentina on a regular basis. The discussion is for general information only and is based on current Argentine tax laws. Moreover, while this summary is considered to be a correct interpretation of existing laws in force a sof the date of this 20-F Form, no assurance can be given that the courts or administrative authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws or interpretations will not occur.

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PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES ARISING UNDER ANY TAXING JURISDICTION.

Income tax

Law N° 26,893, enacted on September 12, 2013 and published in the Official Gazette on September 23, 2013, introduced several amendments to Income Tax Law N° 20,628 in connection with, among others, the taxation of dividend distributions and gains derived from transfers of shares and other securities, including the derogation of Section 78 of Decree N° 2,284/1991, which provided that foreign holders with no permanent establishment in Argentina were exempt from paying income tax on the capital gains arising from the sale or other disposition of shares or GDSs.

On February 7, 2014, the Executive Branch issued Decree N° 2,334/13, which regulates Law N° 26,893.

The changes introduced by Law N° 26,893 are effective as from the date of publication of such law in the Official Gazette and are applicable to taxable events consummated from such date onwards.

Taxation on Dividends

Until Law N° 26,893 became effective, dividends, whether in cash, in shares or in kind, approved by our shareholders were not subject to income tax withholding except for the application of the “Equalization Tax” described below.

From the effectiveness of Law N° 26,893, dividends are subject to an income tax withholding (the “Dividend Tax”) at a 10% rate on the amount of such dividends in respect of both Argentine and non-Argentine resident shareholders. The “Dividend Tax” has been repealed by Law No. 27,260 for dividend payments since July 22, 2016.

An income tax withholding will be applied to the amount of dividends distributed in excess of a company’s net taxable income determined in accordance with general income tax regulations for the fiscal years preceding the date of the distribution of such dividends (the “Equalization Tax”). The legislation requires that companies withhold 35% of the amount of distributed dividends in excess of the net taxable income of such distribution, as determined in accordance with the income tax law. Dividends distributed by an Argentine company are not subject to this tax to the extent that those dividends arise from dividend income or other distributions received by such company from other Argentine companies.

Dividend distributions made in kind (other than cash) will be subject to the same tax rules as cash dividends. Stock dividends on fully paid shares are not subject to Equalization Tax.

Certain tax treaties contemplate the application of a ceiling tax rate on dividends (i.e. 10% on gross dividends).

Taxation on Capital Gains

From the effectiveness of Law N° 26,893 income from sale, exchange, disposition or transfer of common shares or GDSs is subject to income tax, irrespective of the person that obtains such income, exception made of transactions made by resident individuals involving common shares and other securities that are listed on securities exchanges or markets and/or authorized to be offered to the public.

Resident individuals

Capital gains obtained by resident individuals from the sale of common shares and other securities are subject to income tax at a 15% rate on net income, unless such securities were traded in stock markets and/or have public offering authorization, in which case an exemption applies. The amendments introduced by the implementing Decree N° 2,334/13 state that the exemption includes income derived from the sale of common shares and other securities made through a stock exchange market duly authorized by Argentine Securities (Comisión Nacional de Valores, or "CNV").

It is not clear whether the term "includes" (as used in the implementing Decree 2334/2013) means that the exemption only refers to sales of securities made through a stock exchange market duly authorized by the CNV or whether the implementing Decree 2334/2013 intended to clarify that such sales were just one of the possibilities that may be covered by the exemption (in addition to publicly offering authorized securities, as provided in the Argentine Income Tax Law). Certain qualified tax authorities have publicly opined that the exemption exclusively refers to sales of securities made through a stock exchange market duly authorized by the CNV.

Losses arising from the sale, exchange or other disposition of common shares or GDSs can be applied only to offset such capital gains arising from the sale, exchange or other disposition of these securities, for a five-year carryover period.

Foreign beneficiaries

Capital gains obtained by non-Argentine individuals or non-Argentine entities from the sale, exchange or other disposition of common shares are subject to income tax, as the abovementioned exemption for shares is not applicable to non-Argentine beneficiaries. Therefore, the gain derived from the disposition of common shares by foreign beneficiaries is subject to Argentine income tax at a 15% rate on the net capital gain or at a 13.5% rate on the gross price at the seller's election. However there is currently no regulation under Argentine law with respect to how this election is made. When both the seller and the buyer are non-residents, the person liable to pay the tax shall be the buyer of the shares, quotas, equity interests and other securities transferred. However, as of the date of this annual report, no regulations have been issued stipulating the withholding and payment mechanism that the non-resident buyer should follow.

Notwithstanding the above, based on certain tax precedents, there may be support to argue that gains obtained by a non-resident from the disposal of GDSs should be regarded as foreign source income and, therefore, not subject to Argentine income tax. As this is a controversial issue, further analysis is required.

Argentine entities

Capital gains obtained by Argentine entities (in general entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non-Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina) derived from the sale, exchange or other disposition of common shares or GDSs are subject to income tax at the rate of 35%.

Losses arising from the sale, exchange or other disposition of common shares or GDSs can be applied only to offset such capital gains arising from the sale, exchange or other disposition of these securities, for a five-year carryover period.

WE RECOMMEND PROSPECTIVE INVESTORS TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES CONCERNING THE SALE OR OTHER DISPOSITIONS OF COMMON SHARES AND GDSs.

Value Added Tax

The sale, exchange, disposition, or transfer of common shares or GDSs is not subject to Value Added Tax.

Personal Assets Tax

Argentine entities, such as us, have to pay the personal assets tax corresponding to Argentine and foreign domiciled individuals and foreign domiciled entities for the holding of our shares. The applicable tax rate for fiscal year 2016 is 0.25% and is levied on the proportional net worth value (valor patrimonial proporcional), or the book value, of the shares arising from the last balance sheet of the Argentine entity calculated under Argentine GAAP. Pursuant to the Personal Assets Tax Law, the Argentine company is entitled to seek reimbursement of such paid tax from the applicable Argentine domiciled individuals and/or foreign domiciled shareholders.

Our shareholders approved the absorption of personal asset tax by us for the years 2002 to 2015. There can be no assurance that in the future this tax will be absorbed by us.

Tax on Minimum Notional Income (Impuesto a la Ganancia Mínima Presunta, IGMP)

Entities domiciled in Argentina, partnerships, foundations, sole proprietorships, trusts, certain mutual funds organized in Argentina, and permanent business establishments owned by foreign persons, among other taxpayers, shall apply a 1% rate to the total value of assets held by such persons, above an aggregate nominal amount of Ps.200,000. Nevertheless, common shares and GDSs issued by entities subject to such tax are exempt from the IGMP.

Law No. 27.260 has repealed this tax for fiscal years commenced since January 1, 2019.

Turnover Tax

The gross turnover tax is a local tax; therefore, the rules of the relevant provincial jurisdiction should be considered, which may levy this tax on the customary purchase and sale, exchange or other disposition of common shares and GDSs, and/or the collection of dividends at an average rate of 6%, unless an exemption is applicable. In the particular case of the City of Buenos Aires, any transaction involving common shares and/or the collection of dividends and revaluations is exempt from this tax.

There is no gross income tax withholding system applicable to the payments made to foreign beneficiaries.

Stamp Tax

Stamp tax is a local tax that is generally levied on the formal execution of onerous transactions within a certain provincial jurisdiction or outside a certain provincial jurisdiction but with effects in such jurisdiction; therefore, the rules of the relevant provincial jurisdiction should be considered for the issuance of instruments which implement onerous transactions (including issuance, subscription, placement and transfer) involving the common shares or GDSs, executed in those jurisdictions, or with effects in those jurisdictions.

Notwithstanding, for the City of Buenos Aires, any instrument related to the transfer of common shares which public offering is authorized by the CNV is exempt from this tax.

Tax on Credits and Debits in Bank Accounts

Credits to and debits from bank accounts held at Argentine financial institutions, as well as certain cash payments, are subject to this tax, which is assessed at a general rate of 0.6%. There are also increased rates of 1.2% and reduced rates of 0.075%. Owners of bank accounts subject to the general 0.6% rate may consider 34% of the tax paid upon credits to such bank accounts as a tax credit while taxpayers subject to the 1.2% rate may consider 17% of all tax paid upon credits to such bank accounts as a credit. Such amounts can be utilized as a credit for income tax or tax on presumed minimum income.

Other Taxes

There are no Argentine federal inheritance or succession taxes applicable to the ownership, transfer or disposition of our common shares or GDSs. The provinces of Buenos Aires and Entre Ríos establish a tax on free transmission of assets, including inheritance, legacies, donations, etc. Free transmission of our shares could be subject to this tax. In the case of litigation regarding the shares before a court of the City of Buenos Aires, a 3% court fee would be charged, calculated on the basis of the claim.

Tax Treaties

Argentina has entered into tax treaties with several countries. There is currently no tax treaty or convention in effect between Argentina and the United States.

F. DIVIDENDS AND PAYING AGENTS

This Section is not applicable.

G. Statement by Experts

This section is not applicable.

H. Documents on display

We file annual, quarterly and other information with the SEC. You may read and copy any document that we file at the public reference rooms of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain information on the operation of the Public Reference Rooms by calling the SEC at 1-800-SEC-0330. Our Internet address is http://www.irsa.com.ar .. It should be noted that nothing on our website should be considered part of this annual report. You may request a copy of these filings at no cost, by writing or calling our offices, Bolivar 108, (C1066AAB) City of Buenos Aires, Argentina. Our telephone number is +54-11-4323-7400.

I. Subsidiary Information

This section is not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to foreign exchange risk, interest rate risks and other price risk, primarily related to changes in exchange rates and interest rates. We manage our exposure to these risks through the use of various financial instruments, none of which are entered into for trading purposes. We have established policies and procedures governing the use of financial instruments, specifically as they relate to the type and volume of such financial instruments. For further information on our market risks, please see Note 4 to our consolidated financial statements.

ITEM 12. DESCRIPTION OF OTHER THAN EQUITY SECURITIES

A. Debt Securities

This item is not applicable

B. Warrants and Rights

This item is not applicable

C. Other Securities

This item is not applicable

D. American Depositary Shares

The Bank of New York Mellon, as depositary for the GDSs (the "Depositary") collects its fees for delivery directly from investors depositing shares or surrendering GDSs for the purpose of withdrawal. The Depositary also collects taxes and governmental charges from the holders of GDSs. The Depositary collects these fees and charges by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees (after attempting by reasonable means to notify the holder prior to such sale).

The Depositary has agreed to reimburse or pay on our behalf, certain reasonable expenses related to our GDS program and incurred by us in connection with the program (such as NASDAQ listing fees, legal and accounting fees incurred with preparation of Form 20-F and ongoing SEC compliance and listing requirements, distribution of proxy materials, investor relations expenses, etc). The Depositary has covered all such expenses incurred by us for the period 2014 - 2015 for an amount of US$ 50,000, net of taxes. The amounts the Depositary reimbursed or paid are not perforce related to the fees collected by the depositary from GDSs holders.

We agree to pay the fees, reasonable expenses and out-of-pocket charges of the Depositary and those of any registrar only in accordance with agreements in writing entered into between the Depositary and the Company from time to time. The Depositary shall present its statement for such charges and expenses to the Company once every three months. The charges and expenses of the custodian are for the sole account of the Depositary.

The following charges shall be incurred by any party depositing or withdrawing common shares or by any party surrendering receipts or to whom receipts are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Issuer or an exchange regarding the receipts or deposited securities or a distribution of receipts), whichever applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of common shares generally on our common share register or foreign registrar and applicable to transfers of common shares to the name of the Depositary or its nominee or the custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable, telex and fax transmission expenses as are expressly provided, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency (5) a fee of US$5.00 or less per 100 GDS (or portion), (6) a fee of US$0.02 or less per GDS (or portion) for any cash distribution made pursuant to the deposit agreement including, but not limited to, and (7) a fee not in excess of US$1.50 per certificate for receipt for transfers made pursuant to the deposit agreement.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

This item is not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Fair Price Provision

At our annual meeting held on October 30, 2000, our shareholders approved an amendment to our bylaws which included the adoption of a fair price provision (the "Fair Price Provision"). On March 8, 2002 our shareholders decided to make a new amendment to Article Nine of our bylaws including, among others, an increase in the minimum percentage of capital obliged to comply with the Fair Price Provision, from twenty percent (20%) to thirty five percent (35%), according to Decree N° 677/2001. On October 10, 2007, our shareholders decided to make a new amendment to Article Nine of our bylaws, to include the control concept under Decree N° 677/2001, which provides for the effective control regularly held in addition to the legal control.

The following description is a summary of the main provisions of the Fair Price Provision, which constitutes Article Nine of our bylaws and does not contain a description of all of the terms of the Fair Price Provision. The Fair Price Provision prohibits a party seeking to acquire, directly or indirectly, either control or (together with such party's other holdings) thirty five percent (35%) or more of our capital stock without complying with the procedural and price requirements described below. Acquisitions made in violation of the Fair Price Provision are deemed ineffective against us and will not be registered in our share registry. Common shares acquired in violation of the Fair Price Provision shall have no voting or equity rights until the Fair Price Provision has been complied with. The Fair Price Provision applies to transactions involving shares of our common stock and any securities convertible in shares of our common stock, including, without limitation, convertible debentures and bonds and our GDRs. The Fair Price Provision excludes certain acquisitions of common shares in certain limited circumstances.

The Fair Price Provision provides that a party seeking to acquire, directly or indirectly, control of our company or thirty five percent (35%) or more of our capital stock shall be required to make a public tender offer for all of the outstanding common stock of us and any shares of common stock into which outstanding securities of our company are presently convertible or exchangeable in accordance with the procedural and price terms of the Fair Price Provision and in accordance with applicable law. For purposes of the thirty five percent threshold contained in the Fair Price Provision parties acting in concert or which are under common control or administration are deemed a single party.

There are cases excluded from the tender offer requirements:

.

acquisitions by existing shareholders or by those exercising control over shares or convertible securities in accordance with the provisions under Law 26.831, irrespective of the application of the regulations imposed by the CNV; and

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holdings of more than 35%, which derive from the distribution of common shares or dividends paid in shares approved by the shareholders, or the issuance of common shares as a result of a merger approved by the shareholders; in both cases, the excess holding shall be disposed of within 180 days of its registration in the relevant shareholder's account, or prior to the holding of our shareholders meeting, whatever occurs first.

The Fair Price Provision requires the offering party to notify use of the tender offer simultaneously with its filing of the public tender offer with the Comisión Nacional de Valores. The notice to us is required to set forth all of the terms and conditions of any agreement that the offering party has made with any other of our shareholders with respect to the proposed transaction and to provide, among other things, the following information:

.

the identity and nationality of the offering party and, in the event the offer is made by a group, the identity of each member of the group;

.

the terms and conditions of the offering, including the price, the tender offer period and the requirements for accepting the tender offer;

.

accounting documentation required by Argentine law relating to the offering party;

.

details of all prior acquisitions by the offering party of common shares or securities convertible into shares of our capital stock.

We will distribute the information provided by the offering party to our shareholders.

The CNV regulations require that transactions which cause a person's holdings of capital stock of a registered Argentine company, to hold 5% or more of the voting power, should be immediately notified to the CNV. Thereafter, every change in the holdings that represents a multiple of 5% of the voting power should also be notified.

The Fair Price Provision requires that the consideration paid in the tender offer be paid in cash and that the price paid for each common share in the tender offer be the same and not less than the highest price per common share derived from the five following alternative valuation methods:

·

the highest price per share of our common stock paid by the offering party, or on behalf of the offering party, for any acquisition of shares or convertible securities within the 2 years prior to the commencement of the tender offer;

·

the highest closing selling price of a share of our common stock on the BASE during the thirty day period immediately preceding the commencement of the tender offer;

·

the highest price resulting from the calculations made according to the provisions of (i) and (ii) above multiplied by a fraction the numerator of which is such highest price and the denominator of which is the lowest closing price of a share of our common stock on the BASE during the two-year period prior to the period referred to in sub-sections (i) or (ii), as applicable;

·

our aggregate net earnings per common share during our preceding four completed fiscal quarters prior to the commencement of the tender offer, multiplied by our highest price to earnings ratio during the two-year period immediately preceding the commencement of the tender offer. Such multiples shall be determined considering the average closing selling price of our common stock in the BASE, and our aggregate net income from our preceding four completed fiscal quarters; and,

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the book value per share of our common stock at the time the tender offer is commenced, multiplied by the highest ratio determined by a fraction the numerator of which is the closing selling price of a share of our common stock oi the BASE on each day during the two year period prior to the commencement of the tender offer and the denominator of which is the latest known book value per share of our common stock on each such date.

B. Limitations on the payment of dividends.

On February 2, 2007, we issued our Series I Notes for an aggregate principal amount of US$150.0 million.

In addition, on July 20, 2010, we issued our Series II Notes.

The Indentures of the Notes contained restrictions on the distribution of dividends. However, on March 28, 2016 and on April 7, 2016, the Trustee and us entered into First Supplemental Indentures to the 2020 Notes Indenture and to the 2017 Notes Indenture, respectively. The Supplemental Indentures amended, modified and/or deleted certain provisions of the Indentures. Among them, the restrictions on the distribution of dividends.

As a result, we cannot give you any assurance that we will pay any dividends with respect to our common shares in the future.

C. This section is not applicable.

D. This section is not applicable.

E. This section is not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial and Administrative Officer, to allow our management to make timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective. In connection with the preparation of this Annual Report on Form 20-F, we carried out an evaluation under the supervision and with the participation of members of our management team, including our Chief Executive Officer and Chief Financial and Administrative Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2016. Based upon this evaluation our Chief Executive Officer and Chief Financial and Administrative Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 20-F were effective at the reasonable assurance level.

B. Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate Internal Control over Financial Reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our Internal Control over Financial Reporting

includes a series of procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes, in accordance with International Financial Reporting Standards and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with International Financial Reporting Standards and that a company's receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, Internal Control over Financial Reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management assessed the effectiveness of our Internal Control over Financial Reporting as of June 30, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control–Integrated Framework (2013). Based on this evaluation, management concluded that our Internal Control over Financial Reporting was effective as of June 30, 2016. However, the management has excluded IDB Development from its assessment of Internal Control over Financial Reporting as of June 30, 2016 because it was acquired by us in purchase business combinations during the fiscal year 2016. IDB Development is an indirect subsidiary (through Tyrus S.A.) whose total assets and total revenues represent 92% and 86%, respectively, of our Audited Consolidated Financial Statements amount as of and for the year ended June 30, 2016.

C. Attestation Report of the Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of June 30, 2016 has been audited by Price Waterhouse & Co S.R.L, Buenos Aires Argentina- member firm of PricewaterhouseCoopers International Limited-, an independent registered public accounting firm, as stated in their report which appears herein.

D. Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16.

A. Audit Committee Financial Expert

Pursuant to the former applicable rules regarding the Capital Market Law (former Transparency Decree) and the applicable Rules of the CNV at such moment, our board of directors has established on May 2004 an Audit Committee. The main functions of the Audit Committee are to assist the board of directors in performing their duty of exercising due care, diligence and competence in issues relating to us, specifically in the enforcement of the accounting policy and in the issue of accounting and financial information, the management of business risk and of internal control systems, the conduct and ethical soundness of the company's business, the supervision of the integrity of our financial statements, the compliance by our company with the legal provisions, the independence and capability of the independent auditor and the performance of the internal audit function of our company and of the external auditors. Also, according to the applicable regulations, we may request to our audit committee to render its opinion in certain transactions, and its conditions, as is the case of related party transactions, as may be reasonably considered adequate according to normal market conditions.

Since November 3, 2008 the member of the Audit Committee are Cedric Bridger, Ricardo Liberman and Mario Blejer, all of them as independent members. Cedric Bridger is the financial expert in accordance with the relevant SEC rules. We have a fully independent audit committee as per the standard provided in Rule 10 (A) -3(B) (1).

B. Code of Ethics

We have adopted a code of ethics that applies to our directors, officers and employees. Our code of ethics is posted in our website www.irsa.com.ar. On July 25 2005, our Code of Ethics was amended by our Board of Directors. The amendment was reported in a report on Form 6-K on August 1, 2005.

If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver to any of its provision we will disclose the nature of such amendment or waiver in a report on Form 6-K or in our next annual report and we will post it in our website.

C. Principal Accountant Fees and Services

Audit Fees

During the fiscal years ended June 30, 2016 and 2015, we were billed a total amount of Ps. 12.3 million and Ps.7.4 million respectively, for professional services rendered by our principal accountants for the audit of our annual Audited Consolidated Financial Statements, performance of the audit of internal controls over financial reporting of

the company and other services normally provided in connection with regulatory filings or engagements.

Audit-Related Fees

During the fiscal years ended June 30, 2016 and 2015, no audit-related services were provided.

Tax Fees

During the fiscal year ended June 30, 2016 and 2015, we were billed a total amount of nil and Ps.0.01 million, respectively for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

All Other Fees

During the fiscal year ended June 30, 2016 and June 30, 2015 we were billed for professional services rendered by our principal accountants, including fees mainly related to training seminaries, a total amount of Ps. 0.1 million and Ps.0 million, respectively.

Audit Committee Pre-Approval Policies and Procedures

Audit Committee pre-approves all services, fees and services provided by the external auditors to ensure auditors' independence. One of the main tasks of the Audit Committee is to give it opinion in relation to the appointment of the external auditors, proposed by the Board of Directors to the General Shareholder's Meeting. In order to accomplish such task, the Audit Committee shall:

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Require any additional and complementary documentation related to this analysis.

.

Verify the independence of the external auditors;

.

Analyze different kinds of services that the external auditor would provide to the company. This description must also include an estimate of the fees payable for such services, specifically in order to maintain the principle of independence;

.

Inform the fees billed by the external auditor, separating the services related to the audit services and other special services that could be not included in the audit services previously mentioned.

.

Take notice of any strategy proposed by of the external auditors and review it in accordance with the reality other business and the risks involved;

.

Analyze and supervise the working plan of the external auditors considering the business' reality and the estimated risks;

.

Propose adjustments (if necessary) to such working plan;

.
Hold meetings with the external auditors in order to: (a) analyze the difficulties, results and conclusions of the proposed working plan; (b) analyze eventual possible conflicts of interests, related party transactions, compliance with the legal framework and information transparency; and

.
Evaluate the performance of external auditors and their opinion regarding the Financial Statements.

D. Exemption from the Listing Standards for Audit Committees

This section is not applicable.

E. Purchase of Equity Securities by the Issuer and its Affiliates

This section is not applicable.

F. Change in Registrant's Certifying Accountant

This section is not applicable.

G. Corporate Governance

Compliance with NYSE listing standards on corporate governance

NYSE and Argentine Corporate Governance Requirements

Our corporate governance practices are governed by the applicable Argentine law; particularly, the Argentine Corporation Law, Capital Markets Law Nº 26,831 and the Rules of the CNV, as well as by our bylaws. We have securities that are registered with the Securities and Exchange Commission and are NYSE, and is therefore subject to corporate governance requirements applicable to NYSE-listed non-U.S. companies (a "NYSE-listed" company).

NYSE-listed non-U.S. companies that are categorized as "Foreign Private Issuers" may, in general, follow their home country corporate governance practices in lieu of most of the new NYSE corporate governance requirements (the "NYSE Sections") codified in Section 303A of the NYSE's Listed Company Manual. However, Foreign Private Issuers must comply with NYSE Sections 303A.06, 303A.11 and 303A.12(b) and 303A.12(c). Foreign Private Issuers must comply with Section 303A.06 prior to July 31, 2005 and with Sections 303A.11 and 303A.12(b) prior to the first annual meeting of shareholders held after January 15, 2004, or by October 31, 2004.

NYSE Section 303A.11 requires that Foreign Private Issuers disclose any significant ways in which their corporate governance practices differ from U.S. companies under NYSE standards. A Foreign Private Issuer is simply required to provide a brief, general summary of such significant differences to its U.S. investors either 1) on the company's website (in English) or 2) in Form 20-F as distributed to their U.S. investors. In order to comply with Section 303A.11, we have prepared and have updated the comparison in the table below.

THE MOST RELEVANT DIFFERENCES BETWEEN OUR CORPORATE GOVERNANCE PRACTICES AND NYSE STANDARDS FOR LISTED COMPANIES ARE AS FOLLOWS:

NYSE Standards for U.S. companies Listed Companies Manual Section 303.A	IRSA's Corporate Practices
Section 303A.01 A NYSE-listed company must have a majority of independent directors on its board of directors.	We follow Argentine law which does not require that a majority of the board of directors be comprised of independent directors. Argentine law instead requires that public companies in Argentina have a sufficient number of independent directors to be able to form an audit committee of at least three members, the majority of which must be independent pursuant to the criteria established by the Rules of the CNV.
Section 303A.02 This section establishes general standards to evaluate directors' independence (no director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company)), and emphasizes that the concern is independence from management. The board is also required to express an opinion with regard to the independence or lack of independence, on a case by case basis, of each individual director.	CNV standards (former General Resolution N° 400 and now General Resolution 622/2013, as amended) for purposes of identifying an independent director are substantially similar to NYSE's standards. CNV standards provide that independence is required with respect to the company itself and to its shareholders with direct or indirect material holdings (35% or more). To qualify as an independent director, such person must not perform executive functions within the company. Close relatives of any persons who would not qualify as "independent directors" shall also not be considered "independent." When directors are appointed, each shareholder that nominates a director is required to report at the meeting whether or not such director is independent.
Section 303A.03 Non-management directors must meet at regularly scheduled executive meetings not attended by management.	Neither Argentine law nor our by-laws require that any such meetings be held. Our board of directors as a whole is responsible for monitoring the company's affairs. In addition, under Argentine law, the board of directors may approve the delegation of specific responsibilities to designated directors or non-director managers of a company. Also, it is mandatory for public companies to form a supervisory committee (composed of syndics) which is responsible for monitoring legal compliance by a company under Argentine law and compliance with its by-laws.
Section 303A.05(a) Listed companies shall have a "Compensation Committee" comprised entirely of independent directors.	Neither Argentine law nor our by-laws require the formation of a "Compensation Committee." Under Argentine law, if the compensation of the members of the board of directors and the supervisory committee is not established in the by-laws of a company, it should be determined at the shareholders meeting.

Section 303A.05(b). The "Compensation Committee" shall have a written charter addressing the committee's purpose and certain minimum responsibilities as set forth in Section	Neither Argentine law nor our by-laws require the formation of a "Compensation Committee."

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303A.05(b)(i) and (ii).

NYSE Standards for U.S. companies Listed Companies Manual Section 303.A	IRSA's Corporate Practices
Section 303A.06 Listed companies must have an "Audit Committee" that satisfies the requirements of Rule 10 A-3 under the 1934 Exchange Act (the "Exchange Act"). Foreign private issuers must satisfy the requirements of Rule 10 A-3 under the Exchange Act as of July 31, 2005.	Pursuant to the Capital Markets Law and the Rules of the CNV, from May 27, 2004 we have appointed an "Audit Committee" composed of three of the members of the Board of Directors. Since December 21, 2005 all of its members are independent as per the criteria of Rule 10 A-3 under the Exchange Act.
Section 303A.07(a) The Audit Committee shall consist of at least three members. All of its members shall be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration.	In accordance with Argentine law, a public Company must have an Audit Committee with a minimum of three members of the board of directors, the majority of which shall be independent pursuant to the criteria established by the CNV. There is no requirement related to the financial expertise of the members of the Audit Committee. However, our Audit Committee has a financial expert. The committee creates its own written internal code that addresses among others: (i) its purpose; (ii) an annual performance evaluation of the committee; and (iii) its duties and responsibilities.

H. Mine Safety Disclosures

This section is not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F-1 through F-373

Index to Financial Statements (see page F-1).

ITEM 19. EXHIBITS

INDEX OF EXHIBITS

Exhibit Nº	Description of Exhibit
1.1*	Estatutos sociales of the registrant, which serve as the registrant’s articles of incorporation and bylaws, and an English translation thereof.
1.2****	English translation of the amendment to the bylaws.
1.3**********	Amended and restated English translation of the bylaws.
2.1*	Form of Deposit Agreement among us, The Bank of New York, as Depositary, and the holders from time to time of American Depositary Receipts issued there under.
2.2*	Shareholders Agreement, dated November 18, 1997, among IRSA International Limited, Parque Arauco S.A. and Sociedad Anónima Mercado de Abasto Proveedor (SAMAP).
2.3*	Put Option Agreement dated November 17, 1997, among IRSA Inversiones y Representaciones Sociedad Anónima and GSEM/AP.
2.4*	Offering Circular, dated March 24, 2000, regarding the issuance of Ps.85,000,000 of our 14.875% Notes due 2005.
2.5*******	Indenture, dated July 20, 2010, between us as Issuer, The Bank of New York Mellon as Trustee, Co-Registrar, Principal Paying Agent and Transfer Agent, and Banco Santander Río S.A. as Registrar, Paying Agent, Transfer Agent and Representative of the Trustee in Argentina, with respect to our US$400,000,000 Global Note Program, pursuant to which US$150,000,000 aggregate principal amount of our 11.500% Notes due 2020, Series No. 2, were issued.
2.6	First Supplemental Indenture, dated March 28, 2016, between us as Issuer and The Bank of New York Mellon as Trustee, Co-Registrar, Principal Paying Agent and Transfer Agent to the Indenture, dated July 20, 2010, between us as Issuer, The Bank of New York Mellon as Trustee, Co-Registrar, Principal Paying Agent and Transfer Agent, and Banco Santander Río S.A. as Registrar, Paying Agent, Transfer Agent and Representative of the Trustee in Argentina, with respect to our US$400,000,000 Global Note Program, pursuant to which US$150,000,000 aggregate principal amount of our 11.500% Notes due 2020, Series No. 2, were issued.
2.7	Indenture, dated March 23, 2016, between IRSA Propiedades Comerciales S.A. as Issuer, The Bank of New York Mellon as Trustee, Co-Registrar, Principal Paying Agent and Transfer Agent, and Banco Santander Río S.A. as Registrar, Paying Agent, Transfer Agent and Representative of

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	the Trustee in Argentina, with respect to IRSA Propiedades Comerciales S.A.'s US$500,000,000 Global Note Program, pursuant to which US$360,000,000 aggregate principal amount of IRSA Propiedades Comerciales S.A.'s 8.750% Notes due 2023, Series No. 2, were issued.
2.8	First Supplemental Indenture, dated March 23, 2016, between IRSA Propiedades Comerciales S.A., as Issuer and The Bank of New York Mellon, as Trustee, Co-Registrar, Principal Paying Agent and Transfer Agent, The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Paying Agent and Luxembourg Transfer Agent and Banco Santander Río S.A., as Registrar, Paying Agent, Transfer Agent and Representative of the Trustee in Argentina to the Indenture, dated March 23, 2016, between IRSA Propiedades Comerciales S.A. as Issuer, The Bank of New York Mellon as Trustee, Co-Registrar, Principal Paying Agent and Transfer Agent, and Banco Santander Río S.A. as Registrar, Paying Agent, Transfer Agent and Representative of the Trustee in Argentina, with respect to IRSA Propiedades Comerciales S.A.'s US$500,000,000 Global Note Program, pursuant to which US$360,000,000 aggregate principal amount of IRSA Propiedades Comerciales S.A.'s 8.750% Notes due 2023, Series No. 2, were issued.
4.1**	Agreement for the exchange of Corporate Service between us, IRSA and Cresud dated June 30, 2004.
4.2****	English translation of the Amendment to the Agreement for the exchange of Corporate Service between us, IRSA and Cresud dated August 23, 2007
4.3*****	English translation of the Second Agreement for the Implementation of the Amendment to the Corporate Services Master Agreement, dated August 14, 2008.
4.4******	English translation of the Third Agreement for the Implementation of the Amendment to the Corporate Services Master Agreement, dated November 27, 2009.
4.5*******	English translation of the Amendment to the Agreement for the exchange of Corporate Service between us, IRSA and Cresud, dated March 12, 2010.
4.6********	English translation of the Amendment to the Agreement for the exchange of Corporate Service between us, IRSA and Cresud, dated July 11, 2011.
4.7*********	English translation of the Fifth Agreement for the implementation of Amendments to the Corporate Services Master Agreement, October 15, 2012
4.8**********	English translation of the Sixth Agreement for the Implementation of the Amendment to the Corporate Services Master Agreement dated November 12, 2013.
4.9***********	English translation of the Second Amendment to the exchange of Operating Services Agreement between the Company, Cresud and Alto Palermo, dated February 24, 2014.
4.10************	English translation of the Seventh Agreement for the Implementation of the Amendment to the Corporate Services Master Agreement dated February 18, 2015.
4.11	English translation of the Eighth Agreement for the Implementation of the Amendment to the Corporate Services Master Agreement dated November 12, 2015.
8.1	List of Subsidiaries
11.1***	Code of Ethics of the Company.

12.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act 2002
12.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act 2002
13.1 Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2 Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*	Incorporated herein by reference to the same-numbered exhibit to the registrant's registration statement on Form 20-F (File N° 000-30982).
**	Incorporated herein by reference to the registrant's registration statement on Form 6-K (SEC File N° 000-30982).
***	Incorporated herein by reference to the registrant's registration statement on Form 6-K reported on August 1, 2005.
****	Incorporated herein by reference to the annual report on Form 20-F (File N° 128 0-30982) filed with the SEC on December 27, 2007.
*****	Incorporated herein by reference to the annual report on Form 20-F (File N° 128 0-30982) filed with the SEC on December 30, 2008.
******	Incorporated herein by reference to the annual report on Form 20-F (File N° 1280-30982) filed with the SEC on December 30, 2009.
*******	Incorporated herein by reference to the annual report on Form 20-F (File N° 1280-30982) filed with the SEC on December 30, 2010.
********	Incorporated herein by reference to the annual report on Form 20-F (File N° 1280-30982) filed with the SEC on December 28, 2011.
*********	Incorporated herein by reference to the annual report on Form 20-F (File N° 1280-30982) filed with the SEC on October 26, 2012.
**********	Incorporated herein by reference to the annual report on Form 20-F (File N° 1280-30982) filed with the SEC on October 31, 2014.
***********	Incorporated herein by reference to the annual report on Form 20-F (File N° 1280-30982) filed with the SEC on November 17, 2015.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

IRSA Inversiones y Representaciones Sociedad Anónima

Date October 31, 2016 By: /s/ Matias I. Gaivironsky
Name Matías I. Gaivironsky
Title Chief Financial and Administrative Officer

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Report of Independent Registered Public Accounting Firm
To the Board of Directors and Shareholders of
IRSA Inversiones y Representaciones Sociedad Anónima
In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of IRSA Inversiones y Representaciones Sociedad Anónima and its subsidiaries at June 30, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2016 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2016, based on criteria established in Internal Control - Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in accompanying Management's Annual Report on Internal Control Over Financial Reporting under Item 15. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.
The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, there are risks and uncertainties in relation to the Company's subsidiary IDB Development. These financial statements do not include any adjustments related to the valuation of IDBD's assets and liabilities that would be required if IDBD were not able to continue as a going-concern.
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in “Management´s Annual Report on Internal Control over Financial Reporting”, management has excluded IDB Development from its assessment of internal control over financial reporting as June 30, 2016 because it was acquired by the Company in a purchase business combination during 2016. We have also excluded IDB Development from our audit of internal control over financial reporting. IDB Development is an indirect subsidiary (through Tyrus S.A.) whose total assets and total revenue represent 92 % and 86 %, respectively, of the related consolidated financial statement amounts as of and for the year ended June 30, 2016.

PRICE WATERHOUSE & Co. S.R.L.
By: /s/ Eduardo A. Loiácono (Partner)
Eduardo A. Loiácono
Buenos Aires, Argentina
October 31, 2016

Glossary

The followings are not technical definitions, but help the reader to understand certain terms used in the wording of the notes to the Group´s Financial Statements.

Terms	Definitions
Adama	Adama Agricultural Solutions Ltd.
BACS	Banco de Crédito y Securitización S.A.
Baicom	Baicom Networks S.A.
Bartan	Bartan Holdings and Investments Ltd.
BASE	Buenos Aires Stock Exchange
BCRA	Central Bank of the Argentine Republic.
BHSA	Banco Hipotecario S.A.
Bitania	Bitania 26 S.A
BMBY	Buy Me Buy You (Note 3.A.a)
Cellcom	Cellcom Israel Ltd.
Clal	Clal Holdings Insurance Enterprises Ltd.
CNV	Securities Exchange Commission.
CODM	Chief Operating Decision Maker
Condor	Condor Hospitality Trust Inc.
Cresud	Cresud S.A.C.I.F. y A.
Cyrsa	Cyrsa S.A.
DFL	Dolphin Fund Ltd.
DIC	Discount Investment Corporation Ltd.
DN B.V.	Dolphin Netherlands B.V.
Dolphin	Dolphin Fund Ltd. and Dolphin Netherlands B.V.
EHSA	Entertainment Holdings S.A.
ENUSA	Entretenimiento Universal S.A.
ERSA	Emprendimiento Recoleta S.A.
Financial Statements	Consolidated Financial Statement
ETH	C.A.A. Extra Holdings Ltd.
CPF	Collective Promotion Funds
IASB	International Accounting Interpretations Board
IDB Tourism	IDB Tourism (2009) Ltd
IDBD	IDB Development Corporation Ltd.
IDBGI	IDB Group Investment Inc.
IDBH	IDB Holdings Corporation Ltd.
IFISA	Inversiones Financieras del Sur S.A.
IFRIC	International Financial Reporting Standards Interpretation Committee
IFRS	International Financial Reporting Standards
Indarsa	Inversora Dársena Norte S.A.
CPI	Consumer Price Index
IRSA, "the Company", "we "	IRSA Inversiones y Representaciones Sociedad Anónima
IRSA CP	IRSA Propiedades Comerciales S.A.
Koor	Koor Industries Ltd.
Lipstick	Lipstick Management LLC
LRSA	La Rural S.A.

Metropolitan	Metropolitan 885 Third Avenue Leasehold LLC
New Lipstick	New Lipstick LLC
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
NCN	Non-Convertible Notes
NIS	New Israelí Shekel
NFSA	Nuevas Fronteras S.A.
NPSF	Nuevo Puerto Santa Fe S.A.
NYSE	New Stock Exchange
PAMSA	Panamerican Mall S.A.
PBC	Property & Building Corporation Ltd.
PBEL	Real Estate LTD
Puerto Retiro	Puerto Retiro S.A.
Quality	Quality Invest S.A.
Rigby	Rigby 183 LLC
Shufersal	Shufersal Ltd.
SRA	Sociedad Rural Argentina
Tarshop	Tarshop S.A.
TASE	Tel Aviv Stock Exchange

IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Financial Position
as of June 30, 2016 and 2015
(All amounts in millions of Argentine Pesos, except otherwise indicated)

	Note	06.30.16	06.30.15
ASSETS			
Non-current assets			
Investment properties	10 and Schedule I	49,872	3,490
Property, plant and equipment	11	24,055	243
Trading properties	12	4,471	128
Intangible assets	13	11,763	127
Investments in associates and joint ventures	8 and 9	16,236	2,552
Deferred income tax assets	22	638	53
Income tax and minimum presumed income tax ("MPIT") credit		123	109
Restricted assets		54	-
Trade and other receivables	15	3,441	115
Employee benefits	32	4	-
Investments in financial assets	14	2,226	703
Financial assets held for sale	16	3,346	-
Derivative financial instruments	17	8	206
Total non-current assets		116,237	7,726
Current assets			
Trading properties	12	241	3
Inventories		3,246	23
Restricted assets		564	9
Income tax and minimum presumed income tax ("MPIT") credit		506	19
Financial assets held for sale	16	1,256	-
Trade and other receivables	15	13,409	1,143
Investments in financial assets	14	9,656	295
Derivative financial instruments	17	19	29
Cash and cash equivalents	18	13,866	375
Total current assets		42,763	1,896
TOTAL ASSETS		159,000	9,622
SHAREHOLDERS' EQUITY			
Capital and reserves attributable to equity holders of the parent			
Share capital		575	574
Treasury shares		4	5
Inflation adjustment of share capital and treasury shares		123	123
Share premium		793	793
Additional paid-in capital from treasury shares		16	7
Legal reserve		117	117
Special reserve		4	4
Other reserves	24	726	299
Accumulated deficit		(1,243)	(40)
Total capital and reserves attributable to equity holders of the parent		1,115	1,882
Non-controlling interest		12,386	376
TOTAL SHAREHOLDERS' EQUITY		13,501	2,258

LIABILITIES			
Non-current liabilities			
Trade and other payables	19	1,518	255
Borrowings	21	90,680	3,736
Derivative financial instruments	17	105	265
Deferred income tax liabilities	22	7,571	51
Employee benefits	32	689	-
Salaries and social security liabilities		11	2
Provisions	20	1,325	374
Total non-current liabilities		101,899	4,683
Current liabilities			
Trade and other payables	19	17,874	896
Borrowings	21	22,252	1,237
Derivative financial instruments	17	112	238
Salaries and social security liabilities		1,707	123
Provisions	20	1,039	52
Income tax and minimum presumed income tax ("MPIT") liabilities		616	135
Total current liabilities		43,600	2,681
TOTAL LIABILITIES		145,499	7,364
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		159,000	9,622

The accompanying notes are an integral part of these Consolidated Financial Statements.

IRSA Inversiones y Representaciones Sociedad Anónima

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Consolidated Statements of Operations
for the fiscal years ended June 30, 2016, 2015 and 2014
(All amounts in millions of Argentine Pesos, except otherwise indicated)

	Note	06.30.16	06.30.15	06.30.14
Revenues	25	32,675	3,403	2,845
Costs	26	(22,499)	(1,511)	(1,354)
Gross profit		10,176	1,892	1,491
Gain from disposal of investment properties	10	1,113	1,163	236
General and administrative expenses	27	(1,933)	(374)	(297)
Selling expenses	27	(5,948)	(194)	(146)
Other operating results, net	29	24	28	(46)
Profit from operations		3,432	2,515	1,238
Share of profit (loss) of associates and joint ventures	8 and 9	447	(1,023)	(414)
Profit from operations before financial results and income tax		3,879	1,492	824
Finance income…………………………………………………	30	1,788	137	132
Finance costs	30	(5,938)	(1,107)	(1,749)
Other financial results	30	(870)	37	(102)
Financial results, net	30	(5,020)	(933)	(1,719)
(Loss) / Profit before income tax		(1,141)	559	(895)
Income tax expense	22	(149)	(489)	64
(Loss) / Profit for the year		(1,290)	70	(831)
Attributable to:				
Equity holders of the parent		(693)	(41)	(786)
Non-controlling interest		(597)	111	(45)
Loss per share attributable to equity holders of the parent during the year:				
Basic	31	(1.21)	(0.07)	(1.36)
Diluted	31	(1.21)	(0.07)	(1.36)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Comprehensive Operations
for the fiscal years ended June 30, 2016, 2015 and 2014
(All amounts in millions of Argentine Pesos, except otherwise indicated)

	06.30.16	06.30.15	06.30.14
(Loss) / Profit for the year	(1,290)	70	(831)
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment	(760)	(164)	472
Share of currency translation adjustment of joint ventures and associates accounted for using the equity method	4,765	56	(29)
Share of change in the fair value of hedging instruments of associates and joint ventures accounted for using the equity method	(93)	-	-
Items that may not be reclassified subsequently to profit or loss:			
Actuarial loss from defined benefit plans net of income taxes	(42)	-	-
Other comprehensive income / (loss) for the year	3,870	(108)	443
Total comprehensive income / (loss) for the year	2,580	(38)	(388)
Attributable to:			
Equity holders of the parent	(840)	(165)	(438)
Non-controlling interest	3,420	127	50

The accompanying notes are an integral part of these Consolidated Financial Statements.

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IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Changes in Shareholders' Equity
for the fiscal years ended June 30, 2016, 2015 and 2014
(All amounts in millions of Argentine Pesos, except otherwise indicated)

	Attributable to equity holders of the parent								
	Share capital	Treasury shares	Inflation adjustment of share capital and treasury shares (2)	Share premium	Additional paid-in capital from treasury shares	Legal reserve	Special reserve (1)	Other reserves (Note 24)	Accumulat deficit
Balance at July 1st, 2015	574	5	123	793	7	117	4	299	(40)
Loss for the year	-	-	-	-	-	-	-	-	(693)
Other comprehensive (loss) / income for the year	-	-	-	-	-	-	-	(147)	-
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	-	(147)	(693)
Appropriation of retained earnings approved by Shareholders' meeting held 11.26.15	-	-	-	-	-	-	-	520	(520)
Reserve for share-based compensation	1	(1)	-	-	9	-	-	8	-
Share of changes in subsidiaries' equity	-	-	-	-	-	-	-	37	-
Cumulative translation adjustment for interest held before business combination (Note 3)	-	-	-	-	-	-	-	(91)	-
Incorporation for business combination	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interest (Note 3)	-	-	-	-	-	-	-	100	-
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-
Reimbursement of expired dividends	-	-	-	-	-	-	-	-	10
Dividends distribution to non-controlling interest	-	-	-	-	-	-	-	-	-
Balance at June 30, 2016	575	4	123	793	16	117	4	726	(1,243)

The accompanying notes are an integral part of these Consolidated Financial Statements.

(1)
Related to CNV General Resolution No. 609/12. See Note 24.
(2)
Includes Ps. 1 of Inflation adjustment of treasury shares. See Note 24.

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IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Changes in Shareholders' equity
for the fiscal years ended June 30, 2016, 2015 and 2014
(All amounts in millions of Argentine Pesos, except otherwise indicated)

	Attributable to equity holders of the parent											
	Share capital	Treasury shares	Inflation adjustment of share capital and treasury shares (2)	Share premium	Additional paid-in capital from treasury shares	Legal reserve	Special reserve (1)	Other reserves (Note 24)	Accumulated deficit	Subtotal	Non-controlling interest	Tot Sha equ
Balance at July 1st, 2014	574	5	123	793	-	117	375	806	(785)	2,008	548	2,5
Profit for the year	-	-	-	-	-	-	-	-	(41)	(41)	111	70
Other comprehensive (loss) / income for the year	-	-	-	-	-	-	-	(124)	-	(124)	16	(10
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	-	(124)	(41)	(165)	127	(38
Appropriation of retained earnings approved by Shareholder's' meeting held 06.19.14	-	-	-	-	-	-	(371)	(414)	785	-	-	-
Reserve for share-based compensation	-	-	-	-	-	-	-	22	-	22	-	22
Share-based compensation	-	-	-	-	7	-	-	(7)	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	(228)	(22
Transactions with non-controlling interest	-	-	-	-	-	-	-	16	-	16	(22)	(6)
Reimbursement of expired dividends	-	-	-	-	-	-	-	-	1	1	-	1
Dividends distribution to non-controlling	-	-	-	-	-	-	-	-	-	-	(65)	(65

interest												
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	16	16
Balance at June 30, 2015	574	5	123	793	7	117	4	299	(40)	1,882	376	2,2

The accompanying notes are an integral part of these Consolidated Financial Statements.

(1)
Related to CNV General Resolution No. 609/12. See Note 24.
(2)
Includes Ps. 1 of Inflation adjustment of treasury shares. See Note 24.

IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Changes in Shareholders' equity
for the fiscal years ended June 30, 2016, 2015 and 2014
(All amounts in millions of Argentine Pesos, except otherwise indicated)

	Attributable to equity holders of the parent								
	Share capital	Treasury shares	Inflation adjustment of share capital and treasury shares (2)	Share premium	Legal reserve	Special reserve (1)	Other reserves (Note 24)	Accumulated deficit	Sub
Balance at July 1st, 2013	579	-	123	793	85	395	532	239	2,74
Loss for the year	-	-	-	-	-	-	-	(786)	(786
Other comprehensive income for the year	-	-	-	-	-	-	348	-	348
Total comprehensive income / (loss) for the year	-	-	-	-	-	-	348	(786)	(438
Distribution of retained earnings approved by Shareholders' meeting held 10.31.13	-	-	-	-	32	(20)	-	(12)	-
Release of reserve for new developments approved by Shareholders' meeting held 10.31.13	-	-	-	-	-	-	(23)	23	-
Distribution of dividends approved by Shareholders' meeting held 10.31.13	-	-	-	-	-	-	-	(250)	(250
Release of reserve for new developments approved by Shareholders' meeting held 06.19.14	-	-	-	-	-	-	(57)	57	-
Reserve for share-based compensation	-	-	-	-	-	-	45	-	45
Acquisition of treasury shares	(5)	5	-	-	-	-	(38)	-	(38)
Distribution of share capital of subsidiaries	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interest (Note 3)	-	-	-	-	-	-	(1)	-	(1)
Reimbursement of expired dividends	-	-	-	-	-	-	-	1	1
Distribution of dividends approved by Shareholders' meeting held 06.19.14	-	-	-	-	-	-	-	(57)	(57)
Distribution of dividends of subsidiaries	-	-	-	-	-	-	-	-	-
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-
Balance at June 30, 2014	574	5	123	793	117	375	806	(785)	2,00

The accompanying notes are an integral part of these Consolidated Financial Statements.
(1) Related to CNV General Resolution No. 609/12. See Note 24.
(2) Includes Ps. 1 of Inflation adjustment of treasury shares. See Note 24.

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IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Cash Flows
for the fiscal years ended June 30, 2016, 2015 and 2014
(All amounts in millions of Argentine Pesos, except otherwise indicated)

	Note	06.30.16	06.30.15	06.30.14
Operating activities:				
Cash generated from operations	18	4,946	1,263	1,298
Income tax and Minimum Presumed Income tax paid		(807)	(429)	(276)
Net cash generated by operating activities		4,139	834	1,022
Investing activities:				
Capital contributions to joint ventures and associates		(207)	(39)	(20)
Purchases of joint ventures and associates		-	(1,242)	(1,132)
Purchases of investment properties		(888)	(407)	(265)
Proceeds from sale of investment properties		1,393	2,447	402
Purchases of property, plant and equipment		(1,056)	(48)	(23)
Purchases of intangible assets		(134)	(5)	(12)
Increase in investments in financial assets		(11,901)	(2,934)	(1,533)
Proceeds from sale of investments in financial assets		11,957	2,339	1,648
Advance payments		(7)	(14)	(30)
Proceeds from sale of equity interest in associates and joint ventures		9	56	23
Interest received of financial assets		112	95	10
Loans granted to related parties		(852)	-	(2)
Cash incorporated by business combination	3	9,193	-	-
Dividends received		591	13	17
Net cash generated by (used in) investing activities		8,210	261	(917)
Financing activities:				
Proceeds from borrowings		6,011	606	502
Repayments of borrowings		(9,634)	(967)	(448)
Repayment of seller financing of shares		-	(106)	(2)
Dividends paid		(106)	(69)	(113)
Receipts from claims		90	-	-
Issuance of NCN		7,622	-	218
Acquisition of non-controlling interest in subsidiaries		(1,047)	(6)	(1)
Capital contribution of non-controlling interest		1	16	139
Interest paid		(3,774)	(547)	(415)
Proceeds of borrowings from associates and joint ventures		4	22	17

Repayment of borrowings from associates and joint ventures		(6)	(2)	(189)
Distribution of capital to non-controlling interest in subsidiaries		(207)	(228)	(4)
Repurchase of shares		-	-	(38)
Acquisition of derivative financial instruments		(620)	(111)	(38)
Repurchase of NCN		(121)	-	-
Proceeds from derivative financial instruments		1,951	2	62
Repayment of principal from NCN		(4,132)	-	(287)
Net cash used in financing activities		(3,968)	(1,390)	(597)
Net Increase (Decrease) in cash and cash equivalents		8,381	(295)	(492)
Cash and cash equivalents at beginning of year	18	375	610	797
Foreign exchange gain on cash and cash equivalents		5,110	60	305
Cash and cash equivalents at end of year	18	13,866	375	610

The accompanying notes are an integral part of these Consolidated Financial Statements.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements
(All amounts in millions of Argentine Pesos, except otherwise indicated)

1. The Group's business and general information

IRSA was founded in 1943, and is engaged in a diversified range of real estate activities in Argentina since 1991.

IRSA and its subsidiaries are collectively referred to hereinafter as "the Group".

Cresud is our parent company and is a corporation established and domiciled in Argentina and IFIS Limited is the ultimate parent company of the Group.

The Board of Directors has approved these Financial Statements for issue on October 31, 2016.

As of June 30, 2016, the Group has established two Operations Centers to manage its global business, mainly through the following companies (see Note 6).

(i)
Remains in current and non-current assets, as financial asset held for sale (see Note 16).
(ii)
Corresponds to Group's associates, which are hence excluded from consolidation.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

1.
The Group's business and general information (Continued)

Operations Center in Argentina

The activities of the operations center in Argentina are mainly developed through IRSA and its principal subsidiary, IRSA CP. Through IRSA and IRSA CP, the Group owns, manages and develops 16 shopping centers across Argentina, a portfolio of offices and other rental properties in the Autonomous City of Buenos Aires, and it entered the United States of America ("USA") real estate market in 2009, mainly through the acquisition of non-controlling interests in office buildings and hotels. Through IRSA or IRSA CP, the Group also develops residential properties for sale. The Group, through IRSA, is also involved in the operation of branded hotels. The Group uses the term "real estate" indistinctively in these Financial Statements to denote investment, development and/or trading properties activities. IRSA CP's shares are listed and traded on both the BASE (Merval: IRCP) and in NASDAQ (National Association of Securities Dealers Automated Quotation) (NASDAQ: IRCP). IRSA's shares are listed on the BASE (Merval: IRSA) and the NYSE (NYSE: IRSA).

The activities of the Group's segment "financial operations and others" is carried out mainly through BHSA, where we have a 29.91% interest (without considering treasury shares). BHSA is a commercial bank offering a wide variety of banking activities and related financial services to individuals, small and medium-sized companies and large corporations, including the provision of mortgaged loans. BHSA's shares are listed on the BASE. Besides that, the Group has a 42.81% indirect equity interest in Tarshop, whose main activities are credit card and loan origination transactions.

Operations Center in Israel

During the fiscal year ended June 30, 2014, the Group made an investment in the Israeli market, through DFL and DN B.V., in IDBD (an Israeli Company), with of 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 companies such as: Clal (Insurance Company), Cellcom (Telecomunications), Adama (Agrochemicals), Shufersal (Supermarket), 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" under the Israeli law, because some of its bonds are trading.

On October 11, 2015, the Group gained effective control over IDBD (see Note 3). As a result, the Group has consolidated significant figures of several industries from IDBD and its subsidiaries.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

1.
The Group’s business and general information (Continued)

IDBD has diverse debts containing certain covenants which have been successively negotiated, resulting in several waivers actually expiring in December 2016. IDBD estimates that if the original covenants of such loans were to become effective again, it would not be able to honor them. Non-compliance could have the effect of creditors requiring immediate repayment of the debt.

As a holding company, IDBD’s main sources of funds derive from the dividends distributed by its subsidiaries, which have experienced a reduction in recent years. Yet, there are restrictions as to the payment of dividends based on the indebtedness level in some subsidiaries. IDBD has projected future cash flows and expects to have the required liquidity to meet its commitments by issuing new debt in Israel, selling financial assets such as Clal and dividend payouts by Clal. IDBD could also secure additional financing through the private issuance of equity securities.

On December, 2013, it was published in the Official Gazette of Israel the Promotion of Competition and Reduction of Concentration the Law, 5.774-13 (‘the Concentration Law’). This law has material implications for IDBD and its investments, including the disposal of the controlling interest in Clal, a potential delisting of IDBD or DIC so as to no longer trade its shares publicly, or a merger between IDBD and DIC.

All factors mentioned above, mainly (i) IDBD’s current financial position and need of financing to honor its financial debt and other commitments, (ii) the renegotiation underway with financial creditors, and (iii) the term set by Israel’s governmental authorities to sell the equity interest in Clal and the potential effects of such sale, in particular, on its market value, raise significant uncertainties as to IDBD’s capacity to continue as a going-concern. These financial statements do not include the adjustments or reclassifications related to the valuation of IDBD’s assets and liabilities that would be required if IDBD were not able to continue as a going-concern.

The Group is and will continue working to address the uncertainties described above.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

1.
The Group's business and general information (Continued)

The Group

The financial position of IDBD and its subsidiaries at the operations center in Israel does not affect the financial position of IRSA and its subsidiaries at the operations center in Argentina.

IRSA and its subsidiaries are not facing financial constraints and are compliant with their financial commitments. In addition, the commitments and other covenants resulting from IDBD's debt do not have impact on IRSA since such debt has no recourse against IRSA and it is not granted by IRSA's assets.

There are no significant uncertainties as to the capacity of the Group, as a whole, to operate as a going-concern perspective, with such uncertainties being limited to the operation center in Israel.

2.
Summary of significant accounting policies

2.1.
Basis of preparation of the Financial Statements

(a)
Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS issued by the IASB and IFRIC (known as the old Standard Interpretations Committee "SIC"). All IFRS applicable as of the date of these consolidated financial statements have been applied.

Under IAS 29 "Financial Reporting in Hyperinflationary Economies", the financial statements of an entity whose functional currency belongs to a hyperinflationary economy, regardless of whether they apply historic cost or current cost methods, should be stated at the current unit of measure as of the date of this consolidated financial statements. For such purpose, in general, inflation is to be computed in non-monetary items from the acquisition or revaluation date, as applicable. In order to determine whether an economy is to be considered hyperinflationary, the standard lists a set of factors to be taken into account, including an accumulated inflation rate near or above 100% over a three years period.

As of June 30, 2016, it is not possible to compute the accumulated inflation rate for the three years period ending on that date based on the official statistics of the INDEC (Argentina Statistics Office), because in October 2015, the INDEC ceased to compute the Wholesale Domestic Price Index, and started to compute it again as from January 2016.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

As of the date of this consolidated financial statements, the Argentine peso does not meet the conditions to be treated as the currency of a hyperinflationary economy, pursuant to the guidelines set forth by IAS 29. Therefore, these consolidated financial statements have not been restated in constant currency.

However, over the last years, certain macroeconomic variables affecting the Group's business, such as payroll costs, input prices and service rates, have experienced significant annual changes. This factor should be taken into consideration in assessing and interpreting the financial situation and results of operations of the Group in these consolidated financial statements.

On October 11, 2015, the Group took over IDBD. IDBD's fiscal year ends on December 31 each year and the Group's fiscal year ends on June 30. IDBD's quarterly and annual reporting follows the guidelines of Israeli standards, which means that the information is only available after the applicable statutory terms in Argentina. Therefore, the Group is not able to include IDBD's quarterly results in its consolidated financial statements to be filed with the CNV within the applicable statutory terms in Argentina. The Group has started to consolidate IDBD's results of operations with a three-month lag, adjusted for the effects of material transactions that may have taken place during the reported period. Hence, IDBD's results of operations for the period beginning on October 11, 2015 (the acquisition date) through March 31, 2016 are included in the Group's consolidated statement of comprehensive income for the fiscal year ended June 30, 2016, adjusted by such material transactions occurred between April 1 and June 30, 2016.

Given the materiality of IDBD's figures incorporated, the Group had to change the format of its financial statements for the ease of reading and analysis. The most significant change is in line with the new organizational structure, which is split into two large operations centers in Argentina and Israel. In this regard, changes have been made to certain notes and tables and their respective order, classification and content in the financial statements, on a geographic basis and taking into consideration the significance of the Group's global operations following IDBD's consolidation.

(b)
Current and non-current classification

The Group presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position according with the operating cycle of each activity. Current assets and current liabilities include the assets and liabilities that are either realized or settled within 12 months from the end of the fiscal year.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

All other assets and liabilities are classified as non-current. Current and deferred tax assets and liabilities (income tax liabilities) are presented separately from each other and from other assets and liabilities as current and non-current, respectively.

(c)
Presentation currency

The consolidated financial statements are presented in millions of Argentine Pesos. Unless otherwise stated or the context otherwise requires, references to ‘Peso amounts’ or ‘Ps.’, are of Argentine Pesos, references to ‘US$’ or ‘US dollars’ are of United States dollars and references to "NIS" are of New Israeli Shekel.

(d)
Fiscal year-end

The fiscal year begins on July 1st and ends on June 30 of the following year.

(e)
Accounting criteria

The consolidated financial statements have been prepared under historical cost criteria, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, financial assets and other assets held for sale and share-based compensation at fair value.

(f)
Reporting cash flows

The Group reports cash flows from operating activities using the indirect method. Interest paid is presented within financing cash flows. Interest received is presented within investing activities. The acquisitions and disposals of investment properties are disclosed as cash flows from investing activities as this most appropriately reflects the Group’s business activities. Cash flows in respect to trading properties are disclosed as cash flows from operating activities because these items are sold in the ordinary course of business.

(g)
Use of estimates

The preparation of consolidated financial statements at a certain date requires making estimates and evaluations affecting the amount of assets and liabilities recorded and contingent assets and liabilities disclosed at such date, as well as income and expenses recorded during the year. Actual results might differ from the estimates and evaluations made at the date of preparation of these financial statements. The most significant judgments made by Management in applying the Group’s accounting policies and the major estimations and significant judgments are described in Note 5.

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

2.2.
New accounting standards

The following standards, amendments and interpretations have been issued by the IASB and by the IFRIC. Below we outline the standards, amendments and interpretations that may potentially have an impact on the Group at the time of application.

IFRS 16 "Leases". Will supersede IAS 17 currently in force (and associated interpretations) and its scope includes all leases, with a few specific exceptions. Under the new standard, lessees are required to account for leases under one single model in the balance sheet that is similar to the one used to account for financial leases under IAS 17. There are two exceptions to this rule: to recognize the lease of low-cost assets (for example, personal computers) and short-term leases (for instance, leases for a 12 months or shorter term). As regards the lease commencement date, the lessee shall recognize the obligation to make rental payments (for instance, leases payable) and an asset that represents the right to use the leased asset during the term of the lease agreement (rights of use). There is almost no changes to lessor accounting. Becomes effective for fiscal years beginning on January 1, 2019, that is, in the case of the Group for the fiscal year ended on June 30, 2020. It may be applied earlier provided IFRS 15 is also adopted. The Group is currently assessing the potential impact of the amendments on its financial statements.

Amendments to IAS 7 "Disclosure initiative". Amendments provide that the entity shall disclose information so that users of the financial statements may assess the changes in liabilities resulting from financing activities, including both cash-flow and non-cash-flow derivatives. Becomes effective for fiscal years beginning on January 1, 2017, that is, in the case of the Group for the fiscal year ended on June 30, 2018. Comparative information for prior fiscal years is not mandatory. Earlier adoption is permitted. The Group is currently assessing the potential impact of the amendments on its financial statements.

Amendments to IAS 12 "Recognition of deferred tax assets for unrealized losses". The amendments clarify the accounting of deferred income tax assets in the case of unrealized losses on instruments measured at fair value. Becomes effective for fiscal years beginning on January 1, 2017, that is, in the case of the Group for the fiscal year ended on June 30, 2018. Earlier adoption is permitted. The Group is currently assessing the potential impact of the amendments on its financial statements.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

Amendments to IAS 1 "Presentation of Financial Statements". Amendments establish guidance on grouping significant items, provides for the disclosure of relevant information for certain items and disclosures that are to be included in relation to accounting policies adopted by each entity and other additional disclosures in financial statements. Becomes effective for fiscal years beginning on January 1, 2016, that is, in the case of the Group for the fiscal year ended on June 30, 2017. Earlier adoption is permitted. The Group is currently assessing the potential impact of the amendments on its financial statements.

Cycle of annual improvements 2014. IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”: A new classification category has been established for these assets and the amendment adds guidance on how to treat changes to disposal plans for those assets classified as held for sale. Becomes effective for fiscal years beginning on January 1, 2016, that is, in the case of the Group for the fiscal year ended on June 30, 2017. The Group is currently assessing the potential impact of the amendments on its financial statements.

Cycle of annual improvements 2014. IFRS 7 “Financial Instruments: Disclosures”: It clarifies that amendments established in December, 2011 on offsetting financial assets and liabilities, and amendments established in September 2014 will be of retroactive application to annual fiscal years as from January 1, 2013, in the first case, and January 1, 2016 in the second case. In addition, it sets forth the specific disclosure requirements related to servicing contracts related to financial assets transferred. Becomes effective for fiscal years beginning on January 1, 2016, that is, in the case of the Group for the fiscal year ended on June 30, 2017. The Group is currently assessing the potential impact of the amendments on its financial statements.

IAS 27 Revised “Consolidated Financial Statements”. On August 12, 2014 the IASB has released an amendment to IAS 27 “Equity method in Separate Financial Statements”. The amendment reinstates the equity method as an option to account for investments in subsidiaries, joint ventures and associates in separate financial statements. The amendment becomes effective for fiscal years beginning on or after January 1, 2016; that is, in the case of the Group for the fiscal year ended on June 30, 2017. It may be applied earlier. The Group is currently assessing the potential impact of the amendments on its financial statements.

IFRS 9 “Financial Instruments”. Adds a new impairment model based on expected losses and introduces some minor amendments to the classification and measurement of financial assets. Additionally, this amendment to IFRS 9 includes the new general hedge accounting model, allow adoption of the treatment of fair value changes due to own credit on liabilities designated at fair value through profit or loss. The new standard replaces all previous versions of IFRS 9 and becomes effective for fiscal years starting on or after January 1, 2018, that is, in the case of the Group for financial statements ended on June 30, 2019. The Group is currently assessing the potential impact of the amendments on its financial statements.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

IFRS 15 "Revenues from contracts with customers". Replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC-31 "Revenue - Barter Transactions Involving Advertising Services". Provides the new revenue recognition model derived from contracts with customers. The core principle underlying the model is satisfaction of obligations assumed with customers. Applies to all contracts with customers, other than those covered by other IFRSs, such as leases, insurance and financial instruments contracts. The standard does not address recognition of interest or dividend income. IFRS 15 becomes effective for all fiscal years beginning as from January 1st, 2018, that is, for financial statements ended on June 30, 2019 and may be adopted earlier. Application is retroactive. As of the date of these consolidated financial statements, the Group is assessing the impact that this standard shall have on its financial position and the results of operations.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". The amendments provide further guidance on the calculation of depreciation and amortization. Become effective for fiscal years beginning on or after January 1st, 2016; hence, in the case of the Group, they become effective for the fiscal year ended June 30, 2017. It may be applied earlier. The Group is currently assessing the potential impact of the amendments on its financial statements.

Amendments to IFRS 11 "Joint Arrangements". The amendments clarify accounting for acquisitions where the business involves joint operations. Amendments become effective for fiscal years beginning on or after January 1st, 2016; hence, in the case of the Group, they become effective for the fiscal year ended June 30, 2017. It may be applied earlier. The Group is currently assessing the potential impact of the amendments on its financial statements.

On the issue date of these financial statements there are no other standards, amendments and interpretations issued by the IASB and IFRIC that are yet to become effective and that are expected to have a material effect on the Group.

2.3.
Scope of consolidation

(a)
Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group also analyzes whether there is control when it does not hold more than 50% of the voting rights of an entity, but does have capacity to define its relevant activities because of de-facto control.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquire on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets. The Group chooses the method to be used on a case by case base.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of income as "Bargain purchase gains".

The Group conducts its business through several operating and investment companies, the principal are listed below:

			June 30, 2016		June 30, 2015		June 30, 2014	
Name of the entity	Country	Main activity	% of ownership interest held by the Group (4)	% of ownership interest held by the non-controlling interest	% of ownership interest held by the Group (4)	% of ownership interest held by the non-controlling interest	% of ownership interest held by the Group (4)	% of ownership interest held by the non-controlling interest
Direct interest of IRSA:								
IRSA CP (3)	Argentina	Real estate	94.61%	5.39%	95.80%	4.20%	95.71%	4.29%
E-Commerce Latina S.A. (3)	Argentina	Investment	100.00%	-	100.00%	-	100.00%	-
Efanur S.A.	Uruguay	Investment	100.00%	-	100.00%	-	100.00%	-
Hoteles Argentinos S.A.	Argentina	Hotel	80.00%	20.00%	80.00%	20.00%	80.00%	20.00%
Inversora Bolívar S.A.	Argentina	Investment	100.00%	-	100.00%	-	100.00%	-
	Argentina	Hotel	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%

Llao Llao Resorts S.A. (1)								
Nuevas Fronteras S.A.	Argentina	Hotel	76.34%	23.66%	76.34%	23.66%	76.34%	23.66%
Palermo Invest S.A.	Argentina	Investment	100.00%	-	100.00%	-	100.00%	-
Ritelco S.A.	Uruguay	Investment	100.00%	-	100.00%	-	100.00%	-
Solares de Santa María S.A. (8)	Argentina	Real estate	-	-	100.00%	-	100.00%	-
Tyrus S.A.	Uruguay	Investment	100.00%	-	100.00%	-	100.00%	-
Unicity S.A. (8)	Argentina	Investment	-	-	100.00%	-	100.00%	-

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

Name of the entity	Country	Main activity	June 30, 2016 % of ownership interest held by the Group (4)	June 30, 2016 % of ownership interest held by the non-controlling interest	June 30, 2015 % of ownership interest held by the Group (4)	June 30, 2015 % of ownership interest held by the non-controlling interest	June 30, 2014 % of ownership interest held by the Group (4)	June 30, 2014 % of ownership interest held by the non-controlling interest
Interest indirectly held through IRSA CP:								
Arcos del Gourmet S.A.	Argentina	Real estate	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%
Emprendimiento Recoleta S.A.	Argentina	Real estate	53.68%	46.32%	53.68%	46.32%	53.68%	46.32%
Fibesa S.A.	Argentina	Real estate	100.00%	-	100.00%	-	100.00%	-
Panamerican Mall S.A.	Argentina	Real estate	80.00%	20.00%	80.00%	20.00%	80.00%	20.00%
Shopping Neuquén S.A.	Argentina	Real estate	99.14%	0.86%	99.14%	0.86%	99.07%	0.93%
Torodur S.A.	Uruguay	Investment	100.00%	-	100.00%	-	100.00%	-
Interest indirectly held through Tyrus S.A.:								
Dolphin Fund Ltd. (2)	Bermuda	Investment	91.57%	8.43%	91.57%	8.43%	86.16%	13.84%
I Madison LLC	United States	Investment	100.00%	-	100.00%	-	100.00%	-
IRSA Development LP	United States	Investment	100.00%	-	100.00%	-	100.00%	-
IRSA International LLC	United States	Investment	100.00%	-	100.00%	-	100.00%	-
Jiwin S.A.	Uruguay	Investment	100.00%	-	100.00%	-	100.00%	-
Liveck S.A.	Uruguay	Investment	100.00%	-	100.00%	-	100.00%	-
Real Estate Investment Group IV LP (REIG IV)	Bermuda	Investment	100.00%	-	100.00%	-	100.00%	-
Real Estate Investment Group V LP	Bermuda	Investment	100.00%	-	100.00%	-	100.00%	-
Real Estate Strategies LLC	United States	Investment	100.00%	-	100.00%	-	100.00%	-

Interest indirectly held through Efanur S.A.:								
Real Estate Strategies LP	Bermuda	Investment	66.83%	33.17%	66.83%	33.17%	66.83%	33.17%
Interest indirectly held through Dolphin Fund Ltd.								
IDB Development Corporation Ltd. (7)	Israel	Investment	68.28%	31.72%	-	-	-	-

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

Name of the entity	Country	Main activity	June 30, 2016 % of ownership interest held by the Group (4)	% of ownership interest held by the non-controlling interest
Interest indirectly held through IDBD:				
Discount Investment Corporation Ltd.	Israel	Investment	76.43%	23.57%
IDB Tourism (2009) Ltd.	Israel	Holding company in the tourism services sector	100.00%	-
IDB Group Investment Inc.	Israel	Investment	100.00%	-
Interest indirectly held through Discount Investment Corporation Ltd:				
Property & Building Corporation Ltd.	Israel	Real estate	76.45%	23.55%
Gav Yam Land Ltd.	Israel	Real estate	52.80%	47.20%
Israel Property Rental Corporation Ltd. (ISPRO)	Israel	Real estate	76.45%	23.55%
MATAM - Haifa Science Industries Center	Israel	Real estate	38.30%	61.70%
Neveh-Gad Building & Development Ltd.	Israel	Real estate	76.45%	23.55%
Hadarim Properties Ltd.	Israel	Real estate	76.45%	23.55%
PBC USA Investment Inc.	United States	Real estate	76.45%	23.55%
Shufersal Ltd.	Israel	Supermarket	52.95%	47.05%
Shufersal Real Estate Ltd.	Israel	Supermarket	52.95%	47.05%
Koor Industries Ltd.(5)	Israel	Holding company in the agrochemical sector	100.00%	-
Cellcom Israel Ltd. (6)	Israel	Communication services	41.77%	58.23%
Netvision Ltd.	Israel	Communication services	41.77%	58.23%
Elron Electronic Industries Ltd.	Israel	Technology development – Holding	50.32%	49.68%
Bartan Holdings and Investments Ltd.	Israel	Investment	55.68%	44.32%
Epsilon Investment House Ltd.	Israel	Investment	68.75%	31.25%

(1)

The Group has consolidated the investment in Llao Llao Resorts S.A. considering its equity interest and a shareholder agreement that confers it majority of votes in the decision making process.

(2)
Includes interest indirectly held through Ritelco S.A..

(3)
Includes interest indirectly held through Tyrus S.A..

(4)
Correspond to interest directly held in each company.

(5)
Owns a 40% equity interest of Adama.

(6)
The Group has consolidated the interest in Cellcom taking into consideration its equity interest and decision-making power given the fact that the remaining interests are too disperse.

(7)
Until takeover was secured, IDBD was valued at fair value in accordance with IAS 28 exception.

(8)
Were merged on July 1, 2015.

The Group takes into account both quantitative and qualitative aspects in order to determine which non-controlling interests in subsidiaries are considered significant.

(b)
Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The recorded value corresponds to the difference between the fair value of the consideration paid and/or receive and the relevant share acquired and/or transferred of the carrying value of net assets of the subsidiary.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

(c)
Disposal of subsidiaries without of control

When the Group ceases to have control any retained interest in the entity is re-measured at its fair value at the date when control is lost, with changes in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d)
Associates

Associates are all entities over which the Group has significant influence but not control, representing an interest between 20% and at least 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, except as otherwise indicated as explained below. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

IAS 28 "Investments in Associates" provides an exemption from applying the equity method where investments in associates are held through "Venture Capital Organizations" (VCO) or venture capital entities, as defined in Spanish, even when the Group is not a VCO. This type of investment may be accounted for at fair value with changes in net income for the years because such measure proves to be more useful to users of financial statements than the equity method.

As of each year end or upon the existence of evidence of impairment, a determination is made as to whether there is any objective indication of impairment in the value of the investments in associates. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associates and its carrying value and recognizes the amount adjacent to "Share of profit / (loss) of joint ventures' and associates" in the statement of income.

(e)
Joint arrangements

Joint arrangements are arrangements of which the Group and other party or parties have joint control bound by a contractual arrangement. Under IFRS 11, investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the

arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

Investments in joint ventures are accounted for under the equity method. Under the equity method of accounting, interests in joint ventures are initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses in the income statements and in other comprehensive income respectively.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the amount adjacent to "Share of profit / (loss) of joint ventures and associates" in the statement of income.

2.4.
Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, responsible for allocate resources and assessing performance. The operating segments are included in Note 6.

2.5.
Foreign currency translation

(a)
Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Argentine Pesos, which is the Group's presentation currency.

(b)
Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities nominated in foreign currencies are recognized in the profit or loss for the year.

Foreign exchange gains and losses are presented in the statement of income within finance income and finance costs, as appropriate, unless they are capitalized.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

(c)
Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets, liabilities and goodwill for each statement of financial position presented are translated at the closing rate at the date of that financial position;
(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognized in the statement of comprehensive income.

2.6.
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, or both, and that is not occupied by the companies in the consolidated Group. Investment property also includes property that is 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 properties.

The Group’s investment properties primarily comprise the Group’s portfolio of shopping centers and offices, certain property under development and undeveloped land.

Investment properties are measured initially at cost. Cost comprises the purchase price and directly attributable expenditures.

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 (such 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.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

The Group has adopted the cost model for all of its investment properties. Therefore, at the date of each statement of financial position, investment properties are carried at amortized cost, less impairment losses, if any. Where individual components of an item of investment property have different useful lives, they are accounted for as separate items, which are depreciated separately. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Land and property under constructions are not depreciated. Depreciation of the remaining investment properties is calculated, based on a component approach, using the straight-line method over the estimated useful life of each component. The remaining useful life as of June 30, 2016 is as follows:

Shopping Center portfolio	Between 11 and 30 years
Offices and other rental properties portfolio	Between 8 and 100 years

As of each year-end an impairment test is performed on the recoverable value and/or residual useful life of assets. If there be any indicators of impairment, the recoverable amount and/or residual useful life of impaired asset(s) is computed, and an impairment adjustment is made, if applicable. The asset's residual values and useful lives are reviewed, if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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. Gains or losses on disposals or retirements of investment properties are determined by comparing the net disposal proceeds and their carrying amounts at the date of disposal. The gains or losses are recognized in the statements of income and disclosed separately under the line item "Gain from disposal of investment property". Proceeds from the sale of such property are accounted for when the material risks and benefits have been transferred to the purchaser.

2.7.
Property, plant and equipment

This category primarily comprises, buildings or portions of a building used for administrative purposes, machines, computers, and other equipment, motor vehicles, furniture, fixtures and fittings and improvements to the Group's corporate offices.

The Group has also several hotel properties. Based on the respective contractual arrangements with hotel managers and / or given their direct operators nature, the Group considers it retains significant exposure to the variations in the cash flows of the hotel operations, and accordingly, hotels are treated as owner-occupied properties and classified

under "Property, plant and equipment".

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

All property, plant and equipment ("PPE") are stated at acquisition cost less depreciation and accumulated impairment, if any. The acquisition cost includes expenditure that is directly attributable to the acquisition of the items. 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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Such costs may include the cost of improvements and replacement of parts as they meet the conditions to be capitalized. The carrying amount of those parts that are replaced is derecognized Repairs and maintenance are charged as incurred in the statement of income. Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives. The remaining useful life as of June 30, 2016 is as follows:

Buildings and facilities	Between 5 and 50 years
Machinery and equipment	Between 3 and 17 years
Communication networks	Between 3 and 20 years
Others	Between 3 and 25 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains from the sale of these assets are recognized when the significant risks and rewards have transferred to the buyer. This will normally take place on unconditional exchange, generally when legal title passes to the buyer and it is probable that the buyer will pay. For conditional exchanges, sales are recognized when these conditions are satisfied.

Gains and losses on disposals are determined by comparing the proceeds net of direct expenses related to such sales, with the carrying amount as of the date of each transaction. Gains and losses from the disposal of property, plant and equipment items are recognized within "Other operating results, net" in the statement of comprehensive income.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

2.8.
Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement.

A Group company is the lessor:

Properties leased out to tenants under operating leases are included in “Investment Properties” in the statement of financial position. See Note 2.23. for the recognition of rental income. The Group does not have any assets leased out under finance leases.

A Group company is the lessee:

The Group acquires certain specific assets (especially machinery and computer equipment) under finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments. Capitalized lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. The finance charges are charged over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Liabilities corresponding to finance leases, measured at discounted value, are included in current and non-current borrowings.

Operating leases where the Group acts as lessee mainly include offices.

2.9.
Intangible assets

(a)
Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognized by the Group on an acquisition. Goodwill is initially measured as the difference between the fair value of the consideration transferred, plus the amount of non-controlling interest in the acquisition and, in business combinations achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquisition; and the net fair value of the identifiable assets and liabilities assumed on the acquisition date.

Goodwill is not amortized but tested for impairment on an annual basis, or more frequently if there is an indication of impairment.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units (“CGU”). In order to determine whether any impairment loss should be recognized, the book value of CGU or CGU groups is compared against its recoverable value. Net book value of CGU and CGU groups include goodwill and assets with limited useful life (such as, investment properties, property, plant and equipment, intangible assets and working capital net).

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognized for goodwill are not reversed in a subsequent periods.

Recoverable amount of a CGU is the higher of fair value less costs-to-sell and value-in-use. The fair value is the amount at which a cash-generating unit may be sold in a current transaction between unrelated, willing and duly informed parties. Value-in-use is the present value of all estimated future cash flows expected to be derived from CGU or CGU groups.

(b)
Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 3 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

(c)
Branding and client relationships

This relates to the fair value of brands and client relationships arising at the time of the business combination with IDBD. They are subsequently valued at cost, less the accumulated amortization or impairment. Client relationships have a 12-year useful life, while brands have an indefinite useful life.

(d)
Right to receive future units under barter agreements

The Group also enters into barter transactions where the Group normally exchanges undeveloped parcels of land with third-party developers for future property to be constructed on the bartered land. The Group generally receives monetary assets as part of the transactions and/or a right to receive future units to be constructed by developers. Such rights are initially recognized at cost (which is the fair value of the land assigned) and such rights are not adjusted later, unless there is any sign of impairment.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

At the date of each statements of financial position, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

2.10.
Trading properties

Trading properties comprises those properties either intended for sale or in the process of construction for sale. Trading properties are carried at the lower of cost and net realizable value. Where there is a change in use of investment properties evidenced by the commencement of development with a view to sale, the properties are reclassified as trading properties at their cost, which is the carrying value at the date of change in use. They are subsequently carried at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the trading properties to their present location and condition.

2.11.
Inventories

Inventories include assets held for sale in the ordinary course of the Group's business activities, assets in production or construction process for sale purposes, and materials, supplies or other assets held for consumption in the process of producing sales and/or services.

Inventories are measured at the lower of cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less selling expenses. It is determined on an ongoing basis, taking into account the product type and aging, based on the accumulated prior experience with the useful life of the product. The Group periodically reviews the inventory and its aging and books an allowance for impairment, as necessary.

The cost of consumable supplies, materials and other assets is determined using the weighted average cost method, the cost of inventories of mobile phones, related accessories and spare parts is priced under the moving average method, and the cost of the remaining inventories is priced under the first in, first out (FIFO) method.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories and materials are initially recognized at cash price, and the difference being charged as finance cost.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

2.12.
Financial instruments

The Group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortized cost. This classification depends on whether the financial asset is an equity investment or a debt investment.

Debt investments

A debt investment is classified as "amortized cost" only if both of the following criteria are met: (i) the objective of the Group's business model is to hold the asset to collect the contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

If either of the two criteria mentioned in the previous paragraph is not met, the debt instrument is classified as "fair value through profit or loss". The Group has not designated any debt investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Changes in fair values and gains from disposal of financial assets at fair value through profit or loss are recorded within "Financial results, net" in the statements of income.

Equity investments

All equity investments, which are not subsidiaries associate companies and joint venture of the Group, are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Group can make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. The Group decided to recognize changes in fair value of equity investments through changes in profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss are expensed in the income statement.

In general, the Group uses the transaction price to ascertain the fair value of a financial instrument on initial recognition. In the other cases, the Group records a gain or loss on initial recognition only if the fair value of the financial instrument can be supported by other comparable transactions observable in the market for the same type of instrument or if based on a technical valuation that only inputs observable market data. Unrecognized gains or losses on initial recognition of a financial asset are recognized later on, only to the extent they arise from a change in factors

(including time) that market participants would consider upon setting the price.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

Gains/losses on debt instruments measured at amortized cost and not identified for hedging purposes are charged to income where the financial assets are derecognized or an impairment loss is recognized, and during the amortization process under the effective interest method. The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) the can be reliably estimated. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.13.
Derivative financial instruments and hedging activities and options

Derivative financial instruments are initially recognized at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group manages exposures to various risks using hedging instruments that provide the appropriate economic outcome. The Group does not use derivative financial instruments for speculative purposes. To date, the Group has used put and call options, foreign currency future and forward contracts and interest rate swaps as deemed appropriate.

The Group's policy is to apply hedge accounting where it is both permissible under IFRS 9, practical to do so and its application reduces volatility, but transactions that may be effective hedges in economic terms may not always qualify for hedge accounting under IFRS 9.

The fair values of financial instruments that are traded in active markets are computed by reference to market prices. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting year.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

The stock purchase options involving shares of subsidiaries agreed at a fixed price are accounted for under shareholders' equity.

2.14.
Groups of assets and liabilities held for sale

The groups of assets and liabilities are classified as available for sale where the Group is expected to recover their value by means of a sale transaction (rather than through use) and where such sale is highly probable. Groups of assets and liabilities available for sale are valued at the lower of their net book value and fair value less selling costs.

2.15.
Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

An allowance for bad debts is recorded where there is objective evidence that the Group may not be able to collect all receivables within their original payment term. Indicators of bad debts include significant financial distress of the debtor, the debtor potentially filing a petition for reorganization or bankruptcy, or any event of default or past due account.

In the case of larger non-homogeneous receivables, the impairment provision is calculated on an individual basis.

The Group collectively evaluates smaller-balance homogeneous receivables for impairment. For that purpose they are grouped on the basis of similar risk characteristics and account asset type, collateral type, past-due status and other relevant factors are taken into account.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognized in the statements of income within "Selling expenses". Subsequent recoveries of amounts previously written off are credited against "Selling expenses" in the statements of income.

2.16.
Trade and other payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

2.17.
Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as finance cost over the period of the borrowings using the effective interest method.

2.18.
Provisions

Provisions are recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. Provisions are not recognized for future operating losses.

The Group bases its accruals on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Group may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in the statements of income.

(a)
Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historic data of the warranties granted and all potential results are weighted against associated probabilities.

(b) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits are lower than the costs of complying with contract obligations. The provision is measured at the present value of the lower of expected cost of terminating the contract and the net expected cost of continuing the contract. Before recognizing a provision, the Group recognizes the impairment of the assets related to the mentioned contract.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

2.19.
Irrevocable right of use of the capacity of underwater communication lines

Transactions carried out to acquire an irrevocable right of use of the capacity of underwater communication lines are accounted for as service contracts. The amount paid for the rights of use of the communication lines is recognized as "Prepaid expenses" under trade and other receivables, and is amortized over a straight-line basis during the period set forth in the contract (including the option term), which is the estimated useful life of such capacity.

2.20.
Employee benefits

(a)
Defined contribution plans

The Group operates a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current year or prior periods. The contributions are recognized as employee benefit expense in the statements of Income in the fiscal year they are incurred.

(b)
Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c)
Bonus plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d)
Defined benefit plans

The Group's net obligation concerning defined benefit plans are calculated on an individual basis for each plan, estimating the future benefits employees have gained in exchange for their services in the current and prior periods. The benefit is disclosed at its present value, net of the fair value of the plan assets. Calculations are made on an annual basis by a qualified actuary.

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Notes to the Consolidated Financial Statements (Continued)
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2.
Summary of significant accounting policies (Continued)

(e)
Other long-term employee benefits

The net obligation of IDBD and its subsidiaries concerning employee long-term benefits, other than retirement plans, is the amount of the future benefits employees have gained in exchange for their services in the current and prior periods. These benefits are discounted at their present values.

(f)
Share-based compensation plan

The fair value of the equity settled awards is measured at the date of grant. The Group measures the fair value using the valuation technique that it considers to be the most appropriate to value each class of award. Methods used may include Black-Scholes calculations or other models as appropriate. The valuations take into account factors such as non-transferability, exercise restrictions and behavioral considerations.

The fair value of the share-based payment is expensed and charged to income under the straight-line method over the vesting period in which the right to the equity instrument becomes irrevocable ("vesting period"); such value shall be based on the best available estimate of the number of equity instruments expected to vest. Such estimate shall be revised provided subsequent information available indicates that the number of equity instruments expected to vest differs from original estimates.

2.21.
Current income tax, deferred income tax and minimum presumed income tax

Tax expense for the year comprises the charge for tax currently payable and deferred income. Income tax is recognized in the statements of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statements of financial position in the countries where the Company and its subsidiaries operate and generate taxable income. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business

combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statements of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group is able to control the timing of dividends from its subsidiaries and hence does not expect taxable profit. Hence deferred tax is recognized in respect of the retained earnings of overseas subsidiaries only if at the date of the statements of financial position, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary.

Entities in Argentina are subject to the Minimum Presumed Income Tax (“MPIT”). Pursuant to this tax regime, an entity is required to pay the greater of the income tax or the MPIT. The MPIT provision is calculated on an individual entity basis at the statutory asset tax rate of 1% and is based upon the taxable assets of each company as of the end of the year, as defined by Argentine law. Any excess of the MPIT over the income tax may be carried forward and recognized as a tax credit against future income taxes payable over a 10-year period. When the Group assesses that it is probable that it will use the MPIT payment against future taxable income tax charges within the applicable 10-year period, recognizes the MPIT as a current or non-current receivable, as applicable, within “Trade and other receivables” in the statements of financial position.

2.22.
Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are not included.

2.23.
Revenue recognition

Group's revenue is measured at the fair value of the consideration received or receivable.

Revenue derived from the sale of property is recognized when: (a) material risks and benefits derived from title to property have been transferred; (b) the company does not retain any management function on the assets sold nor does it have any control whatsoever on such assets; (c) the amount of revenues and costs associated to the transaction may be measured on a reliable basis; and (d) the company is expected to accrue the economic benefits associated to the

transaction.

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Notes to the Consolidated Financial Statements (Continued)
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2.
Summary of significant accounting policies (Continued)

Revenue derived from the provision of services is recognized when: (a) the amount of revenue and costs associated to services may be measured on a reliable basis; (b) the company is expected to accrue the economic benefits associated to the transaction, and (c) the level of completion of services may be measured on a reliable basis.

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Rental and services - Shopping centers portfolio

Revenues derived from business activities developed in the Group's shopping centers mainly include rental income under operating leases, admission rights, commissions and revenue from several services provided to the Group's lessees.

Rental income from shopping center properties leased out under operating leases, admission rights and fees related to their real estate agent business, are recognized in the statements of income statement on a straight-line basis over the term of the leases. When lease incentives are granted, they are recognized as an integral part of the net consideration for the use of the property and are therefore recognized on the same straight-line basis.

Contingent rents, being lease payments that are not fixed at the inception of a lease, are recorded as income in the periods in which they are known and can be determined. Rent reviews are recognized when such reviews have been agreed with tenants.

Lease contracts also provide that common area maintenance charges and collective promotion funds of the Group's shopping centers are borne by the corresponding lessees, generally on a proportionally basis. These common area maintenance charges include all such expenses convenient and necessary for various purposes including, but not limited to, the operation, maintenance, management, safety, preservation, repair, supervision, insurance and enhancement of the shopping centers. The lessor is responsible for determining the need and suitability of incurring a common area expense. The Group makes the original payment for such expenses, which are then reimbursed by the lessees. The Group considers that it acts as a principal in these cases. Service charge income is presented separately from property operating expenses. Property operating expenses are expensed as incurred.

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Rental and services - Offices and other rental properties

Rental income from offices and other rental properties include rental income from office leased out under operating leases, income for services and expenses recovery paid by tenant.

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Notes to the Consolidated Financial Statements (Continued)
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2.
Summary of significant accounting policies (Continued)

Rental income from offices and other rental properties leased out under operating leases is recognized in the income statements on a straight-line basis over the term of the leases. When lease incentives are granted, they are recognized as an integral part of the net consideration for the use of the property and are therefore recognized on the same straight-line basis.

A substantial portion of the Group's leases require the tenant to reimburse the Group for a substantial portion of operating expenses, usually a proportionate share of the allocable operating expenses. Such property operating expenses includes necessary expenses such as property operating, repairs and maintenance, security, janitorial, insurance, landscaping, leased properties and other administrative expenses, among others. The Group acts as the management of rent properties. The Group makes the original payment for these expenses, which are then reimbursed by the lessees. The Group considers that it acts as a principal in these cases. The Group accrues reimbursements from tenants as service charge revenue in the period the applicable expenditures are incurred and is presented separately from property operating expenses. Property operating expenses are expensed as incurred.

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Revenue from supermarkets

Revenue from the sale of goods in the ordinary course of business are recognized at the fair value of the consideration collected or receivable, net of returns and discounts. When the credit term is short and financing is that typical in the industry, consideration is not discounted. When the credit term is longer than the industry's average, in accounting for the consideration, the Group discounts it to its net present value by using the client's risk premium or the market rate. The difference between the fair value and the nominal amount is accounted for under financial income. If discounts are granted and their amount can be measured reliably, the discount is recognized as a reduction of revenue.

Generally, the Group recognizes revenue upon delivery of goods to the client. In international sales, revenue is recognized upon loading goods with the forwarder. Where two or more products are sold under one single contract, the Group separates each component and gives them a separate accounting treatment. The attribution of value to each component is based on the relative fair value of each unit. Should the fair value not be measurable on a reliable basis, then revenue is attributed based on the difference arising between the total amount of the executed contract and the fair value of the goods delivered.

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Notes to the Consolidated Financial Statements (Continued)
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2.
Summary of significant accounting policies (Continued)

As regards client loyalty programs, the fair value of the consideration received or receivable in relation to the initial sale is allocated across the rewards credits and the other components of the sale. The amount allocated to rewards credits is estimated based on the market value of the goods to be delivered. The fair value of the right to purchase products at a discount is calculated considering the expected exchange ratio and the expected terms. Such amount is deferred and revenue is recognized only where rewards credits are exchanged and the Group has complied with its obligation to provide the products at a discount, or else when such reward credits have expired. The amount of revenue recognized under such circumstances is based on the number of reward credits that have been exchanged for products with discounts, in relation to the total number of reward credits expected to be exchanged. Deferred revenue is then reversed when reward credits are no longer likely to be exchanged.

In addition, when the Group acts as agent and not as main supplier in a transaction, revenue is recognized at the net amount of commissions. Revenue from commissions is recognized based on transactions conducted by credit card companies at the rate and on the date they are credited. Revenue from credit margins of credit cards is recognized on the date the client is bound to pay and revenue for subscription fees is recognized on a monthly basis.

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Revenue from communication services and sale of communication equipment

Revenue derived from the use of communication networks by the Group, including mobile phones, Internet services, international calls, fixed line calls, interconnection rates and roaming service rates, are recognized when the service is provided, proportionally to the extent the transaction has been realized, and provided all other criteria have been met for revenue recognition.

Revenue from the sale of mobile phone cards are initially recognized as deferred revenue and then recognized as revenue as they are used or upon expiration, whichever takes place earlier.

A transaction involving the sale of equipment to a final user normally also involves a service sale transaction. In general, this type of sale is performed without a contractual obligation by the client to consume telephone services for a minimum amount over a predetermined period. As a result, the Group records the sale of equipment separately and recognizes revenue pursuant to the transaction value upon delivery of the equipment to the client. Revenue from telephone services are recognized and accounted for as they are provided. When the client is bound to make a minimum consumption of services during a predefined period, the contract formalizes a transaction of several elements and, therefore, revenue from the sale of equipment is recorded at an amount that should not exceed its fair value, and is recognized upon delivery of the equipment to the client and provided the criteria for recognition are met. The Group ascertains the fair value of individual elements, based on the price at which it is normally sold, after taking into account the relevant discounts.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

Revenue derived from long-term contracts is recognized at the present value of future cash flows, discounted at market rates prevailing on the transaction date. Any difference between the original credit and its net present value is accounted for as interest income over the credit term.

.
Revenue from tourism services

Revenue from tourism services is recognized when the following conditions are met:

The revenue amount may be reliably measured;

the economic benefits associated to the transaction are expected to have an impact on the Group;

the degree of completion of the transaction may be measured on a reliable basis; and

expenses incurred in relation to the transaction as well as all necessary costs to finalize the transaction may be reliably measured.

2.24.
Cost of sale

The cost of sales of supermarkets, includes the acquisition costs for the products less discounts granted by suppliers, as well as all expenses associated with storing and handling inventories. It also includes operational and management costs for shopping centers held by the Group as part of its real estate investments.

The Group’s cost of sales in relation to the supply of communication services mainly includes the costs to purchase equipment, salaries and related expenses, service costs, royalties, ongoing license dues, interconnection and roaming expenses, cell tower lease costs, depreciation and amortization expenses and maintenance expenses directly related to the services provided.

2.25.
Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When any Group company purchases the Company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the

Company's equity holders until the shares are cancelled or reissued. When such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

2.
Summary of significant accounting policies (Continued)

Instruments issued by the Group that will be settled by the Company delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset are classified as equity.

2.26.
Comparability of information

Balance items as of June 30, 2015 and 2014 shown in these financial statements for comparative purposes arise from the Consolidated Financial Statements then ended. Certain reclassifications have been made in order to present figures comparatively with those of this year. Note 2.1.(a)

As required by IFRS 3, the information of IDBD is included in the financial statements of the Group 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.

During the fiscal year ended June 30, 2016, the Argentine Peso devalued against the US$ and other currencies by around 65%. This has an impact in comparative information presented in these Financial Statements, due mainly to the currency exposure of our income and costs from "offices and other properties" segment, and our assets and liabilities in foreign currency (mainly assets and liabilities of the Operations Center in Israel).

3.
Acquisition and dispositions

A)
IDBD

a)
Control obtainment

On May 7, 2014, a transaction was agreed whereby the Group, acting indirectly through Dolphin, acquired jointly with ETH (a non-related company established under the laws of the State of Israel to the Company best knowledge controlled by Mordechay Ben Moshé), an aggregate number of 106.6 million common shares in IDBD, representing 53.30% of its stock capital, under the scope of the debt restructuring arrangement of IDBH, IDBD's parent company, with its creditors (the "Arrangement").

Under the terms of the agreement entered into between Dolphin and ETH (the "Shareholders' Agreement"), Dolphin acquired 50% interest in this investment, and ETH acquired the remaining 50%. The initial total investment amount was NIS 950 million, equivalent to approximately US$ 272 million at the exchange rate prevailing on that date.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

3.
Acquisition and dispositions (Continued)

On May 28, 2015, ETH launched the BMBY mechanism provided in the Shareholders' Agreement (clause which establishes that each party of the Shareholders' Agreement may offer to the counterparty to acquire (or sell, as the case may be), the shares it holds in IDBD at a fixed price). In addition, ETH further added that the purchaser thereunder required to assume all obligations of seller.

On June 10 and 11, 2015, Dolphin gave notice to ETH of its intention to buy all the shares of IDBD held by ETH.

After certain aspects of the offer were resolved through an arbitration process brought by Dolphin and ETH, on September 24, 2015, the competent arbitrator resolved that:

(i)
Dolphin and IFISA (related company to the Group) were entitled to act as buyers in the BMBY process, and ETH had to sell all of the IDBD shares held by it (92,665,925 shares) at a price of NIS 1.64 per share;
(ii)
The buyer had to fulfill all of the commitments included in the Arrangement, including the commitment to carry out Tender Offers whose responsibility belonged to Dolphin; (iii) The buyer had to pledge the shares that seller had pledged to them in favor of the Arrangement Trustees.

On October 11, 2015, the BMBY process concluded, and IFISA acquired all IDBD's shares of stock held by ETH. Consequently, the Shareholders' Agreement ceased and members of IDBD's Board of Directors representing ETH submitted their irrevocable resignation to the Board, therefore Dolphin was hence empowered to appoint the new members to the Board. Additionally, on the same date, Dolphin pledged additional shares as collateral to secure compliance with the IDBD stock purchase agreement, thereby increasing the number of pledged shares to 64,067,710. Consequently, the Group gained the sole control of IDBD and started to consolidate financial statements as from that date.

In addition to the competent arbitrator's decision issued on September 24, 2015, ETH and Dolphin still have counterclaims of different kinds which are subject to such arbitration proceeding. As of the filing date of these financial statements, the proceeding is still being heard.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

3.
Acquisition and dispositions (Continued)

The following chart shows the consideration, the fair value of the acquired assets, the assumed liabilities and the non-controlling interest as of the acquisition date.

	10.11.15
Fair value of the interest in IDBD's equity held before the business combination and warrants	1,416
Total consideration	1,416

	10.11.15
Fair value of identifiable assets and assumed liabilities:	
Investment properties	29,586
Property, plant and equipment	15,104
Intangible assets	6,603
Joint ventures and investment in associates	9,268
Financial assets and other assets held for sale	5,129
Trading properties	2,656
Inventories	1,919
Income tax and minimum presumed income tax ("MPIT") credit	91
Trade and other receivables	9,713
Investments in financial assets	5,824
Cash and cash equivalents	9,193
Deferred income tax	(4,681)
Provisions	(969)
Borrowings	(60,306)
Derivative financial instruments, net	(54)
Income tax and minimum presumed income tax ("MPIT") liabilities	(267)
Employee benefits	(405)
Trade and other liabilities	(19,749)
Total net identifiable assets	8,655
Non-controlling interest	(8,630)
Goodwill	1,391
Total	1,416

The Group assessed the fair value of the investment property with the assistance of qualified independent appraisers. As of the acquisition date, the Group estimates that recognized assets are recoverable. The value of the non-controlling interest in IDBD has been determined on a proportional basis to the fair value of net acquired assets and the fair value of warrants.

Following the control of IDBD, the cumulative currency translation accumulated in shareholders' equity from the interest held in IDBD before the business combination in the amount of Ps. 91 was recognized in the statement of income. Such result was disclosed under "Other operating results, net" line in the statement of income.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

3.
Acquisition and dispositions (Continued)

The revenues IDBD has generated since October 11, 2015 and that have been disclosed in the consolidated statement of income amount to Ps. 28,229. IDBD has also run a net result of Ps. (1,984) during said period. If IDBD had been included in the consolidation since July 1st, 2015, the Group´s consolidated income statement would have shown pro-forma revenues in the amount of Ps. 49,637 and pro-forma net result of Ps. (1,992).

Later on, following the exercise of BMBY, Dolphin has entered into an option agreement with IFISA that grants Dolphin the right, but not the obligation, to acquire 92,665,925 shares in IDBD which IFISA acquired in the BMBY process at a price per share of NIS 1.64 plus an annual interest rate of 8.5%. The exercise date for the option extends for two years. Additionally, Dolphin is entitled to a first refusal right in case that IFISA agrees to sell these shares to a third party. The value of the option agreement as of June 30, 2016 is zero.

b)
Acquisition of non-controlling interest

Dolphin was required to carry out the first tranche of tender offers in December 2015. Before expiration of such first tranche, Dolphin and the agreement trustees (the " trustees") entered into an extension agreement (the "Extension Agreement"), which was replaced by the final agreement approved by approximately 95% of the non-controlling shareholders of IDBD (excluding IFISA) and by warrants holders of IDBD on March 2, 2016 and by the competent court on March 10, 2016. The major amendments to the Agreement were:

(i)
Replacement of the obligation to conduct tender offers as previously established under an agreement whereby Dolphin would purchase all the shares outstanding on March 29, 2016 from non-controlling shareholders of IDBD (except for those held by IFISA) on March 31, 2016. On March 29, 2016, all IDBD shares would cease to be traded in the TASE. On that date, all IDBD warrants held by non-controlling shareholders would expire and Dolphin would make capital contributions to IDBD or grant subordinate loans, as described hereafter.
(ii)
The price to be paid for each IDBD share held by non-controlling shareholders on March 29, 2016 would be NIS 1.25 in cash, plus NIS 1.20 adjusted nominal value in bonds of the IDBD Series 9 (the “IDBD Bonds”), which IDBD will issue directly to non-controlling shareholders and holders of warrants, and Dolphin will inject funds into IDBD equal to the adjusted nominal value of IDBD Bonds. Additionally, Dolphin would undertake to pay NIS 1.05 (subject to adjustments) in cash if Dolphin, either directly or indirectly, gain control of Clal, or else if IDBD sells a controlling shareholding in Clal under certain parameters (the “Clal payment”), which refers mainly to Clal’s sale price (at a price which exceeds 75% of its book value upon execution of the sale agreement, subject to adjustments) and, under certain circumstances, the proportion of Clal shares sold by IDBD.

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

3.
Acquisition and dispositions (Continued)

(iii)
The warrants held by non-controlling shareholders that have not been exercised until March 28, 2016 expired on March 31, 2016. Each warrant holder was entitled to elect whether: (a) to receive IDBD bonds (based on the adjusted nominal value) in an amount equal to the difference between NIS 2.45 and the exercise price of the warrants and be entitled to the Clal payment; or (b) to receive a payment determined by an independent appraiser.
(iv)
Dolphin compromised that would provide IDBD a total amount of NIS 515 million (the "Contribution to IDBD"), out of which it has already contributed NIS 15 million in February 2016 and NIS 85 million in March 2016. The amount injected to IDBD would be reduced by any capital contribution resulting from the exercise of warrants held by non-controlling shareholders (maximum amount of approximately NIS 37.5 million). The contribution to IDBD would further cover the IDBD Bonds necessary to comply with the transactions described above (between NIS 166.5 million and NIS 178 million), and the balance would be contributed until completing the amount committed by Dolphin either as a capital contribution or as a subordinated loan (between NIS 284.5 million and NIS 333.5 million).
(v)
Dolphin had to pledge 28% of its IDBD shares, as well as all rights held by Dolphin in relation to the subordinated loan granted in the amount of NIS 210 million in December 2015, until the payment obligation for Clal has been completed or has expired, after which the pledge will be discharged. Should new shares be issued by IDBD, Dolphin will have to pledge additional shares until completing the 28% of all IDBD share capital. This pledge supersedes the existing pledge on approximately 64 million shares of IDBD and all Dolphin's rights in relation to the Subordinated Loan.
(vi)
Additionally, Dolphin agreed not to exercise its right to convert the subordinated loans into shares of IDBD until the pledge described above has been released. Should the pledge on subordinated loans be exercised by the Arrangement Trustees, then those trustees may convert the subordinated loans into shares; however, in such case, the maximum percentage of the IDBD capital that may be pledged is 35%, and any shares in excess of such amount will be released from the pledge.

As a result of the description above, on March 31, 2016: (i) Dolphin acquired all shares from IDBD' non-controlling shareholders (except for IFISAS), (ii) all warrants held by IDBD non-controlling shareholders expired, and (iii) Dolphin made additional contributions to IDBD via subordinated loans pursuant to the agreement. All commitments to invest in IDBD by Dolphin have been fully complied so that the only obligation still pending is the Clal payment, provided the conditions herein described are met. Additionally, Dolphin is bound to exercise its warrants in the event the following conditions occur jointly:

(i)
An agreement is reached to renegotiate the debt covenants of IDBD and its subsidiaries;
(ii)
Control over Clal is secured.

Should both situations take place, the obligation would amount to NIS 391 million. The warrants mature on February 10, 2018.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

3.
Acquisition and dispositions (Continued)

As of June 30, 2016, IRSA's indirect interest in IDBD was 68.28% without considering dilution.

The transaction described above represented the acquisition of an additional interest of 19.28% in IDBD for a total amount of Ps. 1,249. As a result of this transaction, the non-controlling interest was increased by Ps. 346 and the interest attributable to the shareholders' of the controlling parents was increased by Ps. 234.

B)
Acquisition and sale of investment properties

During the fiscal year ended June 30, 2016, the Group has sold certain floors corresponding to Maipú 1300 Building, Intercontinental Plaza, all the floors corresponding to Dique IV and Isla Sirgadero, among others for a total amount of Ps. 1,393. All sales mentioned above led to a combined profit for the Group of Ps. 1,113, disclosed within the line "Gain from disposal of investment properties" in the statement of income.

During the fiscal year ended June 30, 2015, the Group acquired five plots of farmlands in Luján for Ps. 210 and, through IRSA CP, a plot of land in Córdoba for Ps. 3.1. Additionally the Group has sold floors corresponding to Maipú 1300 building, Intercontinental Plaza, Bouchard 551, the entire Madison 183 building and parking spaces in Bouchard 551, Libertador 498 and Maipú 1300 for a total amount of Ps. 2,447. All sales mentioned above led to a combined profit for the Group of Ps. 1,163, disclosed within the line "Gain from disposal of investment properties" in the statement of income.

During the fiscal year ended June 30, 2014, the Group acquired, through IRSA CP, a building next to Alto Palermo Shopping for US$ 3.8 million. Additionally the Group sold floors corresponding to Maipú 1300 building, Bouchard 551 and the entire buildings Mayo 589, Rivadavia 565, Costeros Dique IV Constitución 1159 and parking spaces in Maipú 1300, Bouchard 551 and Libertador 498 buildings for a total amount of Ps. 402. All sales mentioned above led to a combined profit for the Group of Ps. 236, disclosed within the line "Gain from disposal of investment properties" in the statement of income.

C)
Acquisition of additional interest in BHSA

During the year ended June 30, 2015, the Group acquired 3,289,029 additional shares of BHSA in a total amount of Ps. 14.2, thus increasing its interest in such company from 29.77% to 29.99%, without consideration of treasury shares. During the year ended June 30, 2016, the Group sold 1,115,165 shares of BHSA in a total amount of Ps. 7.7, thus increasing its interest to 29.91%, without consideration of treasury shares.

D)
Disposal of financial assets

During August 2014, IRSA sold through its subsidiary REIG IV the balance of 1 million shares of Hersha Hospitality Trust, at an average price of US$ 6.74 per share.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

3.
Acquisition and dispositions (Continued)

E)
Sale of Associates

On February 5, 2014, the Group, through Ritelco, sold its interest in Bitania, representing 49% of its capital stock, for an amount of US$ 4.2 million. Such transaction generated a net gain of approximately Ps. 13.3, which are shown in the line "Other operating results, net" in the Statements of income.

F)
BACS

The Group through Tyrus, subscribed a purchase-sale agreement of shares of BACS, representing an interest of 6.125%. The transaction amounts to US$ 1.35 million. This operation is yet to be approved by the BCRA as of June 30, 2016, according to regulations in force. The advance payment related to this transaction is disclosed in “Trade receivables and other receivables”. On August 24, 2016, the operation was approved by the BCRA.

The Group through IRSA, on June 17, 2015, subscribed Convertible Notes, issued by BACS for a nominal value of 100,000,000, which are convertible into common shares.

On June 21, 2016, we notified BACS on their right to convert all of the Convertible Notes into common shares.

As a consequence, BACS initiated the relevant diligence before the Argentine Central Bank in order to secure the authorization to issue the shares in our favor.

G)
Rigby capital reduction

During fiscal year 2015, Rigby reduced its capital stock by distributing among existing shareholders, proportionally to their shareholdings, the gain made on the sale of Madison building. The total amount distributed is US$ 103.8 million, of which the Group received US$ 77.4 million (US$ 26.5 million through IRSA International and US$ 50.9 million through IMadison LLC) and US$ 26.4 million were distributed to other shareholders. As a result of such reduction, the Group has decided to reverse the corresponding accumulated conversion difference on a pro rata basis, which amounted to Ps. 188.3. This reversal has been recognized in the line "Other operating results, net" in the Statements of income.

4.
Financial risk management and fair value

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, indexing risk due to specific clauses and other price risk), credit risk, liquidity risk and capital risk. Within

the Group, risk management functions are conducted in relation to financial risks associated to financial instruments to which the Group is exposed during a certain period or as of a specific date.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4.
Financial risk management and fair value (Continued)

The general risk management policies of the Group seek both to minimize adverse potential effects on the financial performance of the Group and to manage and control the financial risks effectively. The Group uses financial instruments to hedge certain risk exposures when deemed appropriate based on its internal management risk policies, as explained below.

Given the diversity of characteristics corresponding to the business conducted in its operations centers, the Group has decentralized the risk management policies geographically based on its two operations centers in order to identify and properly analyze the various types of risks to which each of the subsidiaries is exposed.

Below is a list of the main risk management policies of each of the operations centers:

4.1 Risk management in the operations center in Argentina:

The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, liquidity risk and capital risk.

The Group’s diverse activities are exposed to a variety of financial risks in the normal course of business. The Group’s overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize the Group’s capital costs by using suitable means of financing and to manage and control the Group’s financial risks effectively. The Group uses financial instruments to hedge certain risk exposures when deemed appropriate based on its internal management risk policies.

The Group’s principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing assets and liabilities, other financial liabilities, other investments and derivative financial instruments. The Group manages its exposure to key financial risks in accordance with the Group’s risk management policies.

The Group’s management framework includes policies, procedures, limits and allowed types of derivative financial instruments. The Group has established a Risk Committee, comprising Senior Management and a member of Cresud’s Audit Committee (Parent Company of IRSA), which reviews and oversees management’s compliance with these policies, procedures and limits and has overall accountability for the identification and management of risk across the Group.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4.
Financial risk management and fair value (Continued)

4.1 Risk management in the operations center in Argentina (Continued)

This section provides a description of the principal risks that could have a material adverse effect on the Group's strategy, performance, results of operations and financial condition. The risks facing the businesses, set out below, do not appear in any particular order of potential materiality or probability of occurrence.

The analysis of sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

This sensitivity analysis provides only a limited, point-in-time view. The actual impact on the Group's financial instruments may differ significantly from the impact shown in the sensitivity analysis.

(a)
Market risk management

The market risk is the risk of changes in the market price of financial instruments with whom the Group operates. The Group's market risks arise from open positions in foreign currencies, interest-bearing assets and liabilities and equity securities of certain companies, to the extent that these are exposed to market value movements. The Group sets limits on the exposure to these risks that may be accepted, which are monitored on a regular basis.

Foreign Exchange risk and associated derivative financial instruments

The Group publishes its consolidated financial statements in Argentine pesos but conducts operations and holds positions in other currencies. As a result, the Group is exposed to foreign currency exchange risk through exchange rate movements, which affect the value of the Group's foreign currency positions. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The real estate, commercial and/or financial activities of the Group's subsidiaries from the operations center in Argentina have the Argentine Peso as functional currency. An important part of the business activities of these subsidiaries is conducted in that currency, thus not exposing the Group to foreign exchange risk. Other Group's subsidiaries have other functional currencies, principally US dollar. In the ordinary course of business, the Group, through its subsidiaries, transacts in currencies other than the respective functional currencies of the subsidiaries. These transactions are primarily denominated in US dollars and New Israeli Shekel. Net financial position exposure to the functional currencies is managed on a case-by-case basis, partly by entering into foreign currency derivative instruments and/or by borrowings in foreign currencies, or other methods, considered adequate by the Management, according to circumstances.

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Notes to the Consolidated Financial Statements (Continued)
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4.
Financial risk management and fair value (Continued)

4.1 Risk management in the operations center in Argentina (Continued)

Financial instruments are considered sensitive to foreign exchange rates only when they are not in the functional currency of the entity that holds them. The following table shows the net carrying amounts of the Company's financial instruments nominated in US$ and NIS, broken down by the functional currencies in which the Company operates for the years ended June 30, 2016 and 2015. The amounts are presented in Argentine Pesos, the presentation currency of the Group:

	Net monetary position (Liability)/Asset in million			
Functional currency	June 30, 2016		June 30, 2015	
	US$	NIS	US$	NIS
Argentine Peso	(5,370)	-	(2,576)	-
Uruguayan Peso	6	-	(67)	-
US Dollar	-	(7)	-	(245)
Total	(5,364)	(7)	(2,643)	(245)

The Group estimates that, other factors being constant, a 10% appreciation of the US dollar against the respective functional currencies at year-end would increase loss before income tax for the year ended June 30, 2016 for an amount of Ps. 536. A 10% depreciation of the US dollar against the functional currencies would have an equal and opposite effect on the statements of income.

On the other hand, the Group also uses derivatives, such as forward exchange contracts, to manage its exposure to foreign currency risk. As of June 30, 2016 there are future exchange contracts pending in the amount of US$ 21 million. Net book value of future exchange contracts amounts to Ps. (3).

Interest rate risk

The Group is exposed to interest rate risk on its investments in debt instruments, short-term and long-term borrowings and derivative financial instruments.

The primary objective of the Group's investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, the Group diversifies its portfolio in accordance

with the limits set by the Group. The Group maintains a portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations and money market funds.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4.
Financial risk management and fair value (Continued)

4.1 Risk management in the operations center in Argentina (Continued)

The Group's interest rate risk principally arises from long-term borrowings (Note 21). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group manages this risk by maintaining an appropriate mix between fixed and floating rate interest bearing liabilities. These activities are evaluated regularly to determine that the Group is not exposed to interest rate fluctuations that could adversely impact its ability to meet its financial obligations and to comply with its borrowing covenants.

The Group occasionally manages its cash flow interest rate risk exposure by different hedging instruments, including but not limited to interest rate swap, depending on each particular case. For example, interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates or vice versa.

The interest rate risk policy is approved by the Board of Directors. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. Trade payables are normally interest-free and have settlement dates within one year. The simulation is done on a regular basis to verify that the maximum potential loss is within the limits set by management.

Note 21 shows a breakdown of the Group's fixed-rate and floating-rate borrowings per currency denomination and functional currency of the subsidiary issuing the loans for the fiscal years ended June 30, 2016 and 2015.

The Group estimates that, other factors being constant, a 1% increase in floating rates at year-end would increase net loss before income tax for the fiscal year ended June 30, 2016, in Ps. 13.7. A 1% decrease in floating rates would have an equal and opposite effect on the statement of income.

Other price risk

The Group is exposed to equity securities price risk or derivative financial instruments because of investments held in entities that are publicly traded, which were classified on the consolidated statements of financial position at "fair value through profit or loss". The Group regularly reviews the prices evolution of these equity securities in order to identify significant movements.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4.
Financial risk management and fair value (Continued)

4.1 Risk management in the operations center in Argentina (Continued)

As of June 30, 2016 and 2015 the total value of Group´s investments in shares and derivative financial instruments of public companies amounts to Ps. 822 and Ps. 1,803, respectively.

The Group estimates that, other factors being constant, a 10% decrease in quoted prices of equity securities and in derivative financial instruments portfolio at year-end would generate a loss before income tax for the year ended June 30, 2016 of Ps. 82. An increase of 10% on these prices would have an equal and opposite effect in the statement of income.

(b)
Credit risk management

The credit risk arises from the potential non-performance of contractual obligations by the parties, with a resulting financial loss for the Group. Credit limits have been established to ensure that the Group deals only with approved counterparties and that counterparty concentration risk is addressed and the risk of loss is mitigated. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group.

The Group is subject to credit risk arising from deposits with banks and financial institutions, investments of surplus cash balances, the use of derivative financial instruments and from outstanding receivables Credit risk is managed on a country-by-country basis. Each local entity is responsible for managing and analyzing the credit risk.

The Group's policy is to manage credit exposure to deposits, short-term investments and other financial instruments by maintaining diversified funding sources in various financial institutions. All the institutions that operate with the Group are well known because of their experience in the market and high credit quality. The Group places its cash and cash equivalents, investments, and other financial instruments with various high credit quality financial institutions, thus mitigating the amount of credit exposure to any one institution. The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents and short-term investments in the statements of financial position.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4.
Financial risk management and fair value (Continued)

4.1 Risk management in the operations center in Argentina (Continued)

Trade receivables related to leases and services provided by the Group represent a diversified tenant base and account for 94.9% and 97.4% of the Group's total trade receivables as of June 30, 2016 and 2015, respectively. The Group has specific policies to ensure that rental contracts are transacted with counterparties with appropriate credit quality. The majority of the Group's shopping center, offices and other rental properties' tenants are well recognized retailers, diversified companies, professional organizations, and others. Owing to the long-term nature and diversity of its tenancy arrangements, the credit risk of this type of trade receivables is considered to be low. Generally, the Group has not experienced any significant losses resulting from the non-performance of any counterpart to the lease contracts and, as a result, the allowance for doubtful accounts balance is low. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its past experience, financial position, actual experience and other factors. Based on the Group's analysis, the Group determines the size of the deposit that is required from the tenant at inception. Management does not expect any material losses from non-performance by these counterparties. See details on Note 15.

On the other hand, property receivables related to the sale of trading properties represent 3.7% and 0.16% of the Group's total trade receivables as of June 30, 2016 and 2015, respectively. Payments on these receivables have generally been received when due. These receivables are generally secured by mortgages on the properties. Therefore, the credit risk on outstanding amounts is considered very low.

(c)
Liquidity risk management

The Group is exposed to liquidity risks, including risks associated with refinancing borrowings as they mature, the risk that borrowing facilities are not available to meet cash requirements, and the risk that financial assets cannot readily be converted to cash without loss of value. Failure to manage liquidity risks could have a material impact on the Group's cash flow and statements of financial position. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding its existing and prospective debt requirements by maintaining diversified funding sources.

The Group monitors its current and projected financial position using several key internally generated reports: cash flow; debt maturity; and interest rate exposure. The Group also undertakes sensitivity analysis to assess the impact of proposed transactions, movements in interest rates and changes in property values on the key profitability, liquidity and balance sheet ratios.

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4.
Financial risk management and fair value (Continued)

4.1 Risk management in the operations center in Argentina (Continued)

The Group's debt and derivative positions are continually reviewed to meet current and expected debt requirements. The Group maintains a balance between longer-term and shorter-term financings. Short-term financing is principally raised through bank facilities and overdraft positions. Medium to longer-term financing comprises public and private bond issues, including private placements. Financing risk is spread by using a variety of types of debt. The maturity profile is managed in accordance with Group's needs, by spreading the repayment dates and extending facilities, as appropriate.

The tables below show financial liabilities, including Group's derivative financial liabilities groupings based on the remaining period at the statements of financial position to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows and as a result, they do not reconcile to the amounts disclosed on the statements of financial position. However, undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statements of financial position, as the impact of discounting is not significant. The tables include both interest and principal flows.

Where the interest payable is not fixed, the amount disclosed has been determined by reference to the existing conditions at the reporting date.

At June 30, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Later than 4 years	Total
Trade and other payables	627	204	1	-	-	832
Borrowings (excluding finance leases liabilities)	3,518	494	475	491	6,760	11,738
Finance leases obligations	2	1	1	-	-	4
Derivative Financial Instruments	3	-	-	-	-	3
Total	4,150	699	477	491	6,760	12,577

At June 30, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Later than 4 years	Total
Trade and other payables	447	11	3	-	-	461
Borrowings (excluding finance leases liabilities)	876	2,822	147	143	1,553	5,541
Finance leases obligations	2	1	-	-	-	3
Derivative Financial Instruments	238	265	-	-	-	503

Total	1,563	3,099	150	143	1,553	6,508

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4.
Financial risk management and fair value (Continued)

4.1 Risk management in the operations center in Argentina (Continued)

(d)
Capital risk management

The capital structure of the Group consists of shareholders' equity and net borrowings. The type and maturity of the Group's borrowings are analyzed further in Note 24. The Group's equity is analyzed into its various components in the statements of changes in equity.

Capital is managed so as to promote the long-term success of the business and to maintain sustainable returns for shareholders.

The Group seeks to manage its capital requirements to maximize value through the mix of debt and equity funding, while ensuring that Group entities continue to operate as going concerns, comply with applicable capital requirements and maintain strong credit ratings.

The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. The Group continuously reviews its capital structure to ensure that (i) sufficient funds and financing facilities are available to implement the Group's property development and business acquisition strategies, (ii) adequate financing facilities for unforeseen contingencies are maintained, and (iii) distributions to shareholders are maintained within the Group's dividend distribution policy. The Group also protects its equity in assets by taking out insurance.

The Group's strategy is to maintain key financing metrics (net debt to total equity ratio or gearing and debt ratio) in order to ensure that asset level performance is translated into enhanced returns for shareholders whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles.

The following table details the Group's key metrics in relation to managing its capital structure. The ratios are within the ranges previously established by the Group´s strategy.

	June 30, 2016	June 30, 2015
Gearing ratio (i)	89.24%	68.77%
Debt ratio (ii)	29.39%	20.38%

(i)

Calculated as total of current and non-current borrowings divided by total current and non-current borrowings plus equity of the parent company.

(ii)

Calculated as total current and non-current borrowings over total properties at fair value (including trading properties, properties plants and equipment, property investments and right to receive future units under barter agreements).

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4.
Financial risk management and fair value (Continued)

4.1 Risk management in the operations center in Argentina (Continued)

Property risk

There are several risks affecting the Group's property investments. The composition of the Group's property portfolio including asset concentration and lot size may affect liquidity and relative property performance. The Group has a large multi-asset portfolio and monitors its concentration and average lot size.

A change in trends and economic conditions causes shifts in customer demands for properties and impacts on new lettings, renewal of existing leases and reduces rental growth. In addition, increases risk of tenant insolvencies. The Group conducts several actions to mitigate some of these risks whenever possible. The variety of asset types and geographical spread as well as a diversified tenant base, with monitoring of its concentration, helps mitigating these risks.

The development, administration and profitability of shopping centers are impacted by various factors including: the accessibility and the attractiveness of the area where the shopping center is located. The intrinsic attractiveness of it, the flow of people, the level of sales of each shopping center rental unit, the increasing competition from internet sales, the amount of rent collected from each shopping center rental unit and the fluctuations in occupancy levels. In the event that there is an increase in operational costs, caused by inflation or other factors, it could have a material adverse effect on the Group if its tenants are unable to pay their higher rent obligations due to the increase in expenses. Argentine Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months upon not less than sixty days written notice, subject to penalties of only one-and-a-half month rent if the tenant rescinds during the first year of the lease, and one-month rent if the tenant rescinds during the second year of the lease. The exercise of such rescission rights could materially and adversely affect the Group.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4.
Financial risk management and fair value (Continued)

4.1 Risk management in the operations center in Argentina (Continued)

Risks associated with development properties activities include the following: a) the potential abandonment of development opportunities; b) construction costs exceeding original estimates, possibly making a project uneconomical; c) occupancy rates and rents at newly completed projects may be insufficient to make the project profitable. On the other hand, a) the Group may not be able to obtain financing favorable terms for the development of the project, b) construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs, c) the Group may not be able to obtain, or delay in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, d) preconstruction buyers may default on their purchase contracts or units in new buildings may remain unsold upon completion of constructions, and e) prices for residential units may be insufficient to cover development cost. The Group also takes several actions to monitor these risks and respond appropriately whenever it is under its control. The Group has in-house property market research capability and development teams that monitor development risks closely. The Group generally adopts conservative assumptions on leasing and other variables and monitors the level of committed future capital expenditure on development programs relative to the level of undrawn facilities.

The Group’s hotel properties face specific risks as well. The success of the Group’s hotel properties will depend, in large part, upon the Group’s ability to compete in areas such as access, location, quality of accommodations, room rate structure and the quality and type of services offered. The Group’s hotels may face additional competition if other companies decide to build new hotels or improve their existing hotels such that they are more attractive to potential guests. In addition, their profitability depends on (i) the Group’s ability to form successful relationships with international operators to run the hotels; (ii) changes in travel patterns, including seasonal changes; and (iii) taxes and governmental regulations which influence or determine wages, prices, interest rates, construction procedures and costs.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4. Financial risk management and fair value (Continued)

4.2 Risk management in the operations center in Israel:

Given the diversity of the activities conducted by IDBD and its subsidiaries, and the resulting risks, IDBD manages the exposure to its own key financial risks and those of its wholly-owned subsidiaries (except for IDB Tourism) in conformity with a centralized risk management policy, with the non-wholly owned IDBD subsidiaries being responsible for establishing the risk policy, taking action to cover market risks and managing their activities in a decentralized fashion. Both IDBD as holding and each subsidiary are responsible for managing their own financial risks in accordance with agreed global guidelines. The Chief Financial Officers of each entity are responsible for managing the risk management policies and systems, the definition of hedging strategies, insofar as applicable and based on any restriction that may be apply as a result of financial debt, the supervision of its implementation and the answer to such restrictions. The management framework includes policies, procedures, limits and allowed types of derivative financial instruments.

This section provides a description of the principal risks related to the operations center in Israel that could have a material adverse effect on the IDBD's strategy, performance, results of operations and financial condition. The risks facing the businesses, set out below, do not appear in any particular order of potential materiality or probability of occurrence.

(a)
Market risk management

Foreign currency risk

Real estate, business and/or financial activities of IDBD subsidiaries in the operations center in Israel are developed mainly in Israeli currency, although some operations, mostly borrowing, are expressed in US dollars, thereby exposing IDBD to a foreign currency risk.

Net financial position exposure to the functional currencies is decentralized managed on a case-by-case basis, by entering into foreign currency derivative instruments and/or by borrowings in foreign currencies, as the case may be, or by other methods, considered adequate by the Management, according to circumstances.

As of June 30, 2016, the Israeli subsidiaries' net financial position, which exposes the Group to the foreign currency risk, amounts to a liability of Ps. 12,415. The Group estimates that, other factors being constant, a 5% appreciation of the US dollar against the Israeli currency would increase loss before income tax for the year ended June 30, 2016 for an amount of Ps. 498. An equivalent depreciation of the Israeli currency would have result in a profit before income tax for the year June 30, 2016 for an amount of Ps. 489.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4. Financial risk management and fair value (Continued)

4.2 Risk management in the operations center in Israel (Continued)

Risk of fluctuations of the Consumer Price Index ("CPI") of Israel

IDBD has financial liabilities indexed by the Israeli CPI. As of the balance sheet date, more than half of the financial liabilities arising from the center of operations in Israel were adjusted by the Israeli CPI.

Net financial position exposure to the Israeli CPI fluctuations is decentralized managed on a case-by-case basis, by entering into derivative financial instruments, as the case may be, or by other methods, considered adequate by the Management, according to circumstances.

The Group estimates that, other factors being constant, a 1% appreciation of the CPI would increase loss before income tax for the year ended June 30, 2016 for an amount of Ps. 415. An equivalent depreciation of the CPI would have result in a profit before income tax for the year June 30, 2016 for an amount of Ps. 319.

Interest rate risk

The IDBD’s interest rate risk principally arises from long-term borrowings (See Note 21). Borrowings issued at floating rate expose IDBD to cash flow interest rate risk, partially compensated by financial assets at floating interest rate. Borrowings issued at fixed rates expose IDBD to fair value interest rate risk.

IDBD manages the exposure to the interest rate risk on a dynamic basis. Various scenarios are simulated by IDBD, taking into consideration refinancing, renewal of existing positions, alternative financing sources or hedging instruments, maintaining an appropriate mix between fixed and floating rate interest bearing liabilities. The exposure to the interest rate risk is managed in a decentralized fashion and is monitored regularly by different management offices with a view to confirming that there are no adverse effects over its ability to meet its financial obligations and to comply with its borrowings covenants.

As of the date of these financial statements, approximately 96% of the Group’s long-term financial borrowings in the operations center in Israel are at fixed interest rate; therefore, IDBD is not significantly exposed to the interest rate fluctuation risk.

IDBD estimates that, other factors being constant, a 1% increase in floating rates at year-end would increase net loss before income tax for the year ended June 30, 2016, in Ps. 25, approximately. An equivalent decrease of the floating rates would have result in a profit before income tax for the year June 30, 2016 for an amount of Ps. 26.

Other price risk

IDBD is exposed to equity securities price risk or derivative financial instruments price risk because of investments held in entities that are publicly traded.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4. Financial risk management and fair value (Continued)

4.2 Risk management in the operations center in Israel (Continued)

As indicated in Note 16, investment in Clal is classified on the statements of financial position at "fair value through profit or loss" and represents the most significant IDBD's exposure to price risk. IDBD has not used hedging against these risks.

IDBD regularly reviews the prices evolution of these equity securities in order to identify significant movements.

(b)
Credit risk management

The credit risk arises from the potential non-performance of contractual obligations by the parties, with a resulting financial loss for IDBD. IDBD's credit risk, as well as that of its wholly-owned subsidiaries (except for IDB Tourism), is managed in a centralized manner by IDBD. In contrast, the credit risk of the other subsidiaries is managed in a decentralized fashion by each subsidiary. Each entity is responsible for managing and analyzing the credit risk and limits have been established to ensure that IDBD deals only with approved counterparties and that counterparty concentration risk is addressed and the risk of loss is mitigated. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to IDBD.

IDBD and subsidiaries invest their surplus liquidity so as to obtain a fair return on it, while maintaining a suitable return-risk ratio, in solid channels – mainly short-term shekel deposits in a number of major Israeli financial institutions, and they also invest in liquid securities, which mainly include trust funds, exchange traded funds, government and corporate bonds with a rating of at least A- and corporate bonds abroad have been rated with the international rating of Investment Grade and above. In addition, the maximum percentage of securities of a single issuer, which IDBD or a subsidiary holds in its portfolio does not exceed 10% of the value of its investment portfolio. IDBD and subsidiaries carry out transactions in derivative financial instruments only through banking corporations and entities that are required to maintain collateral levels in accordance with scenarios.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4. Financial risk management and fair value (Continued)

4.2 Risk management in the operations center in Israel (Continued)

IDBD's primary objective for holding derivative financial instruments is to manage currency exchange rate risk and interest rate risk. IDBD generally enters into derivative transactions with high-credit-quality counterparties and, by policy, limits the amount of credit exposure to each counterparty. The amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which counterparty's obligations exceed the obligations that IDBD has with that counterparty. The credit risk associated with derivative financial instruments is representing by the carrying value of the assets positions of these instruments.

The IDBD's policy is to manage credit exposure to trade and other receivables within defined trading limits. All IDBD's significant counterparties have internal trading limits.

Trade receivables from investment and development property activities are primarily derived from leases and services from shopping centers, office and other rental properties; receivables from the sale of trading properties and investment properties (primarily undeveloped land and non-retail rental properties). IDBD has a large customer base and is not dependent on any single customer. (See Note 15 for details).

There is not a high credit risk concentration in trade receivables from telecommunications and supermarket activity, as the business does not rely on few customers and most of the transactions are paid in cash or credit card. (See Note 15 for details).

(c)
Liquidity risk management

The most important risk in the operations center in Israel is the liquidity risks, including risks associated with refinancing borrowings as they mature, the risk that borrowing facilities are not available to meet cash requirements, and the risk that financial assets cannot readily be converted to cash without loss of value. Failure to manage liquidity risks could have a material impact on the IDBD's cash flow and statements of financial position. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, IDBD aims to maintain flexibility in funding its existing and prospective debt requirements by maintaining diversified funding sources.

IDBD monitors its current and projected financial position using several key internally generated reports: cash flow forecasts; debt maturity; and interest rate exposure. IDBD also undertakes sensitivity analysis to assess the impact of proposed transactions, movements in interest rates and changes in property values on the key profitability, liquidity and balance sheet ratios.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

4. Financial risk management and fair value (Continued)

4.2 Risk management in the operations center in Israel (Continued)

IDBD's debt and derivative positions are continually reviewed to meet current and expected debt requirements. IDBD maintains a balance between longer-term and shorter-term financings. Short-term financing is principally raised through bank facilities and overdraft positions. Medium- to longer-term financing comprises public and private bond issues, including private placements. Financing risk is spread by using a variety of types of debt. The maturity profile is managed in accordance with IDBD's needs, by spreading the repayment dates and extending facilities, as appropriate.

The table below shows financial liabilities, including Group's derivative financial liabilities groupings based on the remaining period at the statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and as a result, they do not reconcile to the amounts disclosed on the statements of financial position.

However, undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statements of financial position, as the impact of discounting is not significant. The tables include both interest and principal flows.

Where the interest payable is not fixed, the amount disclosed has been determined by reference to the existing conditions at the reporting date.

At June 30, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Later than 4 years	Total
Trade and other payables	13,046	234	561	54	4	13,899
Borrowings	20,714	19,328	29,522	9,435	52,232	131,231
Lease obligations	2,254	2,086	1,802	1,487	3,398	11,027
Purchase obligations	1,089	162	15	-	-	1,266
Derivative Financial Instruments	105	47	58	-	-	210
Total	37,208	21,857	31,958	10,976	55,634	157,633

Given the current financial debt conditions of the Operations Center in Israel, in particular in the holding company IDBD, the main source of funding has been capital contributions. See Note 21 that includes a description of commitments and restrictions related to loans and renegotiation processes under way.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

5. Significant judgments, key assumptions and judgments

The Group's significant accounting policies are stated in Note 2. Not all of these significant accounting policies require management to make subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the level of complexity, judgment or estimations involved in their application and their impact on the consolidated financial statements. These judgments involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

Estimation	Main assumptions	Potential implications	Main references
Business combination - Allocation of acquisition prices	Assumptions regarding timing, amount of future revenues and expenses, revenue growth, expected rate of return, economic conditions, discount rate, among other.	Should the assumptions made be inaccurate, the recognized combination may not be correct.	Note 3 – Acquisitions and dispositions
Recoverable amounts of cash-generating units (even those including goodwill), associates and assets.	The discount rate and the expected growth rate before taxes in connection with cash-generating units. The discount rate and the expected growth rate after taxes in connection with associates. Cash flows are determined based on past experiences with the asset or with similar assets and in accordance with the Group's best factual assumption relative to the economic conditions expected to prevail. Business continuity and share market value of the public companies in connection with cash-generating units. Appraisals made by external appraisers and valuators with relation to the assets' fair value, net of realization costs (including real estate assets).	Should any of the assumptions made be inaccurate, this could lead to differences in the recoverable values of cash-generating units.	Note 10 – Investment properties Note 11 – Property, plant and equipment Note 13 – Intangible assets
Control, joint control or significant influence	Judgment relative to the determination that the Group holds an interest in the shares of investees (considering the existence and influence of significant potential voting rights), its right to designate members in the executive management of such companies (usually the Board of directors) based on the investees' bylaws; the composition and the rights of other shareholders of such investees and their capacity to establish operating and financial policies for investees or to take part in the establishment thereof.	Accounting treatment of investments as subsidiaries (consolidation) or associates (equity method)	Note 2.3

Estimated useful life of intangible assets, investment properties and property, plant and equipment	Estimated useful life of assets based on their conditions.	Recognition of accelerated or decelerated depreciation by comparison against final actual earnings (losses).	Note 10 – Investment properties Note 11 – Property, plant and equipment Note 13 – Intangible assets
Fair value valuation of investment properties	Fair value valuation made by external appraisers and valuators.	Incorrect exposure of investment property values	Note 10 – Investment properties
Income tax	The Group estimates the income tax amount payable for transactions where the Treasury's Claim cannot be clearly determined. Additionally, the Group evaluates the recoverability of assets due to deferred taxes considering whether some or all of the assets will not be recoverable.	Upon the improper determination of the provision for income tax, the Group will be bound to pay additional taxes, including fines and compensatory and punitive interest.	Note 22 – Taxes
Allowance for doubtful accounts	A periodic review is conducted of receivables risks in the Group's clients' portfolios. Bad debts based on the expiration of account receivables and account receivables' specific conditions.	Improper recognition of charges / reimbursements of the allowance for bad debt.	Note 15 – Trade and other receivables
Hybrid financial instrument related to the non-recourse loan from Koor (Adama).	· The value of Adama's shares. · Unobserved data underlying the binomial model applied to the determination of the embedded derivative instruments' value.	Changes in losses or profits resulting from the variation in the fair value of the embedded derivative, and variations in the book amount of the primary contract recognized as revenues or expenses from financing.	Note 21 – Borrowings
Level 2 and 3 financial instruments	Main assumptions used by the Group are: · Discounted projected income by interest rate. · Values determined in accordance with the company's shares in equity funds on the basis of its financial statements, based on fair value or investment assessments. · Comparable market multiple (EV/GMV ratio). · Underlying asset price (Market price); share price volatility (historical) and money market interest-rate curve (Libor rate).	Wrong recognition of a charge to income / (loss).	Note 14 – Financial instruments by category
Probability estimate of contingent liabilities.	Whether more economic resources may be spent in relation to litigation against the Group; such estimate is based on legal advisors' opinions.	Charge / reversal of provision in relation to a claim.	Note 20 – Provisions

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Notes to the Consolidated Financial Statements (Continued)
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6. Segment information

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the CODM. According to IFRS 8, the CODM represents a function whereby strategic decisions are made and resources are assigned. The CODM function is carried out by the President of the Group, Mr. Eduardo S. Elsztain. In addition, and due to the acquisition of IDBD, two responsibility levels have been established for resource allocation and assessment of results of the two operations centers, through executive committees in Argentina and Israel.

Following the control of IDBD, the Group reports its financial and equity performance based on the new segment structure for the year- end 2016.

Segment information is now reported from two perspectives: geographic presence and products and services. From the geographic point of view, the Group has established two Operations Centers to manage its global interests: Argentina and Israel. Within each operations center, the Group considers separately the various activities being developed, which represent reporting operating segments given the nature of its products, services, operations and risks. Management believes the operating segment clustering in each operations center reflects similar economic characteristics in each region, as well as similar products and services offered, types of clients and regulatory environments.

Below is the segment information prepared as follows:

- Operations center in Argentina:

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

- The “Shopping Centers” segment includes the assets and operating results of the activity of shopping centers portfolio, principally comprised of lease and service revenues related to rental of commercial space and other spaces in the shopping centers of the Group.
- The “Offices and others” segment includes the assets and operating results from lease revenues of offices and other rental space and other service revenues related to the office activities.
- The “Sales and Developments” segment includes the assets and operating results of the sales of undeveloped parcels of land and/or trading properties, as the results related with its development and maintenance. Also included in this segment are the results of the sale of real property intended for rent, sales of hotels and other properties included in the international segment.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

6.
Segment information (Continued)

o
The "Hotels" segment includes the operating results of hotels mainly comprised of room, catering and restaurant revenues.
o
The "International" segment includes assets and operating profit or loss from business related to associates Condor and Lipstick. Through these associates, the Group derives revenue from hotels and an office building in United States, respectively. Until September 30, 2014, this segment included revenue from a subsidiary that owned the building located at 183 Madison Ave in New York, United States, which was sold on September 29, 2014. Additionally, until October 11, 2015, this international segment only included results from the investment in IDBD carried at fair value.
o
The "Financial operations and others" segment primarily includes the financial activities carried out by BHSA and Tarshop and other residual financial operations.

The CODM periodically reviews the results and certain asset categories and assesses performance of operating segments of this operations center based on a measure of profit or loss of the segment composed by the operating income plus the equity in earnings of joint ventures and associates. The valuation criteria used in preparing this information are consistent with IFRS standards used for the preparation of the consolidated financial statements, except for the following:

.
Operating results from joint ventures: Cyrsa, NPSF, Puerto Retiro, Baicom and Quality are evaluated by the CODM applying proportional consolidation method. Under this method the income/loss generated and assets, are reported in the income statement line-by-line based on the percentage held in joint ventures rather than in a single item as required by IFRS. Management believes that the proportional consolidation method provides more useful information to understand the business return. Moreover, operating results of EHSA joint venture is accounted for under the equity method. Management believes that, in this case, this method provides more adequate information for this type of investment, given its low materiality and considering it is a company without direct trade operations, where the main asset consists of an indirect interest of 25% of LRSA.

.
Operating results from Shopping Centers and Offices segments do not include the amounts pertaining to building administration expenses and collective promotion funds ("FPC", as per its Spanish acronym) as well as total recovered costs, whether by way of expenses or other concepts included under financial results (for example default interest and other concepts). The CODM examines the net amount from these items (total surplus or deficit between building administration expenses and FPC and recoverable expenses).

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Notes to the Consolidated Financial Statements (Continued)
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6.
Segment information (Continued)

The assets' categories examined by the CODM are: investment properties, property, plant and equipment, trading properties, inventories, right to receive future units under barter agreements, investment in associates and goodwill. The sum of these assets, classified by business segment, is reported under "assets by segment". Assets are allocated to each segment based on the operations and/or their physical location.

Within the operations center in Argentina, most revenue from its operating segments is derived from, and their assets are located in, Argentina, except for earnings of associates included in the "International" segment located in United States.

Revenues for each reporting segments derive from a large and diverse client base and, therefore, there is no revenue concentration in any particular segment.

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Operations center in Israel:

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

o
The "Real Estate" segment includes mainly assets and operating income derived from business related to the subsidiary PBC. Through PBC, the Group operates rental properties and residential properties in Israel, United States and other parts of the world and carries out commercial projects in Las Vegas.
o
The "Supermarkets" segment includes assets and operating income derived from the business related to the subsidiary Shufersal. Through Shufersal, the Group mainly operates a supermarket chain in Israel.
o
The "Agrochemicals" segment includes income derived from the associate Adama. Adama is a company specialized in agrochemicals, particularly for the production of crops.
o
The "Telecommunications" segment includes assets and operating income derived from the business related to the subsidiary Cellcom. Cellcom is a provider of telecommunication services and its main activities include the provision of mobile phone services, fixed line phone services, data and Internet, among others.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

6.
Segment information (Continued)

o
The "Insurance" segment includes the investment in Clal. This company is one of the most important insurance groups in Israel, and is mainly engaged in pension and social security insurance, among others. As indicated in Note 16, 51% of the controlling shares of Clal are held in a trust following the instructions of the Israel Securities Commission in order to comply with the sale of the controlling shares of Clal. As a result, the Company is not fully consolidated on a line-by-line basis but rather in a single line as a financial instrument at fair value, as required by the IFRS under the current circumstances where no control is exercised.
o
The "Others" segment includes the assets and income derived from other diverse business activities, such as technological developments, tourism, oil and gas assets, electronics, and others.

The CODM periodically reviews the results and certain asset categories and assesses performance of operating segments of this operations center based on a measure of profit or loss of the segment composed by the operating income plus the equity in earnings of joint ventures and associates. The valuation criteria used in preparing this information are consistent with IFRS standards used for the preparation of the consolidated financial statements.

As indicated under Note 2, the Group decided to consolidate income derived from its operations center in Israel with a three-month lag, adjusted for the effects of significant transactions. Hence, operating results of IDBD for the period extending from October 11, 2015 (acquisition date) through March 31, 2016 are included under comprehensive income of the Group for the fiscal year ended June 30, 2016.

Furthermore, comparative information has not been modified for as of that date the Group did not exercise control over IDBD. The assessment of this investment was part of the international segment of the operations center in Argentina.

Goods and services exchanged between segments are calculated based on market prices. Intercompany transactions between segments, if any, are eliminated.

As to those business segments involving the operations center in Argentina where assets are reported under the proportional consolidation method, each reported asset includes the proportional share of the Group in the same class of assets of the associates and/or joint ventures. Only as an example, the amount of investment properties reported includes (i) the balance of investment properties as stated in the statement of financial position, plus (ii) the Group’s share in the balances of investment properties of joint ventures.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

6.
Segment information (Continued)

Within the operations center in Israel, most revenue from its operating segments are derived from, and their assets are located in, Israel, except for part of earnings from the Real Estate segment, which are generated from activities outside Israel, mainly in United States.

Below is a summarized analysis of the lines of business of the group for the years ended June 30, 2016, 2015 and 2014:

	June 30, 2016			June 30, 2015	June 30, 2014
	Operations Center in Argentina	Operations Center in Israel	Total	Operations Center in Argentina	Operations Center in Argentina
Revenues	3,289	28,229	31,518	2,548	2,156
Costs	(834)	(20,481)	(21,315)	(628)	(639)
Gross profit	2,455	7,748	10,203	1,920	1,517
Gain from disposal of investment properties	1,068	45	1,113	1,163	236
General and administrative expenses	(554)	(1,387)	(1,941)	(378)	(300)
Selling expenses	(264)	(5,686)	(5,950)	(196)	(150)
Other operating results, net	31	-	31	28	(49)
Profit from operations	2,736	720	3,456	2,537	1,254
Share of (loss) / profit of joint ventures and associates	99	338	437	(1,035)	(440)
Segment profit	2,835	1,058	3,893	1,502	814
Reportable assets	5,027	146,989	152,016	6,463	7,207
Reportable liabilities	-	(132,865)	(132,865)	-	-
Net reportable assets	5,027	14,124	19,151	6,463	7,207

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

6.
Segment information (Continued)

Below is a summarized analysis of the lines of business of Group's operations center in Argentina for the year ended June 30, 2016:

	June 30, 2016 Operations Center in Argentina						
	Shopping Center	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Tot
Revenues (i)	2,406	340	8	534	-	1	3,28
Costs	(402)	(51)	(20)	(361)	-	-	(83
Gross profit / (loss)	2,004	289	(12)	173	-	1	2,45
Gain from disposal of investment property	-	-	1,068	-	-	-	1,06
General and administrative expenses	(179)	(50)	(131)	(103)	(91)	-	(55
Selling expenses	(145)	(12)	(36)	(69)	-	(2)	(26
Other operating results, net	(42)	(6)	(8)	(2)	88	1	31
Profit / (Loss) from operations	1,638	221	881	(1)	(3)	-	2,73
Share of profit / (loss) of joint ventures and associates	-	14	5	-	(151)	231	99
Segment Profit / (Loss)	1,638	235	886	(1)	(154)	231	2,83
Investment properties	2,262	853	335	-	-	-	3,45
Property, plant and equipment	49	23	2	156	2	-	232
Trading properties	-	-	252	-	-	-	252
Goodwill	7	4	-	-	-	-	11
Right to receive future units under barter agreements	-	-	90	-	-	-	90
Inventories	19	-	1	8	-	-	28
Investments in joint ventures and associates	-	31	62	-	(832)	1,703	964
Operating assets (ii)	2,337	911	742	164	(830)	1,703	5,02

(i)
From all the revenues corresponding to the operations Center in Argentina, the 100% are originated mainly in Argentina. No external client represents 10% or more of revenue of any of the reportable segments.
(ii)
From all of the assets corresponding to the operations Center in Argentina included in the segment, Ps. 5,701 are located in Argentina and Ps. (674) in other countries, principally in United States for Ps. (832) and Uruguay for Ps. 158, respectively.

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Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

6. Segment information (Continued)

Below is a summarized analysis of the lines of business of Group’s operations center in Argentina for the fiscal year ended June 30, 2015:

	June 30, 2015 Operations Center in Argentina						
	Shopping Center	Offices and other	Sales and developments	Hotels	International	Financial operations and others	Total
Revenues (i)	1,778	333	15	396	26	-	2,548
Costs	(290)	(34)	(19)	(278)	(7)	-	(628)
Gross profit / (loss)	1,488	299	(4)	118	19	-	1,920
Gain from disposal of investment properties	-	-	1,163	-	-	-	1,163
General and administrative expenses	(136)	(58)	(50)	(78)	(56)	-	(378)
Selling expenses	(113)	(22)	(9)	(52)	-	-	(196)
Other operating results, net	(49)	(117)	13	-	183	(2)	28
Profit / (Loss) from operations	1,190	102	1,113	(12)	146	(2)	2,537
Share of (loss) / profit of joint ventures and associates	-	(3)	1	1	(1,189)	155	(1,035
Segment profit / (loss)	1,190	99	1,114	(11)	(1,043)	153	1,502
Investment properties	2,300	939	339	-	-	-	3,578
Property, plant and equipment	48	28	1	165	1	-	243
Trading properties	-	-	135	-	-	-	135
Goodwill	7	4	-	-	-	-	11
Right to receive future units under barter agreements	-	-	90	-	-	-	90
Inventories	16	-	-	7	-	-	23
Investment in joint ventures and associates	-	21	47	-	911	1,404	2,383
Operating assets (ii)	2,371	992	612	172	912	1,404	6,463

(i)

From all revenues corresponding to the operations Center in Argentina Ps. 2,522 are generated in Argentina and Ps. 26 in United States. No external client represents 10% or more of revenue of any of the reportable segments.

(ii)

From all assets corresponding to the operations Center in Argentina included in the segment, Ps. 5,445 are located in Argentina and Ps. 1,639 in other countries, principally in United States for Ps. 1,533 and Uruguay for Ps. 106, respectively.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

6. Segment information (Continued)

Below is a summarized analysis of the lines of business of Group's operations center in Argentina for the year ended June 30, 2014:

	June 30, 2014						
	Operations Center in Argentina						
	Shopping Center	Offices and other	Sales and developments	Hotels	International	Financial operations and others	Total
Revenues (i)	1,383	271	85	332	84	1	2,156
Costs	(293)	(43)	(33)	(216)	(54)	-	(639)
Gross profit	1,090	228	52	116	30	1	1,517
Gain from disposal of investment properties	-	-	236	-	-	-	236
General and administrative expenses	(102)	(42)	(37)	(60)	(59)	-	(300)
Selling expenses	(73)	(21)	(14)	(42)	-	-	(150)
Other operating results, net	(47)	(3)	8	(3)	(1)	(3)	(49)
Profit / (Loss) from operations	868	162	245	11	(30)	(2)	1,254
Share of (loss) profit of joint ventures and associates	-	(1)	6	1	(616)	170	(440)
Segment profit / (loss)	868	161	251	12	(646)	168	814
Investment properties	2,253	784	370	-	-	-	3,407
Property, plant and equipment	20	30	4	164	2	-	220
Trading properties	-	-	141	-	-	-	141
Goodwill	2	9	-	-	-	-	11
Right to receive future units under barter agreements	-	-	85	-	-	-	85
Assets held for sale	-	-	-	-	1,358	-	1,358
Inventories	11	-	1	6	-	-	18
Investment in joint ventures and associates	-	23	38	22	629	1,255	1,967
Operating assets (ii)	2,286	846	639	192	1,989	1,255	7,207

(i) From all revenues corresponding to the operations Center in Argentina Ps. 2,072 are generated in Argentina and Ps. 84 in United States. No external client represents 10% or more of revenue of any of the reportable segments.

(ii) From all of the assets corresponding to the operations Center in Argentina included in the segment, Ps. 5,108 are located in Argentina and Ps. 2,099 in other countries, principally in United States for Ps. 1,988 and Uruguay for Ps. 111, respectively.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

6. Segment information (Continued)

Below is a summarized analysis of the lines of business of Group's operations center in Israel for the year ended June 30, 2016:

	June 30, 2016					
	Operations Center in Israel					
	Real Estate	Supermarkets	Agrochemicals	Telecommunications	Insurances	Others
Revenues (i)	1,538	18,610	-	6,655	-	1,426
Costs	(837)	(13,925)	-	(4,525)	-	(1,194)
Gross profit	701	4,685	-	2,130	-	232
Gain from disposal of investment properties	45	-	-	-	-	-
General and administrative expenses	(100)	(203)	-	(708)	-	(376)
Selling expenses	(29)	(4,058)	-	(1,493)	-	(106)
Profit / (Loss) from operations	617	424	-	(71)	-	(250)
Share of profit / (loss) of joint ventures and associates	97	-	334	-	-	(93)
Segment profit / (loss)	714	424	334	(71)	-	(343)
Operating assets (ii)	60,197	29,440	-	27,345	4,602	25,405
Operating liabilities	(49,452)	(23,614)	-	(21,657)	-	(38,142)
Operating assets (liabilities), net	10,745	5,826	-	5,688	4,602	(12,737)

(i) From all revenues corresponding to operations Center in Israel, Ps. 512 are originated in United States and Ps. 27,717 in Israel. No external client represents 10% or more of revenue of any of the reportable segments.

(ii) From all assets corresponding to the operations Center in Israel, included in this segment, Ps. 14,070 are located in United States, Ps. 786 in India and remaining are located in Israel.

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

6.
Segment information (Continued)

The following tables present a reconciliation between the total results of operations as per segment information and the results of operations as per the statements of income. The adjustments relate to the presentation of the results of operations of joint ventures from operations center in Argentina accounted for under the equity method under IFRS and the non-elimination of the inter-segment transactions.

	June 30, 2016				
	Total as per segment information	Adjustment for share of profit / (loss) of joint ventures	Expenses and collective promotion funds	Adjustment to income for elimination of inter-segment transactions	Total as per Statement of income
Revenues	31,518	(29)	1,194	(8)	32,675
Costs	(21,315)	17	(1,207)	6	(22,499)
Gross profit / (loss)	10,203	(12)	(13)	(2)	10,176
Gain from disposal of investment properties	1,113	-	-	-	1,113
General and administrative expenses	(1,941)	1	-	7	(1,933)
Selling expenses	(5,950)	2	-	-	(5,948)
Other operating results, net	31	(2)	-	(5)	24
Profit / (loss) from operations	3,456	(11)	(13)	-	3,432
Share of (loss) / profit of joint ventures and associates	437	10	-	-	447
Net segment profit / (loss) before financing and taxation	3,893	(1)	(13)	-	3,879

	June 30, 2015				
	Total as per segment information	Adjustment for share of profit / (loss) of joint ventures	Expenses and collective promotion funds	Adjustment to income for elimination of inter-segment transactions	Total as per Statement of income
Revenues	2,548	(27)	887	(5)	3,403
Costs	(628)	14	(901)	4	(1,511)
Gross profit / (loss)	1,920	(13)	(14)	(1)	1,892
Gain from disposal of investment properties	1,163	-	-	-	1,163

General and administrative expenses	(378)	1	-	3	(374)
Selling expenses	(196)	2	-	-	(194)
Other operating results, net	28	2	-	(2)	28
Profit / (loss) from operations	2,537	(8)	(14)	-	2,515
Share of (loss) / profit of associates	(1,035)	12	-	-	(1,023)
Net segment profit / (loss) before financing and taxation	1,502	4	(14)	-	1,492

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

6. Segment information (Continued)

	June 30, 2014				
	Total as per segment information	Adjustment for share of profit / (loss) of joint ventures	Expenses and collective promotion funds	Adjustment to income for elimination of inter-segment transactions	Total as per Statement of income
Revenues	2,156	(41)	736	(6)	2,845
Costs	(639)	24	(744)	5	(1,354)
Gross profit / (loss)	1,517	(17)	(8)	(1)	1,491
Gain from disposal of investment properties	236	-	-	-	236
General and administrative expenses	(300)	1	-	2	(297)
Selling expenses	(150)	4	-	-	(146)
Other operating results, net	(49)	4	-	(1)	(46)
Profit / (loss) from operations	1,254	(8)	(8)	-	1,238
Share of (loss) / profit of associates	(440)	26	-	-	(414)
Net segment profit / (loss) before financing and taxation	814	18	(8)	-	824

The following tables present a reconciliation between total segment assets and liabilities as per segment information of operations centers in Argentina and Israel and total assets as per the statement of financial position.

	June 30, 2016			June 30, 2015	June 30, 2014
	Operations center in Argentina	Operations center in Israel	Total	Operations center in Argentina	Operations Center in Argentina
Total assets per segment based on segment information	5,027	146,989	152,016	6,463	7,207
Less:					
Proportionate share in assets per segment of joint ventures (3)	(118)	-	(118)	(97)	(150)
Plus:					
Investment in joint ventures (1)	203	-	203	169	294
Other non-reportable assets (2)	6,899	-	6,899	3,087	2,459
Total assets per segment as per statement of financial position	12,011	146,989	159,000	9,622	9,810

(1)

Represents the equity value of joint ventures that were proportionately consolidated for information by segment purposes.

(2)

Includes deferred income tax, income tax credit, trade and other receivables, investments in financial assets, cash and cash equivalent and intangible assets except for goodwill and right to receive units.

(3)

Below is a detail of the proportionate share in assets by segment of joint ventures of the operations center in Argentina, included in the information reported by segment:

	June 30, 2016	June 30, 2015	June 30, 2014
Investment properties	111	88	137
Property, plant and equipment	1	1	-
Trading properties	1	3	8
Goodwill	5	5	5
Total proportionate share in assets per segment of joint ventures	118	97	150

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Notes to Consolidated Financial Statements (Continued)
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6. Segment information (Continued)

	June 30, 2016			June 30, 2015	June 30, 2014
	Operations center in Argentina	Operations center in Israel	Total	Operations center in Argentina	Operations center in Argentina
Total liabilities per segment based on segment information	-	132,865	132,865	-	-
Plus/Less:					
Other non-reportable liabilities	12,634	-	12,634	7,364	7,254
Total liabilities per segment as per statement of financial position	12,634	132,865	145,499	7,364	7,254

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7.
Information about the main subsidiaries

The Group conducts its business through several operating and holding subsidiaries. The Group considers that the subsidiaries below are the ones with non-controlling interests material to the Group. Significant non-controlling interests have changed following the business combination. As of June 30, 2016 and June 30, 2015, significant non-controlling interests pertain to the operations center in Israel and the operations center in Argentina, respectively.

	At June 30, 2016							Year ended June 30, 2016		
	Non-controlling shareholders interest %	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets	Book Value of non-controlling interests	Revenues	Net Income (loss)	Other comprehensive loss
Elron (2)	49.68%	2,145	922	82	31	2,954	2,522	3	(97)	(103)
PBC (2)	23.55%	10,435	47,546	9,925	37,567	10,489	8,419	1,538	621	(267)
Cellcom (2)	58.23%	9,368	16,113	7,629	13,210	4,642	3,795	6,655	(64)	(3)
Shufersal (2)	47.05%	9,929	18,764	13,202	10,411	5,080	3,596	18,610	312	(19)

	At June 30, 2015							Year ended June 30, 2015			
	Non-controlling shareholders interest %	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets	Book Value of non-controlling interest	Revenues	Net Income (loss)	Other comprehensive loss	T co in
PAMSA (3)	20.00%	488	518	310	21	675	129	333	146	-	14
DFL (1)	8.43%	330	1,729	299	264	1,496	13	-	(418)	28	(3
Rigby (1)	25.50%	19	-	-	-	19	5	28	398	(186)	2
RES (4)	33.17%	30	356	11	14	361	120	-	119	-	1

N/A: Not applicable. Not considered a significant non-controlling interest.
(1)

Corresponds to the Group's indirect interest. The percentage of the non-controlling interest represents the equity interest which is not owned by Tyrus.

(2)
Corresponds to the Group's indirect interest. The percentage of the non-controlling interest represents the equity interest which is not owned by DIC.

(3)
Corresponds to the Group's indirect interest. The percentage of the non-controlling interest represents the equity interest which is not owned by IRSA CP.

(4)
Corresponds to the Group's indirect interest. The percentage of the non-controlling interest represents the equity interest which is not owned by Efanur.

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

7.
Information about principal subsidiaries (Continued)

Significant events

Cellcom is the largest provider of mobile telecommunications in Israel; it offers its services approximately to 2.9 million subscribers with a wide range of services. By the end of 2014, the Company launched television services over the Internet. Under Israeli laws, in order for a shareholder to be able to exert control over a Telecommunications Company, such shareholder must first secure the approval of the Ministry of Communications of Israel. Such approval, consequence of change in control of IDBD, has not yet been obtained.

In November 2015, Cellcom entered into an agreement, subject to approval, with Golan Telecom Ltd. ("Golan") and its shareholders to acquire all of Golan’s shares for a price of NIS 1,170 million, subject to certain adjustments. To complete the transaction, Cellcom intends to raise funds by way of a public offering and DIC expects to subscribe shares for up to NIS 100 million at that public offering to maintain its current equity interests. During April 2016, the Anti-trust Commission of Israel and the Ministry of Communications notified Cellcom their objection to the transaction described above but failed to state the grounds for such objection.

In June 2016, Hot Mobile Ltd. ("Hot"), a mobile phone carrier of Israel, announced it intended to enter into a non-exclusive long-term agreement for the provision of hosting services to Golan for the network used by Hot, which is subject to approval and directives by the Israel regulatory authorities.

Cellcom informed Golan that the transaction with Hot amounts to a material breach of the stock purchase agreement (“SPA”) mentioned above and of the intra-national roaming agreement (the “Roaming Agreement”) between Cellcom and Golan, including an exclusivity commitment in relation to the provision of services and the commitment to not apply any material change to the business acquired. Cellcom notified Golan and its shareholders that unless the breach to the SPA and the Roaming Agreement were cured, Cellcom would be entitled to terminate the SPA and claim the immediate reimbursement of an aggregate amount of NIS 600 million, in addition to the reimbursement of sums of money already paid by Cellcom to Golan. Non-performance will allow Cellcom to claim damages for the future payments that should have been made by Golan until the end of the exclusivity period agreed upon between the parties.

In July 2016, Cellcom started a legal action against Golan, including a motion filed to suspend the agreement between Golan and Hot; in this respect, on July 21, 2016 the District Court issued a temporary restraining order against finalizing the agreement between Golan and Hot, as requested by Cellcom. In August 2016, Golan filed a motion with the Supreme Court challenging the temporary order.

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Notes to Consolidated Financial Statements (Continued)
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7.
Information about principal subsidiaries (Continued)

Analysis of the impact of the Concentration Law

As mentioned in note 1 to these financial statements, IDBD is analyzing the implications of the Concentration Law. The alternatives under evaluation include: (i) delisting of IDBD or DIC so that it becomes a private company, or (ii) a merger between IDBD and DIC. At the time of approval of these financial statements, the preceding alternatives are merely under evaluation and there is no certainty as to implementation of the structural changes described above or the date of any such implementation. IDBD and DIC estimate that one of these alternatives are likely to be carried out, allowing the Group to continue holding control of Cellcom after December 2019.

As indicated for IDBD, PBC is also assessing the implications of this Act in relation to its holdings in controlled companies, for the purpose of continuing to exercise control; and it believes it will continue to do so.

IDBD and DIC assess whether it is necessary to recognize deferred tax liabilities for the temporary differences arising in relation to its investments in subsidiaries. In this respect, IDBD, DIC and PBC estimate that if each of them is required to dispose of its respective holdings in subsidiaries, they would not be liable to income tax on the sale and, for such reason, they did not recognize the deferred tax liabilities related to this difference in these financial statements.

8.
Interests in joint ventures

Evolution of Group´s investments in joint ventures for the fiscal years ended June 30, 2016 and 2015 was as follow:

	June 30, 2016	June 30, 2015
Beginning of the year	190	317
Balance incorporated by business combination (Note 3)	960	-
Capital contributions	77	8
Share of profit	140	10
Currency translation adjustment	594	-
Cash dividends (i)	(17)	(34)
Capital reduction (ii)	-	(111)
End of the year	1,944	190

(i)
During the fiscal year ended June 30, 2016, Ps. 7 corresponds to Cyrsa, Ps. 4 to NPSF and Ps. 6 to Manaman. During the fiscal year ended June 30, 2015, Ps. 31 corresponds to Cyrsa and Ps. 3 to NPSF.

(ii) During the year ended June 30, 2015 Cyrsa distributed dividends due to capital reduction for Ps. 111.

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8.
Interests in joint ventures (Continued)

The table below shows the value of the Group's holdings in joint ventures for the years ended June 30, 2016 and 2015, as well as the Group’s interest in comprehensive income (loss) of these companies for the years ended June 30, 2016, 2015 and 2014:

Name of the entity	Place of business / country of incorporation	Main activity	Nature of the relationship	Common shares 1 vote	Value of Group's interest in equity June 30,		Group's interest in comprehensive income (loss) June 30,			% of ownership interest held June 30,			Las Sha Cap (no val
					2016	2015	2016	2015	2014	2016	2015	2014	
Mehadrin	Israel	Agriculture	(1)	1,509,889	985	-	433	-	-	45.41%	-	-	(*)
Other joint ventures			(2)	-	959	190	301	10	26	-	-	-	-
					1,944	190	734	10	26				

(1)
Mehadrin is a company engaged in the production and exports of citrus, fruits and vegetables. The Group has entered into a joint venture agreement in relation to this company.
(2)
The Group also has interest in a number of individually immaterial joint ventures that are accounted for using the equity method.
(*)
Amounts in million of NIS.

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

8.
Interests in joint ventures (Continued)

Information about significant joint ventures

Set out below is the summarized financial information for those joint ventures that are material to the Group:

	At June 30, 2016											Year
	Current assets	Non-current assets	Current liabilities	Non- current liabilities	Net assets	Dividend distribution	Net assets at end of the year	% of ownership interest held	Interest in joint venture	Goodwill and others	Net book amount	Reve
Mehadrin	2,475	2,814	2,678	673	1,938	-	1,938	45.41%	880	105	985	(*) 8

	At June 30, 2015											Year en
	Current assets	Non-current assets	Current liabilities	Non- current liabilities	Net assets	Dividend distribution	Net assets at end of the year	% of ownership interest held	Interest in joint venture	Goodwill and others	Net book amount	Revenu
Cyrsa	17	43	24	1	35	31	35	50%	18	-	18	11
Puerto Retiro (i)	1	46	4	9	34	-	34	50%	17	28	45	2
Quality Invest (ii)	4	150	6	2	146	-	146	50%	73	1	74	16

(i) On April 18, 2000, Puerto Retiro was notified of a filing made by the National Government, through the Ministry of Defense, to extend the petition in bankruptcy of Indarsa to Puerto Retiro. At the request of plaintiff, the bankruptcy court for the Buenos Aires District issued an order restraining the ability of Puerto Retiro to sell or dispose in any manner the land. Indarsa had acquired 90% of the capital stock of Tandanor to a formerly estate owned company in 1991. Indarsa did not comply with the payment of the outstanding price for the acquisition of the stock of Tandanor, and therefore the Ministry of Defense requested the bankruptcy of Indarsa, pursuing to extend the bankruptcy to Puerto Retiro. In addition, Tandanor filed a civil action against Puerto Retiro and other accused parties in the criminal case for violation of section 174 subsection 5, under section 173 subsection 7 of Criminal Code. The claim expects that upon invalidation of executive order that approved the bid of Dársena Norte plot of land, Tandanor be reimbursed any other sum of money that it claims to have lost due to the alleged fraudulent purchase-sale transaction of the real property disputed in the case. The Management and legal advisors of Puerto Retiro estimate that there are legal and technical issues to consider that the request for bankruptcy will be denied by the court. However, given the current

status of the case, we cannot predict its outcome. On July 12, 2016, Puerto Retiro S.A. has been notified of a ruling rendered by the Federal Court 5 which decided on the defenses raised by all co-defendants in the civil case. As regards the defenses raised by Puerto Retiro S.A., the Court rejected them on the grounds of legal defect and lack of procedural standing as defendant, whereas in relation to the lack of standing to sue and the statute of limitations defense, it deferred its treatment until it renders a judgment on the merits of the case. Puerto Retiro S.A. has filed a remedy for reversal with right to an appeal, challenging both defenses.

(ii) In March 2011, Quality purchased an industrial plant located in San Martín, Province of Buenos Aires. The facilities have the necessary features and scales for multiple uses. On January 20, 2015, Quality entered into an Urbanization Agreement with the Municipality of San Martín which contemplates a monetary compensation to the City Council totaling Ps. 40, payable in two installments of Ps. 20 each. The first of such installments was actually paid on June 30, 2015. On January 5, 2016 the Official Bulletin of the Province of Buenos Aires published the Order of Provincial Ratification (of the Municipal Ordinance), whereby the urban parameters originally requested entered into full force, thus concluding the legislative enactment process. Even though validation is a condition precedent to the Agreement's effectiveness, the obligation to pay the second installment will not become in force until the first drawing is registered with the Dirección de Geodesia (Geodesy Office) of the province of Buenos Aires. Quality is assessing several alternatives in order to file the plan with the final project.

(*)
Amount in million of NIS.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

9.
Interests in associates

Evolution of the Group's investment in associates for the years ended June 30, 2016 and 2015 were as follows:

	June 30, 2016	June 30, 2015
Beginning of the year	1,999	1,767
Acquisition / Increase in equity interest in associates (Note 3)	158	1,255
Unrealized profit / (loss) on investments at fair value	79	(1,001)
Decrease for IDBD business combination (Note 3)	(1,047)	-
Associates incorporated by business combination (Note 3)	8,308	-
Capital contributions	180	31
Share in profit / (loss)	286	(32)
Currency translation adjustment	4,171	56
Cash dividends (ii)	(515)	(13)
Sale of equity interest in associates (Note 3)	(4)	(34)
Reclassification to financial instruments (Note 3)	-	(30)
Hedging instruments	(93)	-
Defined benefit plans	(10)	-
Impairment	(58)	-
End of the year (i)	13,454	1,999

(i)
Includes Ps. (838) and Ps. (363) reflecting interests in companies with negative equity as of June 30, 2016 and 2015, respectively, which are disclosed in "Provisions" (see Note 20).
(ii)
During the fiscal year ended June 30, 2016 the balance corresponds Ps. 10 to Millenium, Ps. 495 to Adama and Ps. 10 to Emco. During the fiscal year ended June 30, 2015 the balance corresponds to dividends received from BHSA.

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

9.
Interests in associates (Continued)

The table below shows the value of the Group’s interest in associates for the years ended June 30, 2016 and 2015, as well as the Group’s interest in comprehensive income (loss) of these companies as of June 30, 2016, 2015 and 2014:

Name of the entity	Place of business / country of incorporation	Main activity	Nature of the relationship	Common shares 1 vote	Value of Group's interest in equity		Group's interest in comprehensive income (loss)	% of ownership interest held / Last financial statement issued			
					June 30,		June 30,				
					2016	2015	2016	2015 / 2014 / Share Capital (nominal value) [illegible]	Profit / (loss) for the year	Shareholders' Equity	[cut off]
BHSA	Argentina	Financial	(1)	448,689,072	1,609	1,356	259	[illegible]		5,234	
IDBD	Israel	Investment	(2)	324,445,664	-	908	137	[illegible]		-	
Adama	Israel	Agrochemical	(3)	55,196,352	10,847	-	4,141	[illegible]		(**)	6,[cut off]
PBEL	India	Real estate	(4)	450,000	864	-	194	[illegible]	(29)	(**)	([cut off]
Other associates			(5)		134	(265)	(253)	[illegible]		-	
					13,454	1,999	4,478	[illegible]			

(1)
BHSA is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations.

(2)
The Group acquired IDBD on May 7, 2014. IDBD is one of the Israeli biggest and most diversified investment groups. The Group has valued its interest in IDBD at fair value through profit or loss, according to an exception of IAS 28. See Note 3 for further information. Since interest in IDBD was valued at fair value, participation in financial statements and other comprehensive income statement of IDBD is not shown in the table above. Share market value was 1.957 NIS as of June 30, 2015. (Note 3).
(3)
Adama is specialized in the chemical industry, mainly, in the agrochemical industry.
(4)
PBEL is a real estate company with developments mainly in India.
(5)

The Group also has interest in a number of individually immaterial associates that are accounted for using the equity method.

(*)
Amount in million of dollars.

(**)
Amount in million of NIS.

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9. Interests in associates (Continued)

Information about significant associates

Set out below are the summarized financial information of the significant Group's associates as of June 30, 2016 and 2015:

At June 30, 2016												
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets	Dividend distribution	Net assets at end of the year (i)	% of ownership interest held		Interest in associates	Goodwill and others	Net book amoun
BHSA	20,307	20,544	28,255	7,244	5,352	-	5,234	30.66%	(ii)	1,605	4	1,609
Adama	41,879	25,470	23,018	20,336	23,995	496	23,995	40.00%		9,598	1,249	10,847
PBEL	1,510	257	354	3,456	(2,043)	-	(2,043)	45.40%		(928)	1,792	864

At June 30, 2015													Y
0	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets	Dividend distribution	Net assets at end of the year (i)	% of ownership interest held		Interest in associates (iii)	Goodwill and others	Net book amount (ii)	R
BHSA	24,850	10,234	26,893	3,725	4,466	13	4,398	30.74%	(ii)	1,352	4	1,356	4,
IDBD (iii)	30,344	64,935	24,209	61,684	9,386	-	9,386	49%		N/A	N/A	1,529	43

(i) Net from non-controlling interest.
(ii) Considering the effect of treasury shares.
(iii) The book value has been computed based on the fair value of the investment (Note 3).
(*) Amount in million of NIS.

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

9. Interests in associates (Continued)

BHSA

In accordance with the regulations of the BCRA, there are certain restrictions on the distribution of profits by BHSA.

The fair value of the Group's investment in BHSA was estimated based on the present value of future business cash flows. The main premises used to calculate the fair value as of June 30, 2016 were the following:

- The Group considered the period 2017-2024 as horizon for the projection of BHSA cash flows.
- The "Private BADLAR" interest rate was projected based on internal data and information gathered from external consultants.
- The projected exchange rate was estimated in accordance with internal data and external information provided by independent consultants.
- The discount rate used to discount real dividend flows and calculate the fair value is 12.41%.

Based on the described premises, the Group estimated the fair value of its investment in BHSA as of June 30, 2016 to be Ps. 3,246.

Adama

Adama is specialized in the chemical industry, mainly, in the agrochemical industry. In this framework, Adama is engaged in developing, manufacturing and selling crop protection products, while also operating in other areas based on its basic capacities (the agricultural and chemical sectors), but to a immaterial extent.

In 2011, Koor (a wholly own subsidiary of DIC) sold 60% of Adama's shares to China National Agrochemical Corporation ("ChemChina") and was also granted a non-recourse loan in the aggregate amount of US$ 960 million, which is secured by the remaining 40% of ADAMA shares held by Koor as of June 30, 2016. The loan is disclosed in Note 21 under non-current loans.

On July 17, 2016 DIC informed the market that it has accepted the offer by ChemChina who intends to acquire 40% of Adama's shares currently held by Koor, indirectly controlled by IDBD through DIC. In August 2016, Koor and a subsidiary of ChemChina executed the corresponding agreement. The price of the transaction includes a payment in cash of US$ 230 million plus the total repayment of the non-recourse loan and its interests, which had been granted to Koor by a chinese bank.

The Group expects that this sale transaction will be finalized during November 2016, subject to compliance with certain conditions, including obtaining approvals by the Chinese regulatory and antitrust authorities.

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

10.
Investment properties

Changes in the Group's investment properties for the years ended June 30, 2016 and 2015 were as follows:

	Rental properties (iii)	Undeveloped parcels of land	Properties under development	Total (iv)
At July 1st, 2014:				
Costs	4,158	368	363	4,889
Accumulated depreciation	(1,619)	-	-	(1,619)
Residual value	2,539	368	363	3,270
Year ended June 30, 2015				
Opening residual value	2,539	368	363	3,270
Additions	280	2	186	468
Transfers (ii)	513	25	(538)	-
Transfers to property, plant and equipment	10	-	(9)	1
Transfers to trading properties	(3)	-	-	(3)
Disposals	(94)	(3)	(2)	(99)
Depreciation charges (i)	(147)	-	-	(147)
Closing residual value	3,098	392	-	3,490
At June 30, 2015:				
Costs	4,656	392	-	5,048
Accumulated depreciation	(1,558)	-	-	(1,558)
Residual value	3,098	392	-	3,490
Year ended June 30, 2016:				
Opening residual value	3,098	392	-	3,490
Assets incorporated by business combination (Note 3)	25,256	1,439	2,891	29,586
Additions	260	11	919	1,190
Transfers	1,330	(67)	(1,263)	-
Transfers of property, plant and equipment	71	-	(1)	70
Transfers to trading properties	(4)	(67)	-	(71)
Disposals	(261)	(6)	-	(267)

Currency translation adjustment	14,437	805	1,512	16,754
Impairment (Note 30)	(182)	(77)	(80)	(339)
Depreciation charges (i)	(535)	(6)	-	(541)
Closing residual value	43,470	2,424	3,978	49,872
At June 30, 2016:				
Costs	45,639	2,432	3,978	52,049
Accumulated depreciation	(2,169)	(8)	-	(2,177)
Residual value	43,470	2,424	3,978	49,872

(i)
Depreciation charges of investment properties were included in "Costs" in the statement of income (Note 27).
(ii)
Includes transfers due to the opening of Alto Comahue and Distrito Arcos Shopping Centers.
(iii)
Distrito Arcos - Injunction: On December 2013, the Judicial Branch confirmed an injunction that suspended the opening of the shopping center on the grounds that it did not have certain governmental permits in the context of two judicial processes, where a final decision has been rendered for the company. The plaintiff filed a petition for the continuation of the preliminary injunction by means of an extraordinary appeal of unconstitutionality which was by the lower and appellate courts; consequently, it filed an appeal with the Autonomous City of Buenos Aires Higher Court of Justice, which so far has not rendered a decision. Nowadays, the Shopping Center Distrito Arcos is open to the public and operating normally.
Distrito Arcos - Concession status: The National State issued Executive Order 1723/2012 whereby several plots of land located in prior rail yards of Palermo, Liniers and Caballito rail stations ceased to be used for rail purposes, in order to be used for development of integral urbanization projects. In this respect, and as part of several measures related to other licensed persons and/or concessionaires, we have notified in the file of proceedings the corresponding Resolution 170/2014 revoking the "Contract for Reformulation of the Concession of Rights of use and Development" number AF000261 issued by the "Agencia de Administración de Bienes del Estado" (State Assets Administration Office, or AABE in Spanish). It should further be pointed out that such measure: (i) has not been adopted due to non-compliance of our subsidiary; (ii) to date has not involved the interruption of the commercial development or operation of the shopping center, which continues to operate under normal conditions. Notwithstanding the foregoing, Arcos del Gourmet S.A. has filed the relevant administrative remedies (appeal) and has also filed a judicial action requesting that the revocation of such concession be overruled. Furthermore, it has started a so-called "juicio de consignación", that is an action where the plaintiff deposits with the court sums of money that the defendant refuses to accept. Under this legal action, the company has deposited in due time and form all rental payments under the Contract for Reformulation of the Concession of Rights of Use and Development, which the Company considers to have been unduly revoked.
(iv)
Certain investment property assets of the Group have been mortgaged or restricted to secure some of the Group's borrowings and other payables. Book amount of those properties amounts to Ps. 15,544, Ps. 61 and Ps. 154 as June 30, 2016, 2015 and 2014, respectively.

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10. Investment properties (Continued)

The following amounts have been recognized in the statement of income:

	June 30, 2016	June 30, 2015	June 30, 2014
Rental and services income	5,268	2,997	2,449
Cost of rental and services	(2,429)	(1,219)	(1,122)
Development expenditures	(11)	(9)	(6)
Gain from disposal of investment property	1,113	1,163	236

As of June 30, 2016 and 2015, the fair value of investment properties from the operations center in Argentina, amounts to Ps. 28,202 and Ps. 22,089, respectively. The fair values are based on comparable values of certain qualified external appraisers (Level 2 of fair value hierarchy) except in the case of shopping centers, where fair value is based on the market capitalization valuation (Level 3 of the fair value hierarchy). In the first case, sale prices of comparable properties are adjusted considering the specific aspects of each property, the most relevant premise being the price per m2 (square meter). In the second case, was computed considering the specific aspects of each property using a weighted average capitalization rate of 10.9% and 12% respectively (a 9.8% to 13.3% range was considered for fiscal year 2016 and 10% to 15% for fiscal year 2015).

As of June 30, 2016 the fair value of investment property from operations center in Israel, amounts to Ps. 48,032. The fair values are based on valuations performed by independent appraisers, who used the methodologies of discounted cash flows and market capitalization rates as appropriate (Level 3 and 2 of the fair value hierarchy). Independent appraisers estimated cash flows of the properties to which they applied discount rates and / or capitalization rates according to market data. They were determined considering the specific characteristics of each asset (location, sales, occupation, surface condition and type of property, etc.). Discount rates used ranged from 7% to 10% and capitalization rate used ranged from 6% to 11%. The average occupancy of the properties was 96%.

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11.
Property, plant and equipment

Changes in the Group's property, plant and equipment for the years ended June 30, 2016 and 2015 was as follows:

	Buildings and facilities	Machinery and equipment	Communication networks	Others (i)	Total
At July 1st, 2014:					
Costs	466	97	-	18	581
Accumulated depreciation	(270)	(80)	-	(12)	(362)
Residual value	196	17	-	6	219
Year ended June 30, 2015:					
Opening residual value	196	17	-	6	219
Additions	21	23	-	6	50
Transfers of investment properties	(10)	5	-	4	(1)
Depreciation charges (ii)	(14)	(9)	-	(2)	(25)
Closing residual value	193	36	-	14	243
At June 30, 2015:					
Costs	477	125	-	28	630
Accumulated depreciation	(284)	(89)	-	(14)	(387)
Residual value	193	36	-	14	243
Year ended June 30, 2016:					
Opening residual value	193	36	-	14	243
Incorporated by business combination (Note 3)	8,224	1,719	3,536	1,625	15,104
Additions	378	291	310	193	1,172
Impairment (Note 30)	(10)	-	(3)	-	(13)
Currency translation adjustment	4,838	1,018	2,034	894	8,784
Transfers to investment properties	(70)	-	-	-	(70)
Depreciation charges (ii)	(274)	(251)	(467)	(173)	(1,165)
Closing residual value	13,279	2,813	5,410	2,553	24,055
At June 30, 2016:					
Costs	13,891	3,203	5,974	2,776	25,844

Accumulated depreciation	(612)	(390)	(564)	(223)	(1,789)
Residual value	13,279	2,813	5,410	2,553	24,055

(i)
Includes furniture and fixtures, vehicles and aircrafts.
(ii)
As of June 30, 2016, depreciation charges were recognized: Ps. 625 in "Costs", Ps. 128 in "General and administrative expenses" and Ps. 412 in "Selling expenses", in the statement of income. As of June 30, 2015, depreciation charges were recognized: Ps. 22 in "Costs" and Ps. 3 in "General and administrative expenses", in the statement of income (Note 27).

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Notes to Consolidated Financial Statements (Continued)
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12.
Trading properties

Changes in the Group's trading properties for the fiscal years ended June 30, 2016 and 2015 were as follows:

	Completed properties	Properties under development (i)	Undeveloped sites (ii)	Total
At July 1st, 2014	6	119	10	135
Additions	-	1	-	1
Currency translation adjustment	-	(6)	-	(6)
Transfers of investment properties	-	-	3	3
Disposals	(2)	-	-	(2)
At June 30, 2015	4	114	13	131
Additions	51	290	13	354
Assets incorporated by business combination (Note 3)	108	1,724	824	2,656
Currency translation adjustment	74	1,121	457	1,652
Transfer	-	142	(142)	-
Transfers of investment properties	-	67	4	71
Disposals	(1)	(151)	-	(152)
At June 30, 2016	236	3,307	1,169	4,712

	June 30, 2016	June 30, 2015
Non-current	4,471	128
Current	241	3
Total	4,712	131

(i)
Include Liveck's plots of land, which have been mortgaged to secure Group's borrowings. The net book value amounted to Ps. 156 and Ps. 106 as of June 30, 2016 and 2015, respectively. Additionally, the Group has contractual obligations not provisioned related to these plots of land committed when certain properties were acquired or real estate projects were approved, and amounts to Ps. 120 and Ps. 71, respectively. The projected developments are expected to be completed in 2029.

(ii)
The Group is owner of an air space of approximately 23,000 square meters area on top of Hipermercado Coto, near the Abasto Shopping Center. The Group acquired rights to receive functional units, parking spaces, and the rights to increase the height of such property. On June 2016, a conditional Exchange Agreement was executed for a one year term, to be later formalized through the execution of a conveyance deed. The project will be a residential development for a consideration of apartments covering an area of 3,621 square meters plus US$ 1 million. The consideration will be delivered no later than June 2021 for Tower I, and no later than September 2022 for Tower II. The value in the bill of sale was set at US$ 7.5 million.

The Group also owns a plot of land next to Córdoba Shopping. In May 2016, an Exchange Agreement was executed for a building capacity of 13,500 square meters, subject to conditions for a term of one year, after which it may be formalized through a title conveyance deed. The project will be a mixed development, combining residential and office space, and the consideration will include apartments covering 2,160 square meters, parking space, and procedures to obtain permits, combinations and subdivisions of 3 plots of land. Delivery of the consideration will take place no later than May 2021 for Tower I and no later than July 2023 for Tower II. The Exchange Value was set at US$ 4 million.

Both above-mentioned contracts that are part of the Coto residential project and the Córdoba Shopping exchange project include conditions precedent and/or suspensive clauses.

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13.
Intangible assets

Changes in the Group's intangible assets for the years ended June 30, 2016 and 2015 were as follows:

	Goodwill	Trademarks	Licenses	Customer relations	Information systems and software	Contracts and others (ii) (iii)	Total
At July 1st, 2014							
Costs	6	-	-	-	18	118	142
Accumulated amortization	-	-	-	-	(17)	(1)	(18)
Residual value	6	-	-	-	1	117	124
Year ended June 30, 2015							
Opening residual value	6	-	-	-	1	117	124
Additions	-	-	-	-	1	5	6
Amortization charges (i)	-	-	-	-	(1)	(2)	(3)
Closing residual value	6	-	-	-	1	120	127
At June 30, 2015							
Costs	6	-	-	-	19	123	148
Accumulated amortization	-	-	-	-	(18)	(3)	(21)
Residual value	6	-	-	-	1	120	127
Year ended June 30, 2016							
Opening residual value	6	-	-	-	1	120	127
Additions	-	-	-	-	134	-	134
Assets incorporated by business combination (Note 3)	1,391	2,131	515	2,474	635	848	7,994
Currency translation adjustment	817	1,243	292	1,327	362	455	4,496
Amortization charges (i)	-	(19)	(48)	(582)	(184)	(155)	(988)
Closing residual value	2,214	3,355	759	3,219	948	1,268	11,76
At June 30, 2016							
Costs	2,214	3,378	817	3,923	1,189	1,458	12,97
	-	(23)	(58)	(704)	(241)	(190)	(1,216

Accumulated amortization							
Residual value	2,214	3,355	759	3,219	948	1,268	11,76

(i)
As of June 30, 2016, amortization charges were recognized: Ps. 216 in "Costs", Ps. 157 in "General and administrative expenses" and Ps. 615 in "Selling expenses", respectively in the statement of income (Note 27). As of June 30, 2016 and 2015, amortization charges were recognized Ps. 3 in "General and administrative expenses" in the statement of income (Note 27).There are no impairment charges for any of the years presented.

(ii)
Includes "Rights of use". Correspond to Distrito Arcos Depreciation began in January, 2015, upon delivery of the shopping center.

(iii)
Includes "Right to receive future units under barter agreements". Correspond to in kind receivables representing the right to receive residential apartments in the future under barter agreements. The ongoing transactions are: A) Caballito: on June 29, 2011, the Group and TGLT entered into a barter agreement for US$ 12.8 million. A neighborhood association secured a preliminary injunction that suspended the works to be carried out by TGLT in the property. Once said preliminary injunction was deemed final, the Government of the City of Buenos Aires and TGLT were served notice of the complaint. The Group is not involved in these proceedings and has not been sued or summoned as a third party by any of the parties involved in the legal action. B) Beruti: on October 13, 2010, the Group and TGLT entered into an agreement for US$ 18.8 million. An association named Asociación Amigos Alto Palermo presented an injunction requesting the prohibition of the construction and obtained a suspense interim measure for this purpose. Later, the Court of Appeals from the Autonomous City of Buenos Aires ordered the lifting of such interim measure suspending the continuation of the work. On June 11, 2015 final judgment was rendered in favor of IRSA CP and TGLT.

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14. Financial instruments by category

The note shows the financial assets and financial liabilities by category of financial instrument and a reconciliation to the corresponding line item in the statements of financial position, as appropriate. Since the line items "Trade and other receivables" and "Trade and other payables" contain both financial instruments and non-financial assets or liabilities (such as prepayments, trade payables in-kind and tax receivables and payables), the reconciliation is shown in the columns headed "Non-financial assets" and "Non-financial liabilities". Financial assets and liabilities measured at fair value are assigned based on their different levels in the fair value hierarchy.

IFRS 9 defines the fair value of a financial instrument as the amount for which an asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction. All financial instruments recognized at fair value are allocated to one of the valuation hierarchy levels of IFRS 7. This valuation hierarchy provides for three levels.

In the case of Level 1, valuation is based on quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company can refer to at the date of valuation.

In the case of Level 2, fair value is determined by using valuation methods based on inputs directly or indirectly observable in the market. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period.

In the case of Level 3, the Group uses valuation techniques not based on inputs observable in the market. This is only permissible insofar as no market data are available. The inputs used reflect the Group's assumptions regarding the factors which market players would consider in their pricing.

The Group's Finance Division has a team in place in charge of estimating valuation of financial assets required to be reported in the financial statements, including the fair value of Level-3 instruments. The team directly reports to the Chief Financial Officer ("CFO"). The CFO and the valuation team discuss the valuation methods and results upon the acquisition of an asset and, if necessary, on a quarterly basis, in line with the Group's quarterly reports.

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(All amounts in millions of Argentine Pesos, except otherwise indicated)

14. Financial instruments by category (Continued)

According to the Group's policy, transfers among the several categories of valuation tiers are recognized when occurred, or when there are changes in the prevailing circumstances requiring the transfer.

	Financial assets at amortized cost	Financial assets at fair value through profit or loss			Subtotal financial assets	Non-financial assets	Total
		Level 1	Level 2	Level 3			
June 30, 2016							
Assets as per statement of financial position							
Trade and other receivables (excluding the allowance for doubtful accounts and other receivables) (Note 15)	12,718	-	-	1,931	14,649	2,374	17,023
Investments in financial assets:							
- Public companies' securities	-	1,369	-	499	1,868	-	1,868
- Private companies' securities	-	-	15	1,324	1,339	-	1,339
- Deposits	(i) 1,172	12	-	-	1,184	-	1,184
- Mutual funds	-	2,775	-	-	2,775	-	2,775
- Bonds	(i) 121	4,365	-	-	4,486	-	4,486
- Others	-	90	-	140	230	-	230
Derivative financial instruments (Note 17)	-	12	15	-	27	-	27
Restricted assets	(i) 618	-	-	-	618	-	618
Financial assets held for sale (Note 16)	-	4,602	-	-	4,602	-	4,602
Cash and cash equivalents (Note 18)	6,214	7,652	-	-	13,866	-	13,866
Total assets	20,843	20,877	30	3,894	45,644	2,374	48,018

(i)
The fair values approximate their respective carrying amounts.

	Financial liabilities at amortized cost	Financial liabilities at fair value			Subtotal financial liabilities	Non-financial liabilities	Total
		Level 1	Level 2	Level 3			
June 30, 2016							
Liabilities as per statement of financial position							

Trade and other payables (Note 19)	18,399	-	-	-	18,399	993	19,392
Borrowings (excluding finance leases) (Note 21)	101,928	-	-	10,999	112,927	-	112,927
Derivative financial instruments (Note 17)	-	214	3	-	217	-	217
Total liabilities	120,327	214	3	10,999	131,543	993	132,536

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Notes to Consolidated Financial Statements (Continued)
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14. Financial instruments by category (Continued)

Financial assets and financial liabilities as of June 30, 2015 were as follows:

	Financial assets at amortized cost	Financial assets at fair value through profit or loss			Subtotal financial assets	Non-financial assets	Total
		Level 1	Level 2	Level 3			
June 30, 2015							
Assets as per statement of financial position							
IDBD (i)	-	-	-	908	908	-	908
Trade and other receivables (excluding the allowance for doubtful accounts and other receivables) (Note 15)	1,154	-	-	-	1,154	199	1,353
Investments in financial assets:							
- Public companies' securities	-	88	-	349	437	-	437
- Private companies' securities	-	-	-	102	102	-	102
- Mutual funds	-	145	-	-	145	-	145
- Bonds	(ii) 210	104	-	-	314	-	314
Derivative financial instruments (Note 17)	-	228	-	7	235	-	235
Restricted assets	9	-	-	-	9	-	9
Cash and cash equivalents (Note 18)	373	2	-	-	375	-	375
Total	1,746	567	-	1,366	3,679	199	3,878

(i)
The Group has reported its interest in the associate IDBD at fair value with changes through profit or loss, as per IAS 28.
(ii)
The fair values approximate their respective carrying amounts.

	Financial liabilities at amortized cost	Financial liabilities at fair value			Subtotal financial liabilities	Non-financial liabilities	Total
		Level 1	Level 2	Level 3			
June 30, 2015							
Liabilities as per statement of financial position							

Trade and other payables (Note 19)	461	-	-	-	461	690	1,151
Borrowings (excluding finance leases) (Note 21)	4,955	-	-	15	4,970	-	4,970
Derivative financial instruments (Note 17)	-	-	-	503	503	-	503
Total	5,416	-	-	518	5,934	690	6,624

Liabilities carried at amortized cost also include liabilities under finance leases where the Group is the lessee and which therefore have to be measured in accordance with IAS 17 “Leases”. The categories disclosed are determined by reference to IFRS 9. Finance leases are excluded from the scope of IFRS 7 “Financial Instruments Disclosures”. Therefore, finance leases have been shown separately.

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14. Financial instruments by category (Continued)

The following are details of the book value of financial instruments recognized, which were offset in the statements of financial position:

	As of June 30, 2016		
	Gross amounts recognized	Gross amounts offset	Net amount presented
June 30, 2016			
Financial assets			
Trade and other receivables (excluding the allowance for doubtful accounts and other receivables) (Note 15)	15,949	(1,300)	14,649
Financial Liabilities			
Trade and other payables (Note 19)	(19,699)	1,300	(18,399)

	As of June 30, 2015		
	Gross amounts recognized	Gross amounts offset	Net amount presented
June 30, 2015			
Financial assets			
Trade and other receivables (excluding the allowance for doubtful accounts and other receivables) (Note 15)	1,299	(75)	1,154
Financial Liabilities			
Trade and other payables (Note 19)	(536)	75	(461)

Income, expense, gains and losses on financial instruments can be assigned to the following categories:

	Financial assets / liabilities at amortized cost	Financial assets / liabilities at fair value through profit or loss	Total
June 30, 2016			
Interest income (i)	651	116	767
Interest expense (i)	(2,358)	(23)	(2,381)
Foreign exchange (losses) / gains, net (i)	(1,690)	6	(1,684)
Dividend income (i)	-	72	72
Fair value loss on financial assets at fair value through profit or loss (i)	-	(1,439)	(1,439)
Gain on derivative financial instruments, net (i)	-	921	921

Other finance costs (i)	(818)	(106)	(924)
Fair value gain on associates (ii)	-	79	79
Net result	(4,215)	(374)	(4,589)

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14. Financial instruments by category (Continued)

	Financial assets / liabilities at amortized cost	Financial assets / liabilities at fair value through profit or loss	Total
June 30, 2015			
Interest income (i)	61	5	66
Interest expense (i)	(628)	-	(628)
Foreign exchange losses, net (i)	(354)	-	(354)
Dividend income (i)	-	17	17
Fair value gain on financial assets at fair value through profit or loss (i)	-	53	53
Loss on derivative financial instruments, net (i)	-	(16)	(16)
Other finance costs (i)	(71)	-	(71)
Fair value loss on associates (ii)	-	(1,001)	(1,001)
Net result	(992)	(942)	(1,934)

	Financial assets / liabilities at amortized cost	Financial assets / liabilities at fair value through profit or loss	Total
June 30, 2014			
Interest income (i)	76	-	76
Interest expense (i)	(471)	-	(471)
Foreign exchange losses, net (i)	(1,162)	-	(1,162)
Dividend income (i)	-	15	15
Fair value gain on financial assets at fair value through profit or loss (i)	-	215	215
Loss on derivative financial instruments, net (i)	-	(317)	(317)
Other finance costs (i)	(75)	-	(75)
Fair value loss on associates (ii)	-	(517)	(517)

Net result	(1,632)	(604)	(2,236)

(i)
Included in “Financial results, net “in the statement of income.
(ii)
Included in “Share of profit / (loss) of joint ventures and associates” in the statement of income.

The following table presents the changes in Level 3 instruments as of June 30, 2016 and 2015:

	Investments in financial assets - Public companies' securities	Derivative financial instruments - Warrants of Condor	Investment in associate IDBD	Derivative financial instruments - Commitment to tender offer of shares in IDBD	Investments in financial assets - Private companies	Investments in financial assets - Others	Trade and other receivables - Cellcom	Borrowings - Non-recourse loan	Total
Total as of June 30, 2014	211	-	-	(321)	-	-	-	-	(110)
Currency translation adjustment	-	-	83	(45)	-	-	-	19	57
Transfer to level 3	-	-	1,826	-	-	-	-	(86)	1,740
Gains / (losses) for the year (Note 30)	138	7	(1,001)	(137)	72	-	-	52	(869)
Transfer from associates	-	-	-	-	30	-	-	-	30
Balance at June 30, 2015	349	7	908	(503)	102	-	-	(15)	848
Additions and acquisitions	50	-	-	-	27	-	-	-	77
Obtainment of control over IDBD	-	-	(1,047)	-	861	88	1,187	(7,336)	(6,247
Currency translation adjustment	-	-	60	(18)	291	52	705	(3,610)	(2,520
Write off	-	-	-	500	-	-	-	-	500
Gains / (losses) for the year (Note 30)	100	(7)	79	21	43	-	39	(38)	237
Balance at June 30,	499	-	-	-	1,324	140	1,931	(10,999)	(7,105

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Notes to Consolidated Financial Statements (Continued)
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14. Financial instruments by category (Continued)

Securities and warrants of Condor

Upon initial recognition (January, 2012), the consideration paid for the Shares and Warrants of Condor was assigned to both instruments based on the relative fair values of those instruments upon acquisition. The fair values of these instruments exceeded the price of the transaction and were assessed using a valuation method that incorporates unobservable market data. Given the fact that the fair value of these instruments was estimated by applying the mentioned method, the Group did not recognize a gain at the time of initial recognition.

In March 2016, the Group has exchanged its preferred Class C shares for a new Class D preferred shares issued by Condor and, additionally, it has received cash in the amount of US$ 1.2 million and a promissory note for US$ 1.1 million related to dividends receivable.

In this new issue the company "Stepstone Real Estate" has been added as new partner by making a contribution of US$ 30 million, which will be used to redeem Class A and B preferred shares and for the acquisition of new hotels.

The new Class D preferred shares will accrue annual interest at a rate of 6.25% and will be convertible into common shares at a price of US$ 1.60.per share.

There were no changes to the warrants held by the Group.

The Board of Directors of Condor is now formed by 4 directors of the company, 3 directors appointed by Stepstone Real Estate and 2 independent directors. In addition, the voting power held by the company in Condor amounts to 49%, thus keeping significant influence.

Investment in IDBD, associate and warrants

As described in Note 3 until taking control over IDBD, the Group stated its equity interest in IDBD as an associate measured at fair value, invoking the exception under IAS 28 and the warrants to acquire IDBD's common shares were booked at their quoted prices. Since October 11, 2015, as result of consolidation, the equity interest in IDBD as an associate and the warrants were eliminated following the consolidation to add IDBD's assets and liabilities on a line-by-line basis.

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Notes to Consolidated Financial Statements (Continued)
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14. Financial instruments by category (Continued)

Non-recourse loan

IDBD relies on an independent appraiser to determine the value of the non-recourse loan. The valuation model is a binomial tree where the main variable is Adama's share price.

When no quoted prices in an active market are available, fair values (particularly with derivatives) are based on recognized valuation methods. The Group uses a range of valuation models for the measurement of Level 2 and Level 3 instruments, details of which may be obtained from the following table:

Description	Pricing model	Pricing method	Parameters	Range
Investment in financial assets – Public companies securities - Preferred shares of Condor	Binomial tree	Theoretical price	Underlying asset price (Market price); share price volatility (historical) and market interest-rate (Libor rate curve).	Underlying asset price 1.4 to 1.7 Share price volatility 58% to 78% Money market interest-rate 1.0% to 1.3%
Investment in financial assets – Public companies securities - Promissory note	Discounted cash flow	Theoretical price	Market interest-rate (Libor rate curve)	Money market interest-rate 1.0% to 1.3%
Derivative financial instruments - Warrants of Condor	Black-Scholes	Theoretical price	Underlying asset price (Market price); share price volatility (historical) and interest-rate curve (Libor rate).	Underlying asset price 1.4 to 1.7 Share price volatility 58% to 78% Money market interest-rate 1.0% to 1.3%
Interest rate swaps	Cash flow	Theoretical price	Interest rate futures contract and cash flow	-

Call option of Arcos	Discounted cash flow	-	Projected revenues and discounting rate.	-
Investments in financial assets - Private companies - Avenida Inc.	Market multiples	Theoretical price	Comparable market multiple (EV/GMV ratio)	Comparable market multiple (EV/GMV ratio) 2.94x to 3.59x
Investments in financial assets - Private companies - Others	Discounted cash flows / NAV	Theoretical price	Projected revenue discounted at the discount rate / The value is calculated in accordance with the company's shares in the equity funds on the basis of their financial statements, based on fair value or investment assessments.	1- 3.5
Investments in financial assets - Others	Discounted cash flows / NAV	Theoretical price	Projected revenue discounted at the discount rate / The value is calculated in accordance with the company's shares in the equity funds on the basis of its financial statements, based on fair value or investment assessments	1- 3.5
Borrowings - Non-recourse loan	Binomial tree	Theoretical price	Underlying asset price (obtained by discounted cash flow valuation), capital cost, market rate; control premium, underlying asset volatility.	Underlying asset price US$ 760MM to US$ 940MM, capital cost 11.8% to 14.4%, discounted market interest rate 7.9% to 12.9%, control premium 3.3% to 6.6%, underlying asset volatility 25.7% to 33.1%.

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15.
Trade and other receivables

Group’s trade and other receivables as of June 30, 2016 and 2015 were as follows:

	June 30, 2016	June 30, 2015
Non-current		
Sale, leases and services receivables	2,015	62
Less: allowance for doubtful accounts	(2)	(2)
Total non-current trade receivables	2,013	60
VAT receivables	29	25
Prepaid expenses	1,320	11
Borrowings, deposits and other debit balances	75	3
Others	4	16
Total non-current other receivables	1,428	55
Total non-current trade and other receivables	3,441	115
Current		
Sale, leases and services receivables	11,073	695
Less: allowance for doubtful accounts	(171)	(93)
Total current trade receivables	10,902	602
Tax receivables	71	23
Prepaid expenses	617	99
Borrowings, deposits and other debit balances	1,243	347
Advances to suppliers	231	49
Others	345	23
Total current other receivables	2,507	541
Total current trade and other receivables	13,409	1,143
Total trade and other receivables	16,850	1,258

Book amounts of Group's trade and other receivables in foreign currencies are detailed in Note 34.

Trade receivables are generally presented in the statements of financial position net of allowances for doubtful accounts. Impairment policies and procedures by type of receivables are discussed in detail in Note 2.

The fair values of current trade and other receivables approximate their respective carrying amounts, due to their short-term nature, as the impact of discounting is not significant. Present value of non-current trade receivables related to sales of equipment installments, as performed by Cellcom (mainly in 36 installments), as of June 30, 2016 were calculated at a 3.3% discount rate. Other non-current receivables conform to or approximate their fair values. Fair values are based on discounted cash flows. (Level 3 of the fair value hierarchy).

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Notes to Consolidated Financial Statements (Continued)
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15.
Trade and other receivables (Continued)

Movements on the Group's allowance for doubtful accounts and other receivables are as follows:

	June 30, 2016	June 30, 2015	June 30, 2014
Beginning of the year	95	82	79
Additions (Note 27)	111	26	18
Unused amounts reversed (Note 27)	(41)	(12)	(6)
Currency translation adjustment	12	-	-
Receivables written off during the year as uncollectable	(4)	(1)	(9)
End of the year	173	95	82

The Group's trade receivables comprise several classes. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables (Note 4).

The Group has also receivables with related parties. Neither of which is due nor impaired.

Due to the distinct characteristics of each type of receivables, an aging analysis of past due unimpaired and impaired receivables are shown by type and class as of June 30, 2016 and 2015 (includes receivables not past due to reconcile with the amounts in the statements of financial position):

	Expired Up to 3 months	3 to 6 months	Over 6 months	Not past due	Impaired	Total	% of representation	Additions (reversals) for bad debts
Leases and services	67	19	33	1,101	110	1,330	10.2%	6
Hotel services	1	-	-	48	1	50	0.4%	1
Consumer financing	-	-	-	-	15	15	0.1%	1
Sale of properties and developments	-	-	-	39	-	39	0.3%	-
Sale of communication equipment	2,250	-	-	1,714	66	4,030	30.8%	-
Telecommunication services	1,763	356	672	19	672	3,482	26.6%	61
Tourism activities	16	12	20	219	51	318	2.4%	(3)
Sale of products (supermarkets)	27	19	55	3,665	58	3,824	29.2%	4
Total as of June 30, 2016	4,124	406	780	6,805	973	13,088	100%	70
	43	14	16	567	80	720	95.1%	14

Leases and services								
Hotel services	1	-	-	16	-	17	2.3%	-
Consumer financing	-	-	-	5	15	20	2.6%	-
Sale of properties and developments	-	-	-	-	-	-	0.0%	-
Total as of June 30, 2015	44	14	16	588	95	757	100%	14

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16.
Financial assets held for sale

The composition of financial assets held for sale as of June 30, 2016 and 2015 are as follows:

	June 30, 2016	June 30, 2015
Non-current		
Clal	3,346	-
Non-current financial assets held for sale	3,346	-
Current		
Clal	1,256	-
Current financial assets held for sale	1,256	-
Total financial assets held for sale	4,602	-

Clal is a holding company that mainly operates in the insurance and pension markets and in segments of pension funds. The company holds assets and other businesses (such as insurance agencies) and is one of the largest insurance groups in Israel. Clal mainly develops its activities in three operating segments: long-term savings, general insurance and health insurance.

Given that IDBD failed to meet the requirements set forth by the Capital Markets, Insurance and Savings Commission, which is dependent on the Ministry of Finance of Israel, to have control over an insurance company, on August 21, 2013, such commission required that IDBD granted an irrevocable power of attorney to Mr. Moshe Tery ("the Trustee") for the 51% of the shareholding capital and vote interests in Clal, thus transferring control over that investee.

On December 30, 2014, the Insurance Commission sent an additional letter setting a term by which IDBD's control over and equity interests in Clal were to be sold and giving directions as to the Trustee's continuity in office, among other aspects.

The sale arrangement outlined in the letter involves IDBD's and the Trustee's interests in the sale process under different options and timeframes. As of June 30, 2016, the current sale arrangement involved the sale of the interest in the stock exchange or by over-the-counter trades, as per the following detail and by the following dates:

a.
IDBD would have to sell at least 5% of its equity interest in Clal from May 7, 2016.
b.
During each of the subsequent four-month periods, IDBD would have to sell at least an additional 5% of its equity interest in Clal.
c.

If IDBD sells more than 5% of its equity interest in Clal in any given four-month period, the percentage in excess of the required 5% would be offset against the percentage required in the following period.

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16.
Financial assets held for sale (Continued)

In case IDBD does not fulfills its obligation in the manner described in the above paragraph the Trustee would be entitled to act upon the specified arrangement in lieu of IDBD, pursuant to all powers that had been vested under the representations of the trust letter. The consideration for the sale would be transferred to IDBD, with the expenses incurred in the sale process to be solely borne by IDBD.

During February 2016, bondholders and minority shareholders filed a complaint against the Insurance Commission and the Trustee so that the order by the Trustee to sell the shares in the market was revoked, for this would cause irreversible damage to the company and its bondholders. As of the date of these Consolidated Financial Statements, no decision has been rendered on the complaint.

In June 30, 2016, the holding of IDBD of Clal was 55%, and as a result of the circumstances mentioned above, IDBD has accounted for it as a financial asset held for sale. Valuation as of June 30, 2016 amounts to Ps. 4,602 and a loss of Ps. 1,951 were recorded, reflecting the fall in the share price, in financial results, net.

Claims against Clal

Clal set up a reserve for all legal actions brought against Clal's investees out of the ordinary course of business in the amount of approximately NIS 96 million (equivalent to Ps. 376 million at the closing exchange rate). Most legal actions are related to consumer claims and actions erasing from those claims. The total amount claimed is NIS 29,200 million (equivalent to Ps. 114,275 million at the closing exchange rate).

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17.
Derivative Financial Instruments

Group's derivative financial instruments as of June 30, 2016 and 2015 are as follows:

	June 30, 2016	June 30, 2015
Assets		
Non-current		
Warrants of Condor	-	7
Warrants of IDBD (Note 3)	-	199
Swaps	8	-
Total non-current derivative financial instruments	8	206
Current		
Warrants of IDBD (Note 3)	-	29
Swaps	4	-
Others	15	-
Total current derivative financial instruments	19	29
Total assets	27	235
Liabilities		
Non-current		
Commitment to tender offer shares in IDBD (Note 3)	-	(265)
Forwards	(105)	-
Total non-current derivative financial instruments	(105)	(265)
Current		
Commitment to tender offer shares in IDBD (Note 3)	-	(238)
Foreign currency futures contracts	(19)	-
Forwards	(93)	-
Total current derivative financial instruments	(112)	(238)
Total liabilities	(217)	(503)
Total derivative financial instruments	(190)	(268)

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18.
Cash flow information

The following table shows the amounts of cash and cash equivalents as of June 30, 2016 and 2015:

	June 30, 2016	June 30, 2015
Cash at bank and in hand	6,214	373
Mutual funds	7,652	2
Total cash and cash equivalents	13,866	375

Following is a detailed description of cash flows generated by the Group's operations for the years ended June 30, 2016, 2015 and 2014:

	Note	June 30, 2016	June 30, 2015	June 30, 2014
(Loss) / Profit for the year		(1,290)	70	(831)
Adjustments for:				
Income tax expense	22	149	489	(64)
Amortization and depreciation	27	2,694	175	226
Gain from disposal of investment property	10	(1,113)	(1,163)	(236)
Impairment of investment properties	30	352	-	-
Dividends received	30	(72)	(17)	(15)
Share-based payments	28	49	22	45
(Loss) / Gain from derivative financial instruments	30	(921)	16	317
Changes in fair value of investments in financial assets and liabilities	30	1,439	(53)	(215)
Gain from disposal of associates	29	(4)	(22)	-
Provisions and allowances		191	75	96
Share of profit of joint ventures and associates	8,9	(447)	1,023	414
Reversal of currency translation adjustment	29	(96)	(188)	-
Financial results, net		4,395	991	1,625
Changes in operating assets and liabilities:				
Increase in inventories		(155)	(6)	(1)
Decrease in trading properties		229	-	6
Increase in trade and other receivables		(319)	(400)	(14)
(Decrease) / Increase in trade and other payables		(15)	233	(104)
Increase in salaries and social security liabilities		23	22	51
Decrease in provisions	20	(143)	(4)	(2)
Net cash generated by operating activities before income tax paid		4,946	1,263	1,298

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18.
Cash flow information (Continued)

The following table shows a detail of significant non-cash transactions occurred in the years ended June 30, 2016, 2015 and 2014:

	June 30, 2016	June 30, 2015	June 30, 2014
Increase in investments in financial assets through an increase in trade and other payables	180	-	-
Increase in investments in financial assets through a decrease in trade and other receivables	71	-	-
Decrease in borrowings through a decrease in financial assets	-	-	24
Reimbursement of expired dividends	10	1	2
Dividends distribution	64	48	57
Financed additions of properties, plant and equipment	116	2	1
Increase in borrowings through a decrease in dividends payable	-	-	160
Decrease in trade and other receivables, net through an increase in assets held for sale	-	-	18
Decrease in investment properties through an increase in assets held for sale	-	-	1,099
Decrease in intangible assets through an increase in assets held for sale	-	-	77
Decrease in restricted assets through an increase in assets held for sale	-	9	164
Increase in restricted funds through a decrease in trade and other payables	-	-	146
Decrease in trade and other payables through an increase in liabilities directly associated with assets classified as held for sale	-	-	170
Decrease in borrowings through an increase in liabilities directly associated with assets classified as held for sale	-	-	603
Decrease in deferred income tax liabilities through an increase in liabilities directly associated with assets classified as held for sale	-	-	33
Decrease in borrowings through a decrease in investments in joint ventures and associates	9	137	-
Increase in financial assets through a decrease in investments in joint ventures and associates	-	30	-
Increase in investment properties through a decrease in financial assets	-	48	-
Financed purchase of investment properties	302	-	-
Increase in non-controlling interest through a decrease in derivative financial instruments	128	13	-

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18.
Cash flow information (Continued)

Business combination

	June 30, 2016	June 30, 2015	June 30, 2014
Investment properties	29,586	-	-
Property, plant and equipment	15,104	-	-
Trading properties	2,656	-	-
Intangible assets	6,603	-	-
Investment in joint ventures and associates	9,268	-	-
Deferred income tax	(4,681)	-	-
Trade and other receivables	9,713	-	-
Investments in financial assets	5,824	-	-
Derivative financial instruments, net	(54)	-	-
Inventories	1,919	-	-
Income tax and minimum presumed income tax ("MPIT") credit	91	-	-
Financial assets and other assets held for sale	5,129	-	-
Trade and other payables	(19,749)	-	-
Borrowings	(60,306)	-	-
Provisions	(969)	-	-
Income tax and minimum presumed income tax ("MPIT") liabilities	(267)	-	-
Employee benefits	(405)	-	-
Total	(538)	-	-
Non-controlling interest	(8,630)	-	-
Goodwill	1,391	-	-
Total net assets added as a result of business combination	(7,777)	-	-
Cash added as a result of business combination	9,193	-	-

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Notes to Consolidated Financial Statements (Continued)
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19.
Trade and other payables

Group's trade and other payables as of June 30, 2016 and 2015 were as follows:

	June 30, 2016	June 30, 2015
Non-current		
Trade payables	525	217
Deferred income	65	7
Others	928	31
Total non-current trade and other payables	1,518	255
Current		
Trade payables	11,070	261
Accrued invoices	450	119
Sale and rent payments received in advance	4,590	223
Total current trade payables	16,110	603
Dividends payable to non-controlling shareholders	426	59
Tax payables	284	83
Others	1,054	151
Total current other payables	1,764	293
Total current trade and other payables	17,874	896
Total trade and other payables	19,392	1,151

The fair value of trade and other payables approximate their respective carrying amounts, due to their short-term nature, the effect of discounting is not significant. Fair values are based on discounted cash flows

20.
Provisions

The Group is subject to claims, lawsuits and other legal proceedings in the ordinary course of business, including claims from clients where a third party seeks reimbursement or damages. The Group's responsibility under such claims, lawsuits and legal proceedings cannot be estimated with certainty. From time to time, the status of each major issue is evaluated and its potential financial exposure is assessed. If the potential loss involved in the claim or proceeding is deemed probable and the amount may be reasonably estimated, a liability is recorded. The Group estimates the amount of such liability based on the available information and in accordance with the provisions of the IFRS. If additional information becomes available, the Group will make an evaluation of claims, lawsuits and other outstanding proceeding, and will revise its estimates.

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

20.
Provisions (Continued)

The table below shows the movements in the Group's provisions for other liabilities categorized by type of provision:

	Legal claims (i)	Investments in joint ventures and associates (ii)	Sited dismantling and remediation (iii)	Onerous contracts (iv)	Guarantees and other provisions (v)	Total
At July 1st, 2014	47	177	-	-	-	224
Additions	35	159	-	-	-	194
Recovery	(15)	-	-	-	-	(15)
Used during the year	(4)	-	-	-	-	(4)
Contributions	-	(2)	-	-	-	(2)
Currency translation adjustment	-	29	-	-	-	29
At June 30, 2015	63	363	-	-	-	426
Additions	52	231	39	64	3	389
Liabilities added as a result of business combination (Note 3)	424	-	47	199	299	969
Recovery	(40)	-	-	-	(6)	(46)
Used during the year	(50)	-	-	(80)	(13)	(143)
Contributions	-	(18)	-	-	-	(18)
Currency translation adjustment	240	262	28	113	144	787
At June 30, 2016	689	838	114	296	427	2,364

(i)
Additions and recoveries are included in "Other operating results, net".
(ii)
Corresponds to the equity interest in New Lipstick and Condor with negative equity. Additions and recoveries are included in "Share of profit / (loss) of joint ventures and associates". Additions and recoveries are included in Costs.
(iii)
The Group’s companies are required to recognize certain costs related to dismantling assets and remediating sites here such assets are located. The calculation of expenses are based on the dismantling value for the current year, taking into consideration the best estimate of future changes in prices, inflation, etc. and such costs are capitalized at a risk-free interest rate. Volume projections for retired or built assets are restated based on expected changes from technological rulings and requirements. Additions and recoveries are included in Costs.
(iv)
Provisions for other contractual liabilities include a series of liabilities resulting from a contractual liability or laws, regarding which there is a high degree of certainty as to the terms and the necessary amounts to discharge such liability. Additions and recoveries are included in Costs.

(v)
Additions and recoveries are included in Costs.

Disclosure of total provisions in current and non-current is as follows:

	June 30, 2016	June 30, 2015
Non-current	1,325	374
Current	1,039	52
Total	2,364	426

IRSA

On February 23, 2016, a class action was filed against the Company, Cresud and some first-line managers and directors with the District Court of the United States for the Central District of California. The complaint, on behalf of people holding American Depositary Receipts of the Company between November 3, 2014 and December 30, 2015, claims presumed violations to the US federal securities laws. In addition, it argues that defendants have made material misrepresentations and made some omissions related to the Company's investment in IDBD.

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

20.
Provisions (Continued)

Such complaint was voluntarily waived on May 4, 2016 by the plaintiff and filed again on May 9, 2016 with the US District Court by the East District of Pennsylvania.

Furthermore, the Company, some of its first-line managers and directors are defendants in a class action filed on April 29, 2016 with the US District Court of the East District of Pennsylvania. The complaint, on behalf of people holding American Depositary Receipts of the Company between May 13, 2015 and December 30, 2015, claims violations to the US federal securities laws. In addition, it argues that defendants have made material misrepresentations and made some omissions related to the Company's investment in IDBD.

Subsequently, Cresud and IRSA requested that the complaint be moved to the district of New York, which request was later granted.

The Company holds that such allegations are meritless and intends to make a strong defense in both actions. No provision was set up in connection with the above mentioned.

IRSA CP

On November 20, 2006, the Group through IRSA CP acquired the building known as Edificio Ex escuela Gobernador Vicente de Olmos, located in the City of Córdoba through a public bidding in the amount of Ps. 32. This property is affected to a concession contract.

After the title deed was made, the government of the province of Córdoba declared the property to be of public use and subject to partial expropriation in order to be used exclusively for the Libertador San Martín Theatre.

IRSA CP has answered a complaint in an action and to challenge the law that declared such public interest on unconstitutional grounds. In the alternative, it has challenged the appraisal made by the plaintiff and, additionally, it has claimed damages not included in the appraisal and resulting immediately and directly from expropriation.

At June 30, 2016, the property is recorded under Investment Properties.

Claims against Cellcom and its subsidiaries

In the normal course of business, claims have been filed against Cellcom by its customers. These are mostly motions for approval of class actions, primarily concerning allegations of illegal collection of funds, unlawful conduct or Breach of license, or a Breach of agreements with customers, causing monetary and non-monetary damage to them. The amounts claimed from Cellcom in consumer claims, amounted to NIS 26,183 million.

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Notes to Consolidated Financial Statements (Continued)
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20.
Provisions (Continued)

Claims against Shufersal and its subsidiaries

In the normal course of business, legal claims were filed against Shufersal by its customers. These are mostly motions for certification of class actions, which mainly concern claims of changing money unlawfully, acting contrary to the law or a license, or a Breach of the agreements with customers, causing financial and non-financial loss to them. The amounts of the claims amounted to NIS 809 million.

There are also other claims by employees, subcontractors, suppliers which relate mainly to claims of Breach of the provisions of the law in relation to the termination of workers' employment and claims of Breaches of contract and compulsory payments to authorities. The total amount which Shufersal was being sued for these claims was NIS 26 million.

21.
Borrowings

The breakdown of the Group borrowings as of June 30, 2016 and 2015 was as follows:

	June 30, 2016	June 30, 2015
Non-current		
NCN	67,235	3,634
Bank loans and others	6,470	102
Non-recourse loan	16,975	-
Total non-current borrowings	90,680	3,736
Current		
NCN	15,075	337
Bank loans and others	4,107	204
Bank overdrafts	1,236	681
Other borrowings	1,834	15
Total current borrowings	22,252	1,237
Total borrowings	112,932	4,973

Operations Center in Argentina

On March 3, 2016, IRSA and IRSA CP announced that they would launch offers to buy in cash: (i) 11.50% Class 2 NCN outstanding due in 2020 and issued by IRSA for a total nominal value of up to US$ 76.5 million, subject to a potential extension of the Offer Limit of NCN due in 2020 for a nominal value of up to US$ 73.5 million, at IRSA’s exclusive decision, (ii) each and every 8.50% Class 1 NCN outstanding due in 2017 and issued by IRSA, and (iii)

each and every 7.875% Class 1 NCN outstanding due in 2017 and issued by IRSA CP.

On March 23, 2016, IRSA CP issued NCN for a nominal amount of US$ 360 million under its Global NCN Program. Class II NCN accrue interest semi-annually, at an annual fixed rate of 8.75% and are repayable at maturity on March 23, 2023. The issue price was 98.722% of nominal value.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

21.
Borrowings (Continued)

IRSA CP's NCN maturing in 2023 are subject to certain Commitments, Events of Breach and Limitations, including Limitations on Additional Indebtedness, Limitations on Restricted Payments, Limitations on Transactions with Affiliates, Limitations on the Merger, Take-over Merger and Limitations on the Sale of all or a substantial portion of the company's Assets.

On April 7, 2016, the Meeting of IRSA's NCN holders approved the proposed amendments to the IRSA 2017 Trust Indenture, which included basically the elimination of all financial restrictive covenants on such class. Approximately 50.30% of holders of NCN due 2017 approved the amendments to the Trust Indenture for IRSA NCN 2017. As a consequence, a Supplementary Trust Agreement with the Bank of New York Mellon was signed, all amendments approved the Meeting, which came into force on April 8, 2016.

During March, April and May the Group acquired all IRSA CP's NCN Class I at 7.875% maturing in 2017 for a total amount US$ 120 million and US$ 75.4 million of IRSA's NCN. On October 11, 2016, IRSA acquired the remaining US$ 74.6 million of IRSA's NCN at 8,5% maturing in 2017, so the following notes remains outstanding:

.
IRSA's NCN Class II at 11.50% maturing in 2020 US$ 71.4 million.

Such payments were accounted for as a cancellation of debt.

In relation to financial covenants under 11.50% NCN due in 2020 issued by IRSA, the Meeting of Noteholders held on March 23, 2016 approved:

i)
to modify the covenant on Limitation on Restricted Payments, so that the original covenant was replaced so as to take into consideration IRSA's capability to make any restricted payment provided that (a) no Event of Default has occurred and persisted, and (b) IRSA may incur at least US$ 1 of additional debt pursuant to the Limitation on Additional Indebtedness; and
ii)
the exclusion of IDBD or any of its subsidiaries for purposes of the definition of "Subsidiary" or any of the definitions or commitments under the Trust Indenture of NCN due in 2020 and issued by IRSA (regardless of whether the financial statements of any of these companies has any time been consolidated into IRSA's financial statements).
iii)
a Supplementary Trust Indenture reflecting all the amendments approved, entered into with the Bank of New York Mellon on March 28, 2016.

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Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

21.
Borrowings (Continued)

Operations Center in Israel

IDBD has certain restrictions and financial covenants in connection with its financial debt, included in its debentures, loans from banks and financial institutions.

As of June 30, 2016 IDBD reported that the application of the “Liquidity Covenant” and the “Economic Equity Covenant” (as described below) is currently suspended.

It was agreed between IDBD and the relevant lending corporations that the parties would work to formulate an arrangement, to replace or amend the current financial covenants by December 31, 2016.

If such arrangement is not reached, the previous financial covenants will re-apply then with respect to the results for IDBD´s first quarter of 2017 and thereafter. In the event that these covenants will re-apply, IDBD estimates that it will not be able to meet the thresholds that were determined in the past with respect to the Liquidity Covenant and the Economic Equity Covenant with respect to IDBD´s results for the first quarter of 2017 and thereafter.

Particularly, if the previous financial covenants will re-apply, IDBD estimates it will not be able to fulfill the covenant, which stipulates that the balance of cash and marketable securities will not fall below the scope of forecasted current maturities for the two quarters subsequent to the reporting quarter (the “Liquidity Covenant”). Regarding the Economic Equity Covenant, the economic equity as of June 30, 2016, amounted to a positive balance of NIS 247 million, significantly lower than the thresholds determined in the past as part of the Economic Equity Covenant.

In view of and due to the decrease of Mr. Ben Moshe’s holding rate in IDBD, beginning from February 2015 and thereafter, in March 2016 IDBD reached understandings with its lending corporations with regard to an amendment of the control and additional amendments relating to restrictions on the sale of main holdings.

As per IDBD´s position, as of June 30, 2016, there were no conditions that established grounds for calling IDBD´s obligations to its financial creditors for immediate payment. Without derogating from the IDBD´s position, it is noted that the decision of the bondholders (Series I) dated April 21,2016 to call the full balance of IDBD´s debt to the bondholders for immediate repayment and the decision to take steps for dissolution are liable to raise grounds for the financial creditors, for calling for immediate repayment. According to IDBD´s legal advisor opinion, the conditions giving rise to a ground for demanding immediate repayment of the liabilities for the (Series I) bonds were not fulfilled. On July 18, 2016, the Court handed down its judgment, in which the Court accepted the consensus motion filed by the trustee to strike the motion for dissolution.

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Notes to Consolidated Financial Statements (Continued)
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21.
Borrowings (Continued)

As of June 30, 2016, IDBD´s loans which are subject to the aforementioned financial covenants, at a scope of NIS 264 million, were classified under current liabilities, in consideration of the fact that IDBD has reached understandings with those relevant lending entities, which extended the arrangements specified in the financial covenants of the loan agreements until first quarter calendar year 2017, in other words, for a period shorter than twelve months.

On August 2, 2016 IDBD issued a new Series of Debentures in the Israeli market for an amount of NIS 325 million due November 2019 at an annual interest rate adjustable by CPI plus 4.25%. The notes are pledged by shares of Clal Insurance Enterprise Holdings Ltd ("Clal"), subject to the approval of the Commissioner of Capital Markets, Insurance and Savings. IDBD is working to get the authorization to constitute the guarantee and it filed an application to the Supreme Court asking for such approval. In case IDBD does not get the required approval, funds must be repaid with interest plus a penalty. On September 15, 2016, the High Court of Justice gave a partial judgment and decision, according to which it was decided, to reject the petition for the most part and to grant an order which instructs the Commissioner to appear and show a reason for her opposition to the request of IDBD to pledge up to 5% of the shares of Clal Holdings, subject to an outline agreed to at the time by IDBD. Furthermore, IDBD maintains the right to accede to a proposal for compromise which was raised in the context of the discussion. A hearing date was set for January 2017.

Pursuant to the decision of the Supreme Court sitting as the High Court of Justice in connection with the petition submitted by IDBD in connection with the pledge of the shares of Clal Holdings in September 2016, on October 13, 2016, the Board of Directors of the IDBD decided to execute a partial early redemption of the debentures, that is to be carried out on November 1, 2016, as follows:

- IDBD will carry out a partial early redemption of the debentures in an amount of approximately NIS 239 million of par value ("the redeemed portion") and in a total of approximately NIS 244 million with respect to principal, interest and compensation for the redeemed portion.
- The determining date for the eligibility to receive the early redemption of the principal of the debentures is 10.25.2016.
- The early redemption represents 73.7% of the unpaid balance of the principal of the debentures, which is also the original balance of the series of the debentures.
- The rate of interest (including the compensation for carrying out the early redemption as an increment of 3% with respect to the period from August 3, 2016 through October 21, 2016) that will be paid upon the partial early redemption of the redeemed portion of the principal is approximately 1.8%.
- The rate of interest (including the compensation for carrying out the early redemption as an increment of 3% with respect to the period from August 3, 2016 through October 31, 2016) that will be paid in the context of the early

redemption, which is calculated out of the balance of the unpaid balance of the principal on the date of the early redemption (NIS 325 million linked to the CPI) is approximately 1.3%.

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Notes to Consolidated Financial Statements (Continued)
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21. Borrowings (Continued)

- Pursuant to the “known” CPI (index with respect to the month of September 2016, which was published on 10.14.2016) as compared with the base index published with respect to the month of June 2016, no linkage increments will apply with respect to the redeemed portion upon early redemption.
- The unpaid balance of the principal of the debentures after executing the early redemption (without linkage) will stand at an amount of approximately NIS 86 million par value, which represents approximately 26.3%, of the original balance of the principal of the debentures. IDBD will act to pledge the shares of Clal Holdings against the balance of the unpaid principal of the debentures after carrying out the early redemption (as is required according to the trust indenture).
- Pursuant to what is stated in the trust indenture, the redeemed portion will be paid in relation to all of the holders of the debentures, pro- rata according to the par value of the held debentures.

IDBD is continuing to act in order to reach consents with the relevant financing corporations in order to arrange over time the calculated financial covenants that were determined in the provisions of its loan agreements, and additional contractual issues that exist in the loan agreements.

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Notes to Consolidated Financial Statements (Continued)
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21.
Borrowings (Continued)

The breakdown of the Group borrowings as of June 30, 2016 was as follows:

	Operations Center in Argentina				Operations Center in Israel						
Debt	IRSA	IRSA CP	Other	Subtotal	IDBD	DIC	Shufersal	Cellcom	PBC	Other	Subtotal
NCN	2,288	5,799	-	8,087	7,807	12,436	10,037	15,277	28,666	-	74,223
Bank loans and others	15	54	130	199	2,214	1,171	16	779	2,003	4,195	10,378
Non-recourse loan	-	-	-	-	-	(i) 10,999	-	-	5,976	-	16,975
Bank overdrafts	859	40	45	944	-	-	-	-	-	292	292
Other borrowings	-	-	-	-	-	-	-	-	-	1,834	1,834
Total debt	3,162	5,893	175	9,230	10,021	24,606	10,053	16,056	36,645	6,321	103,702

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Notes to Consolidated Financial Statements (Continued)
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21.
Borrowings (Continued)

The breakdown of the borrowings of Operations Centers in Argentina and Israel is as follows:

Type	Company	Secured / unsecure	Series / Class	Currency	Payment date for capital	Interest rate %	Capital nominal value in million Issue currency	Book value June 30, 2016	Book value June 30, 2015
NCN	IRSA CP	Unsecured	Class I	Ps.	2017	Badlar + 4 BP	407	409	-
	IRSA CP	Unsecured	Class II	US$	2023	8.75%	360	5,390	-
	IRSA CP	Unsecured	Series i	US$	2017	7.88%	-	-	1,036
	IRSA	Unsecured	Class I	US$	2017	8.50%	75	1,159	1,400
	IRSA	Unsecured	Class VI	Ps.	2017	Badlar + 450ps	11	11	11
	IRSA	Unsecured	Class V	Ps.	2015	Badlar + 395ps	-	-	214
	IRSA	Unsecured	Class II	US$	2020	11.50%	75	1,118	1,310
Total NCN								8,087	3,971

Bank loans	IRSA	Secured	-	US$	2020	3.2% to 14.3%	1	1	-
and others	IRSA	Unsecured	-	Ps.	2017	Badlar	15	14	14
	IRSA CP	Secured	-	US$	2020	3.2% to 14.3%	-	4	3
	IRSA CP	Unsecured	-	Ps.	2016	15.25%	1	1	4
	IRSA CP	Unsecured	-	Ps.	2017	26.50%	7	7	10
	IRSA CP	Unsecured	-	Ps.	2016	23%	36	36	106
	IRSA CP	Unsecured	-	Ps.	2015/ 2016	15.25% / 15.01%	-	-	75
	IRSA CP	Unsecured	-	Ps.	2016	Badlar / 8.50%	6	6	8
	HASA	Unsecured	-	Ps.	2016	15.25%	6	6	4
	LLAO LLAO	Unsecured	-	Ps.	2016	15.25%	1	1	3
	NFSA	Unsecured	-	Ps.	2016	24%	6	5	7
	LIVECK	Secured	-	US$	2017	n/a	2	34	21
	LIVECK	Secured	-	US$	n/a	3.50%	5	84	50
Total bank loans and others								199	305
Other borrowings								-	15
Bank overdrafts								944	682
Subtotal Operations Center in Argentina								9,230	4,973

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21.
Borrowings (Continued)

Type	Company	Secured / unsecured	Series	Currency	Adjustment factor	Payment date for capital	Interest rate %	Capital nominal value in million Issue currency	Book value June 30, 2016
NCN	IDBD	Unsecured	G	NIS	CPI	2016 – 2018	4.50%	802	3,534
	IDBD	Unsecured	I	NIS	CPI	2020 – 2025	4.95%	1,013	3,164
	IDBD	Unsecured	J	NIS	N/A	2015 – 2018	6.60%	309	1,109
	DIC	Unsecured	D	NIS	CPI	2012 – 2016	5.00%	103	510
	DIC	Unsecured	F	NIS	CPI	2017 – 2025	4.95%	2,719	9,427
	DIC	Unsecured	G	NIS	N/A	2012 – 2016	6.35%	8	31
	DIC	Unsecured	H	NIS	CPI	2014 – 2019	4.45%	124	541
	DIC	Unsecured	I	NIS	N/A	2010 – 2018	6.70%	513	1,927
	Shufersal	Unsecured	B	NIS	CPI	2015 – 2019	5.20%	1,024	5,161
	Shufersal	Unsecured	C	NIS	N/A	2010 – 2017	5.45%	114	459
	Shufersal	Unsecured	D	NIS	CPI	2014 – 2029	2.99%	413	1,584
	Shufersal	Unsecured	E	NIS	N/A	2014 – 2029	5.09%	392	1,580
	Shufersal	Unsecured	F	NIS	CPI	2020 – 2028	4.30%	317	1,253
	Cellcom	Unsecured	B	NIS	CPI	2013 – 2017	5.30%	185	880
	Cellcom	Unsecured	D	NIS	CPI	2013 – 2017	5.19%	599	2,865
	Cellcom	Unsecured	E	NIS	N/A	2012 – 2017	6.25%	164	673
	Cellcom	Unsecured	F	NIS	CPI	2017 – 2020	4.60%	715	3,032
	Cellcom	Unsecured	G	NIS	N/A	2017 – 2019	6.99%	285	1,230
	Cellcom	Unsecured	H	NIS	CPI	2018 – 2024	1.98%	950	3,483
	Cellcom	Unsecured	I	NIS	N/A	2018 – 2025	4.14%	804	3,114
	PBC	Unsecured	C	NIS	CPI	2009 – 2017	5%	550	2,666
	PBC	Unsecured	D	NIS	CPI	2020 – 2025	4.95%	1,317	6,641
	PBC	Unsecured	F	NIS	CPI	2015 – 2023	4.95%	974	4,195
	PBC	Unsecured	G	NIS	N/A	2015 – 2025	7.05%	669	3,054
	PBC	Unsecured	Gav-Yam Series E	NIS	CPI	2014 – 2018	4.55%	283	1,375
	PBC	Unsecured	Gav-Yam Series F	NIS	CPI	2021 – 2026	4.75%	1,226	8,535
	PBC	Unsecured	Gav-Yam Series G	NIS	N/A	2013 – 2017	6.41%	215	907
	PBC	Unsecured		NIS	CPI	2007 – 2021	5.40%	255	1,293

			Ispro Series B						
Total NCN									74,223
Bank loans and others	IDBD	Unsecured (1)	-	NIS	Prime interest rate	2015 – 2018	Prime + 1.3%	333	1,117
	IDBD	Unsecured (1)	-	NIS	Prime interest rate	2015 – 2019	Prime + 1%	80	265
	IDBD	Unsecured	-	NIS	Prime interest rate	2015 – 2020	Prime + 0.65%	63	198
	IDBD	Secured (2)	-	NIS	CPI	2015 – 2018	6.90%	150	634
	DIC	Unsecured	-	NIS	N/A	2015 – 2017	5.39%	45	167
	DIC	Unsecured	-	NIS	Prime interest rate	2015 – 2018	2.12%	111	397
	DIC	Unsecured	-	NIS	N/A	2015 – 2018	5.90%	86	311
	DIC	Unsecured	-	NIS	Prime interest rate	2015 – 2018	2.20%	86	296
	Shufersal	Secured	-	NIS	CPI	2015 – 2017	4.95%	1	4
	Shufersal	Secured	-	NIS	CPI	2015 – 2017	4.95%	1	3
	Shufersal	Secured	-	NIS	CPI	2015 – 2017	4.75%	-	2
	Shufersal	Secured	-	NIS	CPI	2015 – 2017	4.40%	-	2
	Shufersal	Secured	-	NIS	CPI	2015 – 2017	3.25%	1	5

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21.
Borrowings (Continued)

Type	Company	Secured / unsecured	Series	Currency	Adjustment factor	Payment date for capital	Interest rate %	Capital nominal value in million Issue currency	Book value June 30, 2016
	PBC	Unsecured	-	NIS	CPI	2015–2020	1.97%	40	154
	PBC	Unsecured	-	NIS	CPI	2020	2.65%	83	311
	PBC	Unsecured	-	NIS	N/A	2015–2020	3.07%	19	76
	PBC	Unsecured	-	NIS	N/A	2016	1.70%	301	1,176
	PBC	Secured	-	NIS	CPI	2011–2018	1.55%	69	286
	PBC	Unsecured	-	NIS	CPI	2002–2019	1.73%	62	327
	PBC	Secured	-	NIS	CPI	2008–2016	1.95%	7	32
	PBC	Secured	-	NIS	CPI	2015–2023	1.87%	106	409
	PBC	Secured	-	NIS	CPI	2014–2022	1.77%	83	323
	PBC	Secured	-	NIS	CPI	2013–2021	1.87%	55	219
	PBC	Secured	-	NIS	CPI	2015–2022	1.86%	42	165

PBC	Secured	-	NIS	CPI	2011–2019	1.26%	36	149
PBC	Secured	-	NIS	CPI	2009–2017	1.80%	8	36
PBC	Secured	-	NIS	CPI	2022	1.88%	93	366
PBC	Secured	-	NIS	N/A	2016–2016	1.26%	40	156
PBC	Secured	-	NIS	CPI	2015–2020	1.57%	22	85
PBC	Secured	-	NIS	CPI	2020	2.14%	50	188
PBC	Unsecured	-	NIS	CPI	2009–2016	12.16%	3	11
Bartan	Unsecured	-	NIS	Prime interest rate	2015–2022	2.35%	2	8
Bartan	Secured		NIS	Prime interest rate	2022	2.89%	5	19
Bartan	Secured	-	NIS	Prime interest rate	2022	2.95%	4	16
IDB Tourism	Unsecured	-	US$	Libor interest rate	2020	5.66%	13	51
IDB Tourism	Unsecured	-	US$	Libor interest rate	2015–2018	5.21%	197	767
IDBG	Unsecured	-	US$		2015-2015		223	869

					Libor interest rate		Libor + 5%		
	Cellcom	Unsecured	-	NIS	n/a	2016–2021	4.60%	200	778
Total bank loans and others									10,378
Bank overdrafts									292
Non-recourse loan									16,975
Others									1,834
Subtotal Operations Center in Israel									103,702

(1)
Corresponds to a bank loan for NIS 750 million where repayment of principal had been deferred for three years starting March 2014 until March 2018.
(2)
In May 2012, IDBD was granted a secured loan for NIS 150 million by the financial institutions of Menorah Group. Principal is repayable in two installments of NIS 50 million and NIS 100 million in 2017 and 2018, respectively. As part of the loan, IDBD granted the lender any stock call option on the shares it held in DIC, representing approximately 1.7% of the share capital issued by this company.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

21.
Borrowings (Continued)

As of June 30, 2016 and 2015, total borrowings include collateralized liabilities (seller financing, leases and bank loans) of Ps. 3,172 and Ps. 74, respectively. These borrowings are mainly collateralized by investment properties and property, plant and equipment of the Group.

Borrowings also include liabilities under finance leases where the Group is the lessee and which therefore have to be measured in accordance with IAS 17 “Leases”. Information regarding liabilities under finance leases is disclosed in Note 23.

The maturity of the Group's borrowings (excluding finance leases) and the classification regarding interest rates is as follows:

	June 30, 2016 Operations Center in Argentina	Operations Center in Israel	Total	June 30, 2015 Operations Center in Argentina
Share capital				
Less than 1 year	2,573	18,172	20,745	1,053
Between 1 and 2 years	16	16,826	16,842	2,415
Between 2 and 3 years	1	19,535	19,536	2
Between 3 and 4 years	14	4,643	4,657	-
Between 4 and 5 years	1,063	7,092	8,155	-
Later than 5 years	5,302	36,169	41,471	1,316
	8,969	102,437	111,406	4,786
Interest				
Less than 1 year	240	1,265	1,505	182
Between 1 and 2 years	3	-	3	2
Between 3 and 4 years	3	-	3	-
Later than 5 years	10	-	10	-
	256	1,265	1,521	184
	9,225	103,702	112,927	4,970

The fair value of current and non-current borrowings is as follows:

	June 30, 2016			June 30, 2015
	Operation Center in Argentina	Operation Center in Israel	Total	Operations Center in Argentina
NCN	8,764	75,804	84,568	4,369
Bank loans and others	269	13,597	13,866	340
Bank overdrafts	944	292	1,236	682
Non-recourse loan	-	16,976	16,976	-
Other borrowings	-	1,834	1,834	15
Total borrowings	9,977	108,503	118,480	5,406

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Notes to Consolidated Financial Statements (Continued)
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22.
Taxes

The Group's income tax has been calculated on the estimated taxable profit for each year at the rates prevailing in the respective tax jurisdictions. The subsidiaries of the Group in the jurisdictions where the Group operates are required to calculate their income taxes on a separate basis; thus, they are not permitted to compensate subsidiaries' losses against subsidiaries income.

The details of the provision for the Group's income tax, is as follows:

	June 30, 2016	June 30, 2015	June 30, 2014
Current income tax	(612)	(653)	(235)
Deferred income tax	437	170	318
Minimum Presumed Income tax (MPIT)	26	(6)	(19)
Income tax	(149)	(489)	64

The statutory taxes rates in the countries where the Group operates for all of the years presented are:

Tax jurisdiction	Income tax rate
Argentina	35%
Uruguay	0% - 25%
U.S.A.	0% - 45%
Bermudas	0%
Israel	25%

Below is a reconciliation between income tax expense and the tax calculated applying the current tax rate, applicable in the respective countries, to profit / (loss) before taxes for years ended June 30, 2016, 2015 and 2014:

	June 30, 2016	June 30, 2015	June 30, 2014
Net income / (loss) at tax rate applicable to profits in the respective countries	200	(733)	243
Permanent differences:			
Share of (loss) / profit of joint ventures and associates	38	209	(128)
Unrecognized tax losses carryforwards	(172)	(9)	(52)
Non-taxable income	98	57	25
Non-deductible items	(246)	-	-
Change of interest rate	(357)	-	-
Others	264	(7)	(5)
Income tax	(175)	(483)	83
Minimum presumed income tax (MPIT)	26	(6)	(19)

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Notes to Consolidated Financial Statements (Continued)
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22.
Taxes (Continued)

Deferred tax assets and liabilities of the Group as of June 30, 2016 and 2015 will be recovered as follows:

	June 30, 2016	June 30, 2015
Deferred income tax asset to be recovered after more than 12 months	4,052	411
Deferred income tax asset to be recovered within 12 months	1,714	287
Deferred income tax assets	5,766	698

	June 30, 2016	June 30, 2015
Deferred income tax liabilities to be recovered after more than 12 months	(12,492)	(581)
Deferred income tax liabilities to be recovered within 12 months	(207)	(115)
Deferred income tax liabilities	(12,699)	(696)
Deferred income tax (liabilities) assets, net	(6,933)	2

The movement in the deferred income tax assets and liabilities during the years ended June 30, 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	06.30.15	Business combinations	Cumulative translation adjustment	Charged / (Credited) to the statement of income	Changes of non-controlling interest	Use of tax loss carryforwards	06.30.16
Deferred income tax assets							
Trading properties	25	-	-	(25)	-	-	-
Trade and other payables	321	1,025	595	(167)	-	-	1,774
Tax loss carry-forwards	316	2,261	1,622	(520)	(62)	(366)	3,251
Others	36	442	254	(8)	-	-	724
Subtotal deferred income tax assets	698	3,728	2,471	(720)	(62)	(366)	5,749
Deferred income tax liabilities							
Investment properties and Properties, plant and equipment	(10)	(5,566)	(3,162)	122	-	-	(8,616)
Trading properties	-	(64)	(44)	(12)	-	-	(120)
Trade and other receivables	(683)	(20)	(12)	573	-	-	(142)
Intangible assets	-	(2,031)	(1,076)	247	-	-	(2,860)

Others	(3)	(728)	(440)	227	-	-	(944)
Subtotal deferred income tax liabilities	(696)	(8,409)	(4,734)	1,157	-	-	(12,682)
Deferred income tax assets (liabilities), net	2	(4,681)	(2,263)	437	(62)	(366)	(6,933)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefits through future taxable profits is probable. Tax loss carry-forwards may have expiration dates or may be permanently available for use by the Group depending on the tax jurisdiction where the tax loss carry forward is generated. Tax loss carry forwards in Argentina and Uruguay generally expire within 5 years. Tax loss carry forwards in Israel do not expire.

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Notes to Consolidated Financial Statements (Continued)
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22.
Taxes (Continued)

As of June 30, 2016, the Group's tax loss carry-forwards expiration dates are as follows:

Expiration date	Total
Do not expire	68,049
2016	46
2017	26
2018	32
2019	35
2020	75
	68,263

In order to fully realize the deferred tax asset, the Company will need to generate future taxable income. To this aim the Group made a projection for future years when deferred assets will be deductible. Such projection is based on aspects such as the expected performance of the main macroeconomic variables affecting the business, pricing and costs that make up the operational flows derived from the regular exploitation of buildings and other assets of the group and the flows derived from the performance of financial assets and liabilities. Such strategy implies the development of properties and/or the sale of non-strategic properties and/or properties that are deemed to have reached their maximum appreciation potential.

Based on the estimated and aggregate effect of all these aspects on the Company's performance, Management estimates that as at June 30, 2016, it is probable that the Company will realize all of the deferred tax assets recognized.

The Group did not recognize deferred income tax assets of Ps. 74.244 and Ps. 36 as of June 30, 2016 and 2015, respectively. Although management estimates that the business will generate sufficient income, pursuant to IAS 12, management has determined that, as a result of the recent loss history and the lack of verifiable and objective evidence due to the subsidiary's results of operations history, there is sufficient uncertainty as to the generation of sufficient income to be able to offset the losses within a reasonable timeframe, therefore, no deferred tax asset is recognized in relation to these losses.

The Group did not recognize deferred income tax liabilities of Ps. 796 and Ps. 37 as of June 30, 2016 and 2015, respectively, related to their investments in foreign subsidiaries, associates and joint ventures. In addition, the withholdings and/or similar taxes paid at source may be creditable against the Group's potential final tax liability.

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Notes to Consolidated Financial Statements (Continued)
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23. Leases

The Group as lessee

Operating leases:

In the ordinary course of business, the Group leases property or spaces for administrative or commercial use both in Argentina and Israel under operating lease arrangements. The agreements entered into include several clauses, including but not limited, to fixed, variable or adjustable payments. Some leases were agreed upon with related parties (Note 33). The amounts involved have not been material for any of the filed periods.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2016	June 30, 2015
No later than one year	3,860	11
Later than one year and not later than five years	6,705	17
Later than five years	2,127	35
	12,692	63

Finance leases:

The Group is party on several financial lease agreements, mainly of equipment for administrative use in the ordinary course of business. The amounts involved are not material for any of the periods filed.

The Group as lessor

Operating leases:

In the segment Shopping Centers and Offices and others in the Operations Center Argentina and in the Real Estate segment in the Operations Center Israel, the Group enters into operating lease agreements typical in the business. Given the diversity of properties and lessees, and the various economic and regulatory jurisdictions where the Group operates, the agreements may adopt different forms, such as fixed, variable, adjustable leases, etc. For example, in the Operations Center Argentina, operating lease agreements with lessees of shopping centers generally include step-up clauses and contingent payments. In Israel, agreements tend to be agreed upon for fixed amounts, although in some cases they may include adjustment clauses. Income from leases are recorded in the statement of income under rental and service income in all of the filed periods.

Rental properties are considered to be investment property (Note 10). The book value, depreciation charge, and accumulated depreciation are included in Note 10.

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Notes to Consolidated Financial Statements (Continued)
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23.
Leases (Continued)

The future minimum proceeds under non-cancellable operating leases from Group´s shopping centers, offices and other buildings are as follows:

	June 30, 2016	June 30, 2015
2016	-	982
2017	3,137	690
2018	3,237	323
2019	2,564	83
2020	1,988	24
Later than 2020	5,577	-
	16,503	2,102

Finance leases:

The Group does not act as a lessor in connection with finance leases.

24.
Equity

Share capital and premium

The share capital of the Group is represented by common shares with a nominal value of Ps. 1 per share and one vote each. No other activity has been recorded for the fiscal years ended June 30, 2016, 2015 and 2014 in the capital accounts, other than those related to the acquisition of treasury shares.

Inflation adjustment of share capital

The Group's financial statements were previously prepared on the basis of general price-level accounting which reflected changes in the purchase price of the Argentine Peso in the historical financial statements through February 28, 2003. The inflation adjustment related to share capital was appropriated to an inflation adjustment reserve that formed part of shareholders' equity. The balance of this reserve could be applied only towards the issuance of common stock to shareholders of the Company. Resolution 592/11 of the CNV requires that at the transition date to IFRS certain equity accounts, such as the inflation adjustment reserve, are not adjusted and are considered an integral part of share capital.

Legal reserve

According to Law No. 19,550, 5% of the profit of the year is destined to the constitution of legal reserve until they reach legal capped amount (20% of total capital). This legal reserve is not available for the dividend distribution and can only be released to absorb losses. The Group did not reach the legal capped amounts.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

24.
Equity (Continued)

Special reserve

Pursuant to CNV General Ruling No. 609/12, the Company set up a special reserve reflecting the positive difference between the balance at the beginning of retained earnings disclosed in the first financial statements prepared according to IFRS and the balance at closing of retained earnings disclosed in the last financial statements prepared in accordance with previously effective accounting standards. This reserve may not be used to make distributions in kind or in cash, and may only be reversed to be capitalized, or otherwise to absorb potential negative balances in Retained Earnings.

Dividends

Dividends distributed during fiscal year ended June 30, 2014 amounted to Ps. 306.6 (or 0.53 per share), while during fiscal year 2016 and 2015 there was no distribution of dividends.

Additional paid-in capital from treasury shares

Upon sale of treasury shares, the difference between the net realizable value of the treasury shares sold and the acquisition cost will be recognized, whether it is a gain or a loss, under the non-capitalized contribution account and will be known as “Treasury shares trading premium”.

Accumulated losses

The Company’s losses accumulated as of June 30, 2016 absorb more than 50% of the capital stock; as a result, the provisions of section 206 of Law No. 19,550 would apply to the company.

The Board of Directors of the Company is currently analyzing alternatives to address this situation and present them to the Shareholders.

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Notes to Consolidated Financial Statements (Continued)
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24.
Equity (Continued)

Group's other reserves for the years ended June 30, 2016, 2015 and 2014 were as follows:

	Cost of treasury shares	Changes in non-controlling interest	Reserve for share-based compensation	Reserve for future dividends	Hedging instruments	Reserve for defined contribution plans	Reserve for new developments	Cumulative translation adjustment reserve
Balance at July 1st, 2013	-	(21)	8	-	-	-	494	51
Other comprehensive income for the year	-	-	-	-	-	-	-	348
Total comprehensive income for the year	-	-	-	-	-	-	-	348
Reserve for share-based compensation	-	-	45	-	-	-	-	-
Purchase of treasury shares	(38)	-	-	-	-	-	-	-
Appropriation of retained earnings approved by Shareholder's' meeting held 10.31.13	-	-	-	-	-	-	(23)	-
Appropriation of retained earnings approved by Shareholder's' meeting held 06.19.14	-	-	-	-	-	-	(57)	-
Transactions with non-controlling interest (Note 3)	-	(1)	-	-	-	-	-	-
Balance at June 30, 2014	(38)	(22)	53	-	-	-	414	399
	-	-	-	-	-	-	-	(124)

Other comprehensive loss for the year								
Total comprehensive loss for the year	-	-	-	-	-	-	-	(124)
Reserve for share-based compensation	-	-	22	-	-	-	-	-
Appropriation of retained earnings approved by Shareholder's' meeting held 06.19.14	-	-	-	-	-	-	(414)	-
Reserve for share-based payments	4	-	(11)	-	-	-	-	-
Transactions with non-controlling interest	-	16	-	-	-	-	-	-
Balance at June 30, 2015	(34)	(6)	64	-	-	-	-	275
Other comprehensive loss for the year	-	-	-	-	(37)	(10)	-	(100)
Total comprehensive loss for the year	-	-	-	-	(37)	(10)	-	(100)
Appropriation of retained earnings approved by Shareholder's' meeting held 11.26.15	-	-	-	520	-	-	-	-
Reserve for share-based compensation	5	-	3	-	-	-	-	-
Share of changes in subsidiaries' equity	-	-	-	-	-	-	-	-
Cumulative translation adjustment for interest held before business combination	-	-	-	-	-	-	-	(91)
Transactions with non-controlling	-	100	-	-	-	-	-	-

interest (Note 3)								
Balance at June 30, 2016	(29)	94	67	520	(37)	(10)	-	84

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25.
Revenue

	June 30, 2016	June 30, 2015	June 30, 2014
Rental and services income	5,268	2,997	2,449
Sale of trading properties and developments	191	10	63
Revenue from hotel operations	557	396	333
Sale of communication equipment	1,844	-	-
Income from communications services	4,956	-	-
Income from tourism services	1,152	-	-
Revenue from supermarkets	18,536	-	-
Others	171	-	-
Total revenues	32,675	3,403	2,845

26.
Costs

	June 30, 2016	June 30, 2015	June 30, 2014
Costs of rental and services costs	2,429	1,219	1,122
Costs of trading properties and developments	166	14	17
Costs from hotel services	380	278	215
Costs of sale of communication equipment	1,304	-	-
Costs of communication services	3,304	-	-
Costs of tourism services	1,049	-	-
Costs of supermarkets	13,867	-	-
Total costs	22,499	1,511	1,354

27.
Expenses by nature

The Group disclosed expenses the statements of income by function as part of the line items “Costs”, “General and administrative expenses” and “Selling expenses”.

The following tables provide the additional required disclosure of expenses by nature and their relationship to the function within the Group.

	June 30, 2016	June 30, 2015	June 30, 2014
Cost of sale of goods and services	14,861	63	59

Salaries, social security costs and other personnel expenses	4,634	719	609
Depreciation and amortization	2,694	175	226
Fees and payments for services	1,870	101	93
Maintenance, security, cleaning, repair and others	1,076	389	300
Advertising and others selling expenses	947	215	174
Taxes, rates and contributions	625	216	170
Director´s fees	163	99	69
Leases and service charges	100	24	28
Allowance for doubtful accounts and other receivables, net	70	14	12
Other expenses	3,340	64	57
Total expenses by nature	30,380	2,079	1,797

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Notes to Consolidated Financial Statements (Continued)
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27.
Expenses by nature (Continued)

For the year ended June 30, 2016:

	Group Costs						
	Costs of rental and services	Costs of trading properties and development	Costs from hotel operations	Costs of sale of communication equipment	Costs of communication services	Costs of tourism services	Costs of superma
Cost of sale of goods and services	40	152	48	1,304	13	-	13,304
Salaries, social security costs and other personnel expenses	560	1	220	-	405	90	518
Depreciation and amortization	575	-	11	-	683	68	45
Fees and payments for services	16	-	15	-	675	-	-
Maintenance, security, cleaning, repair and others	611	9	57	-	-	61	-
Advertising and others selling expenses	282	-	-	-	-	-	-
Taxes, rates and contributions	219	3	1	-	-	-	-
Director´s fees	-	-	-	-	-	-	-
Leases and service charges	47	1	2	-	-	45	-
Allowance for doubtful accounts and other receivables, net	-	-	-	-	-	-	-
Other expenses	79	-	26	-	1,528	785	-
Total expenses by nature	2,429	166	380	1,304	3,304	1,049	13,867

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Notes to Consolidated Financial Statements (Continued)
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27.
Expenses by nature (Continued)

For the year ended June 30, 2015:

	Group Costs Costs of trading properties and development	Costs of rental and services	Costs from hotel operations	Total costs	General and administrative expenses	Selling expenses	Total
Cost of sale of goods and services	2	-	61	63	-	-	63
Salaries, social security costs and other personnel expenses	-	404	162	566	117	36	719
Depreciation and amortization	-	157	12	169	6	-	175
Fees and payments for services	1	9	1	11	84	6	101
Maintenance, security, cleaning, repair and others	7	326	34	367	20	2	389
Advertising and others selling expenses	-	173	7	180	-	35	215
Taxes, rates and contributions	3	108	-	111	12	93	216
Director´s fees	-	-	-	-	99	-	99
Leases and service charges	1	17	-	18	4	2	24
Allowance for doubtful accounts and other receivables, net	-	-	-	-	-	14	14
Other expenses	-	25	1	26	32	6	64
Total expenses by nature	14	1,219	278	1,511	374	194	2,079

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Notes to Consolidated Financial Statements (Continued)
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27.
Expenses by nature (Continued)

For the year ended June 30, 2014:

	Group Costs Costs of trading properties and development	Costs of rental and services	Costs from hotel operations	Total costs	General and administrative expenses	Selling expenses	Total
Cost of sale of goods and services	9	-	50	59	-	-	59
Salaries, social security costs and other personnel expenses	-	362	121	483	99	27	609
Depreciation and amortization	1	209	11	221	5	-	226
Fees and payments for services	-	29	2	31	57	5	93
Maintenance, security, cleaning, repair and others	4	255	26	285	14	1	300
Advertising and others selling expenses	-	145	5	150	-	24	174
Taxes, rates and contributions	2	87	-	89	10	71	170
Director´s fees	-	-	-	-	69	-	69
Leases and service charges	1	17	-	18	9	1	28
Allowance for doubtful accounts and other receivables, net	-	-	-	-	-	12	12
Other expenses	-	18	-	18	34	5	57
Total expenses by nature	17	1,122	215	1,354	297	146	1,797

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28.
Employee costs

	June 30, 2016	June 30, 2015	June 30, 2014
Salaries, bonuses and social security expenses	4,503	670	497
Share - based payments	45	25	71
Defined contribution plan costs	18	7	7
Other employee costs and benefits	68	17	34
Total employee costs	4,634	719	609

29.
Other operating results, net

	June 30, 2016	June 30, 2015	June 30, 2014
Gain from disposal of equity interest in subsidiaries, associates and joint ventures	4	22	-
Expenses from transfers of assets to IRSA CP (1)	-	(110)	-
Reversal of currency translation adjustment (2)	96	188	-
Donations	(58)	(40)	(33)
Judgments and other contingencies (3)	14	(21)	(20)
Others	(32)	(11)	7
Total other operating results, net	24	28	(46)

(1)
On December 22, 2014, IRSA conveyed title on the properties located in Bouchard 710, Suipacha 652, Torre BankBoston, República Building, Intercontinental Plaza and the plot of land next to the latter, to its subsidiary IRSA CP, which as from such date will continue to operate such properties. This transfer has had no effects whatsoever in the consolidated financial statements of the Group other than the expenses and taxes associated to the transfer.
(2)
As of June 30, 2016, Ps. 91 correspond to the reversal of currency translation adjustment before business combination with IDBD and Ps. 5 to the reversal of the translation reserve generated in Rigby following the partial repayment of principal of the company. As of June 30, 2015, corresponds to the reversal of the translation reserve generated in Rigby following the partial repayment of principal of the company.
(3)
Includes legal costs and expenses.

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30.
Financial results, net

	June 30, 2016	June 30, 2015	June 30, 2014
Finance income:			
- Interest income	767	66	76
- Foreign exchange	949	54	41
- Dividends income	72	17	15
Total finance income	1,788	137	132
Finance costs:			
- Interest expense	(2,381)	(628)	(471)
- Foreign exchange losses	(2,633)	(408)	(1,203)
- Other financial costs	(924)	(71)	(75)
Total finance costs	(5,938)	(1,107)	(1,749)
Other financial results:			
- Fair value (loss) / gain of financial assets and liabilities at fair value through profit or loss, net	(1,439)	53	215
- Impairment of investment property and property, plant and equipment	(352)	-	-
- Gain / (Loss) on derivative financial instruments, net	921	(16)	(317)
Total other financial results	(870)	37	(102)
Total financial results, net	(5,020)	(933)	(1,719)

31.
Earnings per share

(a)
Basic

Basic earnings per share amounts are calculated in accordance with IAS 33 "Earning per share" by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

	June 30, 2016	June 30, 2015	June 30, 2014
Total comprehensive loss attributable to equity holders of the parent	(693)	(41)	(786)
Weighted average number of ordinary shares in issue	575	574	576
Basic per share	(1.21)	(0.07)	(1.36)

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31.
Earnings per share (Continued)

(b)
Diluted

Diluted earnings per share amounts are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. The Group holds treasury shares with potentially dilutive effect, however, as of June 30, 2016 and 2014, the Group records net losses, and therefore the dilution effect is not considered. The diluted earnings per share is as follows:

	June 30, 2016	June 30, 2015	June 30, 2014
Total comprehensive loss attributable to equity holders of the Parent	(693)	(41)	(786)
Weighted average number of ordinary shares in issue	575	574	576
Diluted loss per share	(1.21)	(0.07)	(1.36)

32.
Employee benefits

Share-based payments

The Group has an equity incentives plan (“Incentive Plan”), created in September 30, 2011, which is aimed at certain selected employees, directors and top management of the Company, IRSA CP and Cresud (the “Participants”). Engagement is voluntary and by invitation of the Board of Directors.

Under the Incentive Plan, over the years 2011, 2012 and 2013, Participants will be entitled to receive shares ("Contributions") of the Company and Cresud based on a percentage of their annual bonus for the years 2011, 2012 and 2013, providing they remain as employee of the Company for at least five years, among other conditions required, to qualify for such Contributions. Contributions shall be held by the Company and Cresud, and as the conditions established by the Plan are verified, such contributions shall be transferred to the Participants.

As of June 30, 2016 and 2015, a reserve has been set up under Shareholders’ equity as a result of this Incentive Plan for Ps. 67 and Ps. 64, respectively, based on the market value of the shares to be granted pertaining to the Group’s contributions, proportionately to the period already elapsed for the vesting of shares in the Incentive Plan and adjusted for the probability that any beneficiary should leave the Group before the term and/or the conditions required to qualify for the benefits of said plan are met at each fiscal year-end.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

32.
Employee benefits (Continued)

For the fiscal years ended June 30, 2016 and 2015, the Group has incurred a charge related to the Incentive Plan of Ps. 21.3 and Ps. 29.9, respectively, while the total cost not yet recognized (given that the vesting period has not yet elapsed) is Ps. 16.1 and Ps. 46.5, respectively, for each fiscal year. This cost is expected to be recognized over an approximately period of two years.

During the fiscal years ended June 30, 2016 and 2015, the Group granted 702,541 and 685,568 shares, respectively, corresponding to the Participants' Contributions.

Movements in the number of matching shares outstanding under the incentive plan corresponding to the Company´s contributions are as follows:

	June 30, 2016	June 30, 2015
At the beginning	4,439,507	5,786,388
Additions	-	18,734
Expired	(117,367)	(680,047)
Granted	(702,541)	(685,568)
At the end	3,619,599	4,439,507

Defined contribution plan

The Group operates a defined contribution plan (the "Plan") which covers certain selected managers from Argentina. The Plan was effective as from January 1, 2006. Participants can make pre-tax contributions to the Plan of up to 2.5% of their monthly salary ("Base Contributions") and up to 15% of their annual bonus ("Extraordinary Contributions"). Under the Plan, the Group matches employee contributions to the plan at a rate of 200% for Base Contributions and 300% for Extraordinary Contributions.

All contributions are invested in funds administered outside of the Group. Participants or their assignees, as the case may be, will have access to the 100% of the Company contributions under the following circumstances:

(i)
ordinary retirement in accordance with applicable labor regulations;
(ii)
total or permanent incapacity or disability;
(iii)
death.

In case of resignation or termination without good cause, the manager will receives the Group's contribution only if he or she has participated in the Plan for at least 5 years.

Contributions made by the Group under the Plan amount to Ps. 10, Ps. 5 and Ps. 3 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

32.
Employee benefits (Continued)

IDBD Defined benefits

Defined benefits to hired employees include post-employment benefits, retirement benefits, share-based plans and other short and long-term benefits. The Group’s liabilities in relation to severance pay and/or retirement benefits of Israeli employees are calculated in accordance with Israeli laws.

	June 30, 2016
Present value of unfunded obligations	572
Present value of funded obligations	1,070
Total Present value of defined benefits obligations	1,642
Fair value of plan assets	(1,101)
Recognized liability for defined benefits obligations	541
Liability for other long term benefits	148
Total recognized liabilities	689
Assets designed for payment of benefits for employees	(4)
Net position from employee benefits	685

Plans associated to certain key members of management

IDBD, through its subsidiaries, has granted share incentive plans to key members of management. In April 2016, some modifications have been introduced to the plans as regards exercise prices for each of the five tranches of options, thus establishing a range of NIS 9.5 million to NIS 12.5 million. The share price at the time of approval was NIS 7.73 million.

33.
Related party transactions

During the normal course of business, the Group conducts transactions with different entities or parties related to it.

As mentioned in Note 3, on October 11, 2015, the Group obtained control over IDBD. Before takeover, the Group had entered into certain transactions with IDBD as associate, mainly related to the subscription of warrants and/or capital contributions, but had not conducted commercial transactions. See Note 3 for further information related to investment in IDBD.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

Remunerations of the Board of Directors

The Business Company Act, provides that the remuneration of the Board of Directors, where it is not set forth in the Company's by-laws, shall be fixed by the Shareholders' Meetings. The maximum amount of remuneration that the members of the Board are allowed to receive, including salary and other performance-based remuneration of permanent technical-administrative functions, may not exceed 25% of the profits.

Such maximum amount will be limited to 5% where no dividends are distributed to the Shareholders, and will be increased proportionately to the distribution, until reaching such cap where the total of profits is distributed.

Some of our Directors are hired under the Employment Contract Law No. 20,744. This Act rules on certain conditions of the work relationship, including remuneration, salary protection, working hours, vacations, paid leaves, minimum age requirements, workmen protection and forms of suspension and contract termination.

The remuneration of directors for each fiscal year is based on the provisions established by the Business Company Act, taking into consideration whether such directors perform technical-administrative functions and depending upon the results recorded by the Company during the fiscal year.

Once such amounts are determined, they should be approved by the Shareholders' Meeting.

Senior Management remuneration

The members of the Senior or Top Management are appointed and removed by the Board of Directors, and perform functions in accordance with the instructions delivered by the Board itself.

The Company's Senior Management is composed of as follows:

Name	Date of Birth	Position	Actual position since
Eduardo S. Elsztain	01/26/1960	General Manager	1991
Daniel R. Elsztain	12/22/1972	Operating Manager	2012
Javier E. Nahmod	11/10/1977	Real Estate Manager	2014
Matías I. Gaivironsky	02/23/1976	Administrative and Financial Manager	2011
Juan José Martinucci	01/31/1972	Commercial Manager	2013

The remuneration earned by Senior Management for their functions consists of an amount that is fixed taking into account the manager's backgrounds, capacity and experience, plus an annual bonus based on their individual performance and the Group's results. Members of the senior management participate in contribution and share-based incentive plans that are described in Note 32.

The Senior Management of the Operations Center in Israel is composed of as follows:

Name	Date of birth	Position	Current position held since
Sholem Lapidot	10/22/1979	Chief Executive Officer	2016
Gil Kotler	04/10/1966	Chief Financial Officer	2016
Aaron Kaufman	03/03/1970	VP & General Counsel	2015

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

Corporate Service Agreement with Cresud and IRSA CP

In due course, given that IRSA, Cresud and IRSA CP have operating areas with certain characteristics of affinity, the Board of Directors considered it was convenient to implement alternatives that allows to reduce certain fixed costs, with the aim of reducing their incidence on the operating results, building on and enhancing the individual efficiencies of each of the companies in the different areas of operating management.

To such end, on June 30, 2004, a Master Agreement for the Exchange of Corporate Services (“Frame Agreement") was entered into between IRSA, Cresud and IRSA CP, which was 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, February 18, 2015 and November 12, 2015.

Under the current Frame Agreement corporate services are provided in the following areas: Human Resources, Finance, Institutional Relations, Administration and Control, Insurance, Security, Agreements, Technical Tasks, Infrastructure and Services, Procurement, Architecture and Design, Development and Works, Real Estate, Hotels, Board of Directors, Board of Directors of Real Estate Business, General Manager Office, Board Safety, Audit Committee, Real Estate Business Management, Human Resources of Real Estate Business, Fraud Prevention, Internal Audit and Agricultural Investment Management.

Pursuant to this agreement, the companies hired an external consulting firm to review and evaluate half-yearly the criteria used in the process of liquidating the corporate services, as well as the basis for distribution and source documentation used in the process indicated above, by means of a half-yearly report.

It should be noted that the operations indicated above allows our IRSA, Cresud and IRSA CP to keep our strategic and commercial decisions fully independent and confidential, with cost and profit apportionment being made on the basis of operating efficiency and equity, without pursuing individual economic benefits for any of the companies.

Offices and Shopping centers spaces leases

The offices of our president are located at 108 Bolivar, in the Autonomous City of Buenos Aires. The property has been rented to Isaac Elsztain e Hijos S.A., a company controlled by some family members of Eduardo Sergio Elsztain, our president, and to Hamonet S.A., a company controlled by Fernando A. Elsztain, one of our directors, and some of his family members.

· In addition, Tarshop, BACS, BHN Sociedad de Inversión S.A., BHN Seguros Generales S.A. and BHN Visa S.A. rent offices owned by IRSA CP in different buildings.
· Furthermore, we also let various spaces in our Shopping Centers (stores, stands, storage space or advertising space) to third parties and related parties such us Tarshop S.A. and BHSA.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

Lease agreements entered into with associates included similar provisions and amounts to those included in agreements with third parties.

Donations granted to Fundación IRSA and Fundación Museo de los Niños

Fundación IRSA is a non-profit charity institution that seeks to support and generate initiatives concerning education, the promotion of corporate social responsibility and the entrepreneurial spirit of the youth. It carries out corporate volunteering programs and fosters donations by the Group's employees. The main members of Fundación IRSA's Board of Directors are: Eduardo S. Elsztain (President); Saul Zang (Vice President I), Alejandro Elsztain (Vice President II) and Mariana C. de Elsztain (secretary). It funds its activities with the donations made by us, Cresud and IRSA CP.

Fundación Museo de los Niños is a non-profit association, created by the same founders of Fundación IRSA and its Management Board is formed by the same members as Fundación IRSA's. Fundación Museo de los Niños acts as special vehicle for the developments of "Museo de los Niños, Abasto" and the "Museo de los Niños, Rosario". On October 29, 1999, our shareholders approved the award of the agreement "Museo de los Niños, Abasto" to Fundación Museo de los Niños. On October 31, 1997, IRSA CP entered into an agreement with Fundación IRSA whereby it loaned 3,800 square meters of the area built in the Abasto Shopping Center for a total term of 30 years, and on November 29, 2005, shareholders of IRSA CP approved another agreement entered into with Fundación Museo de los Niños whereby 2,670.11 square meters built in the Shopping Center Alto Rosario were loaned for a term of 30 years. Fundación IRSA has used the available area to house the museum called "Museo de los Niños, Abasto" an interactive learning center for kids and adults, which was opened to the public in April 1999.

Legal Services

The Group hires legal services from Estudio Zang, Bergel & Viñes, from which Saúl Zang is a partner and sits at the Board of Directors of the Group companies.

Purchase and sale of goods and/or service hiring

In the normal course of its business and with the aim of making resources more efficient, the Group, including its parent company, in certain occasions purchases and/or hires services which later sells and/or recovers for companies or other related parties, based upon their actual utilization.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

Sale of advertising space in media

The Group frequently enter into agreements with third parties whereby we sell/acquire rights of use to advertise in media (TV, radio stations, newspapers, etc.) that will later be used in advertising campaigns. Normally, these spaces are sold and/or recovered to/from other companies or other related parties, based on their actual use.

Purchase and sale of financial assets

The Group usually invests excess cash in several instruments that may include those issued by related companies, acquired at issuance or from unrelated third parties through secondary market deals.

Investment in investment funds managed by BACS

The Group invests its liquid funds in mutual funds managed by BACS among other entities.

Borrowings

In the normal course of its activities, the Group enters into diverse loan agreements or credit facilities between the group's companies and/or other related parties. These borrowings generally accrue interests at market rates.

Financial and service operations with BHSA

The Group works with several financial entities in the Argentine market for operations including, but not limited to, credit, investment, purchase and sale of securities and financial derivatives. Such entities include BHSA and its subsidiaries. Furthermore, BHSA and BACS usually act as underwriters in Capital Market transactions for the Group. In addition, we have entered into agreements with BHSA, who provides collection services for our Shopping Centers.

Transactions with IFISA

On June 2014, the Group, through Real Estate Investment Group IV LP renewed a credit facility granted by IFISA, a company indirectly controlled by Eduardo Sergio Elsztain, for a total amount of 1.4 million shares of Hersha Hospitality Trust. The transaction was agreed upon for a term of 30 days, which could be renewed for up to 360 days; the facility was priced at Libor (3 months) + 50 bp. This credit facility was cancelled after the end of fiscal year 2014 in order to sell the remaining amount of Hersha.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

On February 10, 2015, Dolphin, sold 71,388,470 IDBD shares to IFISA, for an amount of US$ 25.6 million, US$ 4 million of which were paid upon execution and the remaining balance of US$ 21.6 million were financed for a term of up to 360 days and priced at Libor 1M (one month) + 3%. On May 9, 2016, the parties agreed to extend the expiration date for 30 days as from execution of the addenda, to be automatically renewable every 30 days for a maximum term of 180 days, and increasing the rate to 9% since February 10, 2016.

On May 31, 2015, the Group, through Dolphin, sold to IFISA 46 million of warrants Series 4 for a total amount of NIS 0.46 million (equivalent to US$ 0.12 million at the time of the transaction), provided IFISA agreed to exercise them fully when Dolphin were so required by IDBD.

On July 28, 2015, the Group, through Dolphin granted a loan to IFISA for an amount of US$ 7.2 million, due in July 2016, which accrues interest at Libor 1M (one month) + 3%. On May 9, the parties agreed to extend the expiration date to June 8, 2016, to be automatically renewable every 30 days for a maximum term of 180 days, and increased the rate to 9%.

On October 9, 2015, the Group, through REIG V granted a loan in the amount of US$ 40 million to IFISA. The term of the loan was one year calculated from the disbursement and bore interest at a rate of 3% + Libor 1M, determined monthly. On October 7, 2016, the Group extended the deadline for repayment within 30 days from October 8, 2016, automatically renewable for periods of 30 days to a maximum of 180 days and settled interest at a rate of 9% per annum.

In February 2016, DN B.V., a subsidiary of Dolphin, entered into an option contract with IFISA whereby Dolphin is granted the right, but not the obligation to acquire 92,665,925 shares of IDBD held by IFISA at a share price of NIS 1.64 plus an annual interest of 8.5%. The exercise date for the option extends for two years.

All transactions are carried out at arm’s length.

Purchase of farmland "La Adela"

In July 2014, IRSA bought from Cresud the “La Adela” farmland – an area of approximately 1,058 hectares located in the municipality of Luján, Province of Buenos Aires, for a total amount of Ps. 210. Given the development and proximity to Buenos Aires, there is a high potential for urbanization of this farmland; therefore, the purpose of the sale is to undertake a new real estate development.

Transfer of tax credits

During the fiscal year ended June 30, 2016 Sociedad Anónima Carnes Pampeanas S.A. (subsidiary of Cresud) and Cresud, assigned upon IRSA CP, credits pertaining to VAT refunds for exports originated in such companies' economic activities.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

The following is a summary of the balances with related parties as of June 30, 2016:

Related party	Description of transaction	Investments in financial assets non-current	Investments in financial assets current	Trade and other receivables non-current	Trade and other receivables current	Trade and other payables non-current	Trade and other payables current	Borrowings non-current	Borrowin current
Parent Company									
	Reimbursement of expenses	-	-	-	-	-	(30)	-	-
	Corporate services	-	-	-	-	-	(67)	-	-
Cresud	NCN	-	329	-	-	-	-	-	-
	Leases and/or rights of use	-	-	-	4	-	-	-	-
	Long-term incentive plan	-	-	-	3	-	-	-	-
Total Parent Company		-	329	-	7	-	(97)	-	-
Associates									
BHSA	Reimbursement of expenses	-	-	-	-	-	(1)	-	-
	Borrowings	-	-	-	-	-	-	(2)	(10)
Lipstick	Reimbursement of expenses	-	-	-	2	-	-	-	-
New Lipstick	Reimbursement of expenses	-	-	-	5	-	-	-	-
	NCN	100	21	-	-	-	-	-	-
BACS	Reimbursement of expenses	-	-	-	1	-	-	-	-
Tarshop	Reimbursement of expenses	-	-	-	1	-	-	-	-
	Leases and/or rights of use	-	-	-	-	-	(1)	-	-
Total Associates		100	21	-	9	-	(2)	(2)	(10)
Joint Ventures									

	Borrowings	-	-	-	-	-	-	-	(14)
Cyrsa	Credit due to capital reduction	-	-	-	3	-	-	-	-
	Reimbursement of expenses	-	-	-	2	-	-	-	-
NPSF	Share-based compensation plan	-	-	-	1	-	-	-	-
	Borrowings	-	-	-	-	-	-	-	(6)
	Management fees	-	-	-	4	-	-	-	-
Puerto Retiro	Borrowings	-	-	-	3	-	-	-	-
Quality	Reimbursement of expenses	-	-	-	1	-	-	-	-
Total Joint Ventures		-	-	-	14	-	-	-	(20)

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

Related party	Description of transaction	Investments in financial assets non-current	Investments in financial assets current	Trade and other receivables non-current	Trade and other receivables current	Trade and other payables non-current	Trade and other payables current	Borrowings non-current	Borrow current
Subsidiaries of the parent company									
Sociedad Anónima Carnes Pampeanas S.A.	Transfer of tax credits	-	-	-	-	-	(7)	-	-
Total Subsidiaries of the parent company		-	-	-	-	-	(7)	-	-
Other related parties									
Consultores Asset Management S.A.	Reimbursement of expenses	-	-	-	7	-	-	-	-
Avenida Compras S.A.	Advertising space	-	-	-	1	-	-	-	-
Avenida Inc.	Advertising space	-	-	-	1	-	-	-	-
Boulevard Norte S.A.	Reimbursement of expenses	-	-	-	1	-	-	-	-
	Other payables	-	-	-	-	-	(1)	-	-
Ogden Argentina S.A.	Borrowings	-	-	-	1	-	-	-	-
Estudio Zang, Bergel y Viñes	Legal services	-	-	-	-	-	(1)	-	-
Consultores Venture Capital Uruguay	Management fees	-	-	-	2	-	-	-	-
IFISA	Borrowings	-	-	-	1,074	-	-	-	-

Museo de los Niños	Leases and/or rights of use	-	-	-	1	-	-	-	-
Total other related parties		-	-	-	1,088	-	(2)	-	-
Directors and Senior Management									
Directors	Advances	-	-	-	4	-	-	-	-
	Fees	-	-	-	-	-	(28)	-	-
Total Directors and Senior Management		-	-	-	4	-	(28)	-	-
Total		100	350	-	1,122	-	(136)	(2)	(30)

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

The following is a summary of the balances with related parties as of June 30, 2015:

Related party	Description of transaction	Investments in financial assets non-current	Investments in financial assets current	Trade and other receivables non-current	Trade and other receivables current	Trade and other payables non-current	Trade and other payables current	Borrowings non-current	Borrowin current
Parent Company									
	Reimbursement of expenses	-	-	-	-	-	(10)	-	-
	Corporate services	-	-	-	-	-	(52)	-	-
Cresud	NCN	80	30	-	-	-	-	(17)	(1)
	Leases and/or rights of use	-	-	-	1	-	-	-	-
	Long-term incentive plan	-	-	-	-	-	(25)	-	-
Total Parent Company		80	30	-	1	-	(87)	(17)	(1)
Associates									
BHSA	Advances	-	-	-	-	-	(1)	-	-
	Borrowings	-	-	-	-	-	-	(7)	(22)
	Leases and/or rights of use	-	-	-	1	-	-	-	-
Lipstick	Reimbursement of expenses	-	-	-	1	-	-	-	-
New Lipstick	Reimbursement of expenses	-	-	-	3	-	-	-	-
BACS	NCN	100	-	-	-	-	-	-	-
	Reimbursement of expenses	-	-	-	2	-	-	-	-
Tarshop	Reimbursement of expenses	-	-	-	2	-	-	-	-
	Leases and/or rights of use	-	-	-	-	-	(1)	-	-
Condor	Borrowings	-	-	-	29	-	-	-	-
Total Associates		100	-	-	38	-	(2)	(7)	(22)

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

Related party	Description of transaction	Investments in financial assets non-current	Investments in financial assets current	Trade and other receivables non-current	Trade and other receivables current	Trade and other payables non-current	Trade and other payables current	Borrowings non-current	Borrow current
Joint Ventures									
Baicom	Borrowings	-	-	1	-	-	-	-	-
	Reimbursement of expenses	-	-	-	1	-	-	-	-
Cyrsa	Borrowings	-	-	-	-	-	-	(14)	-
	Credit due to capital reduction	-	-	-	9	-	-	-	-
NPSF	Reimbursement of expenses	-	-	-	1	-	-	-	-
	Leases and/or rights of use	-	-	-	-	-	(1)	-	-
	Borrowings	-	-	-	-	-	-	-	(8)
	Management fees	-	-	-	3	-	-	-	-
Puerto Retiro	Borrowings	-	-	-	2	-	-	-	-
Total Joint Ventures		-	-	1	16	-	(1)	(14)	(8)
Subsidiaries of the parent company									
Helmir Sociedad Anónima	NCN	-	-	-	-	-	-	(28)	(1)
Carnes Pampeanas S.A.	Transfer of tax credits	-	-	-	-	-	(3)	-	-
Total Subsidiaries of the parent company		-	-	-	-	-	(3)	(28)	(1)
Other related parties									
Consultores Asset	Reimbursement of expenses	-	-	-	5	-	-	-	-

Management S.A.									
Estudio Zang, Bergel y Viñes	Legal services	-	-	-	-	-	(1)	-	-
Consultores Venture Capital Uruguay	Management fees	-	-	-	1	-	-	-	-
Ogden Argentina S.A.	Borrowings	-	-	-	1	-	-	-	-
IFISA	Borrowings	-	-	-	265	-	-	-	-
Museo de los Niños	Leases and/or rights of use	-	-	-	2	-	-	-	-
Boulevard Norte S.A.	Reimbursement of expenses	-	-	-	1	-	-	-	-
Total other related parties		-	-	-	275	-	(1)	-	-
Directors and Senior Management									
Directors	Fees	-	-	-	-	-	(41)	-	-
Total Directors and Senior Management		-	-	-	-	-	(41)	-	-
Total		180	30	1	330	-	(135)	(66)	(32)

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

The following is a summary of the transactions with related parties for the year ended June 30, 2016:

Related party	Leases and/or rights of use	Management fees	Sale of goods and/or services	Corporate services	Legal services	Financial operations	Donations	Fees and salaries
Parent Company								
Cresud	7	-	-	(121)	-	74	-	-
Total Parent Company	7	-	-	(121)	-	74	-	-
Associates								
BHSA	3	-	-	-	-	(4)	-	-
BACS	6	-	-	-	-	21	-	-
Tarshop	12	-	-	-	-	-	-	-
Adama	-	-	16	-	-	-	-	-
ISPRO	-	-	9	-	-	-	-	-
Total Associates	21	-	25	-	-	17	-	-
Joint Ventures								
Cyrsa	-	-	-	-	-	(3)	-	-
NPSF	-	3	-	-	-	(2)	-	-
Puerto Retiro	-	-	-	-	-	1	-	-
Mehadrin	-	-	48	-	-	-	-	-
Total Joint Ventures	-	3	48	-	-	(4)	-	-
Other related parties								
Estudio Zang, Bergel & Viñes	-	-	-	-	(5)	-	-	-
Isaac Elsztain e Hijos S.C.A.	(1)	-	-	-	-	-	-	-
Fundación IRSA	-	-	-	-	-	-	(8)	-
IFISA	-	-	-	-	-	31	-	-
Condor	-	-	-	-	-	122	-	-
Total Other related parties	(1)	-	-	-	(5)	153	(8)	-
Directors and Senior Management								
Directors	-	-	-	-	-	-	-	(137)
Senior Management	-	-	-	-	-	-	-	(9)
Total Directors and Senior Management	-	-	-	-	-	-	-	(146)
Total	27	3	73	(121)	(5)	240	(8)	(146)

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)
(All amounts in millions of Argentine Pesos, except otherwise indicated)

33. Related party transactions (Continued)

The following is a summary of the transactions with related parties for the year ended June 30, 2015:

Related party	Leases and/or rights of use	Management fees	Corporate services	Legal services	Financial operations	Donations	Fees and salaries
Parent Company							
Cresud	4	-	(96)	-	(8)	-	-
Total Parent Company	4	-	(96)	-	(8)	-	-
Associates							
BHSA	2	-	-	-	-		